ATOSS HALF-YEAR REPORT 2019

HIGHRISE ONE
ATOSS HEADQUARTERS

ATOSS HALF-YEAR REPORT 2019

Andreas F.J. Obereder and Christof Leiber

Board of Management ATOSS Software AG

LETTER TO SHAREHOLDERS

Dear Shareholders,
Ladies and Gentlemen,

In the first half of 2019, ATOSS Software AG has continued to record further growth. With its innovative solutions, the company has once again succeeded in acquiring a large number of prominent new customers and developing its leading position in the market for workforce management.

The substantial 15 percent growth in sales offers clear evidence of the competitive strength of ATOSS, as well as illustrating the steadily increasing importance of workforce management in the field of professional business management.

Demographic change, digital transformation and not least the recent ECJ judgment stipulating obligatory work time recording are collectively making high demands on businesses, both in complying with regulatory requirements and in personnel resource planning. This is bringing massive changes to the global world of work: legal frameworks have tightened and employee preferences are increasing, rigid deployment plans belong to the past, while flexible working hours make companies fit for the future. Flexible, demand-optimized and employee-oriented personnel planning and management using digital workforce management is becoming a strategic tool and presents a long-term competitive advantage.

As a specialist and innovator in the market for workforce management we are conscious of the effects of digital change, and we are continuously developing solutions to ensure that our customers can operate successfully in this environment. The subject of cloud computing is acquiring ever greater importance, and since their introduction in 2014, our cloud solutions have enabled us not only to acquire new customer segments, but also to continuously increase the volume of recurring revenues as a proportion of overall sales.

More and more actual and potential customers – as they embark on the process of digitization – are relying on ATOSS as their partner in the field of workforce management. In turn, this is driving our company’s continuous growth. The highly positive development in business and the excellent order situation in the first half-year offer clear evidence of our outstanding future prospects. Orders for software licenses and the software component of contracted cloud solutions were 36 percent higher in the first half-year, climbing to EUR 10.5 million (previous year: EUR 7.7 million). Growth in the cloud business was particularly dynamic. ARR (annual recurring revenue, that is to say, the revenues generated over the next 12 months on the basis of current monthly cloud usage fees applicable as of qualifying date) amounted to EUR 5.8 million as of June 30, 2019, representing an increase of 70 percent over the year before (EUR 3.4 million).

However, the positive development in business in the first half is also reflected in other important key figures. For example, the sustained high level of liquidity (cash and other financial assets) and our sustained and substantial cash flow from operations present further proof of the outstanding stability and investment security offered by the ATOSS Group.

Against this background the Management Board stands by its guidance for financial year 2019 and continues to anticipate sales growth of 11 to 13 percent. Despite further planned investments in developing new markets and the associated opportunities for growth in the field of workforce management, the Board also expects to see an EBIT margin of 25 to 28 percent.

With kind regards

Andreas F.J. Obereder
Chief Executive Officer

Christof Leiber
Member of the Board of Management


HIGHRISE ONE

FACTS OVERVIEW

Economic background

The German economy is currently cooling noticeably. The economic barometer of the German Institute for Economic Research (DIW Berlin) slipped further in June to stand at 96 points, well below the 100 point mark which represents an average increase in economic output. However, industrial companies estimate current production to be much improved, and order books remain well filled.

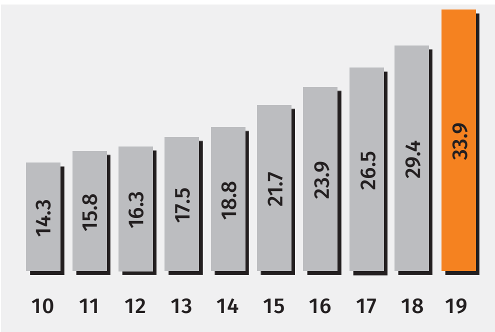
The forecasts for the German ITC market published in January 2019 by digital trade association Bitkom reflect a markedly higher degree of confidence, with growth in the software segment in the current year expected to come in at 6.3 percent.

ATOSS Software AG

The development in sales in the first half of 2019 underscores the sustained customer interest and so also the competitive strength of ATOSS in workforce management.

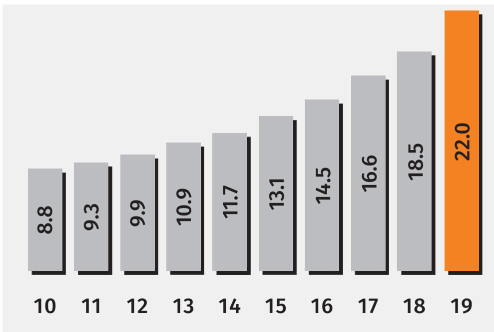
The long-term development in financial key figures remains highly gratifying, with a fourteenth record year in prospect.

Total Sales (Mio. EUR)



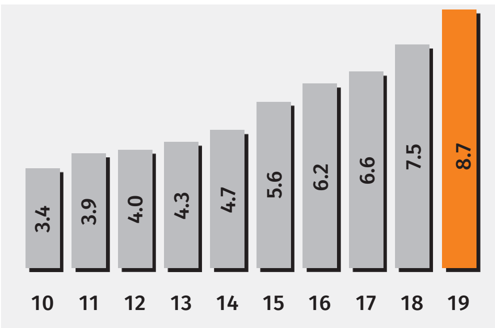
1. Half Year

Software Sales (Mio. EUR)



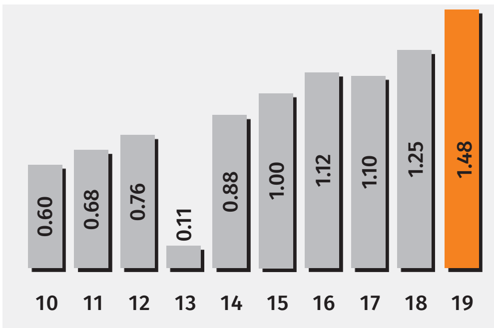
1. Half Year

EBIT (Mio. EUR)



1. Half Year

EPS (EUR)



1. Half Year

CONSOLIDATED OVERVIEW AS PER IFRS: HALF-YEARLY COMPARISON IN KEUR

	1/1/2019 - 6/30/2019	Proportion of Total sales	1/1/2018 - 6/30/2018	Proportion of Total sales	Change 2019 to 2018
Total sales	**33,933**	**100%**	**29,446**	**100%**	**15%**
Software	**22,015**	**65%**	**18,513**	**63%**	**19%**
Licenses	6,750	20%	5,970	20%	13%
Maintenance	11,879	35%	10,757	37%	10%
Cloud	3,386	10%	1,785	6%	90%
Consulting	9,408	28%	8,451	29%	11%
Hardware	1,744	5%	1,780	6%	-2%
Others	766	2%	703	2%	9%
EBITDA(1)	10,138	30%	7,942	27%	28%
EBIT	**8,658**	**26%**	**7,472**	**25%**	**16%**
EBT	9,085	27%	7,391	25%	23%
Net profit	**5,904**	**17%**	**4,986**	**17%**	**18%**
Cash flow(2)	8,486	25%	4,366	15%	94%
Liquidity(3/4)	25,108		25,862		-3%
EPS in euro	1.48		1.25		18%
Employees(5)	484		436		11%

CONSOLIDATED OVERVIEW AS PER IFRS: QUARTERLY COMPARISON IN KEUR

	Q2/19	Q1/19	Q4/18	Q3/18	Q2/18
Total sales	**16,998**	**16,935**	**17,258**	**15,907**	**14,926**
Software	**11,168**	**10,846**	**10,984**	**9,875**	**9,265**
Licenses	3,369	3,381	4,043	3,320	2,897
Maintenance	5,976	5,903	5,654	5,455	5,420
Cloud	1,824	1,563	1,287	1,100	947
Consulting	4,495	4,913	4,853	4,430	4,284
Hardware	967	777	1,124	1,178	1,016
Others	367	399	297	424	362
EBITDA(1)	5,272	4,866	5,252	4,800	3,849
EBIT	**4,054**	**4,604**	**4,870**	**4,575**	**3,624**
EBIT margin in %	24%	27%	28%	29%	24%
EBT	4,223	4,862	4,898	4,500	3,616
Net profit	**2,720**	**3,183**	**3,176**	**3,032**	**2,436**
Cash flow(2)	1,271	7,216	-719	8,963	-1,368
Liquidity(3/4)	25,108	40,298	33,312	34,383	25,862
EPS in euro	0.68	0.80	0.80	0.76	0.61
Employees(5)	484	474	465	448	436

(1) For the first time, from January 1, 2019 the accounting standard IFRS 16, which also influences the EBITDA in the first half of the year, must be taken into account. EBITDA in the first half of the year adjusted for IFRS 16 amounts to kEUR 9,190 (kEUR 7,942).

(2) Due to the first application of the new IFRS 16 as of January 1, 2019 operating cash flow rose and cash flow from financing activities declined by kEUR 1,012.

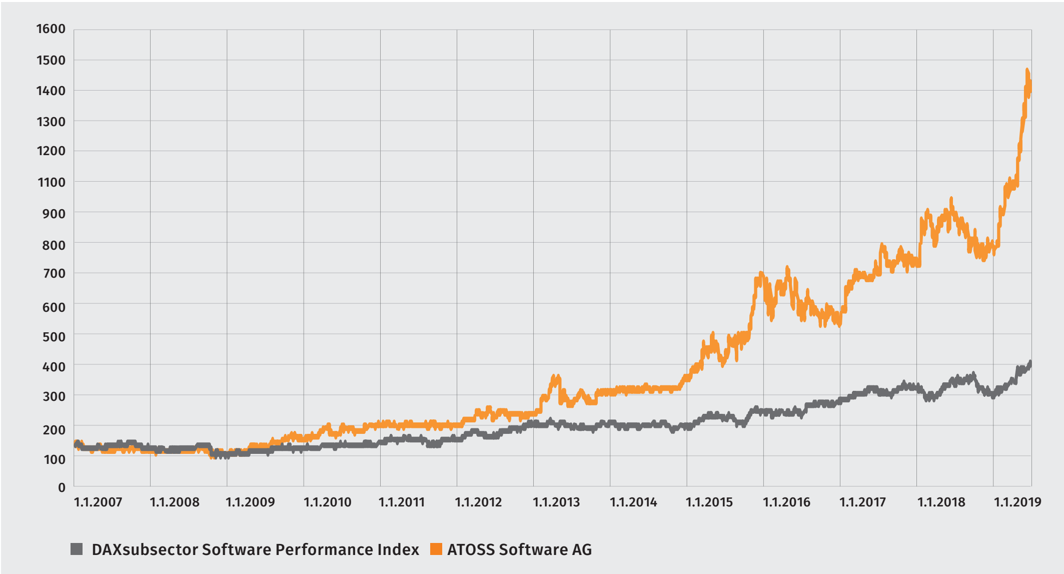
(3) Cash and cash equivalents, other current and non-current financial assets (sight deposits, gold) as of the qualifying date, adjusted to exclude borrowings (loans)

(4) Dividend of EUR 4.00 per share on 5/6/2019 (kEUR 15,906) and dividend of EUR 1.17 per share on 5/2/2018 (kEUR 4,653)

(5) at the end of the quarter/year

INVESTOR RELATIONS

SHARE PRICE PERFORMANCE: Q1/2007 – Q2/2019



CONSOLIDATED OVERVIEW AS PER IFRS: QUARTERLY COMPARISON IN EUR

	Q2/19	Q1/19	Q4/18	Q3/18	Q2/18
Highest price	140.5	103.0	84.8	91.2	96.0
Lowest price	99.6	77.0	74.8	77.4	80.0
Share price at end of quarter	137.0	100.5	78.6	81.4	89.8
Dividend paid per share (2)	4.00	0.00	0.00	0.00	1.17
Cash flow per share	0.32	1.81	-0.18	2.25	-0.34
Liquidity per share (1/2)	6.31	10.13	8.38	8.65	6.51
EPS	0.68	0.80	0.80	0.76	0.61
EPS (diluted)	0.68	0.80	0.80	0.76	0.61

(1) Cash and cash equivalents, other current and non-current financial assets (sight deposits, gold) adjusted to exclude borrowings (loans) as of the qualifying date

(2) Dividend of EUR 4.00 per share on 05/06/2019 (TEUR 15,906) and a dividend of EUR 1.17 per share on 05/02/2018 (TEUR 4,653)

ATOSS shares reach new highs in the first half-year

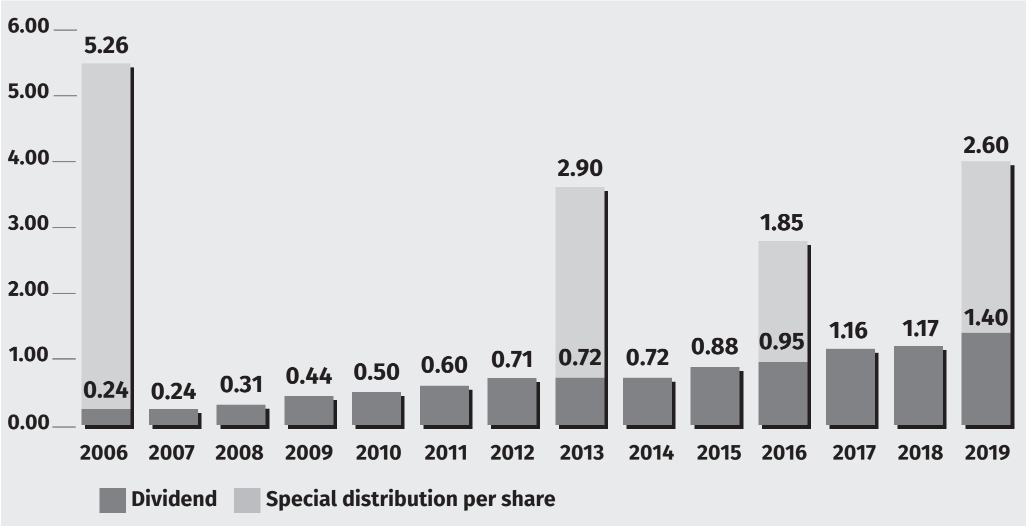
In the first half of 2019, the ATOSS share price reached a new record high, continuing the positive trend which has been in evidence for some years now. In mid-June 2019 the price reached EUR 140.5, its highest level since the IPO in 2000, and closed on June 28, 2019 at EUR 137.0.

A long-term consideration also underscores the strength of ATOSS stock: From 2007 until June 2019, the price has risen by 1,237 percent. Whereas over the same period the Daxsubsector Software Performance Index rose by only 279 percent. ATOSS stock has clearly outperformed the index and substantially outpaced the market.

ATOSS Software AG distributes around 50 percent of its earnings per share to shareholders annually, assuming payout capability. The company has consistently pursued this transparent policy since 2003. In addition, there have been respectable special distributions in 2006, 2013, 2016 and 2019. In total, long-term holders of ATOSS shares have in the past 17 years received EUR 25.76 in dividends per share.

Considering the dividend policy in conjunction with the highly positive development in earnings, ATOSS will in future continue to retain its position as a technology company with an attractive and reliable dividend yield and a consistently positive performance with the potential for growth.

ATOSS DIVIDEND IN EUR



Analysts praise extremely strong order intake

Analysts at Warburg Research were again impressed not only by the excellent sales and earnings figures recorded by ATOSS in the first half year, but in particular also by the order situation. The company succeeded in boosting orders for software licenses and the software component of contracted cloud solutions by 36 percent to EUR 10.5 million in the first half-year (previous year: EUR 7.7 million). Both the ARR (Annual Recurring Revenue), which rose by 70 percent, as well as the robust development in software licenses provide an outstanding basis for 2020 and beyond. Given the sustained positive outlook, the stock is rated as a “hold” with a price target of EUR 146.

For more information visit: **www.atoss.com**

GROUP MANAGEMENT REPORT

1. Business and conditions: German economy cooling noticeably

The expansion in the global economy briefly accelerated at the start of the year 2019. Global output, which rose no more than modestly in the second half of 2018, increased at a noticeably stronger 0.8 percent in the first quarter of 2019. However, against the background of the current trade dispute between the United States and China, with the potential for this to roll over to trade relations with the EU, global uncertainty remains high, with the result that any increases in production are likely to prove weaker in the months ahead.

The recent slowdown in economic growth and world trade is weighing on the prospects for growth in Eurozone GDP. The sustained weakness in manufacturing industry, particularly in countries suffering problems in the automobile industry, is likely to play a major role.[1)]

The German economy too is experiencing a downturn. The pace of economic activity has continued to decline in recent months, and businesses are taking a markedly more pessimistic view of the future. For this reason, the German Council of Economic Experts has revised its growth forecast for 2019 downwards and expects to see a growth rate of 0.8 percent in real GDP.[2)]

The German high-tech sector, on the other hand, takes a far more confident view of the future, as demonstrated by the Bitkom-ifo-Digitalindex, one of the principal business climate indicators in the IT and telecommunications industry, published by digital trade association Bitkom and the ifo Institute which reaches a significantly greater level for the German economy in a multi-year comparison to the ifo Business Climate Index.[3)]

Against this background, in the first half of 2019 ATOSS recorded strong business with sales up 15 percent and a 16 percent increase in operating profits (EBIT) – despite a substantial increase in expenditure on R&D, sales and customer services relative to the year before. The strong and still increasing customer interest in ATOSS solutions – as demonstrated by the increase in orders booked in the first half-year for software licenses and the software component of contracted cloud solutions which were 36 percent higher at EUR 10.5 million (previous year: EUR 7.7 million) – is evidence of the company's outstanding future prospects.

1) IfW Kiel Institute for the World Economy: Kiel Institute Economic Outlooks, World economy in Summer 2019
2) German Council of Economic Experts: Press release dated March 19, 2019
3) Bitkom: Press release dated June 4, 2019: New Bitkom-ifo-Digitalindex points to excellent business climate in this sector

2. Earnings situation: New records in sales and earnings

In the first half of financial year 2019, ATOSS recorded 15 percent growth in overall sales which came in at EUR 33.9 million (previous year: EUR 29.4 million). In our core software business, turnover climbed 19 percent from EUR 18.5 million to EUR 22.0 million, equating to 65 percent of the Group's overall turnover (previous year: 63 percent). Software licenses accounted for sales totaling EUR 6.8 million (previous year: EUR 6.0 million). However, it was recurring cloud solution revenues that proved the biggest driver of growth in software sales, increasing by 90 percent to EUR 3.4 million (previous year: EUR 1.8 million), already equivalent to half the figure for software licenses. The development in software maintenance which has been consistently positive for years has continued without interruption, with sales climbing 10 percent to EUR 11.9 million (previous year: EUR 10.8 million). Turnover in consulting, too, at EUR 9.4 million (previous year: EUR 8.5 million) was up by 11 percent, well above the figure for the same period last year and continuing a trend that has been evident for some years.
The essential key figure determining the success of the company's operating performance, namely its earnings before interest and taxes (EBIT), improved from EUR 7.5 million in the first half of last year to EUR 8.7 million, due primarily to the positive development in sales. As a result, the return on sales represented by EBIT stood at 26 percent (previous year: 25 percent).

Earnings before taxes (EBT) in the reporting period climbed 23 percent from EUR 7.4 million to EUR 9.1 million.

Earnings after tax at the end of June 2019 amounted to EUR 5.9 million (previous year: EUR 5.0 million). Earnings per share accordingly came in at EUR 1.48 (previous year: EUR 1.25).

As of June 30, 2019, orders received for software licenses and the software component of contracted cloud solutions had climbed 36 percent from EUR 7.7 million in the previous year to EUR 10.5 million. Orders on hand for software licenses, too, remain at a sustained high level, coming in at EUR 6.1 million at the end of the first half (previous year: EUR 5.1 million). In order to demonstrate the development in cloud business more clearly and illustrate the progress being made in expanding annually recurring cloud revenues, a new key figure was introduced at the start of the financial year 2019: Annual Recurring Revenue (in brief: ARR). This comprises the turnover generated by the company over the next 12 months on the basis of current monthly cloud usage fees applicable as of the qualifying date. As of June 30, 2019, ARR amounted to EUR 5.8 million, representing an increase of 70 percent relative to the year before (previous year: EUR 3.4 million). The promising order pipeline represents an excellent basis for financial year 2019.

3. Net assets and financial position

In the first six months, cash flow from operations amounted to EUR 8.5 million (previous year: EUR 4.4 million). At the same time, liquidity (cash and cash equivalents less borrowings) declined relative to the same period last year from EUR 14.2 million to EUR 12.9 million. The position as a whole comprising liquidity and other current and non-current financial assets adjusted for borrowings (e.g. loans) declined only slightly from EUR 25.9 million last year to EUR 25.1 million, despite the dividend payment amounting to EUR 15.9 million (regular dividend of EUR 1.40 plus a special distribution of EUR 2.60 per share) in May 2019. Liquidity per share on June 30, 2019 including these other current and non-current financial assets and after adjusting for borrowings accordingly stood at EUR 6.31 (previous year: EUR 6.51).

The principal factors impacting positively on cash flow from operations included higher net earnings, high cash flow from major projects and one-off effects resulting from the adoption of new accounting and valuation methods in connection with the first-time application of IFRS 16 (Leases) effective January 1, 2019. Factors which served to reduce cash flow derived primarily from the reduction in miscellaneous liabilities following the payment of salaries and commissions and an increase in trade receivables.

Cash flow from investment activities in the first half-year related exclusively to investments in fixed assets amounting to EUR 0.3 million (previous year: EUR 0.9 million).
As of June 30, 2019 ATOSS reported an equity ratio of 36 percent (previous year: 57 percent). This decline is essentially attributable to the dividend distribution and the first-time application of IFRS 16 (Accounting for Leases) as of January 1, 2019.
Thanks to the overall excellent earnings situation and to its continuing sound asset and financial position, the company expects its ability to meet its financial commitments to remain unchanged in the future.

4. Product development

Research & development remains an important component of the ATOSS growth strategy with the goal of further extending the company's strong position as a technological leader in workforce management. R&D costs in the first six months rose by 6 percent relative to the year before to stand at EUR 5.9 million at the end of June 2019 (previous year: EUR 5.6 million). Expenditure on R&D as a proportion of overall sales amounted to 17 percent (previous year 19 percent).

The company continues to refrain from capitalizing the expense of developing new product innovations. All expenditure for this purpose is recognized in the income statement in the period in which it is incurred.

5. Employees

The number of employees has risen from 436 last year to 484. As of June 30, 2019, ATOSS employed 180 staff in development (previous year: 179), 143 in consulting (previous year: 116), 92 in sales and marketing (previous year: 76) and 69 in administration (previous year: 65).

Personnel costs for the current financial year amounted as of June 30, 2019 to EUR 17.1 million (previous year: EUR 14.9 million).

6. Risks associated with future development

There has been no change in the company's risk structure relative to the description contained in the consolidated financial statements to December 31, 2018.

The market risk associated with financial assets available for sale essentially concerns the fair value of the investment fund and the company's gold holdings, which stood at EUR 5.1 million and EUR 2.1 million respectively as of June 30, 2019 and is dependent on the ongoing development in fund prices and the price of gold.

7. Events after the reporting period

There have been no reportable events of particular significance since June 30, 2019.

8. Outlook

In the first six months of the current financial year 2019, ATOSS has experienced an extremely positive development in sales and operating profits. Against this background the Management Board stands by its guidance for financial year 2019 and continues to anticipate sales growth of 11 to 13 percent. Despite further planned investments in particular in the area of sales with the intention of developing new markets and sectors, the Board also expects to see an EBIT margin of 25 to 28 percent.

HIGHRISE ONE

CONSOLIDATED BALANCE SHEET AS OF 6/30/2019

Assets (EUR)	6/30/2019	12/31/2018[1)]
Non-current assets		
Intangible assets	372,951	380,538
Property, plant and equipment	4,078,762	4,277,418
Rights of use	10,404,940	0
Other financial assets	565,395	512,740
Deferred taxes	827,408	922,726
Total non-current assets	**16,249,456**	**6,093,422**
Current assets		
Inventories	9,081	4,464
Trade receivables	6,670,759	6,255,949
Other financial assets	12,162,292	11,620,425
Other non-financial assets	2,050,735	1,500,035
Cash and cash equivalents	12,936,179	21,675,798
Total current assets	**33,829,046**	**41,056,671**
Total assets	**50,078,502**	**47,150,093**

Equity and Liabilities (EUR)		
Equity		
Subscribed capital	3,976,568	3,976,568
Capital reserve	-661,338	-661,338
Equity deriving from unrealized profits/losses	-1,872,779	-1,872,779
Unappropriated net income	16,552,303	27,057,136
Equity attributable to the equity holders of the parent company	**17,994,754**	**28,499,587**
Non-controlling interests	-55,066	-46,720
Total equity	**17,939,688**	**28,452,867**
Non-current liabilities		
Pension provisions	4,838,510	4,782,229
Leasing liabilities	10,915,006	0
Deferred tax liabilities	67,440	54,277
Total non-current liabilities	**15,820,956**	**4,836,506**
Current liabilities		
Trade accounts payable	511,960	510,151
Contractual liabilities	5,862,321	2,446,496
Other financial liabilities	7,204,961	8,916,637
Tax provisions	2,680,816	1,929,636
Other provisions	57,800	57,800
Total current liabilities	**16,317,858**	**13,860,720**
Total equity and liabilities	**50,078,502**	**47,150,093**

1) In accordance with our chosen transitional method as per IFRS 16, previous periods have not been adjusted in line with the new accounting and valuation methods. For more information please refer to Section 5 in the Notes to the consolidated half-year statements for 2019.

CONSOLIDATED INCOME STATEMENT FROM 1/1/2019 TO 6/30/2019

	Quarterly report		6-monthly report	
EUR	**4/1/2019 - 6/30/2019**	**4/1/2018 - 6/30/2018**	**1/1/2019 - 6/30/2019**	**1/1/2018 - 6/30/2018**
Sales revenues	**16,998,155**	**14,926,135**	**33,932,996**	**29,445,977**
Cost of sales	**-5,261,201**	-4,411,155	-10,232,252	-8,575,281
Gross profit	**11,736,954**	**10,514,980**	**23,700,744**	**20,870,696**
Distribution costs	-3,115,069	-2,695,477	-6,133,161	-5,129,796
Administration costs	-1,362,361	-1,268,963	-2,737,844	-2,546,941
Research and development costs	-3,010,666	-2,812,031	-5,918,187	-5,595,326
Other operating income	20,580	101,372	60,337	159,435
Other operating expenses	-215,087	-215,086	-313,476	-285,575
Operating profit	**4,054,351**	**3,624,796**	**8,658,413**	**7,472,494**
Interest and similar income	226,365	15,592	537,298	31,145
Interest and similar expenses	-57,849	-23,994	-110,688	-112,194
Earnings before taxes	**4,222,867**	**3,616,394**	**9,085,023**	**7,391,445**
Taxes on income and earnings	-1,502,384	-1,180,620	-3,181,393	-2,405,592
Net income	**2,720,483**	**2,435,775**	**5,903,630**	**4,985,854**
Attributable to:				
Equity holders of the parent company:	2,724,988	2,438,870	5,911,976	4,991,928
Non controlling interests:	-4,505	-3,095	-8,346	-6,073
Earnings per share (undiluted)	0.68	0.61	1.48	1.25
Earnings per share (diluted)	0.68	0.61	1.48	1.25
Average number of shares in circulation (undiluted)	3,976,568	3,976,568	3,976,568	3,976,568
Average number of shares in circulation (diluted)	3,976,568	3,976,568	3,976,568	3,976,568

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FROM 1/1/2019 TO 6/30/2019

EUR	1/1/2019 - 6/30/2019	1/1/2018 - 6/30/2018
Net income	**5,903,630**	**4,985,854**
Components not reallocated in profit and loss		
Profits/losses recognized in equity on the revaluation of defined benefit pension plans	0	0
Tax effects of profits/losses recognized in equity on the revaluation of defined benefit pension plans	0	0
Other comprehensive income for the period after taxes	**0**	**0**
Comprehensive income after taxes	**5,903,630**	**4,985,854**

CONSOLIDATED CASH FLOW STATEMENT FROM 1/1/2019 TO 6/30/2019

EUR	1/1/2019 - 6/30/2019	1/1/2018 - 6/30/2018[1]
Earnings before taxes	**9,085,023**	**7,391,445**
Depreciation	1,479,826	471,272
Interest and similar income	-537,298	-31,145
Interest and similar expenses	110,688	112,194
Income from the disposal of fixed assets	0	28,817
Change in net current assets		
Trade receivables	-414,810	-1,062,986
Inventories and other assets	-203,122	-371,253
Trade accounts payable	1,809	128,988
Other financial liabilities	-1,711,676	-1,174,560
Contract liabilities	3,415,825	783,962
Other provisions	0	-39,000
Other assets	-64,662	9,632
Income taxes received	96	321,755
Income taxes paid	-2,675,601	-2,203,548
Cash flow generated from operating activities (1)	**8,486,098**	**4,365,573**
Cash flow from investment activities		
Expenditure for the purchase of tangible and intangible assets	-307,575	-922,855
Proceeds from the disposal of tangible and intangible assets	0	6,500
Interest received	0	377
Cash flow generated from investment activities (2)	**-307,575**	**-915,978**
Cash flow from financing activities		
Redemption element leasing liability IFRS 16	-948,494	0
Interest element leasing liability IFRS 16	-63,375	0
Dividends paid	-15,906,272	-4,652,585
Cash flow generated from financing activities (3)	**-16,918,141**	**-4,652,585**
Change in cash and cash equivalents - total of (1) to (3)	**-8,739,618**	**-1,202,990**
Cash and cash equivalents and the start of the period	21,675,798	15,428,403
Cash and cash equivalents and the end of the period	12,936,179	14,225,412

1) In accordance with our chosen transitional method as per IFRS 16, previous periods have not been adjusted in line with the new accounting and valuation methods. For more information please refer to Section 5 in the Notes to the consolidated half-year statements for 2019.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS 6/30/2019

	Equity attributable to the proprietors of the parent company					
EUR	Subscribed capital	Capital reserve	Equity deriving from unrealized profits/losses	Unappropriated net income	Non-controlling interests	Total
As of 01.01.2018	**3,976,568**	**-661,338**	**-1,784,476**	**20,312,545**	**-34,185**	**21,809,114**
Net income 2018	0	0	0	4,991,928	-6,073	4,985,854
Other comprehensive income	0	0	0	0	0	0
Total comprehensive income	**0**	**0**	**0**	**4,991,928**	**-6,073**	**4,985,854**
Change in accounting methods (IFRS 9)	0	190,959	-190,959	0	0	0
Dividends	0	0	0	-4,652,585	0	-4,652,585
As of 30.06.2018	**3,976,568**	**-470,379**	**-1,975,435**	**20,651,888**	**-40,259**	**22,142,383**
As of 31.12.2018	**3,976,568**	**-661,338**	**-1,872,779**	**27,057,136**	**-46,720**	**28,452,867**
Changes in accounting methods (IFRS 16)	0	0	0	-510,537	0	-510,537
Total equity (adjusted retroactively):	**3,976,568**	**-661,338**	**-1,872,779**	**26,546,599**	**-46,720**	**27,942,330**
As of 01.01.2019	3,976,568	-661,338	-1,872,779	26,546,599	-46,720	27,942,330
Net income 2019	0	0	0	5,911,976	-8,346	5,903,630
Other comprehensive income	**0**	**0**	**0**	**0**	**0**	**0**
Total comprehensive income	3,976,568	-661,338	-1,872,779	32,458,575	-55,066	33,845,960
Dividends	**0**	**0**	**0**	**-15,906,272**	**0**	**-15,906,272**
As of 30.06.2019	**3,976,568**	**-661,338**	**-1,872,779**	**16,552,303**	**-55,066**	**17,939,688**

One share represents 1 euro of subscribed capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General

The present quarterly report has been prepared in accordance with International Financial Reporting Standards (IFRS) in compliance with IAS 1.14. In particular the report complies with the provisions contained in IAS 34 “Interim Financial Reporting”. The requirements contained in German Accounting Standard (DRS) No. 6 regarding interim reporting have likewise been fulfilled.

In accordance with IAS 34.20, the present statements include a consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated cash flow statement, a statement of changes in consolidated equity and explanatory notes to the consolidated statements.

With the exception of the first-time application of the new IFRS 16 Leases, the accounting principles here applied conform with those applied in the previous financial year and the associated interim reporting period. The effects of the first-time application of the new leasing standard IFRS 16 are described under Section 5. Other changes in standards did not have any effect on Group accounting methods.

The Management Board is satisfied that the impression of the economic situation of the company, its net assets, financial position, earnings situation and cash flow conveyed by the present half-yearly financial statements accords with the true facts. This interim report has not undergone an auditors’ inspection or statutory audit.

2. Reporting period

The present interim report was prepared as of June 30, 2019 for the reporting period from January 1, 2019 to June 30, 2019.

3. Currency

All figures are stated in euro. Amounts are rounded up to whole euro units.

4. Consolidated group

In addition to the parent company ATOSS Software AG, Munich, the consolidated financial statements to June 30, 2019 also include all subsidiary companies:

ATOSS CSD Software GmbH, Cham, Germany (100%)
ATOSS Software Ges.mbH, Vienna, Austria (100%)
ATOSS Software AG, Zurich, Switzerland (100%)
ATOSS Software S.R.L., Timisoara, Romania (100%)
ATOSS Aloud GmbH, Munich, Germany (97%)
ATOSS North America Inc., West Hollywood, USA (100%)

These companies are fully consolidated.

5. Changes in accounting principles

The effects of the first-time application of IFRS 16 are explained and the accounting methods newly applied with effect from January 1, 2019 described hereinafter.

IFRS 16 has been applied for the first time in compliance with the transitional provisions contained in the standard, that is to say, retrospectively with regard to recognition of the resulting effects on the revenue reserve as of January 1, 2019. The comparative figures for financial year 2018 have not been adjusted.

Effects of the first-time application of IFRS 16
With the first-time application of IFRS 16, the Group recognized leases previously classified as operating leases under IAS 17. These liabilities are valued at the cash value of the remaining lease payments, discounted at the lessee's marginal borrowing rate as of January 1, 2019. The lessee's weighted average marginal borrowing rate as applied to leases effective January 1, 2019, amounts to 1.2 percent.

The stated rights of use relate to the following asset types:

EUR	01.01.2019	30.06.2019
Buildings	8,985,374	9,362,464
Motor vehicles	777,060	1,042,476
Total rights of use	**9,762,434**	**10,404,940**

The change in accounting methods affected the following balance sheet items effective January 1, 2019 as follows:

1. Rights of use – increased by EUR 9,762,434
2. Leasing liabilities – increased by EUR 10,272,971

The net effect on unappropriated net income as of January 1, 2019 was a reduction of EUR 510,537

a) Applied simplifications

In applying IFRS 16 for the first time, the Group availed itself of the following simplifications:
- Application of a single discount rate to a portfolio of similarly constructed lease agreements
- Adoption of previous assessments as to whether a lease is onerous
- Leases with a residual term of less than 12 months as of January 1, 2019 are accounted for as short-term leases
- Initial direct costs not taken into consideration when valuing rights of use at the time of first application
- Retroactive determination of the term of a lease in the case of contracts with options to extend or terminate

The Group has decided in the case of leases concluded prior to the time of transition to the new standard not to reassess whether at the time of first application a contract is or contains a lease, but instead to stand by the previous assessment made under IAS 7 and IFRIC 4.

b) Group leasing activities and their treatment for accounting purposes

The Group rents various office premises and motor vehicles. Rental agreements are generally entered into for fixed periods of 3 to 10 years, but may include options to extend as described below.

Up to and including 2018, leases were classified as either finance leases or operating leases. Payments in the context of operating leases (less any incentives received by the lessor) were recognized in the income statement in linear fashion over the term of the lease.

Since January 1, 2019 leases are accounted for as rights of use at the time at which the subject of the lease becomes available for the Group to use and treated as a corresponding liability. Each lease payment is divided into redemption and financing costs. Financing costs are recognized in the income statement over the term of the lease. The right of use is depreciated in linear fashion over the period of use or term of the lease, whichever is the shorter.

Group leasing activities and their treatment for accounting purposes
Assets and liabilities deriving from leases are recognized at cash value upon first recognition. Leasing liabilities include the cash value of the lease payments.

Lease payments are discounted at the lessee’s marginal borrowing rate, that is to say, the rate that a lessee would have to pay in order to borrow money to purchase an asset of comparable value and on comparable terms in a comparable economic environment.

Rights of use are valued at cost of acquisition.

Payments for short-term leases and leases for low-value assets are recognized in linear fashion in profit or loss. Short-term leases are leases with a term of up to 12 months. Low-value assets include for example IT equipment and smaller pieces of furniture.

Options to extend or terminate
A series of real estate and plant and equipment leases entered into by the Group include options to extend or terminate. Such contractual terms serve to afford the Group the maximum operational flexibility in respect of the contract portfolio. The majority of existing extension and termination options may be exercised only by the Group and not by the respective lessor.

6. Financial liabilities

As of June 30, 2019, the contractual times to maturity for the Group's non-derivative financial liabilities were as follows:

Contractual times to maturity of financial liabilities	< 6 months EUR	6-12 months EUR	1–3 years EUR	> 3 years EUR	Total contractual cash flow EUR	Carrying value of liabilities EUR
As of 30.06.2019						
Trade accounts payable	511,960	-	-	-	511,960	511,960
Leasing liabilities	1,155,764	1,149,008	4,843,133	5,424,686	12,572,591	10,915,006
Total non-derivatives	**1,667,724**	**1,149,008**	**4,843,133**	**5,424,686**	**13,084,551**	**11,426,966**

Contractual times to maturity of financial liabilities	< 6 months EUR	6-12 months EUR	1–4 year EUR	> 3 years EUR	Total contractual cash flow	Carrying value (assets) / liabilities
As of 30.06.2018						
Trade accounts payable	510,151	-	-	-	510,151	510,151
Total non-derivatives	**510,151**	**-**	**-**	**-**	**510,151**	**510,151**

7. Changes in equity

The development in equity is evident from the consolidated statement of changes in equity.

8. Sales revenues

The company's sales revenues in the financial year were composed as follows:

EUR	1/1/2019 –6/30/2019	1/1/2018 –6/30/2018
Licenses	6,749,609	5,970,181
Maintenance	11,878,650	10,757,200
Cloud	3,386,422	1,785,130
Total software	**22,014,681**	**18,512,511**
Consulting	9,407,883	8,450,959
Hardware	1,744,383	1,779,593
Miscellaneous	766,049	702,914
Total	**33,932,996**	**29,445,977**

The geographic breakdown of sales revenues was as follows:

EUR	1/1/2019 –6/30/2019	1/1/2018 –6/30/2018
Germany	28,886,602	24,897,289
Abroad	5,046,394	4,548,688
of which Austria	2,245,166	2,089,129
of which Switzerland	1,775,427	1,457,450
of which other countries	1,025,801	1,002,109
Total	**33,932,996**	**29,445,977**

The sales revenues were distributed between product groups as follows:

EUR	1/1/2019 –6/30/2019	1/1/2018 –6/30/2018
ATOSS Staff Efficiency Suite (ASES) and ATOSS Startup Edition (ASE)	28,074,149	24,931,425
ATOSS Time Control (ATC)	5,858,847	4,514,552
Total sales revenues	**33,932,996**	**29,445,977**

9. Personnel costs

The consolidated personnel costs to June 30, 2019 were composed as follows:

EUR	1/1/2019 –6/30/2019	1/1/2018 –6/30/2018
Wages and salaries	14,624,547	12,764,351
Social security contributions and expenditure on retirement pensions and welfare	2,440,676	2,185,417
Total	**17,065,223**	**14,949,768**

10. Other operating income and expenses

In the first six months of the current financial year the company recorded other operating income in the amount of EUR 60,337 (previous year: EUR 159,435). This primarily included income from the liquidation of reserves in the amount of EUR 41,794 (previous year: EUR 102,792) as well as from exchange rate differentials in the amount of EUR 15,875 (previous year: EUR 51,905).

Other operating expenses amounting to EUR 313,476 (previous year: EUR 285,575) essentially related to the formation of valuation allowances in the amount of EUR 188,109 (previous year: EUR 155,476) and exchange rate losses amounting to EUR 70,799 (previous year: EUR 89,647).

11. Financial investment income and expenses

In the first six months of the current financial year the company recorded income in the amount of EUR 537,298 (previous year: EUR 31.145) from financial investments. This essentially comprised income from the upward revaluation of the company's gold holdings in the amount of EUR 197,575 (previous year: writedowns of EUR 10,380), income from the valuation of capital assurance claims in the amount of EUR 31,060 (previous year: EUR 30,691) and income in connection with the valuation of the investment fund in the amount of EUR 307,736 (previous year: writedowns of EUR 55,924).

The company also recorded financial expenses amounting as of June 30, 2019 to EUR 110,688 (previous year: EUR 112,194). This related to interest costs of EUR 63,375 (previous year: EUR 0) in connection with the recognition of leases in accordance with IFRS 16, and to interest costs in connection with the pension provision in the amount of EUR 46,625 (previous year: EUR 45,890).

12. Tax charge

Consolidated tax expenses to June 30, 2019 were comprised as follows:

EUR	1/1/2019 –6/30/2019	1/1/2018 –6/30/2018
Pre-tax earnings as per IFRS	**9,085,023**	**7,391,371**
Expected tax charge (2019: 32,47%, 2018: 32,47%)	-2,949,765	-2,400,002
Non-deductible operating expenses	-15,849	-10,508
Tax payments/refunds for previous years	-116,634	0
Current losses for which no deferred tax claim has been recognized	-133,405	-129,148
Lower tax rates at group companies and branches	21,160	105,330
Miscellaneous	13,100	28,736
Actual Group tax charge	**-3,181,393**	**-2,405,592**

13. Earnings per share

The figure for earnings per share is arrived at by dividing the net result for the period in the amount of EUR 5,903,630 (EUR 4,985,854) by the weighted average number of shares outstanding. From January 1 to June 30, 2019 there were an average of 3,976,568 shares in circulation. Thus earnings per share for this period amounted to EUR 1.48, in comparison with EUR 1.25 in the first six months of the preceding year.

14. Employees

On June 30, 2019 the company had 484 employees (previous year: 436).

	1/1/2019 –6/30/2019	1/1/2018 –6/30/2018
Development	180	179
Consulting	143	116
Sales and marketing	92	76
Administration	69	65
Total	**484**	**436**

15. Management Board

The members of the Management Board are:

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

16. Supervisory Board

By a resolution adopted at the annual general meeting on April 30, 2019, the Supervisory Board was re-elected and is comprised as follows:

Peter Kirn	Chairman
Rolf Baron Vielhauer von Hohenhau	Deputy Chairman
Klaus Bauer	Member of the Supervisory Board

17. Board member shareholdings

As of June 30, 2019 the following board members held the following numbers of ATOSS shares:

EUR	6/30/2019	3/31/2019	12/31/2018	9/30/2018	6/30/2018
Andreas F.J. Obereder	1,988,285	1,988,285	1,988,285	1,988,285	1,988,285
Peter Kirn	9,343	9,343	9,343	9,523	9,773

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

18. Notifiable participating interests

In the first six months of financial year 2019 the company received no notifications regarding changes in participating interests pursuant to Sections 21 ff. of the German Securities Trading Act.

19. Business relations with closely related persons

The daughter of the Chief Executive Officer is employed on standard market terms, in respect of which in the first half-year the company incurred personnel costs in the amount of EUR 37,468 (previous year: EUR 4,626).

20. Events after the balance sheet closing date

There have been no reportable events of particular significance since June 30, 2019.

Responsibility statement

According to the best of our knowledge, we assure that, pursuant to the applicable accounting principles for interim reporting, the interim consolidated financial statements convey a true and fair view of the Group's net assets, financial position and results of operations, and that the business development, including the business results and the Group's position, are presented in the interim Group management reports in such a way that they convey a true and fair view, and that the key opportunities and risks pertaining to the Group's prospective development in the remainder of the fiscal year are described.

Munich, August 9, 2019

Andreas F.J. Obereder
Chief Executive Officer

Christof Leiber
Member of the Management Board

Disclaimer

This report contains forward-looking statements that are based on the conviction of the Management Board of ATOSS Software AG and reflect current assumptions and estimations. These forward-looking statements are subject to risks and uncertainties. Many facts that cannot currently be predicted may cause the actual performance and earnings of ATOSS Software AG to develop in a different manner. This could for example include the non-acceptance of newly introduced products or services, changes in the general economic and business climate, a failure to achieve efficiency and cost-reduction targets or changes in business strategy.

The Management Board is firmly convinced that the expectations embodied in these forward-looking statements are sound and realistic. Should however the above-mentioned or other unforeseeable risks materialize, ATOSS Software AG cannot guarantee that the expressed expectations will prove to be correct.

FINANCIAL CALENDAR

24.10.2019
Quarterly press release announcing the 9-monthly results

25.11.2019
ATOSS at the German Equity Forum

IMPRINT

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