ATOSS

MOTIVATION
COMPETENCE
INNOVATION
PLUS
SUCCESS

ANNUAL REPORT

2010

ATOSS

ATOSS IN FIGURES

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

	01.01.2010 - 31.12.2010	Of Total Sales	01.01.2009 - 31.12.2009	Of Total Sales	Change 2010 / 2009
Total Sales	**29,314**	**100%**	**29,087**	**100%**	**1%**
Software	17,847	61%	16,771	58%	6%
Software licences	6,541	22%	6,140	21%	7%
Software maintenance	11,306	39%	10,631	37%	6%
Consulting	7,914	27%	8,518	29%	-7%
Hardware	2,452	8%	2,301	8%	7%
Other	1,101	4%	1,497	5%	-26%
EBITDA	7,290	25%	5,903	20%	23%
EBIT	**6,840**	**23%**	**5,519**	**19%**	**24%**
EBT	6,958	24%	5,854	20%	19%
Net Income	**4,799**	**16%**	**3,964**	**14%**	**21%**
Cash Flow	5,795	20%	7,612	26%	-24%
Liquidity [1/2]	20,691		19,328		7%
EPS (in EUR)	1.21		1.00		21%
Employees [3]	247		234		6%

CONSOLIDATED OVERVIEW ACCORDING TO IFRS: QUARTERLY COMPARISON IN T EUR

	Q4/10	Q3/10	Q2/10	Q1/10	Q4/09
Total Sales	**7,870**	**7,178**	**7,118**	**7,148**	**7,696**
Software	4,652	4,384	4,459	4,352	4,331
Software licences	1,711	1,544	1,658	1,628	1,590
Software maintenance	2,941	2,840	2,801	2,724	2,741
Consulting	2,204	1,928	1,894	1,889	2,382
Hardware	809	502	601	540	726
Other	206	364	164	367	257
EBITDA	1,684	1,928	1,894	1,785	1,239
EBIT	**1,582**	**1,815**	**1,779**	**1,663**	**1,132**
EBIT-margin in %	20%	25%	25%	23%	15%
EBT	1,642	1,831	1,792	1,693	1,260
Net Income	**1,183**	**1,243**	**1,220**	**1,153**	**867**
Cash Flow	-1,168	4,250	-403	3,116	386
Liquidity [1/2]	20,691	21,980	17,789	20,249	19,328
EPS (in EUR)	0.30	0.31	0.31	0.29	0.22
Employees [3]	247	247	242	236	234

1: Cash and marketable securities
2: Dividend amounted to EUR 0.50 per share on 03.05.2010 (previous year: EUR 0.44)
3: End of quarter

A BIG PLUS

Developments over five record years from 2006 to 2010

+44% Total Sales

+63% Software Licences Sales

+59% Consulting Sales

+47% Capital Investment on R&D

+1.116% EBIT

+921 New Customers

We deliver workforce management expertise.

Demand driven workforce management is our core competence. We are committed to providing advanced, leading-edge technologies. Our customers are benefitting from higher productivity, greater transparency, leaner processes and higher service quality levels – while enjoying lower staff costs at the same time.

»Success needs time and continuity.«

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

8	Interview: When good enough is simply not good enough
10	ATOSS: an introduction to the company, its markets and its customers
80	Letter to Shareholders
82	Investor Relations
88	Corporate Governance Report
96	Supervisory Board Report
100	Group Management Report
118	Consolidated Balance Sheet
119	Consolidated Income Statement
119	Consolidated Statement of Comprehensive Income
120	Consolidated Cash Flow Statement
121	Consolidated Statement of Changes in Equity
122	Notes to the Consolidated Financial Statements
168	Audit Opinion
169	Declaration by the Legal Representatives
170	ATOSS Locations
171	Imprint
172	Corporate Calendar

CONTENTS

When good enough is simply not good enough.

Mr. Obereder, in the past three years we have seen a lot of turbulence in the global economy. The sudden and severe crash was followed, at least in Germany, by a surprisingly swift recovery. What insights have you gained from this development?
In my opinion, the economic developments of the last few years underscore the incredible degree of complexity and interconnectedness that the global economy has attained. We have to assume that the positive and negative fluctuations in the economy will become more frequent and more intense in the future. At the same time, the crisis clearly showed us that such fluctuations are increasingly difficult to predict. This means that corporations and public organizations need to massively increase the flexibility and adaptability of their structures and processes. They may have to go from full speed ahead to reverse gear and back to full throttle in a matter of seconds, as it were. In management terms, this necessitates a rapid allocation of resources, optimally geared to any situation on the market. The last three years have really brought it home to businesses that workforce management is truly indispensable as a strategic discipline.

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

What are the implications for ATOSS?
Naturally, all this is positive for our company, as reflected in our financial figures. Workforce management is becoming crucial for the overall performance of companies and also for their risk management. The German economy is currently so successful thanks to its enhanced competitive strengths deriving from higher productivity and lower labor costs. If we are talking flexible processes and optimized resource management, the personnel-intensive sectors in high-wage countries really need to look at HR processes. Workforce management is crucial for being able to react optimally to economical fluctuations, in terms of processes and costs. Managing complexity is, after all, a workforce issue: today, work in global teams is increasingly called for. In such cases, employees often need to be coordinated across group and department boundaries. This can no longer be accomplished manually or by way of spreadsheets.

The number of possible combinations in professional planning is truly staggering ...
That's right! Even if you just consider a branch of a commercial enterprise, with 30 employees, and three different times at which staff start work, the manifold potential planning options soon take on dimensions that cannot be handled without the right IT in place. That is why – more than ten years ago – we developed an algorithm that makes such complexity manageable. Thanks to its continuous further development, we are able to offer our customers a powerful tool today that enables them to cope with the most complex and demanding challenges encountered in sophisticated planning. That is our expertise.

These developments must have cost a pretty penny ...
So far, we have put down almost 60 million euros for research and development alone. That makes us one of the largest investors among IT companies in Germany, according to a recent study. Certainly, it has been an investment worth every cent to our customers and us. Thanks to our algorithm, our current software is capable of delivering forecasts and planning with a much higher degree of accuracy than what is otherwise available on the market. This provides the necessary edge in the day-to-day business, because when it comes to workforce management, good enough is simply not good enough.

2010 heralded a decade of demographic change, which will have substantial consequences for companies. Will workforce management help tackle these challenges?
The imminent demographic changes in many Western countries present companies with several challenges. Firstly, they need to find the most efficient way of managing ever-tighter personnel resources. And that is precisely our core competence. A comprehensive, integrated planning system is capable of taking any range of factors into account, such as individual working hours, special qualifications, age-related limitations, demands and preferences, as well as company-specific demand drivers such as POS data or customer frequency data in retailing. This ensures high planning quality and eliminates issues such as unoccupied time, overtime or absence as far as possible. The existing workforce is deployed optimally.

Secondly, companies need to create new framework conditions to account for the changing workforce structures, especially with regard to progressive retirement and work-life balance issues. In the future, companies will have to operate with a much larger range of working time models. This increases the planning complexity enormously. It will quite simply be impossible to stay on top of the processes and establish effective and efficient corporate management of clients and employees without the support of high-end software solutions.

What are the other drivers in your market?
From a technological point of view, many of the current developments show great potential for change. On the one hand, mobile business is increasingly moving center stage. The mobile operation of applications works on two levels: the closer the international cooperation and the more flexible the working time models, the more important it will be to control processes regardless of location and time. The rapid spread of wireless technologies and smart devices has established an infrastructure to do exactly that. As an innovative software provider, we must react to the new environment and adapt our offerings accordingly. Cloud computing is another mega trend – an evolution which changes both how software is accessed and how management and communication processes are designed. This is an area we are studying intensively in order to explore the potential that could be useful to our customers.

Strategically, workforce management and scheduling will increasingly be seen as part of the overall context of medium- and long-term workforce and corporate planning. What staff structure and what qualifications structure are required to ensure optimal deployment? What impact do personnel changes have on quality and costs and, ultimately, on the success of the company? Our solutions can already be used to produce such simulations and to examine such scenarios today. We are systematically endeavoring to extend these functionalities.

What are the next steps ATOSS will be taking in terms of strategy?
We will continue to drive internationalization, independently and together with our business partners. It is an area where we see great potential for growth and we have already established the respective structures. Many of our customers, like Douglas, W.L. Gore, HORNBACH, Lufthansa, PUMA, s.Oliver or Sixt are global players. They expect us to provide solutions that work across borders. It is definitely a challenge, since many parameters – whether they relate to economic, cultural or legal matters – vary from country to country. With our »Made in Germany« solutions, we are clearly heading up the field, because we are able to meet the most sophisticated demands on methodical and technological levels.

Where is workforce management headed in the new decade?
It is already clear that workforce management will become a core function in companies in future – a crucial element of long-term, sustainable success. And ATOSS will be a key player in shaping this development.

Thank you for the interview.

THINGS ARE GETTING TIGHTER.

The shortage of qualified personnel is the number one productivity killer across the globe.

But not for our customers.

ATOSS customer BASF

ATOSS customer BLG LOGISTICS GROUP

Managing the shortfalls – optimal deployment of human resources.

Skilled personnel are a scarce commodity today – and the situation is worsening rapidly: according to the Institute for the Study of Labor (Institut zur Zukunft der Arbeit), Germany alone will have a shortfall of around 240,000 engineers as early as 2020. This means that companies must manage their valuable human resources with utmost care. At the same time, recruiting qualified staff in the competitive labor market is just as crucial. Companies that succeed in positioning themselves as attractive employers are one step ahead in international competition. Work-life balance based on flexible modes of work and individual career options are key elements in this context. In times of demographic change, state-of-the-art workforce management is becoming a decisive success factor and facilitates innovative work concepts.

With a global workforce of around 13,700 members of staff, the BLG LOGISTICS GROUP is competing in the international arena, backed by a strong range of services, lean processes and high service quality levels. The efficient management of working hours and personnel is a key element of the corporate philosophy. The international logistics leader achieved 20 percent productivity gains after introducing ATOSS software. The flexible organization of working hours in the operative areas was decisive, especially the cargo handling in harbor operations. Here, the workforce composition changes almost on an hourly basis, depending on the orders and the required qualifications. Such capacity fluctuations can only be managed through an optimal and intelligent deployment of around 5,000 harbor workers. When work peaks occur or certain qualifications are needed, BLG taps the personnel pool of the harbor operations association (Gesamthafenbetriebsverein) at short notice. The profiles and working hours of up to 1,500 temporary workers are automatically stored, managed and billed in the ATOSS Staff Efficiency Suite, enabling BLG to react flexibly and swiftly to up to the minute requirements.

80 percent

less unproductive time within the first year.
Successful projects of ATOSS logistics customers

Change calls for action.

The Ingolstadt clinical center anticipated the current labor market situation in the public health sector and set a strategic course at an early stage. A pioneer in efficient time and attendance management in healthcare, the clinical center has been relying for years on the ATOSS Medical Solution to manage around 3,000 employees, 1,450 of whom are doctors and nurses. The entire organization is consistently geared to the necessary medical processes. Personnel, working time models and qualifications are deployed in an interdisciplinary manner in order to keep costs to a minimum and maintain an excellent quality of care. According to this principle, the hospital is also capable of handling times of maximum workload, with approximately 160 emergency hospitalizations per day, smoothly and to budget – and requires no more than 50 working time models to accomplish this.

Clinic staff coordinate their regular shifts, on-call duties and weekend shifts almost entirely on their own. Overtime is paid or transferred to a long-term compensation time account according to employees' wishes. By way of the integrated ATOSS Employee & Manager Self Service portal, staff are able to access their account balance and duty roster at all times. This combination of transparency and individual responsibility pays off in the battle for qualified and motivated employees: the hospital has a staff turnover rate of less than three percent.

The Ingolstadt clinical center, one of the largest employers in the region, regards employee satisfaction as a key success factor. Hospital management cites risk management as the strategy of choice – and workforce management is an essential part.

»The demographic developments in Germany challenge companies to rethink. Innovative and sustainable human resources management is the driving force in this process of change. Workforce management is an essential element of such strategies.«
Heribert Fastenmeier, Managing Director of the Ingolstadt clinical center

ATOSS customers in health care

Congregation of the Sisters of Charity
German Heart Center Munich
HSK, Dr. Horst Schmidt clinics
Itzehoe clinical center
Leverkusen clinical center
Saarbrücken clinical center
District Clinics Reutlingen
Oberhavel clinics
Salzburger state clinics
SLK-clinics Heilbronn
...

ATOSS customer RoMed Rosenheim clinical center

ATOSS customer Trauma Center Murnau

ATOSS customer Ingolstadt clinical center

A sharp focus on employees: performance is the key to success.

CIBA VISION, a member of the Novartis healthcare group and an international leader in contact lenses and lens care products, sets the most stringent standards with regard to the company's operations and products. The company's success hinges particularly on staff commitment. Maintaining strong employee motivation and performance capabilities is a central challenge for CIBA VISION GmbH based in Großwallstadt. This outstanding corporate culture is one of the reasons why the company has received several awards as the best employer in Germany and Europe.

With the aim of involving staff more actively in the workforce processes, CIBA VISION GmbH opted for the ATOSS Staff Efficiency Suite. The functionalities of the ATOSS Employee & Manager Self Service portal were the decisive consideration behind this choice. Besides the convenient, paperless application and authorization of absence, the portal also facilitates efficient and transparent absence management and therefore constitutes an important component of comprehensive health management at CIBA VISION GmbH.

Customers in the chemical and pharmaceutical industries

BASF // DURABLE // Meffert Farbwerke // Reckitt Benckiser // Renolit // Sonax // Vetter Pharma // Warner Chilcott // W.L.Gore & Associates // ...

ATOSS customer CIBA VISION

»Today, our employees play an active, integrative role in our workforce processes. They benefit from greater transparency, while the HR department is relieved of administration burdens. This leaves greater scope to focus on core tasks and create more value in relation to human resources.«
Regina Frangen
Head of Human Resources/Communication
CIBA VISION GmbH

ATOSS customer Essilor

ATOSS customer Mustang

LOST REVENUE?

No thanks!

»RUNNERS POINT stands for top service and individual customer care. We have received several awards on the grounds of these strengths. Our stores rely on technical innovations to achieve the best possible customer service. Thanks to the ATOSS solution, we will be able to tailor the availability of our employees even more accurately to actual requirements, that is, according to customer frequency.«
Reiner Titzrath
Head of Human Resources, RUNNERS POINT

ATOSS customer RUNNERS POINT

ATOSS customer s.Oliver

Better service, higher sales, lower costs.

In the retail sector, service is a vital distinguishing feature and guarantees higher sales. Staff present on shop floor when customers need them boost the conversion rate, while intelligent planning keeps personnel costs under control. The ATOSS Retail Solution helps retail businesses manage the balancing act between higher service quality and optimized personnel costs. We enable our customers to plan and manage their staff down to minute-by-minute accuracy, according to customer frequency, business volume, sales figures and events, while taking daily highs and lows into account.

On the expansion path: in the course of just a few decades, s.Oliver has developed into an internationally thriving fashion enterprise. The fashion company operates more than 1,000 shops, 240 stores and around 50 megastores, offering fashion and lifestyle products for the whole family. The s.Oliver concept prioritizes service and product quality – and more recently, is relying on modern workforce management. At four branches in Germany and Austria the software is already at work after only six months, while the remaining roll-out is well underway.

Working hours according to flight schedules: eurotrade is another new user of the ATOSS Retail Solution, and will be managing the deployment of the company's 1,000 employees in 80 shops at Munich Airport. Handling the workforce presents the airport retailer with some special challenges: long opening hours 365 days a year, high customer frequencies with short visiting times and strong fluctuations depending on the season and the time of day all have to be taken into account. A comprehensive analysis of processes and requirements identified significant potential for cutting costs and optimizing processes in connection with personnel planning and management. In the future, eurotrade wants to synchronize customer traffic and workforce deployment times to an even greater extent and thereby enhance service quality.

ATOSS counts more than 400 customers in retailing

ALDI SÜD // Benetton // Conrad Electronic // Dodenhof // Douglas // Globus Fachmärkte // Hartlauer // HORNBACH // Kastner & Öhler // Max Bahr // O_2 // PUMA // SportScheck // Strenesse // Telekom Shops // Weltbild // Wolford // ...

ATOSS customer AppelrathCüpper

15 percent

lower personnel costs with the same employment figures.
11% higher turnover.
8% higher conversion rate.

Results from ATOSS retail projects

»We have a relatively large number of sales people on the floor, but in the premium business, where product and service quality are particularly important, the figures also have to add up. The ATOSS Retail Solution is an essential tool for ensuring that we have the necessary, qualified personnel in the stores at the right time. This is the only way we can keep costs under control despite a personnel-intensive organization.«
Christian Steer, Managing Director of AppelrathCüpper


ATOSS customer Strenesse

Premium service: It's all about customer satisfaction.

AppelrathCüpper stands for brand expertise and excellent service in women's fashion. The success formula for this Douglas subsidiary includes professional customer care, provided by approximately 960 full- and part-time staff, as well as by marginal employees. Demand and sales driven workforce management combined with the continuous optimization of planning quality result in service working hour patterns that benefit customers, employees and the company alike. The challenge in planning is to ensure that the right number of qualified employees on the shop floor at all times - thereby reducing overtime and unoccupied time. And the ATOSS solution put in place delivered outstanding success. In the first year the ATOSS Retail Solution was operational, overtime was reduced by 750 hours (around 80 percent) in the sales area, while service quality and hourly employee productivity went up at the same time. The company is strongly committed to its philosophy of turning shoppers into loyal clients. Demand driven, flexible workforce management and deployment are instrumental in achieving this goal.

On-demand service in book selling: our customer Thalia.ch, another Douglas Group company, is also pursuing a policy of providing first-class service at all times. The bookseller consistently plans the deployment of around 570 full- and part-time employees according to customer traffic. Thanks to short notice scheduling and workforce planning capabilities, Thalia.ch succeeded in cutting overtime by 75 percent in 7 months, without compromising on service quality.

Everything revolves around customers at Douglas: the European market leader in perfumery products with 1,220 shops worldwide and about 450 stores in Germany decided to use the ATOSS Retail Solution on an international scale. The aim is to additionally improve the correlation between customer frequency, customer service, personnel attendance and the organization of branch processes. The company is particularly keen to increase the high service quality in the stores even further and ensure that the customers always enjoy optimal service. The rollout in the German stores is already underway.

Workforce management has the cash desks ringing.

Food retailing is a fiercely competitive sector. Customers expect product variety, freshness and good service – at highly attractive prices. The discounters are not alone in having to keep an sharp eye on their efficiency in order to hold their own on the markets.

Regional planning, centralized information. At ALDI SÜD, the branch managers are responsible for planning the working time of their teams. In order to support them and their representatives in organizing their staffing levels, the ALDI SÜD Group introduced the solution ATOSS Time Control for the workforce management of the branches. Key criteria in their decision to opt for ATOSS were the intuitive, ergonomic interface and the ease with which the software can be adapted to suit the company's needs. The ATOSS solution is currently in use in over 1,790 branches in West and South Germany. Data for analyses and payroll accounting is held at a central point.

Product diversity, customer focus and operational efficiency. EDEKA Minden-Hannover's workforce of around 29,500 employees ensures that these claims are central to everyday working practices. With the objective of maintaining high-quality service delivery in spite of rising personnel costs, management has decided to introduce a workforce management solution. The aim was to cut administrative input and expenditure and create a solid base for workforce scheduling geared to service and sales. The degree of transparency gained secures greater planning quality – also across individual stores.

The ATOSS Retail Solution goes for gold

In 2010, our retail solution won the coveted »Top Produkt Handel« award for the second time. Readers of the trade magazine »handelsjournal« cast their votes, confirming what company practice clearly demonstrates – process optimization and workforce efficiency represent a decisive success strategy in the retail sector.

ATOSS customer ALDI SÜD

ATOSS customers in food retailing
ALDI SÜD // Combi // coop // EDEKA // famila // Feneberg // Hamberger // Haubi's // J. Bünting // Minipreis // MPREIS // ...

»The significance of flexible and demand driven workforce scheduling for the retail sector continues to grow. In the long-term, this is the only way of reliably providing customers with the optimal service they expect. Specifically, this means well-filled shelves, enough cash desks open for service and minimum waiting times for our customers. The fact that we pursue a consistent policy of workforce management throughout the Group is further proof of our priorities.«
Volker Bredemeier, HR Manager
EDEKA Minden-Hannover

ATOSS customer EDEKA

THINK GLOBAL!

ATOSS customer PUMA

On parle workforce management.

In eight languages and all around the world.

ATOSS customer HORNBACH

Made in Germany, at home across the globe.

Productivity knows no frontiers. ATOSS solutions are already at work in over twenty countries and in eight language versions. Our customers speak French, Czech, Swedish, Spanish or English – and we speak workforce management. One thing is clear to anyone managing personnel in more than one country: the tasks workforce management faces solely due to the different legislative systems in individual countries are as diverse and complicated as the differences between the various countries and languages are themselves. Challenges that are conveniently overcome when our solutions are deployed. And not only as they are available in different languages, but also because they are geared to coping with change – whether this is expansion, internationalization or changes in collectively bargained pay scales. The flexibility of our software and our in-depth expertise convince customers time and time again.

PUMA AG – with a global workforce of approximately 9,700 employees – has opted to implement the ATOSS Retail Solution at its own retail outlets. Current planning envisages versions in German, English, Dutch, French and Swiss German. The long-term objective is to achieve a high level of transparency and standardized workforce planning – world wide.

At HORNBACH Baumarkt AG national borders place no limits success. In over 130 DIY stores and garden centers in Europe, this expanding retail group in the DIY sector keeps its eye firmly on one paramount goal – customer satisfaction. A workforce of some 13,700 employees are committed to ensuring precisely this, day in, day out. The ATOSS Retail Solution is in place to optimize the company's workforce management in the future. While our solution is already at work at DIY outlets in Germany and the Netherlands, the rollout across Europe continues apace, bringing the software to Switzerland, Austria and Sweden in 2011 and 2012.

ATOSS solutions are on the job around the world

Amway // Kastner & Öhler // Lufthansa // LuxairGroup // PLAYMOBIL® // Sixt // Swiss International Air Lines // TOSHIBA // W.L. Gore & Associates // ...

ATOSS customer Essilor

MANUFACTURING IS COMPLEX.

Never mind – we're the experts!

ATOSS customer Magna Steyr

Full throttle, brakes on, full throttle again – nothing throws our customers off track.

From 0 to 100. The automotive industry is back in high gear again. Short-time work and lay offs are things of the past – at least for the time being. But you need efficient navigation tools to cope with changes in direction like that. That's precisely what we supply. Our systems create the transparency necessary for the ideal synchronization of workforce resources and production requirements, coupled with ongoing process optimization. Long and short-term working time accounts have regulating effects and deliver the required flexibility.

Allgaier Werke GmbH, a leading system supplier serving the automotive industry with a workforce of around 1,700 employees, is positioned as a reliable provider of superior quality products for customers such as AUDI, BMW and Webasto. Given these ambitious quality aspirations, continuous, ongoing internal process optimization is a fundamental success factor – which applies to workforce scheduling as well. Transparency and a solid basis for decision-making give Allgaier the required response speed to compete successfully in the automotive market.

During the recent economic crisis, our solution supported the 3M subsidiary Dyneon GmbH as a reliable data source when the company was forced to implement shorter working hours. At present, it forms the key element in demand driven, cost optimized workforce scheduling. But that's not all. Thanks to workforce management, employees feel informed and involved, which creates a healthy working atmosphere and ensures strong staff commitment.

50 percent
less unoccupied time.
Workforce management produces success.

ATOSS customers in the automotive industry
Allgaier Werke // Bridgestone Deutschland // GKN Driveline //
Key Safety Systems // Magna Steyr // Schmitz Cargobull //
TEREX // TI Automotive // TRW Automotive // ...

Lean processes, maximum transparency.

Make-to-order and contract manufacturing require major planning work and flexibility coupled with superior resource management – often involving entities outside the company. This is because short-term contract workers, sub-contractors and suppliers also need to be integrated into planning. ATOSS order-related workforce management gives planners a comprehensive, holistic overview of processes, enabling them to gear working time and materials planning effectively and economically to orders, integrating ERP systems into the process.

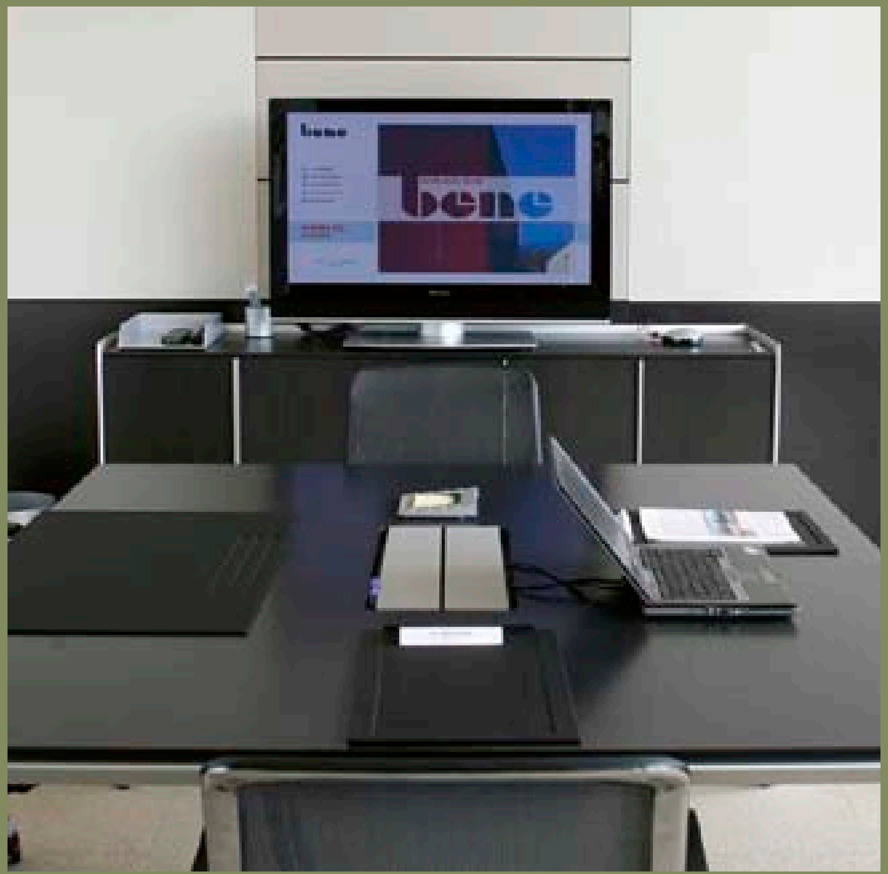
The MEYER WERFT, for example, with 2,000 suppliers, some 5,000 creditors and more than 50,000 order items – these figures clearly outline the dimensions of projects at this long-established company. A workforce of around 2,500 employees backed by up to 5,500 supplier employees at peak times is included in the mega projects in Papenburg. Building ferries and luxury liners calls for precise resource planning and the efficient use of working time.

Just in time is the watchword at BENE AG. This manufacturer of high-quality office furniture offers guaranteed delivery times, while dispensing entirely with finished goods in stock. Each item is containerized immediately after production. Which is why superior logistics precision and working time flexibility are crucial. BENE can rely on these factors with regard to its hourly paid staff, thanks to the ATOSS Staff Efficiency Suite. All the relevant information is available at the push of a button, creating a reliable basis for payroll and cost accounting and financial controlling.

A selection of ATOSS customers in manufacturing

Essilor // F.X. Nachtmann // Küppersbusch // Meffert Farbwerke // Neptun Werft // Nolte Kitchens // PLAYMOBIL® // Ritter Sport // Revell // Sulzer Pumps // Vossloh-Schwabe // ...

ATOSS customer Voglauer



ATOSS customer BENE

FROM SMALL TO XXXL.

ATOSS customer radio ffn

We deliver workforce management expertise.

A perfect fit. We have solutions for all company sizes.

What do Deutsche Bahn, Coca-Cola, the RoMed Rosenheim clinical center and radio ffn have in common? They all turn to ATOSS to optimize their workforce management. Whether SMEs or major corporations, companies of all types and sizes benefit from the comprehensive functionality and state-of-the-art technology of our solutions.

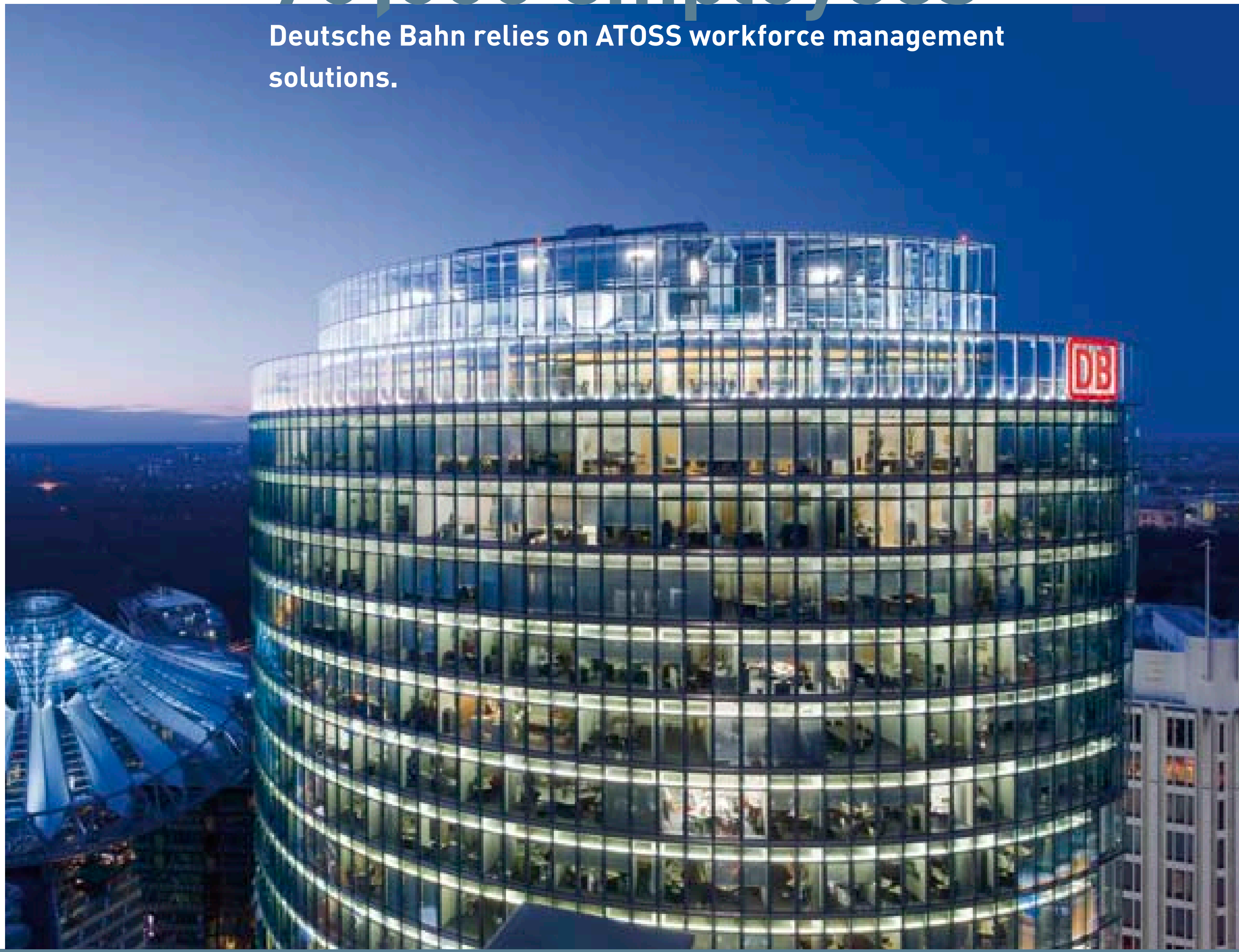
Software must keep pace with the dynamics of economic developments. Our scalable and open IT systems will tackle any challenge – whether this involves rapid expansion, company takeovers or complex workforce application scenarios. Numerous major, large-scale projects clearly document the flexibility and outstanding performance of ATOSS software.

Small and medium-sized companies also appreciate the potentials our software provides. Our customer radio ffn promises listeners variety and entertainment – around the clock! The editorial content is managed by a workforce of 130, which entails complex duty planning, successfully implemented through our medium-sized company solution ATOSS Time Control.

ATOSS ranks among the technology leaders in the flexible working time and demand driven workforce scheduling sectors. What does this mean for our customers, both large and small? Superior performance, optimum scalability, low integration costs and customer choice of databases and operating systems. No compromises necessary.

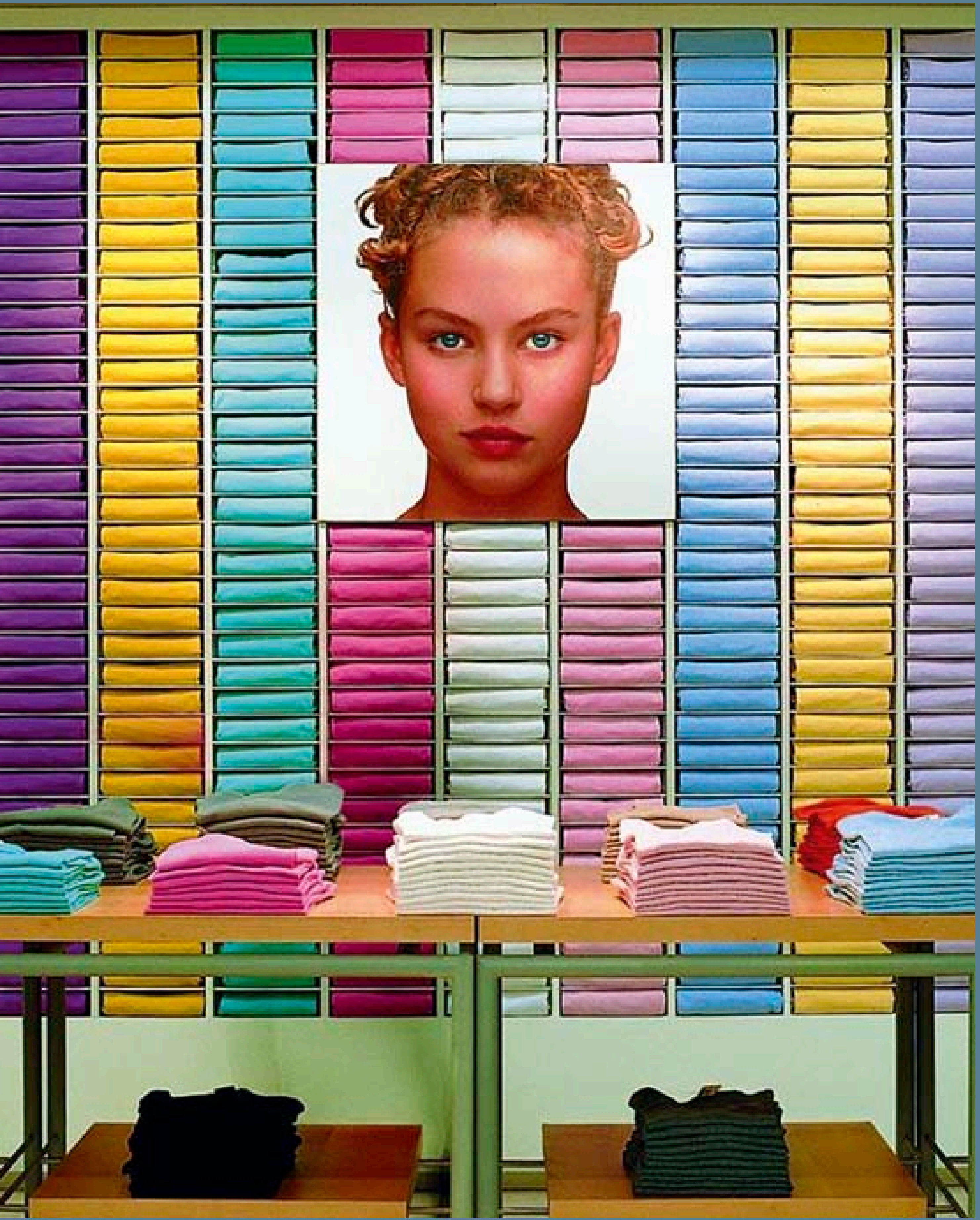
70,000 employees

Deutsche Bahn relies on ATOSS workforce management solutions.



ATOSS customer Deutsche Bahn

»ATOSS has proven a highly dependable partner with whom we have enjoyed successful collaboration over many years. The switch to the JAVA-based platform, which offers us considerably greater flexibility and functionality, once again underlines the fact that we made the right decision in the early 1990s. Thanks to our advanced IT solution, we are well equipped to meet all current and future challenges.«
Helmut Täger, Head of Personnel Service Center, Deutsche Bahn AG



ATOSS customer Benetton

Professional project management and multifaceted services – we are on top of our business.

Mega projects like those at Deutsche Telekom or Lufthansa are proof positive – no corporation is too big, no scenario is too complex for us. Wherever they are needed – from demand driven workforce scheduling, to the ergonomic design of shift plans and on to thorough process analysis – our consultants, many of them internationally certificated project managers, understand their business and create added value for our customers. Our long years of experience ensure that concepts are successfully translated into practical reality – within budget and exactly on schedule.

And our work does not simply end once we have implemented our solutions. Training, support, further development, optimization and a hotline – we deliver services on demand. Competence, speed and reliability are the principles of our activities.

Our qualified consultants ensure that our support is always state-of-the-art. We pride ourselves on the quality of our service – the high level of customer satisfaction achieved documents our success.

A 1.6 success rating

We are happy to be judged by our customers' satisfaction ratings.
ATOSS Customer Monitor 2010

DOWNTIMES?

Our customers can't afford them.

Transportation and logistics is a global growth market where every minute counts.

ATOSS customer Swiss International Air Lines

Full speed ahead: workforce management takes people and goods swiftly and safely to their destination.

Whether rail, road, water or air – mobility requires agility. There is scarcely a sector like logistics, a global growth market, where pinpoint precision planning, lean processes and unrivalled flexibility are so essential. Workforce management ensures that local and long-distance transportation functions smoothly and that both passengers and goods arrive on time.

Deutsche Bahn AG, the world's second largest logistics company, has been relying on us since 1992. With more than 60 clients, the company manages the deployment and scheduling of about 70,000 employees working in Deutsche Bahn AG companies and subsidiaries. Each sector has its own individual tasks, all of which were mapped to differing levels of intensity. Up to 1,200 time management officers, dispatchers and administrative staff access the ATOSS Staff Efficiency Suite at the same time to ensure optimized planning throughout different companies.

»Deutsche Bahn is one of the largest employers in Germany. Advanced human resource management is an integral part of our corporate strategy. This includes efficient workforce management. Our ATOSS solution enables us to plan and control working times in the different companies with the best possible results in terms of cost, quality and business requirements. This is a crucial factor in the long-term success of a mobility and logistics company.«
Farid Haschem, Group Personnel Systems Head, Deutsche Bahn AG

ATOSS customers in transportation and logistics

Austrian Airlines // BLG LOGISTICS GROUP // Deutsche Bahn // FIEGE // Lufthansa // HOYER Logistics // Kühne + Nagel // North Sea Terminal // S-Bahn Berlin // SCHERM GROUP // Swiss International Air Lines // ...

ATOSS customer Key Safety Systems

ATOSS customer Deutsche Bahn

ATOSS customer Lufthansa

»Competition is tough in the distribution business. If customers think we are too expensive or not flexible enough, they will look elsewhere for the services he wants. But aided by flexible working times and efficient workforce scheduling, we can keep our staffing costs so low that our prices remain competitive.«
Heino Spaude, IT Services Head – Personnel Systems
BLG LOGISTICS GROUP

Precision personnel planning – so that passengers and goods arrive on time.

Adjusting business processes to increasingly extreme market fluctuations is mission critical for businesses of every type and size today. Especially in personnel intensive sectors such as transport and logistics, order fluctuations and rapid response time are part and parcel of everyday business. Employees with the right qualifications must be available just-in-time – around the clock. Our comprehensive portfolio of forecasting and analysis tools enable pinpoint precision planning of personnel requirements combined with cost-optimized scheduling.

Loading and unloading a 747 requires precision and scrupulous attention to detail. With 82,500 m^2 of storage space and annual capacity of one million tons, LuxairCARGO operates the fifth largest freight airport in Europe. LuxairServices is responsible for the smooth ground handling of around 35,800 flights and 1.5 million passengers per year. Luxembourg's national airline is synonymous with comfort and safety. We support the company by planning and managing a workforce totaling 2,000 employees. This keeps costs on the ground, while service quality takes off.

»The ATOSS tool offers a real new dimension for HR. It is quite impressive when used with a direct reporting tool which offers real-feed possibilities for the development of an HR Balanced Scorecard.«
Gilles Delattre, HR Controller & Project Manager
LuxairGroup

A LOT OF PEOPLE TALK INNOVATION.

We invest.

ATOSS customer Kastner & Öhler

We are a big spender. And we spare no expense on our software.

Our continuous investments in research and development equal 20 percent of our sales revenue. In concrete terms, this represents an investment of some 60 million euros committed to our solutions. This positions us as one of the top 15 big spenders in the German software market*. And no wonder! After all, we are convinced that our software technologies and features must represent the state-of-the-art at all times.

Programmed for the future. Companies that opt for us can trust in the reliability of their investments. Our claim is to develop advanced, leading edge software delivering maximum functionalities, while remaining open for future changes. Consequently, ATOSS ranks as one of the few companies in the workforce management segment to have switched 100 percent to JAVA. We recognize new challenges and find the right ways and means of mastering them. Our team of more than 100 developers ensures that our customers profit from future-proof solutions that deliver tangible, measurable benefits.

A 4-month release cycle. Success calls for rapid response. This is why we have put a dynamic product development concept in place: each year we issue one major release and two minor releases in quick succession on to the markets. An agile procedural model is the success formula here, while quicker response times to market demands and customer needs are the welcome results.

*EU Industrial R&D Investment Scoreboard, October 2010

1,888

functions and enhancements have been added to our enterprise solution ATOSS Staff Efficiency Suite within the last five years.

Don't be afraid of potencies. Our software never stops pushing the limits.

While the things people could do 30 years ago were simply capabilities, today we are talking about »intellectual property«. Since then, the dynamics of software development have grown in leaps and bounds. It was some ten years ago that we developed an algorithm that is now the core of our software. And we haven't stopped learning since.

From best practice to best development. To date, this core has notched up around 680 developer years, amplified by experience gained from a wealth of projects. This expertise and the core of our software enable our customers to master the increasing complexity inherent to modern workforce management.

3 to the power of 30: the number of factors affecting demand driven and cost optimized workforce scheduling is increasing exponentially. It is no longer enough to specify the working hours and the workplace. The demand drivers, ergonomic criteria, break times and individual working time preferences are becoming ever more important. Here is an example from retailing: 30 members of staff at a subsidiary with three different starting times each day. The consideration of all the relevant factors – qualifications, special working time models, laws, collectively bargained pay scales and works council agreements – rapidly produces 12-figure workforce management possibilities. This takes us into mathematical realms impossible to master without extremely powerful IT support. No problem at all for our software. Because it contains the vibrant heart of our company.

We have invested about **60 million euros** and **680 developer years** into the research and further development of our solutions.

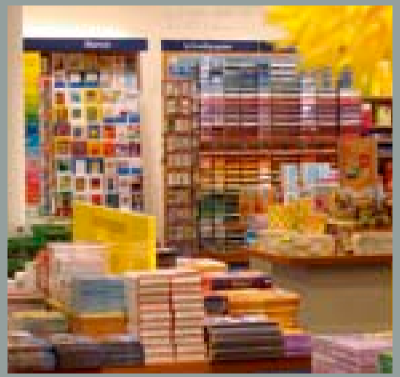
ATOSS customer MEYER WERFT

SHORTER PROCESS TIMES?


ATOSS customer SportScheck

We deliver every time!

Process quality isn't everything. But you won't get far without it.



ATOSS customer Thalia Bücher

»All parties involved – from Sales to the HR department and all the way up to top management – realized that personnel management must be part of the value added chain in future. Personnel data must be recorded and made available in such a way that they make value contributions on operational and strategic levels.«
Reinhard Zuber
Finance, Controlling, Corporate Development
Thalia Bücher AG, Basel

In a world ruled by plagiarism, good products and services on their own are not enough to secure a company's future in the long term. But processes differ from products in that they can't be copied. This is why processes are indispensable in terms of differentiation. Companies are forced to engage in process innovation and continuous process improvement. This is the only way to respond rapidly to market needs and ensure success in global competition.

Many of our projects start off with a thorough analysis of processes and requirements, as in the case of the airport retailer eurotrade. In this way, optimization potential and the need to take action are identified at an early stage. Together with our customers, we model future-proof processes and assist their implementation into operational practice. Because you need to get the fundamentals right first before workforce management can unleash its full effects.

We support companies as they optimize all aspects of their staffing workflows, unify process landscapes and step up their operational agility. In this way, we collaborate with our customers to create a solid foundation from which to add value in volatile markets.

ATOSS customer eurotrade

TOP SERVICE OR TOP MARGINS?

ATOSS customer CinemaxX

Opt for both.

Customer excellence wins.

Whether in services, public administration, system catering, logistics or health-care, the greatest benefits of workforce management are encountered where committed staff must render excellent service on a daily basis. Modern working time management makes it possible to organize and plan personnel in a way that addresses both customer requirements and the concerns of the workforce. And motivated staff are quite simply the best staff.

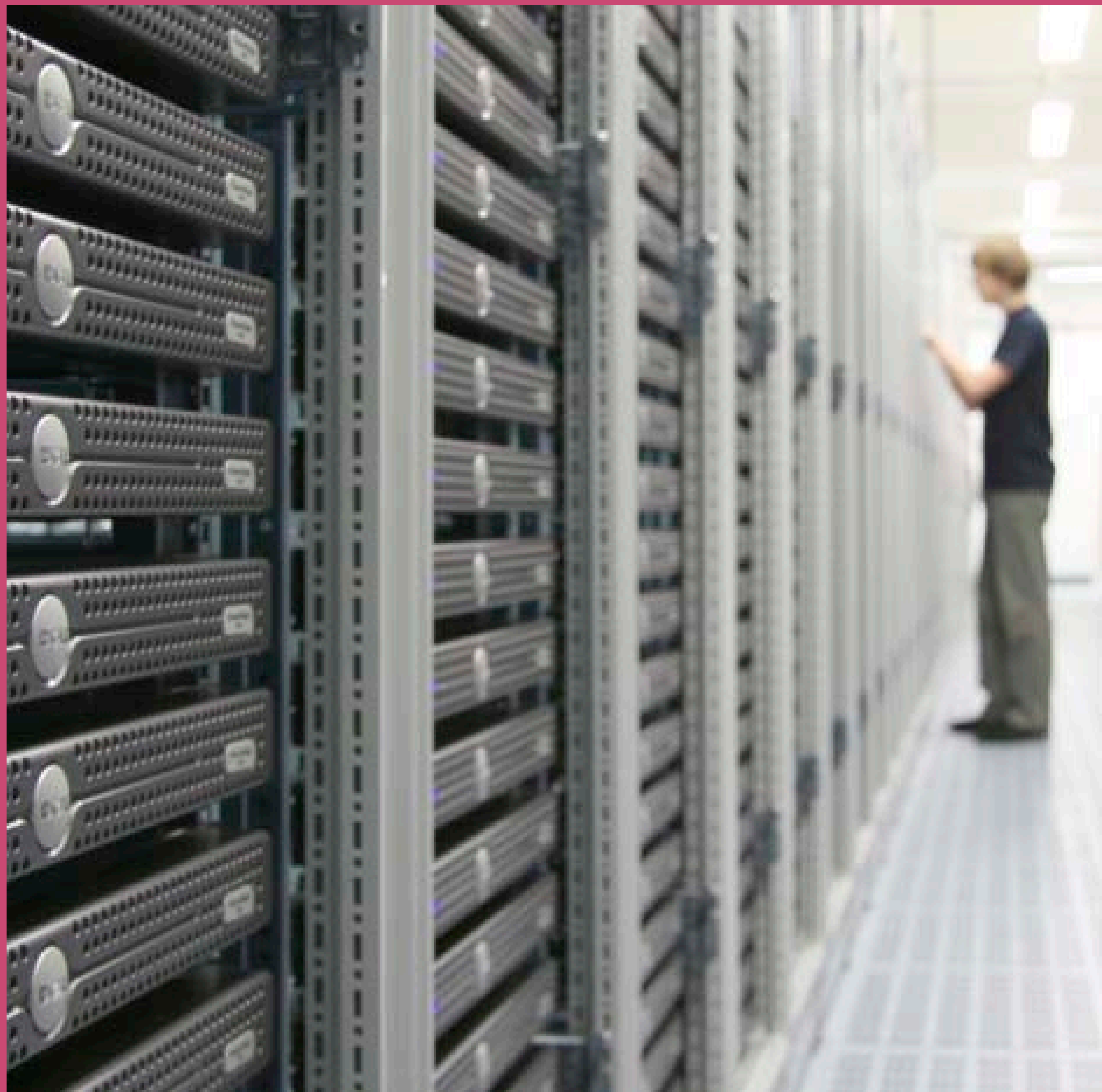
With over 200,000 customers, Host Europe is the German-speaking region's third largest supplier of Internet and hosting services. Security, innovation and high-level availability for its customers coupled with fairness and frankness for its workforce – these are the ambitious standards that the company sets itself for performance and corporate culture. Our solution for small and medium-sized companies, ATOSS Time Control, makes a significant contribution.

Perfect service around the clock and 365 days a year. CARGLASS Germany's mobile units remedy emergencies and minor damage to automobile glass when and where they happen. This essential customer service must be delivered rapidly, to the highest standards and at competitive prices – which calls for maximum efficiency. That makes flexible and transparent working times indispensable. ATOSS delivers the right solution.

»In the tough server business, technological sophistication and speed are what count first and foremost. We go all out to achieve as much automation and standardization as possible. That's the only way we can keep ahead in this fast moving information age.«
Patrick Pulvermüller, Managing Director, Host Europe GmbH

ATOSS customer CARGLASS

ATOSS customers in the service sector
apetito catering // Avis // CinemaxX // DB Gastronomie // DB Systel // DIW Facility Services // Sixt // TÜV Süd // ...



ATOSS customer Host Europe


ATOSS customer KV North Rhine


ATOSS customer City of Heidelberg


ATOSS customer City of Ingolstadt


ATOSS customer Vienna City Administration

ATOSS in the public sector

aha Abfallwirtschaft Hannover // Region of Unterfranken // Bundesanstalt für Post und Telekommunikation // Deutsche Rentenversicherung Nordbayern // Vienna Social Fund // Konstanz Chamber of Trade and Commerce // District of Mettmann // City of Ingolstadt // City of Regensburg // City of Würzburg // Rostock Public Services // ...

Workforce management goes public – from authorities to service organizations.

Greater complexity, more tasks, increased service focus and stronger citizen orientation – but without budget hikes. Public organizations and facilities are under pressure. Under their commitment to social welfare, they need to extend service in line with working hours, optimize processes consistently, while making significant cuts in administrative input and costs.

Service in the interest of health is the motto of the North Rhine Association of Accredited Doctors (KV North Rhine). In order to settle the accounts of the registered doctors to schedule at the end of the quarter, approximately 1,000 KV North Rhine staff are on duty up to ten hours a day, often on six days a week. Thanks to our solution, the organization succeeded in getting a grip on major workload fluctuations, while improving service quality at the same time. Customer focus, cost neutrality and acceptance by the workforce took top priority.

The Vienna City Administration is the point of call for around 1.7 million residents of Vienna and countless tourists from all over the world. Whatever the task, from the supply of drinking water to refuse collection service, from kindergartens to schools, from rescue to the fire brigade – the service arm of the city plays a major part in ensuring that day to day life functions smoothly in this city. To ensure that service is delivered efficiently at the different service points and that enough staff are at hand for citizens' concerns, the city relies on modern working time management for its workforce numbering some 20,000. The service department's management and many departments of the city authority, including personnel and IT, are already equipped with ATOSS solutions, while all the others are in the planning stage.

Experience gained from ATOSS projects show that workforce management is capable of reducing planning expenditures by up to **70 percent**.

A strong focus on people – also in workforce management.


ATOSS customer Congregation of the Sisters of Charity, Munich

Work involving people with and without physical challenges faces a paradigm shift – away from structures geared to care to an emphasis on assistance. This paradigm shift is unfolding hand in hand with increasing focus on outpatient care. The Alsterdorf Protestant Foundation provides a multifaceted range of services. At the heart of all services stands the individual as customer and client with his own specific and different needs. This presents workforce management with enormous challenges. A staff of over 3,900 and approx. 5,000 working time models give a good idea of the Foundation's commitment to the individual care of customers. Its manual workforce management processes were costly and prone to errors, so the introduction of the ATOSS Medical Solution achieved the Foundation's aim of automating and standardizing them while increasing economic efficiency. A major concern was to plan duty rosters with greater fairness and transparency and, above all else, deliver high-quality service and care.

ATOSS customers
in social service

Bishopric of Münster
Bethel Deaconry
Hephata Protestant Foundation
Pfennigparade Foundation
Bamberg Social Foundation
...


ATOSS customer Alsterdorf Protestant Foundation

»We have consistently realigned our organization. We wanted our various service teams to be able to respond flexibly to the demands of the social market and rapidly adapt our service offerings to the wishes and needs of our clients and customers. A modern workforce management concept is an indispensable precondition in achieving these objectives«
Wolfgang Nipken, HR Director
Alsterdorf Protestant Foundation

TOGETHER WE ARE STRONG.

ATOSS team

We believe in networks.

Networked markets need networked action. We take that seriously.

Team spirit has driven ATOSS's success for years. Together with our partners, we take new approaches and expand our strong market position. This enables us to bundle resources and competences and provide our customers with best of breed solutions. Drawing on this concept, we have created a network of partners that is one of the most powerful in our market. Whatever the field – industry or process expertise, complementary software or innovative security concepts – our ecosystem has just the right partner that speaks the language of our customers and of our software.

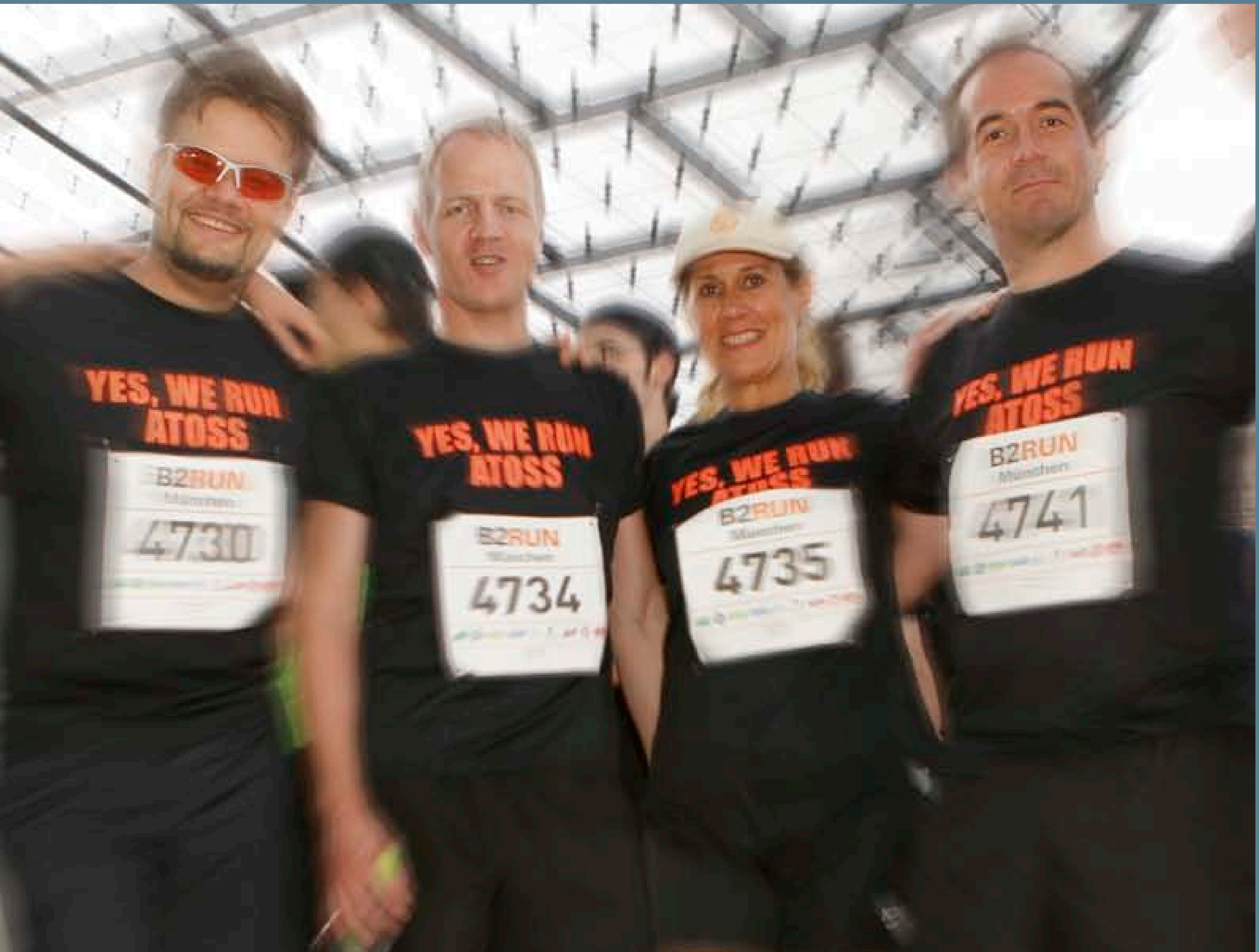
Our aim is to make even stronger inroads into the future market of workforce management. Therefore, we are expanding our cooperation activities with competent companies – both at home and abroad. Our partners benefit from an established network, state-of-the-art products and the investment security provided by a stock market quoted company.

»The market for workforce management holds exciting perspectives. With ATOSS software, we are offering our customers technologically and functionally high-value solutions addressing all aspects of workforce management that compliments our portfolio ideally. Our many years of partnership have shown that our company philosophies match well, and that mutual success is our shared goal. Our customers also benefit accordingly.«
Detlef Geis, Director of the NRW distribution branch
Bosch Sicherheitssysteme GmbH

The Oettinger Davidoff Group is a globally operating, family-owned Swiss company steeped in tradition. The Group is committed to the production, marketing and distribution of high-quality products and services in the tobacco and confectionary sector. The company also insists on top quality in working time management and manages around 1,000 qualified, committed staff in Switzerland with an ATOSS solution.

Oettinger Davidoff Group, a project
of our partner InterBit AG, Switzerland

DIGGING FOR DIAMONDS.



People make the difference.

ATOSS team

ATOSS team

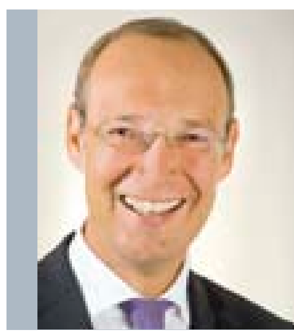
The ATOSS formula: motivation + enthusiasm + competence = success

ATOSS is charting a sound growth course in sales, earnings and enterprise value. Backing and driving this success are some 240 highly motivated and qualified staff. Professionals who are personally committed to their jobs and task scopes.

Our people impress with their competence, sense of responsibility, team spirit and the pleasure they take in their work, whatever and wherever their field of activity in the company may be. At ATOSS, performance and commitment go hand in hand. After all, successfully competing companies need motivated and loyal employees. People who are not content with anything less than peak performance. Recruiting and developing such staff and loyalizing them over the long term are major objectives of our HR policy.

The secret lies in the right mix. It is important to ensure the right blend of young colleagues and experienced staff for our team. Especially in consulting intensive projects, our customers place their trust in the knowledge and personal expertise accumulated over many years in the business.

Strengthening knowledge. The expertise of our workforce is a major ingredient of our success, put to the test each and every working day. Our company provides ongoing development programs, which is how we ensure that our team is always up to date – personally, professionally and technologically.



»Our team is the mirror of our company's core competences. The right mix of competence, innovation, stability, continuity and enthusiasm – that's the key to our success.«
Christof Leiber, Member of the Board of Management,
ATOSS Software AG

ATOSS customer Schmitz Cargobull

WHAT'S NEXT?

There is no end in sight as far as we are concerned.

ATOSS team leader Peter Hasselbring

No. 3 among the strongest growing companies in Germany.
We are charting a continuous success course and there is no end in sight. In a long-term study, »Börse Online« ranked ATOSS among Germany's top high-growth companies.

A strong partner you can rely on. We accompany organizations on their course into the future.

More than 20 years of workforce management, 10 years on the stock market, 5 years of record results. Since 1987, we have been at the forefront of thinking in this industry. Today, we are one of Europe's top providers in our field.

Workforce management holds tremendous potential for greater productivity and competitive strengths. With our integrated solutions composed of consulting, software and services, we help companies to recognize these opportunities and make intelligent use of the scope for shaping and designing creative solutions. Our many years of expertise, leading edge technologies and an enthusiasm for innovation guarantee that our customers receive solutions that verifiably lead to greater efficiency and competitiveness. We are happy to be measured against these claims.

We look to the future with confidence. This is because we are forging ahead in a market in which a great deal will be happening in future. With growth rates of 8.5 percent and a volume of 1.52 billion US dollars in 2011, the workforce management area looks highly promising across the world. With our highly dedicated team, an innovative product portfolio, a solid customer base and a very healthy financial situation, we are extremely well positioned. Workforce management by ATOSS is here to stay.

More than 4,000 companies in all industry sectors rely on ATOSS and use our solutions to manage around **2.5 million employees.**

Looking ahead.

Now and in future, our capacity for innovation in the field of workforce management will act as the driver of customer benefits, productivity gains and growth. These achievements are a clear reflection of our competitive strength.

Letter to Shareholders

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

Dear Shareholders,
Customers, Business Partners and Colleagues,

In financial year 2010 we achieved the best result in our company's history, with growth in our core software business exceeding the rest of the market. This sustained success is based upon the consistent implementation of our corporate strategy.

The foundations for this strong development have been laid over many years with the decisions that have steered our course. At all times the focus has been on enhancing customer benefits by investing strongly in the technology and performance of our products, developing our service organization and addressing specific sectors with dedication.

In the coming years we shall not only continue to pursue our strategy; we will also selectively broaden our approach in order to create the basis for continuing strong development in additional sectors and regions. It remains our priority to extend the competitive lead we have achieved, to continue to serve our customers, and utilize our earnings power as a basis for sustained investment.

Successful projects are our calling cards
In 2010 we have continued to acquire more high-profile customers in our core sectors. Our penetration of the retail sector has been hugely boosted with the acquisition and successful implementation of the ATOSS Retail Solution at prominent chains such as Douglas, coop, Hornbach, s. Oliver, famila, Combi, eurotrade, Body Shop and Lands' End.

One of the highlights of the year was the project implemented for Douglas, Europe's perfumery market leader with 1,220 outlets in 22 countries. We have installed the ATOSS Retail Solution at all 450 Douglas branches in Germany, enabling the company to organize its workforce of more than 6,500 in time for the Christmas trade. The decisions by Hornbach Baumarkt AG and s.Oliver GmbH to adopt our sector-specific solution across Europe are also worthy of mention. These prominent companies have intensively studied the issue of workforce management and have decided in favor of ATOSS subsequent to in-depth analyses.

In other sectors too, such as healthcare and medical services, we have continued to acquire new customers. Among those to adopt the ATOSS Medical Solution was the German Heart Center in Munich where a modern end-to-end working time management infrastructure has been created for around 1,000 medical, nursing and patient care staff. What's more, many long-standing customers such as Coca Cola Deutschland GmbH, Lufthansa AG and Deutsche Bahn AG – to name but a few – have invested in expanding their ATOSS solutions.

The results demonstrate the clear appreciation felt by our customers
Our portfolio of long-term reference customers and successfully completed projects in a wide range of sectors as well as the speed with which the implementation costs are amortized – generally within six to twelve months – are factors that play a decisive role both in the acquisition of new customers as well as in the decisions by existing clients to opt for expansion. Alongside our outstanding powers of innovation, our excellent balance sheet, financial strength and dependability, they provide a sound foundation on which to base investment decisions. In fact these are all areas in which ATOSS clearly stands out from its competitors.

The awards we have received confirm our ability to offer our customers the right tools to reduce costs in the near term, while at the same time increasing service quality. Having already been awarded the title of Top Retail Product (Gold) in 2009 in the process optimization category, in 2010 the ATOSS Retail Solution received another Gold Award for Top Retail Product, this time for personnel efficiency. The verdict of readers of retail industry journal handelsjournal underscores the high level of acceptance enjoyed by our products in the marketplace. These awards, along with the large number of projects we have successfully completed and the high level of customer satisfaction expressed in numerous surveys are proof of the enthusiastic motivation, creativity and competence of our employees throughout the company.

Workforce management is a growth market
The economic conditions pertaining in a globalized world present immense challenges for business undertakings. Competition will continue to increase, and only those companies that operate efficiently will survive into the future. Businesses are faced with the task of deploying their staff with a consistently greater emphasis on adapting to demand situations, while their future plans must take account of accelerating cycles of innovation. It is no longer possible to achieve this without a highly flexible organization and the overriding optimization of processes. Consequently the need to increase productivity is paramount! For this reason, decision-makers focus ever more closely on workforce management.

This is also reflected in forecasts for development in this market. IDC Worldwide expects to see growth of 8.5 percent in 2011 with the market valued at 1.52 billion US dollars. Suppliers who are correctly positioned in this market will share in this growth. The development recorded by ATOSS in the past five years has already shown that we are ahead of the competition. We aim to ensure that this remains the case.

The market for workforce management is highly fragmented. With such a large number of smaller suppliers, clients are all the more inclined to base their investment decisions on criteria which ATOSS fulfills – thanks to the long-term strategic approach that we have consciously adopted. Drawing on platform-independent, cutting edge technology, as well as highly innovative user-friendly products and a robust financial base, we can be relied on as a partner for the long term and are positioned to maintain and develop our customer relationships with an eye to the future.

Outlook for the year 2011
Looking ahead to the 2011 financial year, our consistently conservative plans foresee stable to moderately increasing sales. We shall also invest in developing our business model in order to exploit opportunities for growth in new sectors and regions.

In recent years we have achieved a great deal. We are aware that we owe our successful track record thus far to the professionalism of our staff and to our clients' considerable appreciation of the services we provide. We would like to express our thanks for the confidence placed in us and for this close and successful cooperation. We regard this as an incentive to continue to employ creativity and commitment to increase customer benefits in 2011 and make the most of our prospects for growth. ATOSS is excellently positioned to seize the opportunities that present themselves for the benefit of customers, employees and shareholders.

Yours sincerely,

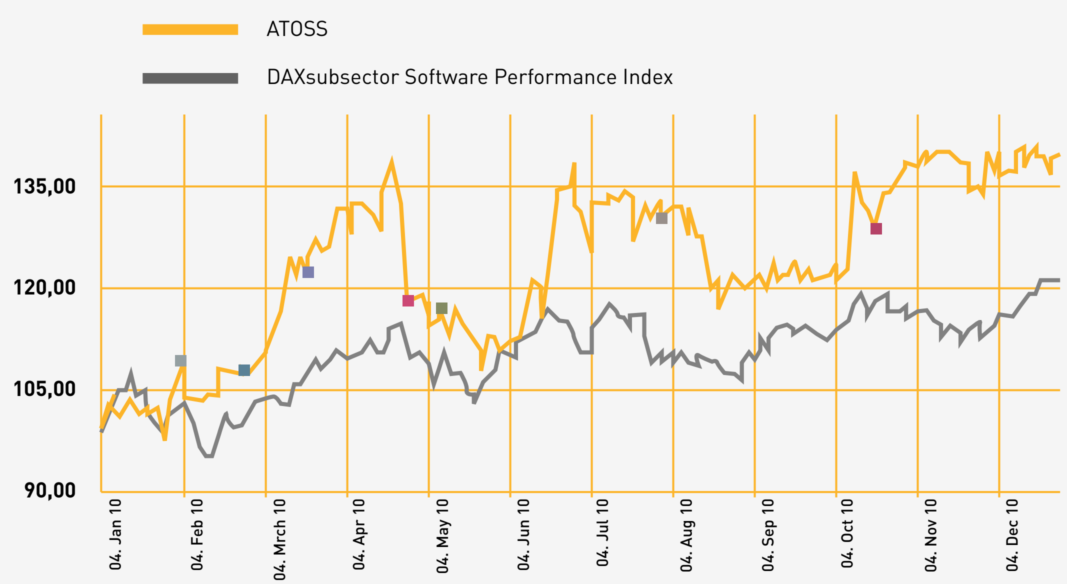
Andreas F.J. Obereder
Chief Executive Officer

Christof Leiber
Member of the Board
of Management

INVESTOR RELATIONS

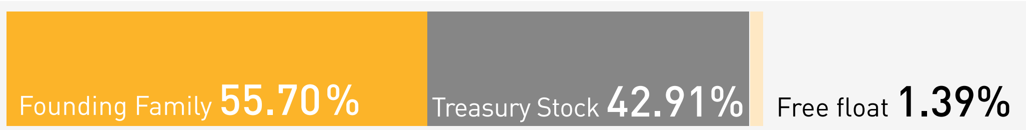
»The successful business development and a reliably transparent communications policy are the principal factors driving the ongoing positive trend in the ATOSS share price.«

STOCKS 2010



Press release	29.01.10	Record sales and results in 2009
Ad hoc announcement	23.02.10	ATOSS once again proposes an increased dividend
Press release	12.03.10	Fourth record year in succession
Press release	26.04.10	Earnings quality further enhanced on record sales
Dividend payment	03.05.10	0.50 euro per share
Press release	26.07.10	New record highs in the first half-year
Ad hoc announcement	12.10.10	Best nine months result since the company was founded, forecast substantially increased

SHAREHOLDERS ATOSS SOFTWARE AG



2010 – Stock market tensions easing

The economic recovery in Germany that began in mid 2009 continued through the course of the year 2010. The pace and strength of the revival exceeded general expectations, with gross domestic product rising by 3.6 percent. Estimates by the German Council of Economic Experts point to a further continuation of this positive trend in 2011, albeit with growth at a somewhat lower level of 2.2 percent. Indeed, the experts perceive a clear prospect for a stable upturn.

On the stock markets too, tensions have noticeably eased since the crisis of 2009. Having closed the year 2009 at 5,957, in course of twelve months the DAX put on 957 points to reach 6,914. That is an increase around 16 percent. In the US, over the same period the Dow Jones index rose from 10,428 to 11,577 points (+ 11 percent), while the FTSE 100 index measuring the 100 leading British stocks put on 487 points, climbing from 5,413 to 5,900 (+ 9 percent). These figures reflect the overall, highly positive climate that prevailed on the stock markets, from which ATOSS shares likewise profited.

ATOSS shares: Celebrating 10 years of trading

Shares in ATOSS Software AG were first quoted on the stock market on March 21, 2000. After a turbulent start in an extremely difficult market environment – the then Neuer Markt recorded some drastic plunges through to autumn 2003 – ATOSS shares have subsequently, and in the past four years in particular, pursued a highly positive trend. In addition to some appreciable price gains, shareholders have also enjoyed substantial dividend distributions. The stock has left the benchmark indices in its wake and put on a performance in 2010 that once again far exceeded the comparative Daxsubsector Software Performance Index. While the latter rose by just around 19 percent to December 31, ATOSS stock outshone the index with a gain of nearly 38 percent.

CAPITAL MARKET-ORIENTED FIGURES (in EUR, unless otherwise specified)

	Reporting period 2010	Previous year 2009
Market price at the financial year-end	16.92	12.15
Number of shares (Dec. 31)	4,025,667	4,025,667
Market capitalization in million euro on Dec. 30, 2010 / Dec. 30, 2009	68.11	48.91
Earnings per share	1.21	1.00

The development in the price of ATOSS stock reflects the development in the company's business. Having opened the year at EUR 12.00, following the announcement in March of a fourth record year in succession the share price swiftly soared to over EUR 16.00 – an increase of around a third. Following the dividend payment of EUR 0.50 per share and in a generally downward-trending market the price of ATOSS stock then temporarily declined before once again surpassing the EUR 16.00 mark, spurred on by the expectation of a very strong first half-year and the publication of new record figures in July. Underpinned by the highly positive development in business and the announcement on October 25, 2010 of the best nine-months results in the company's history, on November 15 the ATOSS share price climbed above EUR 17.00. As the year continued the stock reached a high of EUR 17.51 on December 16 before closing on December 30 at EUR 16.92. There was also a positive development in the volume of shares traded on the markets. In Xetra trading alone, the volume rose by around 12 percent from 1,094,014 shares in 2009 to 1,224,394 in the reporting period.

Based on the result for 2010 the average price/earnings ratio amounted to 12.4 with liquidity of EUR 5.22 per share at the year-end. The ratio of operating profit (EBIT) to enterprise value (measured by market capitalization plus financial liabilities, less liquidity) similarly points to an attractive valuation. At the end of the year the ratio stood at 6.9.

Analysts' upside target rises as the year proceeds
Once again in 2010 the analysts at Warburg Research rated ATOSS stock as a "buy". In their five analyses in the course of the year they raised the upside target from EUR 16.00 to EUR 19.60. The analysts stressed the fact that ATOSS Software AG once again exceeded its own forecasts and continued to present a strong balance sheet with steadily growing liquidity and a high equity ratio. And there was praise, too, for the substantial increase in profitability in the course of the year.

Media interest and response
The media coverage of ATOSS again increased steadily during 2010, with the development in business and the company's business model consistently drawing positive reports. The special mid-year issue of the financial journal Börse-Online featuring the top 30 rankings of German growth stocks between 2002 and 2009 was a prime example. The experts applied strict rules in evaluating the development in earnings quality over this extended assessment period. No annual losses were permitted either during the period from 2002 to 2009 or in the realms of forecasts for 2010 and 2011. Just 108 companies made the grade. The field was then further narrowed down by eliminating companies that recorded a decline in earnings in three or more years. In the face of these strict criteria, ATOSS was proud to take third place among German companies in the rankings, ahead of prominent names such as RWE, SAP, Fresenius and Henkel.

The institutional investor base is broadening
ATOSS Software AG has recorded its fifth record year in succession. This consistent development, particularly in earnings, has been rewarded by institutional investors in Germany and Great Britain with an increasing commitment. From numerous discussions between the ATOSS Board of Management and fund managers in the small- and micro-cap segment, as well as from the stock market turnover reports produced by the banks, we are able to conclude that interest in ATOSS is increasing. This is contributing perceptibly to the stability of the stock as downward movements in the market as a whole are reflected only in more moderate form in movements in the ATOSS share price. In addition to MainFirst SICAV which on June 21, 2010 exceeded the reporting threshold of three percent and registered a holding of 3.1 percent of capital stock, on November 18, 2010 a second fund, Universal Investment Frankfurt, announced that it had acquired a 3.01 percent interest in ATOSS Software AG.

Investor-friendly dividend policy to continue
ATOSS first put forward its transparent dividend policy in 2003. At the annual general meeting on May 3, 2011, the Board of Management will for the sixth time propose to shareholders that they approve a dividend in the amount of around half the earnings per share. Based on the closing price of ATOSS stock in 2010, this represents a dividend yield of 3.5 percent (previous year: 4 percent). It also brings the total distribution per share since 2003 (including this dividend for 2010) to EUR 10.70 per share.

DEVELOPMENT IN EARNINGS, DIVIDENDS AND DISTRIBUTION PER SHARE IN EUR

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

ATOSS on the capital market
We take our investor relations activities very seriously, particularly with regard to assuring the reliability of our prompt and transparent reporting. Through quarterly, half-yearly and annual reports as well as press releases, corporate news and ad hoc announcements, we keep our shareholders transparently and promptly informed of the company's development. In addition the Board of Management maintains intensive contacts with many investors.

The information on our website at www.atoss.com serves to supplement our investor relations work. Company reports and press releases, analysts' reports and presentations are presented in clear and detailed form, while the financial calendar provides an overview of all the important publication dates for the current and coming year. Full details of the annual general meeting, the stock and directors' dealings are likewise available for inspection. Listed under the heading of Corporate Governance are not only the declarations and content required by law such as the Declaration of Compliance and Annual Document, but also ATOSS Software AG's own principles of corporate governance.

We will continue to remain true to our principles in 2011
The response we have received from all sides for our business and communications policy strengthens our resolve to pursue the course on which we have set out. The development in our share price, too, speaks clearly for itself. We know that our customers and our shareholders bank on our reliability.

CORPORATE GOVERNANCE REPORT

1. Declaration of compliance pursuant 2010 to § 161 of the German Stock Corporation Act [AktG]
2. Board of Management remuneration report
3. Supervisory Board remuneration report
4. Ownership of and dealings in shares and financial instruments

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

From the very beginning, corporate governance has been a priority issue in the management of the company, and one that is being continuously refined. The Board of Management and Supervisory Board of ATOSS regard it as a particular obligation to safeguard the continued existence of the company and ensure the sustained creation of value through responsible management with a long-term perspective.

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

Comprehensive current as well as historical information on this subject is available on our website at www.atoss.com. Our declared objective is to achieve a high level of transparency for the benefit of shareholders and the public. In addition to financial reports, press releases and ad hoc announcements as well as investment analyses, details of the annual general meeting including the notarized minutes are available for inspection together with the following current declaration of compliance for 2010 and similar declarations for previous years.

1. Declaration of compliance pursuant 2010 to § 161 of the German Stock Corporation Act [AktG]

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

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

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

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

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

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

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

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

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

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

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

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

To clarify its own corporate governance standards, which in part exceed the recommendations of the Code, the company has defined principles of corporate governance for itself which are likewise published in their most recently amended form on the ATOSS Software AG web site. The Board of Management and Supervisory Board declare the content of these principles to be binding.

2. Board of Management remuneration report

The members of the Board of Management are:

Andreas F.J. Obereder	Chief Executive Officer	Appointed until December 31, 2013
Christof Leiber	Member of the Board of Management	Appointed until March 31, 2012

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

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

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

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

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

Andreas F.J. Obereder	2010 EUR	2009 EUR
Non-performance-related remuneration		
Salary	290,000	290,000
Miscellaneous	95,716	95,157
Performance-related remuneration		
Profit-share payment	95,604	100,268
Overall compensation	**481,320**	**485,425**

Christof Leiber	2010 EUR	2009 EUR
Non-performance-related remuneration		
Salary	150,000	150,000
Miscellaneous	63,322	45,311
Performance-related remuneration		
Profit-share payment	129,749	114,592
Overall compensation	**343,071**	**309,904**

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

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

3. Supervisory Board remuneration report

The Supervisory Board of ATOSS Software AG is comprised of three members who were elected by the annual general meeting on April 29, 2008. In accordance with Article 9 of the Articles of Association of ATOSS Software AG, the term of office of the members of the Supervisory Board continues until the conclusion of the general meeting at which the said Supervisory Board members are formally discharged for the financial year 2012.

The members of the Supervisory Board are:

Peter Kirn	Chairman, corporate consultant, Böblingen
Fritz Fleischmann	Deputy Chairman, corporate consultant, Grünwald
Dipl. Kfm. Rolf Baron Vielhauer von Hohenhau	President of the Bund der Steuerzahler in Bayern e.V., Munich.

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

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

Peter Kirn	2010 EUR	2009 EUR
Compensation pursuant to the Articles of Association	20,000	20,000
Attendance allowances	6,000	7,500
Total	**26,000**	**27,500**

Fritz Fleischmann	2010 EUR	2009 EUR
Compensation pursuant to the Articles of Association	20,000	20,000
Attendance allowances	6,000	7,500
Total	**26,000**	**27,500**

Rolf Baron Vielhauer von Hohenhau	2010 EUR	2009 EUR
Compensation pursuant to the Articles of Association	10,000	10,000
Attendance allowances	3,000	3,750
Total	**13,000**	**13,750**

Expenses for consultancy work by Board members in excess of their Supervisory Board duties were incurred in 2010 in the amount of in excess of EUR 4,363 (previous year: EUR 0), in compensation for services performed by Mr. Fritz Fleischmann. As in the preceding year, no expenses for consultancy work in excess of their Supervisory Board duties were incurred in respect of the other Supervisory Board members.

4. Ownership of and dealings in shares and financial instruments

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

Share ownership on the part of board members on December 31, 2010 in comparison with the preceding year was as follows:

	31.12.2010	31.12.2009
Andreas F.J. Obereder	1,981,184	1,981,184
Peter Kirn	19,760	19,760
Total	**2,000,944**	**2,000,944**

Convertible bonds held by board members
As of December 31, 2010 no board members held bonds convertible into ATOSS shares.

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

In financial year 2010 no reportable transactions were undertaken by board members.

Supervisory Board Report for the year 2010

Peter Kirn, Chairman of the Supervisory Board

Dear Shareholders,

ATOSS Software AG stands for innovation and quality in the field of workforce management software solutions, but also for a sustained focus on the needs of its customers, and for strong financial performance. The success the company has achieved on this basis is best confirmed by the fact that we can meanwhile look back on a fifth record year in succession. We as the Supervisory Board are proud to have been able to play a part in this success story. The ATOSS business model rests upon a sound foundation and we are confident that in pursuing a policy based on trust and reliability, the Board of Management and company employees will continue to achieve further successes in future.

Once again in the past financial year 2010 the Supervisory Board has worked closely with the Board of Management of ATOSS Software AG. The following report describes the main emphases of the work of the Supervisory Board.

Monitoring and advising in continuous dialog with the Board of Management

In financial year 2010 the Supervisory Board of ATOSS Software AG fulfilled the supervisory and advisory duties incumbent upon it under the law and in accordance with the Articles of Incorporation.

As a body charged with supervision, the Supervisory Board has regularly consulted with the Board of Management regarding the conduct of business in a process of continuous dialog and has satisfied itself that the company is duly and properly managed. The Board of Management has involved the Supervisory Board at an early stage in all decisions of significance for the business undertaking. To this end the Supervisory Board has been kept regularly, promptly and comprehensively informed, both verbally and in writing, of all aspects material to the business. Above all, the Board of Management has coordinated the company's strategic orientation with us. Once again in 2010 as required by the German Corporate Governance Code, the Supervisory Board has reviewed the overall compensation paid to the Board of Management, but dispensed with the recommended formation of committees in order not to impair the efficiency of a Supervisory Board comprised of only three members.

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

Supervisory Board meetings, Board of Management reports

In financial year 2010 the Supervisory Board convened for four regular meetings, at each of which all members were present. The Supervisory Board was kept informed by the Board of Management regarding the current development in business, company strategy and product development. Other items that regularly featured on the agenda included personnel and financial matters, risk management and issues of particular importance.

In addition to the ordinary meetings, various discussions took place both face to face and by telephone. The Chairman of the Supervisory Board in particular was in constant contact with the Board of Management. Decisions made outside of meetings were adopted by a process of consultation.

The Board of Management also furnished the Supervisory Board with full and detailed monthly reports which among other items included an income statement, an analysis of individual departmental costs and cash flow, types of sales, the status of current projects and progress in the development of new products. These reports were reviewed by the Supervisory Board in respect of its plausibility, accuracy when compared over time and on a sectoral basis, and completeness.

Matters discussed at individual Supervisory Board meetings

At the meeting on February 23, 2010
The first meeting of the Supervisory Board in 2010 focused on a discussion of the audited annual financial statements and consolidated accounts of ATOSS Software AG, the management reports for financial year 2010 and the audit reports and comments by the auditor. In addition the agenda for the annual general meeting on April 30, 2010 was considered and approved. The report by the Board of Management on the profitability of the company was also discussed in particular in respect of the return on equity, intended business policy and current course of business.

At the meeting on April 30, 2010
At the second meeting of the year in addition to the current course of business, the foreground was occupied by the report by the CEO on the development in sales and marketing which detailed both the overall sales strategy as well as specific individual actions. In the interests of integrating the Supervisory Board more closely into the risk management system at ATOSS, it was also determined that over and beyond verbal reports, a comprehensive risk report would be submitted to the Supervisory Board at least twice per year.

At the meeting on September 21, 2010
The Board of Management reported at this meeting on current business and the outlook for 2011. The Supervisory Board was given a detailed insight into current plans for the next financial year, accompanied by an in-depth discussion of the strategy and activities involved in partnerships as well as the prospects for growth and trends in IT and selected sectors. Various specific measures were jointly approved, the progress and results of which will be addressed at future meetings.

At the meeting on December 1, 2010
The emphasis at this meeting was on the report by the Board of Management on current business and a detailed elucidation of firm plans for financial year 2011. In addition, means to safeguard consultancy sales projections and the structuring of distribution channels were discussed. The 'Channel Strategy 2011' was discussed in depth with the Supervisory Board, which subsequently approved the plans. The agenda also foresaw consideration of the company risk report that was distributed prior to the meeting. The Board of Management and Supervisory Board went on to give detailed consideration to expanding the investment policy beyond fixed-term deposits and Federal government notes to include other asset classes such as corporate bonds and equities. In conclusion, the declaration of compliance – also distributed prior to the meeting – with the German Corporate Governance Code as amended on May 26, 2010 was approved. The

declaration has been made permanently available to shareholders on the ATOSS Software AG website.

Appointment of auditors and conduct of audit
At the ordinary general meeting held on April 30, 2010, in Munich, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft Stuttgart (Munich Branch) was elected as auditors for financial year 2010. 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, 2010 as well as the consolidated financial statements and consolidated management report to December 31, 2010 and awarded an unqualified audit certificate.

Supervisory Board meeting on February 22, 2011 to adopt the financial statements
The Board of Management furnished the Supervisory Board with the annual financial statements, consolidated financial statements and management reports for financial year 2010 for examination in good time prior to the meeting. These documents were examined by the members of the Supervisory Board and addressed in full detail at the meeting in the presence of the auditors. The auditors reported on the essential results of their audit and answered all questioned posed by the Board.

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

The report by the Supervisory Board for financial year 2010 was also discussed and the agenda for the annual general meeting on May 3, 2011 was approved.

Changes to the Supervisory Board
Fritz Fleischmann resigned his position as a member of the Supervisory Board effective December 31, 2010 in order with effect from the start of 2011 to act as consultant to ATOSS on the ongoing development of sales and marketing. Both for Mr. Fleischmann and for ATOSS, the principles of corporate governance and the desire to safeguard the maximum independence of Supervisory Board members and the absence of conflicts of interest were hereby of paramount importance. The Supervisory Board thanks Mr. Fleischmann for his many years of excellent service. Upon application by the Board of Management to the Municipal Court of Munich, by a resolution dated January 14, 2011 Richard Hauser, corporate consultant, resident in Grünwald, has been appointed a new member of the Supervisory Board until the end of the next annual general meeting.

Thanks
The Supervisory Board would at this point like to thank all of the employees as well as the management of ATOSS Software AG for the performance achieved as a result of their great commitment in financial year 2010. We look forward to continuing to work together in future and are confident that the company's success will continue in years to come!

Munich, February 2011

Peter Kirn
Chairman of the Supervisory Board

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

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

Fritz Fleischmann
Deputy Chairman of the Supervisory Board
Corporate consultant, Grünwald.
Mr. Fleischmann holds the following other supervisory board position:
- itelligence AG, Bielefeld

Rolf Baron Vielhauer von Hohenhau
Supervisory Board member
President of the Bund der Steuerzahler in Bayern e.V., Munich.

Baron Vielhauer von Hohenhau is also a member of the Administrative Board of Stadtsparkasse Augsburg.

GROUP MANAGEMENT REPORT FOR 2010

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

1. Business and conditions

Economic climate

Since mid 2009 the German economy has staged a dynamic recovery. The process was driven initially by the global economic situation. In the past three quarters, however, domestic demand has emerged as an increasingly significant factor. The essential reason for this increase in domestic demand lay in the investment incentives resulting from historically low interest rates. By the middle of 2010 consumer spending was rising for the first time in three consecutive quarters, while investments in equipment have been growing since spring 2010.

According to the ifo Institute economic forecast for 2010/2011, as well as the annual report by the German Council of Economic Experts, following a drastic fall of -4.7 percent in gross domestic product in 2009, GDP is likely to have put on a substantial 3.7 percent in the year 2010. The German Federal Statistical Office recorded an increase in gross domestic product in 2010 of 3.6 percent relative to the year before, with equipment investments substantially up on 2009 (+9.4 percent).

The economic recovery in 2010 is likewise reflected in the business climate index for German trade and industry published by the ifo Institute, which rose by 15 points over the preceding year to stand at 110. Companies evidently expect business in the coming year to be noticeably better than in the year before. Thanks to the economic recovery it is also to be expected that the employment situation will continue to improve. The ifo Institute estimates that the unemployment rate is likely to fall to 7.0 percent.

Segmental environment and market background

Developments in the IT sector have improved markedly compared with the year before. According to the market figures published by industry association BITKOM, the IT sector is expected to record year on year sales growth of 2.7 percent. Sales in the software segment are forecast to have risen by 2.4 percent 2010.

This growth is also reflected by the BITKOM sector index, which has recorded a substantial rise of 69 points since the beginning of 2010. BITKOM anticipates that demand on the part of both business customers and private users will continue to increase in the coming year. The software segment survey conducted by BITKOM confirms this estimate: Over three quarters of all companies surveyed expected an increase in sales in the fourth quarter of 2010.

While these comparisons both at the macroeconomic level and in the IT environment reflect increases that compare with a severely contracted baseline in the preceding year, ATOSS has recorded substantial growth in the past year. Against this background the company is very satisfied with the gratifying developments in business in 2010, and with growth of 6 percent in our core software business.

This is reflected in the highly successful sales figures and results for the past year: In 2010 the company achieved at EUR 29.3 million (previous year: EUR 29.1 million) slightly increased sales and at EUR 6.8 million (previous year: EUR 5.5 million) for the fifth time in succession the best result (EBIT) in its history. What's more, the continuing substantial volume of orders on hand allows us to predict sales in the near future and plan ahead with security. Our high liquidity and high equity ratio provide additional security for customers, employees and shareholders.

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

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

The products and services developed by ATOSS are designed to solve the problems its customers experience in ascertaining optimum staffing needs, developing ideal working time models, allocating working hours to meaningful advantage, ensuring secure access and deploying and managing personnel efficiently. By utilizing personnel resources in a manner that 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 working time management and personnel resource planning, offering an in-depth range of integrated solutions that meet even the highest functional and technological demands. And with the availability of interfaces to solutions from complementary providers, we are able to 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 offers 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 that 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 and sector, demands on capacity are likely to fluctuate, whereas staff cannot always be employed on a pattern that mirrors these fluctuations. Taking operational requirements, wage agreements and statutory regulations, as well as factors such as vacations, sickness, part-time employment and other factors into account, ATOSS provides solutions which optimize personnel deployments and workforce management 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 are often capable of yielding more flexible options for staff deployment than is possible with rigid working hours. However, deploying and managing staff under optimized cost conditions can only be achieved by evaluating hours worked in association with wage supplements and ancillary costs.

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

When deciding on long-term partnerships, major customers in particular are increasingly focusing on independent companies with a sound financial base. When investment decisions are made, our robust equity ratio of 63 percent (previous year: 57 percent), our operating cash flow amounting to EUR 5.8 million (previous year: EUR 7.6 million) 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, operating profits (EBIT) and cash flow as the essential measures of its success. The development in software licensing revenues is of central importance, since this is the driving force behind the company's business model. In this context, the volumes of orders received and orders on hand for software licenses represent essential indicators for the future development of the company.

In financial year 2010 ATOSS achieved sales amounting to EUR 29.3 million (previous year: EUR 29.1 million) in connection with an operating profit of EUR 6.8 million (previous year: EUR 5.5 million). This gratifying development in sales and results in economically challenging times is attributable not least to the advanced Java-based technology embodied in our software since 2005. The many references that now support the ATOSS Staff Efficiency Suite provide a sound basis on which to secure further business successes.

Development in sales of software licenses and maintenance, software license order situation
Software licensing and maintenance sales were increased in 2010 with revenues rising 6 percent to EUR 17.8 million (previous year: EUR 16.8 million). The proportion of sales accounted for by software stood at 61 percent (previous year: 58 percent).

Software maintenance sales during the year rose by 6 percent to reach a total of EUR 11.3 million (previous year: EUR 10.6 million).

Sales of software licenses at EUR 6.5 million were also up on the previous year (EUR 6.1 million). The increase in sales revenues is attributable to existing customers extending their licenses, to the progress made in projects for major customers and to additional long-term production orders from new customers.

The level of orders received at EUR 6.3 million was below the previous year's figure of EUR 7.0 million. A total of 28 percent (previous year: 49 percent) of orders received related to long-term production orders.

At the end of 2010 orders on hand for software licenses remained at a high level of EUR 3.1 million (previous year: EUR 3.3 million), while 40 percent (previous year: 74 percent) of orders on hand related to long-term production orders.

Development in consultancy sales
It was not possible to repeat the growth in consulting seen in previous years. Consultancy sales in 2010 stood at EUR 7.9 million, some 7 percent below the previous year's figure of EUR 8.5 million. As a result, consultancy accounted for 27 percent of overall sales (previous year: 29 percent).

Development in hardware and other sales
Revenues from the sale of hardware increased in 2010 relative to the year before. At EUR 2.5 million the figure was 7 percent higher than the EUR 2.3 million recorded in 2009. As a proportion of total sales, this represented some 8 percent (previous year: 8 percent). Other sales, the heading under which notably identification media and customer-specific programming services are reported, amounted to EUR 1.1 million, down by 26 percent from EUR 1.5 million the year before. As a proportion of total sales, this represented some 4 percent (previous year: 5 percent).

Long-term production orders
As in previous years the company realizes long-term orders in application of the percentage of completion method. In financial year 2010 this applied to 17 orders (previous year: 18) that were realized to a value of EUR 4.4 million (previous year: EUR 3.7 million) in line with project progress.

Corporate strategy and opportunities
At the heart of our business activities lie the continuous acquisition of new customers and the development of existing customer installations in the fields of time and attendance management and workforce scheduling and deployment. Some significant progress was made in both areas in 2010. For example, products incorporating the company's latest generation of software solutions were placed with existing customers of major importance. Furthermore a large number of new customers were acquired, including additional orders from major clients. The year 2010 also witnessed the successful implementation of major projects acquired in the preceding year. We regard these successes as continuing confirmation that we are pursuing the correct strategy to enhance both sales and results.

We continue to perceive good opportunities for growth in the German-speaking regions. Internationally, our products are meanwhile deployed in more than 20 countries and eight languages. Consequently, we also have the potential for international growth over the medium term, with the premium market in particular offering substantial opportunities for development.

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

In order to develop these competitive advantages over 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 future is decisive for our customers. At the same time they also need to deploy technologically sophisticated solutions that will be equally at home in the tomorrow's system environments 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 are capable of replicating every customer- and industry-specific requirement, covering all aspects of intelligent personnel deployment and workforce management. In order to avoid problems in updating from one release to the next, we guarantee full upward compatibility, thereby allowing the latest solutions to be implemented at any time.

The goal of our product development is to be able to offer solutions that meet our customers' ever more complex and individual needs. The development of Java-based versions of ATOSS Staff Efficiency Suite (ASES) and ATOSS Startup Edition (ASE) that 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. Our solutions, for example, have been successfully combined with up-stream planning and down-stream evaluation systems. In another scenario they have also been integrated as a real-time data source into a client's visitor management system. In this way our solutions create value added over and beyond their original functions. The continuing development of interfaces with our systems makes it simple and easy for customers to integrate our solutions into their existing system architecture and thereby derive the optimum benefits.

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

In 2010 our expenditure on research and development amounted to EUR 6.0 million (previous year: EUR 5.6 million). The bulk of this figure in the amount of EUR 4.8 million (previous year: EUR 4.5 million) was accounted for by the personnel costs for 102 (previous year: 91) software developers. As a proportion of overall sales R&D expenditure amounted to 20 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
All of our subsidiaries continued to record positive development in 2010, with all companies posting a positive year-end result. The proportion of Group sales accounted for by our international business in 2010 amounted to 9 percent, against 8 percent in the preceding year.

Officers, employees, development in personnel
In financial year 2010 the Group employed an average workforce of 243 members of staff (financial year 2009: 227). Of these, 102 (previous year: 91) were employed in product development, 70 (previous year: 66) in consulting, 34 (previous year: 34) in sales and marketing and 37 (previous year: 36) in administration. Personnel costs in 2010 amounted to EUR 14.6 million, slightly below the figure of EUR 15.0 million for the preceding year.

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.

On December 31, 2010 the company employed 5 trainees (previous year: 6). In 2010 as the preceding year, one former trainee was transferred to full-time employment.

The Supervisory Board of the company remained unchanged in 2010, comprising Peter Kirn as Chairman, Fritz Fleischmann as Deputy, and Rolf Baron Vielhauer von Hohenhau.

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

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

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

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

On December 1, 2010 the Board of Management and Supervisory Board adopted a new declaration of conformity pursuant to Section 161 of the German Stock Corporation Act in which it is confirmed that the recommendations of the Commission on Corporate Governance appointed by the German Government are complied with, with the exception of those points stated in the declaration. This declaration is published on the company's web site. It is consequently evident that the company in broad measure conforms with the recommendations and deviates only in respect of a small number of points which in the company's view are of marginal importance.

Deviations apply in respect of the following points:

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

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

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

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

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

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

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

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

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

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

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

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

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

No special rights exist that convey powers of control.

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

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

At the general meeting held on April 30, 2010 the Board of Management was further authorized pursuant to Section 71, Para 1, No. 8 of the German Stock Corporation Act other than for purposes of trading in own shares and in consideration of the restrictions imposed by Section 71, Para 2 of the Act on or before October 29, 2011 to purchase company shares in the amount of up to ten percent on the company's capital stock either via the stock market or by means of a public offer to purchase addressed to all company shareholders.

The Board of Management was further authorized at the general meeting on April 30, 2010 without further resolution by a general meeting not only to offer the purchased shares via the stock market or by a public offer to all shareholders, but also to the exclusion of existing shareholders' subscription rights

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

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

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

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

The Board of Management was further authorized at the general meeting on April 30, 2010 to withdraw the treasury shares acquired without further resolution by a general meeting.

The authorizations concerning the use of treasury shares also extend to the use of shares in the company acquired on the basis of previous authorizing resolutions pursuant to Section 71, Para 1, No. 8 of the German Stock Corporation Act. The previous resolution adopted at the general meeting on April 30, 2009 regarding the repurchase of own shares was revoked at the general meeting on April 30, 2010.

In financial year 2010 some 9,000 treasury shares were utilized to service the convertible bonds program. No own shares were repurchased in financial year 2010. On December 31, 2010 the company held 56,099 own shares in treasury (previous year: 65,099) at an average price of EUR 6.71 (previous year: EUR 7.54). As a result on the qualifying date there were 3,969,568 shares in circulation (previous year: 3,960,568).

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

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

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

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

2. Earnings situation

The earnings situation in financial year 2010 was principally defined by a slight increase in overall sales revenues which rose to EUR 29.3 million (previous year: EUR 29.1 million). At the same time costs – without taking into account sales input – declined by 4 percent to EUR 19.9 million (previous year: EUR 20.6 million). As a result, profitability was increased over the level of the previous year.

The essential key figure determining the success of the company's operating performance, namely its earnings before interest and taxes (EBIT) was improved from EUR 5.5 million in the preceding year to EUR 6.8 million. The return on sales represented by EBIT stood at 23 percent (previous year: 19 percent).

Earnings before taxes (EBT) amounted to EUR 7.0 million (previous year: EUR 5.9 million) and net income came in at EUR 4.8 million (previous year: EUR 4.0 million). As a result, earnings per share increased to EUR 1.21 (previous year: EUR 1.00); after adjustment for the dilution effect of convertible bonds in circulation the figure was EUR 1.21 (previous year: EUR 1.00).

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

3. Financial and asset position

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 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 2010:

During the reporting period the company continued to record positive cash flow from operations, amounting to EUR 5.8 million (previous year: EUR 7.6 million). The increase in net profit notwithstanding, the decline in cash flow from operations in comparison with the preceding year essentially resulted from the reduction in deferred revenues due to the lower level of deferrals on long-term production orders on the qualifying date, as well as from the one-off impact on pension provisions of the previous year's change in pension commitments and from the variation in deferred taxes. Positive effects resulted primarily from a reduction in trade accounts receivable and an increase in tax provisioning.

The effect of the dividend distribution amounting to EUR 2.0 million and the payment of EUR 2.1 million made for the previous year's purchase of property in Meerbusch was to reduce liquidity. However as a result of the cash flow generated from business operations, in the 2010 financial year overall liquidity was in fact increased. On December 31, 2010 the company's liquidity stood at EUR 20.7 million (previous year: EUR 19.3 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.

As a result of the purchase of property in Meerbusch initiated in 2009, tangible assets increased by EUR 2.0 million, from EUR 0.8 to EUR 2.8 million. Ownership and liability transferred to the company on January 1, 2010.

Receivables were reduced from EUR 4.3 million to EUR 3.1 million. The average time to receipt of 32 days (previous year: 45 days) remains very low – a fact which in the company's opinion is attributable to a high level of customer satisfaction as well as successful customer account management.

The company is financed through the ongoing cash flow generated from operations. Current liabilities included trade accounts payable in the amount of EUR 0.8 million (previous year: EUR 0.7 million), short-term provisions amounting to EUR 0.1 million (previous year: EUR 0.1 million), deferred revenues of EUR 1.7 million (previous year: EUR 3.2 million), tax provisions amounting to EUR 1.0 million (previous year: EUR 0.1 million) and miscellaneous current liabilities of EUR 4.2 million (previous year: EUR 4.3 million). In total, current liabilities on December 31, 2010 had declined to EUR 7.7 million (previous year: EUR 8.3 million). The reduction was essentially due to the decline in deferred revenues resulting from the lower level of deferrals on long-term production orders on the qualifying date.

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.

Among the items reported under non-current liabilities are the deposits on convertible bonds. Of the 16,000 convertible bonds outstanding on December 31, 2009 some 9,000 were converted in the past financial year. As a result at the close of 2010 there were 7,000 bonds in circulation.

Group equity capital as of December 31, 2010 amounted to EUR 17.6 million (previous year: EUR 14.7 million), resulting in an equity ratio of 63 percent in comparison with 57 percent on December 31, 2009. The return on equity as of December 31, 2010 remained unchanged at 27 percent (previous year: 27 percent).

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

Investments in fixed assets in the financial year rose from EUR 2.5 million, compared with EUR 0.6 million in the previous year.

In order to reduce administrative costs, the company vehicle fleet as well as various items of business equipment are leased. As of December 31, 2010 there were 81 leasing agreements for company vehicles (previous year: 73). In addition individual servers are on long-term lease from their manufacturers. In fact at the end of 2010, there was one leasing agreement in existence for one server (previous year: 1). In addition there were also 7 leasing agreements for copiers (previous year: 7).

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

4. Events after December 31, 2010

Mr. Fritz Fleischmann, corporate consultant of Grünwald, in a letter dated November 16, 2010 resigned his position as Deputy Chairman of the Supervisory Board effective December 31, 2010 in order to act as marketing consultant to the company. By an order of the Municipal Court of Munich dated January 14, 2011, Mr. Richard Hauser, corporate consultant, Grünwald, was appointed in his place.

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

5. Risk management and control system

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

The law does not provide a definition of an accounting-related internal control and risk management system. Drawing upon the definitions given by the Institut der Wirtschaftsprüfer in Deutschland e. V., Düsseldorf, of an accounting-related internal control system (IDW PS 261 Tz. 19f) and of a risk management system (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 Group by the management to support the organizational implementation of management decisions

- to safeguard the effectiveness and economic efficiency of business operations,
- to ensure the correctness and reliability of internal and external accounting processes, and
- comply with the provisions of the law applicable to the company.

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

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

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

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

Material aspects of risk are currently perceived to lie in particular in the economic environment and in the market environment, employee fluctuation, data protection and data security and the system and network infrastructure. The company endeavors to counter these risks through organizational measures and via the installed risk management system which ensures that risks are communicated to the Board of Management.

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

Financial risk continued to be countered in 2010 by an unvaryingly conservative investment strategy. Given the possible risk of interest rate changes and other credit risks, the company continued to invest its funds in short-term fixed deposits with reputable banks and savings banks in due consideration of the liability limits imposed by the deposit guarantee fund, and where appropriate in short-term investments in gold. As a result, even in consideration of the current financial crisis in 2010, in the company's view the market price risk associated with financial assets remained negligible. The company intends in future to adapt its investment policy to changing market conditions in order to safeguard long-term sustained value. With effect from 2011 the company proposes to make short- and medium-term investments in fixed-term deposits, bonds and dividend-bearing securities which will entail the risks typically inherent in these forms of investment.

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

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

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

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

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

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

- The Group exhibits a clear management, corporate and control structure.
- The functions of the departments essentially concerned with financial accounting, order processing and controlling are clearly separated and responsibilities are unambiguously assigned.
- For the purpose of analyzing and managing risk factors that may impinge on earnings, we have integrated the risk management system previously described and established a coordinated planning and control system.
- In order to continuously monitor the development in our assets, financial position and earnings situation, a review is submitted to the management and to the Supervisory Board on a monthly basis.
- Uniform accounting procedures are assured by the application of uniform Group-wide guidelines which are adapted as necessary.
- Functions and responsibilities are unambiguously assigned in all areas of the accounting process.
- The departments involved in the accounting process comply with the relevant quantitative and qualitative requirements.
- The IT systems employed in connection with the accounting process are protected by security features against unauthorized access.
- The financial systems employed are based on standard software.
- Matters with a material accounting relevance are discussed and clarified at weekly finance meetings.
- Essential accounting-related processes are subject to regular audit. Where necessary the risk management system is adapted in line with current developments.
- All essential accounting-related processes are consistently subject to the principle of dual control.
- The Supervisory Board concerns itself with matters of material importance pertaining to accounting, risk management and the audit assignment and its areas of emphasis.
- The Board of Management bears overall responsibility for the company's accounting-related internal control and risk management system. All of the companies and departments included in the financial statements are integrated into a clearly defined management and reporting organization.

The accounting-related internal control and risk management system, the essential features of which are described above, ensures that business events are accurately recorded, treated and reflected in the internal accounts and correctly translated into external accounts. The system also guarantees that potential risks are identified at an early stage and appropriate counter-measures initiated where necessary in good time.

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

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

6. Dividend distribution

As in the preceding year, in considering the dividend to be paid, the Board of Management and Supervisory Board have based their proposal upon the long-term dividend policy applied by the company, under which between 30 percent and 50 percent of consolidated earnings per share generated in the financial year is distributed as a dividend. The Board of Management has accordingly resolved to propose to the General Meeting that a dividend of EUR 0.60 per dividend-bearing share be paid for the financial year 2010.

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

Looking ahead to 2011, both the German Council of Economic experts and the ifo Institute are forecasting growth. It is expected, however, that the German economy will grow more slowly than in 2010. The reasons cited for this include weakening global economic development, the reduction or removal of benefits as part of the budgetary consolidation undertaken by the Federal Government, and risks to the international financial markets. Events will also be influenced by concerns about the steep increase in budget deficits and the levels of sovereign debt in the industrialized countries and the concomitant question marks over the solvency in particular of some countries on the periphery of the euro zone. The German Council of Economic experts forecasts an increase in gross domestic product of 2.2 percent in 2011; the ifo Institute is forecasting a rise of 2.4 percent.

The industry association BITKOM also has an optimistic outlook on business in Germany in 2011. According to a survey conducted by BITKOM, 89 percent of companies questioned expect to see rising sales revenues, while a further 9 percent expect sales to remain stable. In addition, two thirds of companies intend to create new jobs. In the software segment, a total of 79 percent of the companies surveyed plan to expand their workforce. As the economy recovers, however, numerous companies see the shortage of qualified staff as burdening market developments. With a look to 2011, BITKOM is forecasting sales growth of 4.3 percent in the IT sector and 4.2 percent in the software segment.

Fresh growth is also expected in the European high-tech market in 2011. According to the EITO forecast, sales in the European IT market are slated to grow by 3.5 percent. Positive trends are seen to derive from investments in information technology and telecommunications. The BITKOM association anticipates a resurgence in demand from business customers as projects postponed from last year are revisited in 2011. Companies are particularly likely to invest in solutions and technologies that will enable them to increase their efficiency and boost liquidity.

Clearly distinguished as it is at the level of products and technology, financial stability and sustainability, as well as first-class references in all relevant markets, ATOSS is well positioned to take advantage of the opportunities that present themselves and convert these into business success. What's more, there is considerable potential to improve the competitiveness of our target customers and thereby secure sustained sales opportunities in the company's specialist field of solutions designed to enhance workforce management efficiency.

ATOSS therefore anticipates stable to moderately increasing sales in 2011. At the same time, in financial year 2011, the company 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 development. Given these investment plans, ATOSS expects to see an EBIT margin in 2011 of around 20 percent. In the medium-term the company is targeting an EBIT margin above 20 percent.

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 described in this management report in such a manner as to convey an impression which accords with the true facts; and that the essential opportunities and risks are described accordingly.

Munich, January 28, 2011

Andreas F.J. Obereder

Christof Leiber

CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET TO 31.12.2010			
Assets (EUR)	**Note**	**31.12.2010**	**31.12.2009**
Non-current assets	11		
Tangible fixed assets (net)	6,12, 28	2.812.173	794.681
Intangible assets (net)	6,13, 28	136.155	113.214
Deferred taxes	14, 29	260.259	249.984
Total non-current assets		**3.208.587**	**1.157.879**
Current assets	8,10		
Inventories	10, 26	9.480	8.712
Trade accounts receivable (net)	6, 8, 9, 25	3.063.813	4.281.893
Other current financial assets	8, 9, 27	801.791	923.700
Cash and cash equivalents	8, 9, 24	20.691.419	19.328.060
Total current assets		**24.566.503**	**24.542.365**
Total assets		**27.775.090**	**25.700.244**

Equity and Liabilities (EUR)	**Note**	**31.12.2010**	**31.12.2009**
Equity	38		
Subscribed capital	39	4.025.667	4.025.667
Capital reserve	40	-375.203	-301.013
Treasury stock	19, 41	-376.284	-491.034
Unappropriated net income	67	14.296.435	11.478.130
Total equity		**17.570.615**	**14.711.750**
Non-current liabilities	30		
Convertible bonds	6, 17, 35, 36	7.000	16.000
Pension provisions	18, 37	1.744.723	1.882.275
Deferred taxes	14, 29	727.851	753.508
Total non-current liabilities		**2.479.574**	**2.651.783**
Current liabilities	15,16, 30		
Trade accounts payable	30	788.217	685.546
Other current financial liabilities	15, 30, 32	4.153.537	4.276.870
Deferred revenues	15, 30, 33	1.709.514	3.204.066
Tax provisions	29, 30	974.633	100.129
Other provisions	6, 16, 30, 34	99.000	70.100
Total current liabilities		**7.724.901**	**8.336.711**
Total equity and liabilities		**27.775.090**	**25.700.244**

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 01.01.2010 TO 31.12.2010			
EUR	Note	01.01.2010 -31.12.2010	01.01.2009 -31.12.2009
Sales revenues	6, 20, 42	**29.314.472**	**29.086.994**
Cost of sales	43	-9.352.871	-9.691.207
Gross profit on sales		**19.961.601**	**19.395.787**
Sales costs	44	-4.753.527	-5.790.189
Administration costs	45	-2.544.283	-2.483.959
Research and development costs	21, 46	-5.962.616	-5.635.406
Other operating expenses	49	-18.531	-35.342
Other operating income	49	156.948	68.608
Operating profit		**6.839.592**	**5.519.499**
Interest and similar income	48	208.365	369.663
Interest and similar expenses	22, 48	-89.787	-34.833
Earnings before taxes		**6.958.170**	**5.854.329**
Taxes on income and earnings	29, 51	-2.159.081	-1.890.031
Net income for the year		**4.799.089**	**3.964.298**
Earnings per share (undiluted)	52	1,21	1,00
Earnings per share (diluted)	52	1,21	1,00
Average number of shares in circulation (undiluted)		3.964.423	3.956.782
Average number of shares in circulation (diluted)		3.976.568	3.977.173

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 01.01.2010 TO 31.12.2010			
EUR	Note	01.01.2010 -31.12.2010	01.01.2009 -31.12.2009
Net income for the year		**4.799.089**	**3.964.298**
Changes not recognized in profit and loss resulting from the sale/ purchase of treasury stock	19, 38, 41	40.560	19.024
Other income for the period after taxes		**40.560**	**19.024**
Comprehensive income after taxes		**4.839.649**	**3.983.322**

CONSOLIDATED CASH FLOW STATEMENT

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD FROM 01.01.2010 TO 31.12.2010			
EUR	Note	01.01.2010 -31.12.2010	01.01.2009 -31.12.2009
Net income for the year	52	**4.799.089**	**3.964.298**
Depreciation of fixed assets	28	450.169	383.620
Loss/gain on the disposal of fixed assets		511	-41.536
Change in deferred taxes	29	-35.933	583.789
Provisions for pension commitments	37	-137.552	705.379
Change in net current assets			
Trade accounts receivable	25	1.218.079	-826.607
Inventories and other current financial assets	26, 27	121.141	54.519
Trade accounts payable	30	102.671	459.116
Other current financial liabilities	30, 32	-132.333	3.756.015
Deferred revenues	30, 33	-1.494.550	1.718.156
Tax provisions	29, 30	874.504	-169.292
Other provisions	30, 34	28.900	-2.975.728
Cash flow generated through business operations (1)	53	**5.794.696**	**7.611.729**
Cash flow from investment activities			
Acquisition of tangible and intangible assets	28	-2.491.113	-598.269
Income from fixed asset disposals		0	42.294
Cash flow generated through investment activities (2)	54	**-2.491.113**	**-555.975**
Cash flow from financing activities			
Dividend paid	38	-1.980.784	-1.739.130
Disbursements for the purchase of treasury stock	19, 41	0	-30.416
Income from the sale of treasury stock	19, 41	40.560	41.440
Cash flow generated through financing activities (3)	55	**-1.940.224**	**-1.728.106**
Change in liquidity - total of (1) to (3)		**1.363.359**	**5.327.648**
Liquidity at beginning of year	24	19.328.060	14.000.412
Liquidity at end of year	24	**20.691.419**	**19.328.060**
Income tax paid		1.350.682	1.553.487
Tax refunds received		130.698	520.739
Interest paid		681	809
Interest received		225.231	211.666

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY TO 31.12.2010					
EUR	Subscribed capital	Capital reserve	Treasury stock	Unappropriated net income	Total
Note	39	40	19, 41	67	
01.01.2009	**4.025.667**	**-248.453**	**-562.618**	**9.252.962**	**12.467.558**
Net income 2009	0	0	0	3.964.298	3.964.298
Dividend	0	0	0	-1.739.130	-1.739.130
Purchase/sale of treasury stock					
Purchase of treasury stock	0	0	-30.416	0	-30.416
Sale of treasury stock	0	-52.560	102.000	0	49.440
Other profit/loss on the purchase/ sale of treasury stock	**0**	**-52.560**	**71.584**	**0**	**19.024**
As of 31.12.2009 / 01.01.2010	**4.025.667**	**-301.013**	**-491.034**	**11.478.130**	**14.711.750**
Net income 2010	0	0	0	4.799.089	4.799.089
Dividend	0	0	0	-1.980.784	-1.980.784
Purchase/sale of treasury stock					
Purchase of treasury stock	0	0	0	0	0
Sale of treasury stock	0	-74.190	114.750	0	40.560
Other profit/loss on the purchase/sale of treasury stock	**0**	**-74.190**	**114.750**	**0**	**40.560**
As of 31.12.2010	**4.025.667**	**-375.203**	**-376.284**	**14.296.435**	**17.570.615**

One share represents 1 euro of subscribed capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2010

I. Company information
II. Accounting and valuation methods
III. Notes to the Consolidated Balance Sheet
IV. Notes to the Consolidated Income Statement
V. Segment reporting
VI. Notes to the Consolidated Statement of Cash Flows
VII. Other information

I. Company information

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

II. Accounting and valuation methods

1. International Financial Reporting Standards (IFRS)

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

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

The same accounting and valuation methods were applied as in the preceding year.

The Group applied the following new or modified standards for the first time in financial year 2010.

Standard or interpretation	Description	For financial years with effect from
IAS 27	Consolidated and separate financial statements	01.07.2009
IAS 39 and IFRIC 9	Amendment to IAS 39 and remeasurement of embedded derivatives	30.06.2009
IAS 39	Financial Instruments: Recognition and measurement – eligible hedged items	01.07.2009
IFRS 1	Additional exceptions for first-time adopters	01.01.2010
IFRS 1	First-time adoption	01.09.2009
IFRS 2	Share-based payment	01.01.2010
IFRS 3	Business combinations	01.07.2009
IFRIC 16	Hedges of a net investment in a foreign operation	01.07.2009
IFRIC 17	Distributions of non-cash assets to owners	01.07.2009
IFRIC 18	Transfers of assets from customers	01.07.2009

The essential effects of these changes are as follows:

The revised version of standard IAS 27 – Consolidated and Separate Financial Statements with consequent amendments to IAS 28 – Investments in Associates and IAS 31 – Interests in Joint Ventures was published in January 2008 and is applicable for the first time for financial years commencing on or after July 1, 2009. The amendments essentially concern the treatment of changes in participating interests in subsidiaries and the loss of control over same and the apportionment of losses incurred by subsidiaries between controlling and non-controlling interests. The company holds all of the shares in its subsidiaries. However it does not hold any interests in associates or jointly controlled entities. The company does not therefore perceive any relevance in these changes at this time.

As a result of the published changes to IAS 39 and IFRIC 9, companies are permitted under certain circumstances to reclassify certain financial instruments measured at fair value through profit or loss. The changes to IFRIC 9 and IAS 39 make clear that in the event of the reclassification of such instruments, all embedded derivatives must be remeasured and if necessary reported separately in the financial statements. Since the Group possesses no embedded derivatives, there is no resulting impact on the consolidated financial statements.

The amendments to IAS 39 were published in August 2008 and are applicable for the first time for financial years commencing on or after July 1, 2009. They define how the principles contained in IAS 39 for the recognition of hedges are to be applied to the designation of one-sided risk in a hedged item and to the designation of inflation risks in a hedged item. The amendments make clear that it is permissible to designate only a part of the variation in fair value or cash flow fluctuations in a financial instrument. These changes are not expected to have any effect on the Group.

The amendments to IFRS 1 – First-time Adoption of IFRS – afford some simplifications for first-time adopters and relate to the retrospective application of IFRS in certain situations. Moreover, the amendments are intended to ensure that in converting to IFRS companies do not incur disproportionately high costs. The amendments have no effect upon the Group.

The restructured IFRS 1 replaces the previous version of IFRS 1, in order to simplify the future use and amendment of this standard. With the advent of the restructured IFRS 1 some outdated transitional guidelines have been deleted and minor changes made to the wording. However the current requirements remain unchanged.

On June 18, 2009 the IASB published amendments to IFRS 2 – Share-based Payment – covering the reporting of shared-based payments settled in cash. The amendments make clear how an individual group subsidiary should account for certain share-based payment agreements in its own financial statements. The agreements cover situations in which the subsidiary receives goods or services from employees or suppliers, whereas it is the responsibility of the parent company or other group company to pay these employees or suppliers. The amendments to IFRS 2 require that a company which receives goods or services under a share-based payment agreement must account for these goods or services irrespective of which group entity satisfies the associated obligation or whether the obligation is settled in shares or cash. There are no effects on the Group resulting from this change.

The revised standard IFRS 3 – Business Combinations was published in January 2008 and is applicable for the first time for financial years commencing on or after July 1, 2009. The revision introduces amendments to the accounting treatment of business combinations that take place after this point in time which will affect the recognition of goodwill, the results in the period in which an entity is acquired and also future results. The Group of consolidated companies and the level of participation in these Group companies remained unchanged in 2008, 2009 and 2010. The company does not therefore at this time expect any effects to result from the first-time adoption of this standard.

IFRIC 16 concerns hedge accounting for net investments in foreign business operations. The interpretation makes clear that only such hedges can be accounted for as exist between the functional currency of the foreign operation and the functional currency of the parent company. Hedging is likewise limited to the net asset value of the foreign operation as carried in the consolidated financial statements. The hedging instrument may be held by any group company with the exception of those whose exchange rate risks are hedged. If the foreign business operation exits the group of consolidated companies, the variation in value of the hedging instrument recognized in equity and the exchange rate gains or losses incurred by the foreign operation and recognized in the currency reserve must be reclassified as current income/expenses. The level of cumulative exchange rate gains or losses attributable to the foreign operation exiting the consolidated group may be calculated either by the graduated consolidation method or the direct consolidation method. As a matter of principle, IFRIC 16 must be applied for financial years commencing on or after October 1, 2008. IFRIC 16 was adopted into European law by the EU Commission on June 4, 2009. However, in adopting this interpretation, the EU Commission laid down a deviating timescale for first-time adoption, according to which IFRIC 16 is to be applied for the first time commencing on or after June 30, 2009. In financial year 2010 the Group did not engage in any currency hedging transactions, as a result of which there were no effects on the Group.

IFRIC 17 clarifies and explains how shareholder dividends paid in kind are to be accounted for. In some cases companies distribute other assets as payment (in kind) to their owners by way of dividends. In such event the company may also grant its owners the right to elect whether to receive payment in kind or a cash settlement. IFRIC 17 lays down guidelines on how to account for dividends paid in kind to the owners of a company. In financial year 2010 the Group paid no dividends in kind, as a result of which there were no effects on Group accounting.

IFRIC 18 is of particular relevance in the utilities sector. The interpretation clarifies the IFRS rules on agreements under which a company receives a tangible asset from a customer which the company must then use either to connect the customer to a supply network or to afford the customer permanent access to supplies of goods or services such as for example electricity, gas or water supplies. In some cases the company may receive monies from the customer in cash which the company is then exclusively permitted to use in order to purchase or manufacture tangible assets for the purpose of connecting the customer to a supply network or affording the customer permanent access to supplies of goods or services. The standard is of no relevance to the Group.

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

Standard or interpretation	Description	For financial years with effect from
IAS 24	Related party disclosures	01.01.2011
IAS 32	Financial Instruments: Classification of subscription rights	01.02.2010
IFRS 1	Limited exemption of first-time adopters from comparative disclosures as per IFRS 7	01.07.2010
IFRS 9	Financial Instruments: Classification and valuation	01.01.2013
IFRIC 14	Advance payments in connection with minimum funding requirements	01.01.2011
IFRIC 19	Extinguishing financial liabilities with equity instruments	01.07.2010

The revised version of IAS 24 simplifies the reporting duties incumbent on so-called state-controlled entities. Certain 'related party' relationships resulting from state participation in private companies are excepted from some of the disclosure requirements specified in the amended standard. In addition the definition of related entities and persons has been fundamentally revised. There are no effects on the Group resulting from this change.

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

The amendment to IFRS 1 allows companies adopting IFRS for the first time to take advantage of an exemption from comparative disclosures for the measurement of fair value and liquidity risk. IFRS 7 provides for these exemptions in cases in which the comparative periods ended prior to December 31, 2009. The amendment will have no effects on Group accounting.

On November 12, 2009 the International Accounting Standards Board (IASB) published the new IFRS 9 on the classification and valuation of financial instruments. The publication represents the completion of the first part of a 3-stage project to replace IAS 39 – Financial Instruments: Recognition and Measurement with a new standard. IFRS 9 introduces new rules for the classification and valuation of financial assets. These rules must be applied with effect from January 1, 2013. On October 28, 2010 the IASB republished IFRS 9 – Financial Instruments – with the inclusion of new rules on the treatment of financial liabilities and the adoption of the rules on the elimination of financial assets and liabilities contained in IAS 39. At the same time the Basis for Conclusions was restructured and IFRS 9 (2009) was withdrawn. IFRIC 9 was replaced by IFRS 9 (2010). The IASB intends to expand IFRS 9 to include new rules for the impairment of financial assets valued at amortized cost as well as hedge accounting. IFRS 9 should be fully available to replace IAS 39 by the end of June 2011. The Group does not expect the introduction of IFRS 9 to have any effects on its classification and valuation of financial assets. However, the amendments are expected to require changes to the Notes.

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

IFRIC 19 is intended to provide guidelines on how to account for equity instruments. Debtors and creditors may renegotiate the terms of a financial liability and agree that the debtor may wholly or partially extinguish the liability by issuing equity instruments to the creditor. Transactions of this kind are described as debt-for-equity swaps. No such transactions have been undertaken by the company, as a result of which these amendments are not relevant to the Group.

The IASB introduced an annual amendment procedure in 2007 in order to implement necessary but not otherwise urgent amendments to standards at uniform yearly intervals. These "Improvements to IFRSs" were published in May 2008, April 2009 and May 2010. The Improvements published in 2009 which were to be adopted with effect from January 1, 2010 were duly applied by the Group in financial year 2010.

The Improvements to IFRSs published in 2010 which are to be adopted with effect from January 1, 2011 have not been applied by the Group. The 2010 Improvements relate to IFRS 1 – First-time Adoption of International Financial Reporting Standards, IFRS 3 – Business Combinations, IFRS 7 – Financial Instruments: Disclosure, IAS 1 – Presentation of Financial Statements, IAS 27 – Consolidated and Separate Financial Statements, IAS 34 – Interim Financial Reporting and IFRIC 13 – Customer Loyalty Programs.

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

2. Bases for the preparation of the financial statements
The present consolidated financial statements were prepared to December 31, 2010 for the reporting period from January 01 to December 31, 2010. 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 cost of acquisition 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. Figures are rounded up to whole euro units.

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

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

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

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

Company	Share of subscribed capital	Equity as of 31.12.2010 in EUR	Result for the year 2010 in EUR
ATOSS CSD Software GmbH, Cham, Germany	100%	441.539	125.828
ATOSS Software Gesellschaft m.b.H., Vienna, Austria	100%	1.688.958	543.241
ATOSS Software AG, Zurich, Switzerland	100%	673.686	233.807
ATOSS Software S.R.L., Timisoara, Romania	100%	166.125	55.162

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

For consolidation purposes the national financial statements of the subsidiary companies have been adjusted in line with the accounting and valuation methods applied by the parent company. All intercompany transactions as well as receivables, provisions, liabilities and deferrals have been eliminated.

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 pursuant to IAS 27.22 ff. against the equity capital reported by the subsidiary at the time of acquisition. Capital consolidation of the interest in ATOSS CSD Software GmbH, Cham, acquired in the year 2000 continues to be undertaken in accordance with IFRS 1 B1 by the pooling of interests method.

With effect from January 1, 2010 business combinations are accounted for in accordance with IFRS 3 by the acquisition method. The cost of acquiring a company is deemed to be the sum of the consideration transferred measured at fair value at the time of acquisition and the shares without controlling interest in the entity acquired. In the case of every business combination, the acquirer must value the shares without controlling interest in the acquired entity either at fair value or at the appropriate proportion of the identifiable net assets of the acquired entity. Costs incurred in connection with the business combination must be expensed.

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

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

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

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

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

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

The existing structure of the company remained unaltered in financial year 2010.

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

Thus, for example, estimates are made in determining sales revenues for long-term production orders. The amount here is dependent upon the anticipated duration of implementation and the resulting proportionate progress of the project. Sales revenues deriving from production orders in work on the balance sheet closing date amounted in financial year 2010 to EUR 2,367,062 (previous year: EUR 2,976,007).

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

Impairments in the value of receivables are likewise calculated by estimating those factors which may influence their sustained value. The book value of receivables on December 31, 2010 amounted to EUR 3,063,813 (previous year: EUR 4,281,893).

Moreover, estimates are made when forming and assessing provisions for future risks. The book value of provisions on December 31, 2010 amounted to EUR 99,000, compared with EUR 70,100 on the closing date in 2009.

The anticipated service life of fixed assets is also subject to estimation. The carrying value of tangible and intangible fixed assets on December 31, 2010 stood at EUR 2,948.328 (previous year: EUR 907,895).

Actual figures may deviate from estimates made.

7. Currency translation
The functional currency for all Group companies is the euro.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial investments held to maturity
Non-derivative financial assets with fixed or determinable payments and fixed maturity dates are classified as financial assets held to maturity, provided that the Group intends and is in a position to hold these to maturity. Subsequent to first recognition, held-to-maturity investments are measured at amortized cost using the effective interest method, less any impairments. Amortized costs are calculated in consideration of any premium or discount at time of acquisition and fees and costs which represent an integral part of the effective interest rate. Amortization income in application of the effective interest method is recognized in the income statement as financial income. Impairment losses are recognized in the income statement as financial expenses.

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

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

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

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

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

- The contractual rights to receive the cash flow from a financial asset have expired.

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

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

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

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

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

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

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

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

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

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

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

In calculating the impairment of debt instruments classed as available for sale, the same criteria are applied as in the case of financial assets carried at amortized cost. However the amount recognized as an impairment is the cumulative loss which is calculated as the difference between the amortized cost of acquisition and current fair value less any impairment of the instrument previously recognized in profit and loss.

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

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

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

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

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

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

An investigation is similarly made at the end of every reporting period to determine whether there are grounds to believe that a previously recognized impairment no longer exists or is reduced. If such grounds exist the Group makes an estimate of the recoverable amount. A previously recognized impairment will only be reversed if the estimated amount that may be achieved has changed since the last occasion on which an impairment was recognized. Should this be the case, the carrying value of the asset is increased to its recoverable value. This amount must not however exceed the carrying value that would apply after scheduled depreciation if no impairment of the asset were to have been recognized in preceding years. A write-up is recognized in the result for the period.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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 either receivables or liabilities.

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

Deferred revenues are carried at fair value and essentially include amounts invoiced in advance for maintenance works and long-term orders not implemented until later and therefore pertaining to sales in later periods.

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

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

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

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

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

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

The expense to be recognized is measured in accordance with the Black-Scholes model which was developed to assess the fair value of such options which are subject to no conditions and are fully transferable. Given that the options valuation model is based upon subjective assumptions, real deviations from these assumptions can have a sustained effect on the value of the options. Moreover the company's convertible bonds are subject to further restrictions which are only approximately comparable with traded options, with the result that the valuation model does not necessarily provide a reliable option valuation.

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

Date	Number	Average expected term in months	Risk-free interest rate	Standard deviation	Expected fluctuation 31.12.2010	Reduction due to discounted interest in EUR	Convertible bonds returned	Valuation of amount to be expensed post surrender in EUR
August 2003	62,000	30	3.80%	80.30%	0%	-17,295	26,000	228,630
May 2004	52,000	30	3.80%	108.26%	0%	-9,193	10,500	291,440
August 2004	36,000	30	3.70%	102.80%	0%	-298	0	205,901
November 2004	5,000	30	3.40%	97.33%	0%	0	2,000	16,282

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

Since all convertible bonds were already eligible to be exercised as of December 31, 2007, the company incurred no further expense in financial year 2010. The cost in the amount of EUR 742,253 was recognized in full in the years 2002 to 2007.

18. Pension provisions

A non-forfeitable pension commitment exists in favor of the CEO of ATOSS Software AG, Munich, which is classified as a defined benefits plan. Effective August 1, 2009 the previous pension commitment dating from January 1, 2004 was replaced with a new pension commitment and the pension benefit increased accordingly. 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 and assigned the entitlements arising there from with the result that since financial year 2005 in accordance with IAS 19.54d 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.

In accordance with IAS 19.64f, 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.

For the purpose of measuring actuarial profits and losses the company applies what is termed the corridor method, in accordance with which with effect from the end of the next reporting period actuarial profits and losses must be apportioned over the residual period of service if and when they exceed 10 percent either of the actual cash value or of the fair value of the plan assets. In financial year 2010 actuarial profits in the amount of EUR 17,548 (previous year: EUR 36,168) were recognized in profit and loss.

The pension provision was calculated on the basis of an assumed interest rate of 5.4 percent (previous year: 5.7 percent), a salary trend of 2.0 percent (previous year: 2.0 percent), an inflation rate of 2.0 percent (previous tears: 2.0 percent) and a pension trend of 3.0 percent (previous year: 3.0 percent). The biometric tables prepared by Prof. Klaus Heubeck (Richttafeln 2005 G) were applied. It was further assumed that the plan assets would in future attract interest at an annual rate of 4.0 percent (previous year: 4.0 percent).

In addition there are also contributory pension plans for a member of the Board of Management and for employees with 15 or more years service. The company pays contributions for the latter into a private retirement pension scheme in the form of a pension fund for the duration of their employment. These contributions in financial year 2010 amounted to EUR 60,938 (previous year: EUR 34,000).

19. Treasury stock

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

20. Recognition of sales revenues and income

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

Discounts, rebates and turnover tax are not considered.

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

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

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

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

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

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

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

Production orders are deemed to exist insofar as the contractual agreements are structured in accordance with the law on contracts for work and services or the orders cannot be fulfilled by ATOSS partners or by services rendered by the customer on own account.

If a customer commissions a long-term production order, the sales revenues and income are measured by the percentage of completion method, provided that the conditions required by IAS 11.23 are met. Individual sales components are in principle realized in the ratio of the progress of the project services thus far rendered to the anticipated overall volume of services. The progress of the project is in turn measured on the basis of documentation maintained by the project managers and the overall assessment of the management.

Interest earnings are recognized when the interest arises.

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

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

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

The company regularly reviews its contractual relationships with suppliers to determine whether pursuant to the provisions of IFRIC 4 – Determining Whether an Arrangement Contains a Lease they should be classified as leases. On December 31, 2010 as in the preceding year there were no contractual arrangements which meet the criteria specified in IFRIC 4.

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

III. Notes to the Consolidated Balance Sheet

24. Cash and cash equivalents

EUR	31.12.2010	31.12.2009
Fixed-term deposits	16,356,855	14,334,106
Other cash sums	4,334,564	4,993,954
Total of cash and cash equivalents	20,691,419	19,328,060

Fixed-term deposits have times to maturity of up to 9 months and are invested at interest rates of between 0.40 percent and 1.14 percent per annum. The other cash sums of material significance earn interest at up to 0.70 percent.

As a result of the positive operating cash flow amounting to EUR 5,794,696 and the acquisition of tangible and intangible assets amounting to EUR 2,491,113, the dividend payment amounting to EUR 1,980,784 and income from the sale of treasury stock amounting to EUR 40,560, holdings of cash and cash equivalents rose from EUR 19,328,060 to EUR 20,691,419.

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

The fair value of cash and cash equivalents stood at EUR 20,691,419 (previous year: EUR 19,328,060).

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

EUR	31.12.2010	31.12.2009
Gross receivables (at fair value)	3,063,813	4,297,928
Less impairments	0	-16,035
Net receivables (carrying value)	3,063,813	4,281,893

As of December 31, 2010 receivables with due dates which had been extended amounted to EUR 53,884 (previous year: EUR 480). These receivables are carried at nominal value.

During the financial year no revenues resulting from the collection of previously devalued receivables were taken to income (previous year: EUR 8,354). As in the preceding year there were no receivables with a remaining time to maturity of more than one year.

The age structure of overdue and unadjusted receivables on December 31, 2010 was as follows:

EUR	31.12.2010	31.12.2009
Neither overdue nor adjusted	1,974,765	3,277,193
Up to 30 days overdue	836,667	903,900
31 to 60 days overdue	47,587	88,967
61 to 90 days overdue	195,828	6,906
91 to 120 days overdue	-336	0
More than 120 days overdue	9,302	20,962
Gross receivables	**3,063,813**	**4,297,928**
Adjustments	0	-16,035
Net receivables	**3,063,813**	**4,281,893**

As of the qualifying date, adjustments on doubtful receivables amounted to EUR 0 (previous year: EUR 16,035). These were based on assessments by the Management of the feasibility of collecting the same. Reductions in value are implemented in the amount of the carrying value of the receivable if the due date has been exceeded by more than 120 days and an assessment of the general payment pattern and credit-worthiness of the customer indicates that such action is appropriate. In the event of a customer becoming insolvent, the full value of the receivable is reported as a loss.

As a matter of principle, trade accounts receivable are due for payment within 10 days. For works and services and fixed-price projects, in exceptional cases varying terms of payment may be granted.

The value adjustment account developed as follows:

EUR	2010	2009
Account balance on January 1	16,035	10,597
Expense allocations	0	13,792
Consumed	0	0
Liquidated	16,035	8,354
Account balance on December 31	**0**	**16,035**

The company demands no securities from its customers. A description of the risk management system which also covers risks arising from financial instruments can be found in Section 5 of the Group Management Report.

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

27. Other current financial assets
Other current financial assets in the amount of EUR 801,791 (previous year: EUR 923,700) are reported at fair value and essentially include investments in gold in the amount of EUR 399,817 (previous year: EUR 352,116), deferred items amounting to EUR 294,295 (previous year: EUR 289,508 and deferred interest in the amount of EUR 41,183 (previous year: EUR 105,754).

28. Fixed assets

Fixed assets developed as follows in the financial year:

	Acquisition and manufacturing costs					Cumulative depreciation				Net carrying values	
EUR	01.01.2009	Additions	Disposals	Transfers	31.12.2009	01.01.2009	Additions	Disposals	31.12.2009	31.12.2009	31.12.2008
I. Tangible fixed assets											
Technical equipment	433.870	70.089	0	0	503.959	402.324	19.830	0	422.154	81.805	31.546
Office and business equipment	3.155.045	454.304	74.719	0	3.534.630	2.633.919	270.115	73.960	2.830.074	704.556	521.126
Payments on account	0	8.320	0	0	8.320	0	0	0	0	8.320	0
	3.588.915	**532.713**	**74.719**	**0**	**4.046.909**	**3.036.243**	**289.945**	**73.960**	**3.252.228**	**794.681**	**552.672**
II. Intangible assets											
Software	1.024.661	65.556	0	0	1.090.217	883.328	93.675	0	977.003	113.214	141.333
	1.024.661	**65.556**	**0**	**0**	**1.090.217**	**883.328**	**93.675**	**0**	**977.003**	**113.214**	**141.333**
Total	**4.613.576**	**598.269**	**74.719**	**0**	**5.137.126**	**3.919.571**	**383.620**	**73.960**	**4.229.231**	**907.895**	**694.005**
	01.01.2010	**Additions**	**Disposals**	**Transfers**	**31.12.2010**	**01.01.2010**	**Additions**	**Disposals**	**31.12.2010**	**31.12.2010**	**31.12.2009**
I. Tangible fixed assets											
Land and buildings	0	2.127.241	0	8.320	2.135.561	0	57.607	0	57.607	2.077.954	0
Technical equipment	503.959	2.519	4.802	0	501.676	422.154	20.588	4.801	437.941	63.735	81.805
Office and business equipment	3.534.630	250.790	686.940	0	3.098.480	2.830.074	284.351	686.429	2.427.996	670.484	704.556
Payments on account	8.320	0	0	-8.320	0	0	0	0	0	0	8.320
	4.046.909	**2.380.550**	**691.742**	**0**	**5.735.717**	**3.252.228**	**362.546**	**691.230**	**2.923.544**	**2.812.173**	**794.681**
II. Intangible assets											
Software	1.090.217	110.563	0	0	1.200.780	977.003	87.622	0	1.064.625	136.155	113.214
	1.090.217	**110.563**	**0**	**0**	**1.200.780**	**977.003**	**87.622**	**0**	**1.064.625**	**136.155**	**113.214**
Total	**5.137.126**	**2.491.113**	**691.742**	**0**	**6.936.497**	**4.229.231**	**450.168**	**691.230**	**3.988.169**	**2.948.328**	**907.895**

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

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

EUR	31.12.2010	31.12. 2009
Deferred taxes on valuation differences carried as assets		
- Pension provisions	260,259	249,984
Sub-total	**260,259**	**249,984**
Deferred taxes on valuation differences carried as liabilities		
- other assets (gold)	-26,045	-14,120
- long-term production orders	-701,806	-739,388
Sub-total	**-727,851**	**-753,508**
Total	**-467,592**	**-503,524**

EUR	31.12.2010	31.12. 2009
Tax charge resulting from the accrual of deferred taxes carried as liabilities		
- on long-term production orders	-1,111,826	-739,388
- on other assets	-11,925	-14,120
Tax charge resulting from the reversal of deferred taxes carried as assets		
- on tax carry-forwards	0	0
- on pension provisions	0	- 55,893
Tax income resulting from the accrual of deferred taxes carried as assets		
- on pension provisions	10,275	0
Tax income resulting from the reversal of deferred taxes carried as liabilities		
- on long-term production orders	1,149,408	225,612
Total	**35,932**	**-583,789**

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

	2011	2010	2009
Earnings before taxes	100%	100%	100%
Trade tax	-17.15%	-17.15%	-17.15%
Corporation tax at 25.00% on taxable profits	-15.00%	-15.00%	-15.00%
Solidarity surcharge of 5.50% on corporation tax	-0.83%	-0.83%	-0.83%
Nominal proportion of earnings after tax	67.02%	67.02%	67.02%
Computed tax rate	**32.98%**	**32.98%**	**32.98%**

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

EUR	31.12.2010	31.12. 2009
Pre-tax earnings as per IFRS	**6,958,170**	**5,854,329**
Expected tax charge (2010: 32.98%; 2009: 32.98%)	-2,294,804	-1,930,758
Non-deductible operating expenses	-18,522	-25,139
Expenses resulting from convertible bonds	0	661
Tax income resulting from the liquidation of tax provisions formed in previous years	0	0
Tax payments/refunds for previous years	3,043	-5,731
Lower tax rates at Group companies and branches	151,202	70,936
Actual Group tax charge	**-2,159,081**	**-1,890,031**

The company anticipates that in future financial years the tax rate applicable to the parent company will be 32.98 percent. As a result on the one hand of non-deductible operating expenses 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.

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

EUR	Qualifying date	Remaining time to maturity up to 1 year	Remaining time to maturity 1-5 years	Remaining time to maturity over 5 years	Total
Convertible bonds	31.12.2010 31.12.2009	7,000 4,000	0 12,000	0 0	7,000 16,000
Trade accounts payable	31.12.2010 31.12.2009	788,217 685,546	0 0	0 0	788,217 685,546
Deferred revenues	31.12.2010 31.12.2009	1,709,514 3,204,066	0 0	0 0	1,709,514 3,204,066
Other current financial liabilities	31.12.2010 31.12.2009	4,153,537 4,276,870	0 0	0 0	4,153,537 4,276,870
Tax provisions	31.12.2010 31.12.2009	974,633 100,129	0 0	0 0	974,633 100,129
Other provisions	31.12.2010 31.12.2009	99,000 70,100	0 0	0 0	99,000 70,100
Total	**31.12.2010 31.12.2009**	**7,731,901 8,340,711**	**0 12,000**	**0 0**	**7,731,901 8,352,711**

The trade accounts payable and other financial liabilities do not attract interest.

31. Credit lines
Unsecured current account credit lines in the amount of EUR 0.51 million (previous year: EUR 0.56 million) are available with the principal banks of the integrated companies. Borrowings (on current account) in the context of this arrangement attracted interest at up 4.74 percent (previous year: 5.65 percent). As the previous year, there were no liabilities to banks.

32. Other current financial liabilities

Other financial liabilities essentially comprise the following amounts:

EUR	31.12.2010	31.12. 2009
Liabilities for salaries and commissions	3,492,426	3,349,713
Anticipated charges	445,484	374,597
Other financial liabilities	215,627	552,560
Total	4,153,537	4,276,870

The manner in which other financial liabilities are reported has changed relative to the preceding year. Liabilities for salaries and commissions, anticipated charges and provisions for settlements and profit-share payments were reported last year under the heading of provisions. As of December 31, 2010 these liabilities are now reported under other financial liabilities. The figures for the previous year have been adjusted in line with the change in the reporting of other financial liabilities.

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. The anticipated charges relate to performances received but not yet billed prior to the qualifying date. Other liabilities essentially include turnover, wage and church tax liabilities, social security insurance and vacation provisions and accounting and auditing costs, which are reported at fair value.

33. Deferred revenues

Deferred revenues as of December 31, 2010 were composed as follows:

EUR	31.12.2010	31.12. 2009
Amounts invoiced in advance for maintenance works	470,160	376,245
Amounts invoiced in advance for long-term production orders	700,172	2,127,341
Others	539,182	700,480
Total	1,709,514	3,204,066

The other deferred revenues here stated are reported at fair value and include sums invoiced in advance for hotline services as well as for software, hardware and services yet to be supplied.

34. Other provisions

These provisions essentially comprise the following amounts:

EUR	31.12.2009	Drawn down	Liquidated	Allocated	31.12.2010
Other provisions	70,100	0	1,100	30,000	99,000
Total	70,100	0	1,100	30,000	99,000

Liabilities for salaries and commissions, anticipated charges and provisions for settlements were reported last year under the heading of provisions. As of December 31, 2010 these liabilities are now reported under other financial liabilities.

Other provisions essentially include the provisions warranties and the provision for restoration costs.

35. Convertible bonds

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

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

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

Under the convertible bonds program for Supervisory Board members (Convertible bonds program 2002/2010) the members of the Supervisory Board were each granted the right to subscribe for 12,000 convertible bonds at a nominal EUR 1.00 per bond. Conversion prices were determined at the time the offer was made. The offer was made within two weeks following publication of the half-yearly figures for the financial year 2002 and the conversion price corresponds to the average taken over the last five trading days prior to the offer being made. Upon expiry of two and three years, Supervisory Board members had the option to in each case convert one half of their holding into company shares upon payment of the conversion price. The convertible bonds have a term of seven years from date of offer.

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

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

The following table shows the development in convertible bonds in circulation in financial years 2010 and 2009:

Convertible bonds	Unit numbers	Weighted average exercise price in EUR
Outstanding on 01.01.2009	24.000	5,68
Exercised in 2009	8.000	6,18
Outstanding on 31.12.2009/01.01.2010	16.000	5,10
Exercised in 2010	9.000	4,51
Outstanding on 31.12.2010	7.000	5,86

Details of convertible bonds outstanding on December 31, 2010 are summarized in the following table:

	Exercise price EUR	Outstanding options	Contractual validity in years	Possible rights remaining to be exercised as of 31.12.2010
Employees				
	6.18	6,000	0.5	6,000
	3.97	1,000	0.9	1,000
Total held by employees		**7,000**		**7,000**
Total		**7,000**		**7,000**

The obligations existing as a result of convertible bonds are reported in the balance sheet under the heading of convertible bonds. These liabilities have residual times to maturity of between 0.5 and 0.9 years within which they can be converted.

The expense recognized in accordance with IFRS 2 resulting from the valuation of the conversion rights carried by these convertible bonds amounted in financial year 2010 to EUR 0 (previous year: EUR 0).

36. Convertible bonds held by board members
On December 31, 2010 as previously on December 31, 2009, board members held no conversion rights to shares in ATOSS Software AG.

37. Pension provisions
Pension costs were comprised as follows:

EUR	31.12.2010	31.12.2009
Current service cost	105,281	75,276
Cost of interest	131,282	94,305
Less anticipated earnings on plan assets	-37,861	-31,324
Actuarial profits recognized	-17,548	-36,168
Past service cost	0,00	755,408
Pension expenses	**181,154**	**857,497**

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

The actual return on plan assets in 2010 amounted to EUR 13,137 (previous year: EUR 7,257). The expected return is 4 percent. In consideration of the fact that the plan assets are invested in pension liability insurance policies with reputable insurers, the company considers this figure to be reasonable in the long-term.

For the year 2011 the company expects pension expenses to amount to EUR 207,722.

The obligation translates to the balance sheet as follows:

EUR	31.12.2010	31.12.2009	31.12.2008	31.12.2007
Defined benefits obligation	2,679,934	2,303,187	1,275,692	1,442,834
Fair value of plan assets	-1,202,953	-871,110	-711,781	-567,755
	1,476,981	**1,432,077**	**563,911**	**875,079**
Unrecognized actuarial profits and losses	267,742	450,198	612,939	337,472
Pension provision	**1,744,723**	**1,882,275**	**1,176,850**	**1,212,551**

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

As a result of the adjustment made during the past year to the pension for the CEO, on September 28, 2010 a further liability insurance policy back-dated to December 1, 2009 was put in place as security for the increased pension commitment. This liability insurance policy was assigned on October 22, 2010 and carried from this point on as a plan asset.

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

EUR	2010	2009
Defined benefits obligation effective January 1	2,303,187	1,275,692
Cost of interest	131,282	94,305
Current service cost	105,281	75,276
Actuarial profits	140,184	102,506
Past service cost	0	755,408
Defined benefits obligation effective December 31	**2,679,934**	**2,303,187**

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

EUR	2010	2009
Fair value of plan assets effective January 1	871,110	711,781
Anticipated returns	37,861	31,324
Employer's contributions	318,706	152,072
Actuarial profits and losses	-24,724	-24,067
Fair value of plan assets effective December 31	**1,202,953**	**871,110**

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

EUR	31.12.2010	31.12.2009	31.12.2008	31.12.2007	31.12.2006
Defined benefits obligation	2,679,934	2,303,187	1,275,692	1,442,834	1,637,300
Plan assets	-1,202,953	-871,110	-711,781	-567,755	-427,656
Shortfall in cover	**1,476,981**	**1,432,077**	**563,911**	**875,079**	**1.209.644**

38. Equity
The development in equity is evident from the statement of changes in consolidated equity. The dividend paid in 2010 amounted to EUR 0.50 (previous year: EUR 0.44) per share. The
variations not recognized in profit and loss in the capital reserve and treasury stock are attributable to the purchase and sale of treasury stock.

39. Subscribed capital
Issued shares in circulation
The company's capital is divided into 4,025,667 shares each with a nominal value of EUR 1.00. All shares carry full voting and dividend rights. On average during the year there were 4,025,667 shares in circulation, less the average of 61,244 own shares held in treasury, leaving a total of 3,964,423 shares (previous year: 3,956,782 shares).

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

EUR	31.12.2010	31.12.2009
Andreas F.J. Obereder	1,981,184	1,981,184
Peter Kirn	19,760	19,760
Total	2,000,944	2,000,944

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In financial year 2009 some 8,000 treasury shares were utilized to service the convertible bonds program. On the basis of an authority granted by the general meeting on April 29, 2008 a further 4,205 company shares were repurchased in financial year 2009 at prices between EUR 7.00 and EUR 7.25 per share.

The resolution adopted at the general meeting on April 30, 2009 regarding the repurchase of own shares was revoked at the general meeting on April 30, 2010.

At the general meeting held on April 30, 2010 the Board of Management was further authorized pursuant to Section 71, Para 1, No. 8 of the German Stock Corporation Act other than for purposes of trading in own shares and in consideration of the restrictions imposed by Section 71, Para 2 of the Act on or before October 29, 2011 to purchase company shares in the amount of up to ten percent on the company's capital stock either via the stock market or by means of a public offer to purchase addressed to all company shareholders.

The Board of Management was further authorized at the general meeting on April 30, 2010 without further resolution by a general meeting not only to offer the purchased shares via the stock market or by a public offer to all shareholders, but also to the exclusion of existing shareholders' subscription rights

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

The Board of Management was further authorized at the general meeting on April 30, 2010 to withdraw the treasury shares acquired without further resolution by a general meeting.

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

In financial year 2010 some 9,000 treasury shares were utilized to service the convertible bonds program. No own shares were repurchased in financial year 2010. On December 31, 2010 the company held 56,099 own shares in treasury (previous year: 65,099) at an average price of EUR 6.71 (previous year: EUR 7.54). As a result on the qualifying date there were 3,969,568 shares in circulation (previous year: 3,960,568).

IV. Notes to the Consolidated Income Statement

42. Sales revenues

The sales revenues were composed as follows:

EUR	2010	2009
Software licenses	6,541,206	6,139,942
Software maintenance	11,305,759	10,631,548
Total software	**17,846,965**	**16,771,490**
Consulting	7,913,773	8,517,730
Hardware	2,452,064	2,300,678
Others	1,101,670	1,497,096
Total sales revenues	**29,314,472**	**29,086,994**

Overall in financial year 2010 the amount of EUR 4,393,953 (previous year: EUR 3,699,484) deriving from long-term production orders was realized as sales revenues. As of the end of the reporting period there were profits in the amount of EUR 6,576 from projects realized by the percentage of completion method and not yet billed. In the previous year the figure was EUR 0.

The company has customers in all branches of industry, as well as in the public sector. In financial years 2010 and 2009 no single customer accounted for a proportion of 10 percent or more of total sales.

The geographic breakdown of sales revenues was as follows:

EUR	2010	2009
Germany	26,548,045	26,659,682
Austria	1,984,987	1,510,147
Switzerland	490,838	471,873
German-speaking territories in total	**29,023,870**	**28,641,702**
Other countries	290,602	445,292
Total	**29,314,472**	**29,086,994**

43. Cost of sales

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

EUR	2010	2009
Material costs (goods for resale)	2,608,304	2,827,988
Material costs (external services)	127,007	197,207
Personnel costs	4,746,711	4,839,998
Scheduled depreciation	136,337	91,873
Overheads	1,734,512	1,734,141
Total	9,352,871	9,691,207

44. Sales costs

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

EUR	2010	2009
Sales personnel costs	3,262,945	3,919,802
Scheduled depreciation	71,973	78,719
Sales overheads	692,596	1,149,347
Advertising costs	726,013	642,321
Total	4,753,527	5,790,189

45. Administration costs

The general and administrative costs were composed as follows:

EUR	2010	2009
Personnel costs	1,813,367	1,664,714
Scheduled depreciation	36,003	49,380
Overheads	694,913	769,865
Total	2,544,283	2,483,959

46. Expenditure on research and development

The expenditure on research and development was composed as follows:

EUR	2010	2009
Research and development personnel costs	4,797,283	4,532,013
Scheduled depreciation of tangible assets	201,925	163,617
Research and development overheads	963,408	939,776
Total	5,962,616	5,635,406

47. Personnel costs

EUR	2010	2009
Wages and salaries	11,908,490	12,069,756
Social security contributions and expenditure on retirement pensions and welfare of which pension costs EUR 172,479 (previous year: EUR 923,502)	2,711,818	2,886,771
Costs of convertible bonds	0	0
Total	14,620,308	14,956,527

Provisions for personnel costs for financial year 2009 were not utilized in full. In the current financial year these provisions were liquidated in line with costs incurred, thereby reducing the personnel costs.

48. Financial investment income and expenses

The financial investment income in the amount of EUR 208,365 (previous year: EUR 369,663) essentially concerns interest income on fixed-term deposits with short residual times to maturity.

In 2010 the company recorded financial expenses amounting to EUR 89,787 (previous year: EUR 34,833). This essentially concerned financial expenses in connection with pension provisions amounting to EUR 89,010 (previous year: EUR 26,813).

49. Other operating income and expenses

The other operating income essentially included income from the liquidation of reserves in the amount of EUR 11,156 (previous year: EUR 0), income of EUR 76,867 (previous year: EUR 11,888) from exchange rate differences and rental income in the amount of EUR 30,145 (previous year: 33,408). Other operating expenses essentially comprised the amount of EUR 15,562 (previous year: EUR 27.871) in connection with exchange rate differences.

50. Currency translation

Currency conversions in financial year 2010 resulted in earnings on exchange rate differences in the amount of EUR 76,867 (previous year: EUR 11,888) and expenses amounting to EUR 15,562 (previous year: EUR 27,871) that are included among other operating income and expenses.

51. Tax charge / tax income

EUR	2010	2009
Current tax charge	2,195,623	1,306,242
Deferred taxes	-35,932	583,789
Tax income resulting from the liquidation of provisions formed for previous years	-610	0,00
Tax expenses	2,159,081	1,890,031

52. Earnings per share

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

EUR	2010	2009
Net income for the year	4,799,089	3,964,298
Weighted average number of shares outstanding	3,964,423	3,956,782
Earnings per share	**1.21**	**1.00**
Effect of the interest cost of convertible bonds on results	243	407
Net income for the year after adjustment for dilution effects	4,799,332	3,964,705
Dilution effect of convertible bonds	12,145	20,391
Weighted average number of shares outstanding assuming dilution	3,976,568	3,977,173
Earnings per share (diluted)	**1.21**	**1.00**

V. Segment reporting

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

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

The individual software solutions comprise:

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

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

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

The sales revenues were distributed between product groups as follows:

EUR	2010	2009
ATOSS Staff Efficiency Suite (ASES) and ATOSS Startup Edition (ASE)	26,985,841	27,042,533
ATOSS Time Control	2,328,631	2,044,461
Total	**29,314,472**	**29,086,994**

Earnings before interest and taxes (EBIT) were distributed between product groups as follows:

EUR	2010	2009
ATOSS Staff Efficiency Suite (ASES) and ATOSS Startup Edition (ASE)	6,445,384	5,256,051
ATOSS Time Control	394,208	263,448
Operating profit	**6,839,592**	**5,519,499**

The geographic breakdown of Group revenues is listed in Note 42. The non-current assets are essentially held in Germany. In financial years 2010 and 2009 no single customer accounted for a proportion of 10 percent or more of total sales.

VI. Notes to the Consolidated Statement of Cash Flows

53. Cash flow from business operations

The cash flow from operating activities for the period from January 1 to December 31, 2010, amounted to EUR 5,794,696 (previous year: EUR 7,611,729) and was thus EUR 1,817,033 lower than in the year before.

Positive factors contributing to the cash flow from operations included earnings in financial year 2010 which were higher than in the year before, the reduction in receivables and the increase in tax provisions. Negative effects derived essentially from decline in deferred revenues. The average time to receipt in financial year 2010 was 32 days (previous year: 45 days), and may be regarded as very low.

Since the company does not finance its investments by borrowing, interest income and expenses are allocated in full to the cash flow from business operations.

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

54. Cash flow from investment activities

The cash flow from investment activities for the period from January 1 to December 31, 2010 amounted to EUR -2,491,113 (previous year: EUR -555,975) and was thus EUR -1,935,138 lower than in the year before. This cash flow relates entirely to investment disbursements. This change relative to the year before is essentially attributable to the purchase of business premises.

55. Cash flow from financing activities

The cash flow from financing activities for the period from January 01 to December 31, 2010 amounted to EUR -1,940,224 (previous year: EUR -1,728,106) and was thus EUR -212,118 lower than in the year before. In 2010 this figure was comprised of the dividend payment of EUR 0.50 per share (previous year: EUR 0.44) and payments received for the sale of treasury shares amounting to EUR 40,560 (previous year: EUR 41,440).

VII. Other information

56. Supervisory Board

The members of the Supervisory Board are:

Peter Kirn	Chairman, corporate consultant, Böblingen
Fritz Fleischmann	Deputy Chairman, corporate consultant, Grünwald (until December 31, 2010)
Rolf Baron Vielhauer von Hohenhau	President of the Bund der Steuerzahler in Bayern e.V., Munich.

As of the end of the reporting period the members of the Supervisory Board held other supervisory board positions with the following companies:

Peter Kirn	Böblinger Baugesellschaft mbh, Böblingen Fernwärme Transportgesellschaft mbH, Böblingen
Fritz Fleischmann	itelligence AG, Bielefeld

Baron Vielhauer von Hohenhau is also a member of the Administrative Board of Stadtsparkasse Augsburg.

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

Peter Kirn	2010 EUR	2009 EUR
Compensation pursuant to the Articles of Association	20,000	20,000
Attendance allowances	6,000	7,500
Total	**26,000**	**27.500**

Fritz Fleischmann	2010 EUR	2009 EUR
Compensation pursuant to the Articles of Association	20,000	20,000
Attendance allowances	6,000	7,500
Total	**26,000**	**27,500**

Rolf Baron Vielhauer zu Hohenhau	2010 EUR	2009 EUR
Compensation pursuant to the Articles of Association	10,000	10,000
Attendance allowances	3,000	3,750
Total	**13,000**	**13.750**

Expenses for consultancy work in excess of normal Supervisory Board duties were incurred in 2010 in the amount of EUR 4,363 in compensation for services performed by Mr. Fritz Fleischmann (previous year: EUR 0). As in the preceding year, no expenses for consultancy work in excess of their Supervisory Board duties were incurred in respect of the other Supervisory Board members.

57. Board of Management

The members of the Board of Management are:

Andreas F.J. Obereder	Chief Executive Officer, businessman, Grünwald
Christof Leiber	Member of the Board of Management, lawyer, Munich

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

Andreas F.J. Obereder	2010 EUR	2009 EUR
Non-performance-related compensation		
Salary	290,000	290,000
Miscellaneous	95,716	95,157
Performance-related compensation		
Profit-share payment	95,604	100,268
Overall compensation	**481,320**	**485,425**

Christof Leiber	2010 EUR	2009 EUR
Non-performance-related compensation		
Salary	150,000	150,000
Miscellaneous	63,322	45,312
Performance-related compensation		
Profit-share payment	129,749	114,592
Overall compensation	**343,071**	**309,904**

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

With regard to expenses incurred in 2010 for benefits after the retirement of the CEO, please refer to Notes 18 and 37.

At the end of the reporting period there were deferred liabilities to members of the Board of Management amounting to EUR 142,853 (previous year: EUR 140,790) in respect of variable compensation elements not yet disbursed.

58. Business transactions with closely related persons

The property in Meerbusch was acquired by the company on December 18, 2009 at a cost of EUR 2,050,000 plus ancillary purchase costs. An expert report was obtained to ascertain the value of the property. The purchase of this property and the resulting positive impact on results were discussed at a meeting of the Supervisory Board on 01.12.2009. The Supervisory Board passed a resolution approving the purchase. Ownership and liability transferred to the company on January 1, 2010. at which point in time the lease came to an end. The purchase price for the property was paid in January 2010.

Moreover, the wife of the Chief Executive Officer provides services to the company. In 2010 the value of services provided amounted to EUR 7,020 (previous year: EUR 9,360). These are standard market terms.

In the 2010 reporting period, as in the preceding year, no further transactions took place with members of the Board of Management, Supervisory Board or other affiliated persons other than those specified in Note 56 (Supervisory Board) or Note 37 (Pension provisions).

59. Employees
At the end of the reporting period the company employed 247 persons (previous year: 234). The average for the year was 243 (previous year: 227); excluding the Board of Management, trainees and interns, the average number of employees was 225 (previous year: 207).

The quarterly average number of employees was as follows:

	2010	2009
Sales and marketing	34	34
Consulting	70	66
Development	102	91
Administration	37	36
Total	**243**	**227**
Of which trainees	5	6
Of which temporary staff and interns	11	12
Of which Board of Management members	2	2

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

EUR	2010	2009
Audit of the annual financial statements	62,000	62,000
Of which for the individual financial statements EUR 31,000 (previous year: EUR 31,000)		
Of which for the consolidated financial statements EUR 31,000 (previous year: EUR 31,000)		
Other verification and valuation services	0	0
Total of fees	62,000	62,000

No further payments were made to the auditors. In January 2010 the company received an auditors' independence declaration from Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft Stuttgart, Munich branch.

61. Financial obligations
The financial obligations relate to rental and leasing contracts.

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

The company rents office premises at various locations. Among the lease and rental agreements, one contract includes the option to purchase following an extension of the agreement. The terms of the contract are however standard market terms. and this may therefore still be classed as an operating lease. 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 are composed as follows:

EUR	Rents for premises	Other rents and lease payments
2011	508,668	469,034
2012 to 2014	263,501	425,940
post 2014	0	0

The overall costs of all rental and lease agreements in financial year 2010 amounted to EUR 1,117,609 (previous year: EUR 1,361,881).

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

The Group manages its capital structure and makes adjustments in consideration of changes in the economic climate. In order to maintain or modify its capital structure, the Group can adjust its dividend payments to shareholders, or make a repayment of capital to the shareholders, or issue new shares. As of December 31, 2010 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 and cash and cash equivalents which derive directly from its business activities.

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 2010 or 2009, nor will it do so in future.

The essential risks to the Group arising from financial instruments comprise liquidity and credit risks.

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 book value detailed in Note 25. In the case of the Group's other financial assets such as cash and cash equivalents, the maximum credit risk in the event of a counterparty default equates to the book value of these instruments.

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

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

63. Events after the reporting period

Mr. Fritz Fleischmann, corporate consultant of Grünwald, in a letter dated November 16, 2010 resigned his position as Deputy Chairman of the Supervisory Board effective December 31, 2010 in order to act as marketing consultant to the company. By an order of the Municipal Court of Munich dated January 14, 2011, Mr. Richard Hauser, corporate consultant of Grünwald, was appointed in his place.

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

64. German Corporate Governance Code

The Board of Management and Supervisory Board issued a declaration of compliance with the German Corporate Governance Code as required by Section 161 of the German Stock Corporation Act on 01.12.2010. The full text of the declaration is available on the Internet at www.atoss.com/atoss/de/Company/Investor_Relations/Corporate_Governance/Entsprechenserklärung/default.htm. The Management and Supervisory Boards each year study and form an opinion on the recommendations of the German Corporate Governance Code and report their findings in the Annual Report.

65. Notifiable participating interests

In financial year 2010 the company received the following notifications regarding changes in participating interests pursuant to Sections 21 ff. of the German Securities Trading Act:

On June 21, 2010 Messrs MainFirst SICAF of Luxembourg acquired shares in excess of the voting rights threshold of 3 percent of nominal capital; MainFirst SICAF now has a holding of 3.1 percent.

On November 18, 2010 Messrs Universal Investment of Germany acquired shares in excess of the voting rights threshold of 3 percent of nominal capital; Universal Investment now has a holding of 3.01 percent.

66. Adoption of the consolidated financial statements

The present annual financial statements were passed on January 28, 2011 by the Board of Management and submitted to the Supervisory Board which may make alterations to the said statements up to and including the time of the Supervisory Board meeting to adopt the accounts on February 22, 2011.

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

67. Appropriation of net income

The Board of Management and Supervisory Board propose that the surplus net income from the past financial year 2010 in the amount of EUR 7,194,208 should be used to pay a dividend of EUR 0.60 per dividend-bearing share.

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

Munich, January 28, 2011

Andreas F.J. Obereder

Christof Leiber

Audit Opinion

We have audited the consolidated financial statements prepared by ATOSS Software AG, comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes to the consolidated financial statements, together with the group management report for the fiscal year from January 1, 2010 to December 31, 2010. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ("Handelsgesetzbuch": "German Commercial Code") are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

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

Our audit has not led to any reservations.

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

Munich, February 2, 2011

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Müller
Wirtschaftsprüfer
[German Public Auditor]

Dr. Burger-Disselkamp
Wirtschaftsprüferin
[German Public Auditor]

Declaration by the Legal Representatives

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

Munich, January 28, 2011

Andreas F.J. Obereder

Christof Leiber

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Corporate Calendar

March 11, 2011	Publication Annual Financial Statements
March 11, 2011	Annual Press Briefing
April 26, 2011	Press Release three months' statement
May 3rd, 2011	Annual General Meeting, City Hilton, Rosenheimerstr. 15, Munich
May 16, 2011	Publication three months' statement
July 25, 2011	Press Release six months' statement
August 15, 2011	Publication six months' statement
October 24, 2011	Press Release nine months' statement
November 14, 2011	Publication nine months' statement

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