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REPORT
ATOSS16

ATOSS

ANNUAL REPORT

Now and in future, our innovative strengths will create customer value, productivity gains and growth. This is the focus of our work, and the benchmark by which we measure our performance.

ANDREAS F.J. OBEREDER
CEO and Founder
ATOSS Software AG

SHAPING TOMORROW'S WORKING ENVIRONMENTS

Flexibility, productivity and innovative strengths are the ultimate benchmarks in times of volatile markets – whether in industrialized nations or emerging markets. An agile personnel infrastructure and fluid processes build the necessary foundation. Rapid response organizations cannot be achieved without these essential elements in place. The key factor is to unleash the full potential of the existing workforce and maximize its flexibility. And precisely this is our competence. Every day, ATOSS Workforce Management solutions make significant contributions towards higher value creation and a sharper competitive edge for about 5,000 customers. At the same time, we enable the implementation of employee-oriented working time concepts, thereby ensuring greater job satisfaction. In more than 40 countries all over the world.

CONSOLIDATED OVERVIEW AS PER IFRS: YEAR ON YEAR COMPARISON IN KEUR

	01.01.2016 - 31.12.2016	PROPORTION OF TOTAL SALES	01.01.2015 - 31.12.2015	PROPORTION OF TOTAL SALES	CHANGE 2016/2015
TOTAL SALES	**49,544**	**100%**	**44,941**	**100%**	**10%**
SOFTWARE	29,307	59%	26,714	60%	10%
LICENSES	11,206	23%	9,838	22%	14%
MAINTENANCE	18,101	36%	16,876	38%	7%
CONSULTING	13,379	27%	11,906	26%	12%
HARDWARE	4,444	9%	4,610	10%	-4%
OTHERS	2,414	5%	1,711	4%	41%
EBITDA	14,277	29%	12,032	27%	19%
EBIT	**13,569**	**27%**	**11,344**	**25%**	**20%**
EBT	13,677	28%	11,322	25%	21%
NET PROFIT	**9,278**	**19%**	**7,591**	**17%**	**22%**
CASH FLOW	12,240	25%	8,017	18%	53%
LIQUIDITY (1/2)	24,785		24,368		2%
EPS IN EURO	2.33		1.91		22%
EMPLOYEES (3)	367		340		8%

CONSOLIDATED OVERVIEW AS PER IFRS: QUARTERLY COMPARISON IN KEUR

	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15
TOTAL SALES	**13,003**	**12,612**	**12,233**	**11,696**	**11,888**
SOFTWARE	7,790	7,391	7,242	6,884	7,125
LICENSES	3,134	2,858	2,747	2,467	2,782
MAINTENANCE	4,656	4,533	4,495	4,417	4,343
CONSULTING	3,528	3,195	3,355	3,301	3,125
HARDWARE	969	1,267	1,173	1,035	1,094
OTHERS	716	759	463	476	544
EBITDA	3,974	3,708	3,225	3,370	3,182
EBIT	**3,778**	**3,544**	**3,050**	**3,197**	**2,909**
EBIT-MARGIN IN %	29%	28%	25%	27%	25%
EBT	3,670	3,518	3,149	3,340	2,855
NET PROFIT	**2,409**	**2,415**	**2,170**	**2,284**	**1,867**
CASH FLOW	83	7,301	608	4,248	-2,271
LIQUIDITY (1/2)	24,785	25,238	18,065	28,657	24,368
EPS IN EURO	0.60	0.61	0.55	0.57	0.47
EMPLOYEES (3)	367	359	348	354	340

(1) Cash and cash equivalents, other current and non-current financial assets (sight deposits, investment funds, gold) as of the qualifying date, adjusted to exclude borrowings (loans)
(2) Dividend of EUR 2.80 per share on 27.04.2016 (KEUR 11,134) and dividend of EUR 0.88 per share on 29.04.2015 (KEUR 3,499)
(3) At the end of the quarter/year

DEVELOPMENT OVER 11 RECORD YEARS

from 2006 to 2016

+ 143 %
Total sales

+ 180 %
Software licenses sales

+ 170 %
Consulting sales

+ 134 %
Investments in R&D

+ 2,311 %
EBIT

+ 1,842 %
Earnings per share

+ 2,232
New customers

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The human factor

Prof. Dr. Max Otte interviews
Andreas F.J. Obereder,
CEO and Founder of ATOSS Software AG

Mr Obereder – ATOSS is looking back on 29 years of growth. Your solutions are at work in over 40 countries, in large international corporations but also in mid-caps and SMEs, the service sector as well as in the industrial arena. Have the potentials been fully tapped in the meantime?
By no means. In actual fact, we have only just started. The significance of workforce management will continue to grow massively in the coming years, not only in order to reduce costs, but first and foremost as a strategic competitive factor.

These are strong statements. Can you substantiate these claims?
Small companies are impacted by demographic changes in the same way as large ones. They are both faced with a lack of qualified employees and specialists. Ernst & Young calculated that in 2016, German SMEs, the so-called "Mittelstand" alone was unable to fill some 360,000 vacancies. In the USA, a total of five million positions remained vacant last year. In January 2017, there were more vacant positions in Germany than ever before – at historically low unemployment levels. This is exactly where workforce management comes in.

Can you tell us exactly how?
It's obvious that efficient solutions and algorithms help to plan and manage personnel better and bring staffing levels more into line with requirements. In other words, they help to make the lack of specialists more controllable for companies and enable a more flexible and intelligent use of valuable personnel resources in working processes along the entire value chain. But there's more to it than that. As well as the optimum, cost-conscious use of existing staff, workforce management can also constitute a decisive competitive factor in personnel recruitment.

In personnel recruitment?
Today, individuals want to be more flexible and self-determined in their decisions on how they are deployed at work, just as they conduct their banking transactions or make their purchases from home. They want a say in the process, greater transparency and a harmonious work-life balance. Six out of ten millennials expect more flexible duty plans and a high degree of self-determination in the workplace. Thanks to workforce management solutions, this is precisely what companies are able to offer their employees.

"Companies in sectors entailing high staffing levels have a particular need for intelligent solutions in order to remain competitive."

Can you cite examples of greater staff integration?
Take our customer Lufthansa, where we set up systems under the motto of "democratizing working processes" which enable employees to have their requests included in the monthly working time planning process. Our solution reflects these requests in the best possible manner. You can imagine the complexity involved in the case of a global player with ten thousands of employees, strong unions, highly diverse legal framework conditions and collective wage agreements.

And what happens if it is not possible to accommodate employees' requests?
Once the personnel planning has been completed for the month, Lufthansa employees can swap their working time via the ATOSS Shift Exchange platform. And that can even be done by smartphone – which is very important these days, of course. The system automatically checks whether all the statutory, contractual and operational conditions for a swap have been met. Employee feedback is eminently positive, which in turn raises the attractiveness of Lufthansa as an employer.

Can you tell us more about cloud topics at ATOSS?
Our solutions have also been available in the cloud for a number of years. Initially, this was only a peripheral subject. In the meantime, however, demand is trending upwards in all segments, and we are experiencing massive growth rates. Last year alone, we achieved sales gains in excess of 100 percent. Cloud solutions are high on the ATOSS agenda, although we are still giving our customers the option of running their systems on premise.

Can ATOSS solutions also help smaller businesses?
Absolutely! Workforce management is an issue for any company on today's markets. At the beginning of the decade, we laid the foundations which enable us today to serve companies from 2 to 200,000 employees with different solutions. From the smartphone-based time recording app for small businesses – available and installable for free trial runs – to complete solutions for SMEs, and all the way through to highly complex, demand-driven workforce scheduling software for global players. We have around 3,500 customers today in the range of 50 to 1,000 employees alone, in other words classic SMEs – companies such as HEINE Optotechnik, Niederegger in Lübeck or the Akzente perfumery – who are managing their staff with ATOSS solutions.

"The main growth topic in manufacturing goes by the buzzword Industry 4.0. The aim here is to network production and logistics processes as comprehensively as possible in order to make them highly flexible. That will only work on the basis of extremely agile personnel infrastructures.**"**

What challenges are companies still facing today in the field of workforce management?
In the past, companies streamlined massively and achieved savings. As a result, today's staffing levels are usually very low. There are quite simply no surplus employees to offset the effects of the lack of specialists. And this problem is naturally heightened in any economic boom. Here are two striking examples: At the beginning of October 2016, Postbank closed branches for hours or days at a time due to staff shortages, while the private railway Metronom had to cancel several train journeys. Glitches of this nature have direct effects on customer satisfaction, sales and profits. If they occur more frequently, the company will sustain lasting damage. Companies in sectors entailing high staffing levels have a particular need for intelligent solutions in order to remain competitive.

And workforce management provides the answers here?
We can at least make a significant contribution to solving the problem. For example, based on historical data, our algorithms offer very precise forecasts of footfall and retail sales curves. Aided by such data, personnel requirements can be very accurately calculated both for individual branches and certain periods, and the precise number of staff required can be scheduled with pinpoint precision. At Kastner & Öhler, Austria's exclusive department store, our solution allows customer expectations in terms of high service quality and short waiting times at the check-out to be met, while lowering personnel costs at the same time.

Retail and the service industries are sectors with high staffing levels. Is ATOSS having the same success with companies in the manufacturing industry?
Absolutely. The main growth topic in manufacturing goes by the buzzword Industry 4.0. The aim here is to network production and logistics processes as comprehensively as possible in order to make them highly flexible. The objective is to achieve manufacturing capabilities that can adapt dynamically to the demands of the market such as shorter lead times or personalized manufacturing down to a batch size of 1. This will only work on the basis of extremely agile personnel infrastructures. Today, managing this infrastructure intelligently represents a strategic challenge and is an essential component of modern workforce management. For example, we were able to help RITTER SPORT find the best possible match between its staff deployment and the seasonal demand fluctuations so typical of its business. This led to a drastic reduction in working time of more than 10,000 hours per year and sustained productivity gains of flexibly deployed staff in the order of 4 percent.

What effect does this have on your customers' profits?
I'll show you a simple calculation by way of an example. Let's assume sales of 100, personnel costs of 50 and a profit of 10. If we can succeed in reducing personnel costs by 3 percent, profits will rise by 15 percent. Moreover, if I am also able to increase sales by 3 percent by improving service levels – while keeping personnel costs constant – profits will rise by 37.5 percent. As you can see, workforce management acts on dual leverage points. Most of our projects reach their return on investment within 12 months. And this takes no account of the positive long-term competitive advantages gained in personnel recruitment, the effects on employee motivation and the strengthening of the company's image as a result of better services or a faster time-to-market.

You serve customers all around the world who are involved in very complex projects and make the most stringent demands. Where do you tap the relevant know-how?
In the course of an almost 30 year journey – and particularly in the last decade – we have helped shape the transformation of working environments in thousands of companies. With this first-hand experience and collective best practice knowledge, we enable our customers to achieve their goals in the area of workforce management in a highly efficient manner.

And that is sufficient in itself?
We also invest systematically every year in refining our solutions. In the last 15 years alone, we have invested over 100 million euros in the most advanced technologies, and the performance and scalability of our software. No other player in the workforce management market is engaged on this scale! However, we not only have to master the software, we also have to be conversant with legislation, collective wage agreements and employment contracts – in over 40 countries in the meantime, from the USA to Japan. We have acquired the necessary expertise in the course of several thousand projects around the globe.

What is the ATOSS strategy in this regard, are you expanding your international presence?
We are in the process of doing just this. To achieve future growth abroad, we are consciously relying on international partnerships to complement our established offices. Last year, for example, we won new partners in the Netherlands and Australia.

There were reports in the press that ATOSS had concluded a partnership with SAP®. What's the story behind these reports?
In the course of increased networking, only those companies collaborating with other best-of-breed providers will hold their own. This will be the only way to serve mutual customers with the best solutions in the future. Which is precisely what we have done; we are extending the SAP® SuccessFactors Portfolio with immediate effect with our time & attendance management and workforce scheduling solutions.

Mr Obereder, how do you see the future of ATOSS and workforce management topics?
Although we have now been a key player in the workforce management market for 30 years, we have actually only just started to fully leverage the power of our solutions. If you look at the ATOSS market shares, you will see considerable variations from 2 to 50 percent, depending on the sector. Many companies are still not using any professional solutions for managing their staff. And this is why I still perceive tremendous potential for our approach in the next decade, particularly in Europe but also worldwide. That gives me confidence and it is highly enjoyable to spread our mission around the world, in other words to help companies to position themselves to their best advantage for the working environment of tomorrow.

Thank you very much for the interview. I wish you a successful year 2017!

As a business and financial expert and recognized authority in the field of value investing, ***Prof. Dr. Max Otte*** *has published numerous books and articles on business and financial issues.*

More power for enterprises

Higher productivity, lower staff turnover, less overtime, spare personnel capacity – workforce management creates value added that can be measured. And this is to the benefit to our customers from all sectors. Have a look at what current ATOSS projects have achieved – in black and white.

SERVICES

Approx. 4 %
Increase in employee capacity utilization
Division with 200 employees

50 %
Lower rates of sickness through greater employee self-determination
Company with 450 employees

1,300,000 EUR
Savings within 4 years
Company with 600 employees

HEALTHCARE & SOCIAL SERVICES

80 %
Reduction in planning time
Company with 3,200 employees

< 5 %
Rate of staff turnover
Company with 3,000 employees

0 days
Days lost in operating theater in 12 months due to poor planning
Company with 5,000 employees

LOGISTICS

85 %
Predictive accuracy of staff demand forecasting
Company with 6,500 employees

7,500 hours / year
Capacity gains
Company with 6,500 employees

90 %
Higher planning quality
Company with 1,800 employees

RETAIL

95 %
Higher forecast accuracy
Company with 7,000 employees

1,000,000 EUR / year
Savings potential
Company with 1,400 employees

25 %
Reduction in overtime
Company with 7,800 employees

PRODUCTION

> 4 %
Increase in employee productivity
Company with 1,000 employees

50 %
Reduction in time taken for annual vacation planning
Company with 3,300 employees

6,000 hours / year
Capacity gains
Company with 3,000 employees

"Improving our customer journey and experience whilst keeping all of our sites running with quick and easy service is paramount."

MAGGIE VAN'T HOFF
CIO
Shell Retail Netherlands

The power of the cloud

ATOSS CUSTOMER **SHELL RETAIL NETHERLANDS**

The Shell brand enjoys a worldwide reputation – and not just among motorists. The company with the striking shell in its logo ranks as one of the leading players in the oil and gas industry. With a workforce of some 93,000 employees, the energy corporation operates in 70 countries worldwide. In the Netherlands around 2,700 employees work on more than 230 **Shell Retail** sites. At these sites customers don't just fill up their cars, but also buy hot beverages, refreshments and snacks as well as groceries – and the opening hours of these branch outlets extend well beyond those of conventional supermarkets. In future, the 24-hour deployment of staff required for this service will be managed by the ATOSS Retail Solution, and Shell Retail Netherlands has opted for workforce management in the cloud. This reflects the innovative company's IT strategy: In addition to focusing on core business, it also allows a level of flexibility that permits rapid expansion as well as ensuring cost transparency. After a comprehensive process analysis was carried out, the project team consisting of representatives from Retail Operations, HR and IT was impressed by the potential that the workforce management tool can offer. The company is consistently geared towards a high level of customer satisfaction at the POS, and flexible workforce scheduling based on customer traffic is a crucial factor here. Automatic Duty Scheduling factors in drivers such as customer frequency levels, receipt sizes and sales revenue as well as qualifications and individual staff requirements. The system takes statutory provisions, collective wage agreements and specific internal regulations automatically into account. Expensive over- and understaffing is a thing of the past: Staff are deployed precisely as needed. In addition, the team and management enjoy smooth communication and collaboration anytime and anywhere thanks to our Mobile Workforce Management app for smartphones and tablets. Shell Retail Netherlands has completed the pilot project and the rollout is now progressing at the retail sites. In this way, the company is continuing to put its customers in the driver's seat.

Success across all borders

With an average branch size of over 11,600 sqm, **HORNBACH** is one of the largest operators of DIY and garden stores in Europe. This expanding retail corporation currently operates 155 large-scale DIY and garden stores with a total sales area of 1.8 million sqm in nine European countries. The company relies on the perfect interaction of selection, price and service because HORNBACH places customers decidedly center stage. The key mission is to support customers with their projects in house and garden. This is the aspiration put into practice on a daily basis by almost 18,000 employees in Germany, Luxembourg, the Netherlands, Austria, Romania, Sweden, Switzerland, Slovakia and the Czech Republic. ATOSS Retail Solution is able to readily map the diversity of working time models, qualifications, country-specific legislation and pay-scales. What's more, our solution even coped with the highly complex collective agreements in Austria with ease. ATOSS Retail Solution supports local management in reconciling the interests of employees, the company and customers. Our solution also manages the annual vacation planning. ATOSS Employee & Manager Self Services provides the workforce with the necessary transparency with regard to working time accounts, vacation planning and deployment times. The Mobile Workforce Management app is now being introduced at HORNBACH, and the pilot project is already underway. This will enable working time management tasks to be accomplished any time and any place – meaning even more efficiently. As they say at HORNBACH: "There is always something to do..."

"We are pursuing a systematic growth path. This calls for agile personnel processes. Workforce Management delivers the necessary preconditions to achieve this objective."

EVA NÖLL
Vice President Human Resources
Mister Spex

Optician 4.0

ATOSS CUSTOMER **MISTER SPEX**

Mister Spex has established a contemporary way of buying glasses. Europe's leading online optician with virtual shops in eleven European countries combines the benefits of e-commerce with expert advice and the best of service for its roughly two million customers. This aspiration is supported by a partner network of more than 550 local opticians. From its headquarter in Berlin, Mister Spex distributes an extensive range of directly available, branded glasses and sunglasses via the internet. Every day, thousands of customers in Europe are supplied with high-quality glasses, contact lenses or care products – over 9,000 packages a day at peak times. And the company continues to expand. In 2016, Mister Spex opened its first offline store in Berlin and further regional shop concepts are to follow. Change is part of the daily agenda at Mister Spex. ATOSS Workforce Management forms the basis for making the company's rapid growth and online shoppers' volatile purchasing behavior controllable. 450 employees are currently integrated into the time & attendance management via Self Services. In the workshop, logistics and contact center, ATOSS Workforce Scheduling ensures that there is always a sufficient number of qualified staff available. To align its service even more closely with customers' purchasing behavior, Demand Forecasting and Automatic Duty Plan will be introduced in the contact center and the offline shops. Agility, innovative energy and customer focus have made Mister Spex the European market leader in online optics. The ATOSS Enterprise Solution provides the necessary flexibility in the area of human resources. And that is a good thing, too, as the company has a clear vision: "Become Europe's favorite way and place to buy eyewear."

For those magic moments

Off to the cloud: Our customer **PANDORA** has now changed sides. This globally active mono-brand jeweler is now no longer planning and managing the working times of its 1,300 employees at its 180 German stores on premise – but in the ATOSS cloud instead. The decisive factors behind the change within our solution world were the company's expansion strategy, the complex IT security specifications stipulated by headquarters in Denmark and the focus on its core business. And at PANDORA, there were absolutely no doubts about what this is: modern, high-quality jewelry and brilliant shopping experiences matched by an aesthetic, appealing ambience. The concept is delivering and the branch network is putting in continuous growth. Hamburg based German headquarters are supporting this growth as well as retail productivity with ATOSS Retail Solution. The demands made on the solution have remained the same. Cloud-based workforce scheduling is driven by service and costs, taking footfall and budgets into account. Administrative activities, as well as visual merchandising are also incorporated into the planning and scheduling process. In future, the Automatic Duty Plan will be further optimizing planning quality and thereby the service levels in stores – with introduction slated for 2018. At peak times such as the run up to Christmas, PANDORA also relies on the solution to manage up to 500 seasonal staff, consisting of mainly part-time employees. Time recording in sales is handled by the POS system. Area and Store Managers benefit from greater transparency and in-depth, company-wide analyses. Customers are delighted with the exquisite pieces of jewelry and their chic designs, a unique collection of charms and excellent in-store service.

ATOSS CUSTOMER **PANDORA**

Beauty across all sales channels

From a specialist retail shop to one of the largest privately managed online perfumeries in Europe – that's the **Parfümerie Akzente** success story in a nutshell. Today's company has over 25 outlets, three hair dressing salons and an internationally successful online shop for perfume, care products and cosmetics. **parfumdreams.de** now carries more than 500 brands and serves customers from all over Europe. Around 400 employees ensure excellent service at the shops, as well as in administration and the central warehouse at the head office in Pfedelbach-Windischenbach in Baden-Württemberg. After all, this excellence is at the core of the family company's philosophy. Growth necessitates efficient workforce processes and future-proof time & attendance management. Parfümerie Akzente opted for ATOSS Time Control. The solution revealed its strengths in the very first rollout phase in administration and logistics. Phase two constituted its introduction in the company's retail network and was managed autonomously by the IT and Human Resources departments. All the employees now perform the processes of time recording, vacation requests and time corrections in paperless form and can view their working time accounts at any time. The digitally recorded working times are automatically evaluated and transmitted to the DATEV payroll system by way of an interface. Manual input, stacks of forms and mathematical errors are now a thing of the past. The perfumery benefits from greater transparency in all aspects of working time and personnel costs. It has also become significantly easier to monitor labor and employment law regulations. The next step involves introducing ATOSS Workforce Scheduling to the retail outlets and the logistics operations, helping the company to focus even more strongly on customers in the future. In this way, Parfümerie Akzente is future-proofing itself to hold its own in an intensely competitive market.

"Our aim was not just to reduce the time and effort spent on planning and administration, but also to safeguard the high quality of our services. Because this is what our company stands for."

HILDEGARD KÜRZINGER
Central HR Manager
SEGMÜLLER

Welcome to the customer champion

ATOSS CUSTOMER **SEGMÜLLER**

For over 90 years, **SEGMÜLLER** has been regarded as the epitome of tasteful interior ambience and furnishings. A wide diversity of home furnishing brands awaits customers at eight spacious outlets in Frankfurt, Mannheim, Nuremberg, Stuttgart, Weiterstadt, Pulheim, Friedberg and Parsdorf – from chic accessories and timeless basics all the way through to thrilling designer products. The Friedberg headquartered company also produces high-quality furniture in its own workshops – where traditional craftsmanship melds with leading edge manufacturing technology. As evidenced by many awards, top quality and superior service are rooted in a long tradition at SEGMÜLLER. The furniture chain, for example, is one of "Germany's Customer Champions" and a member of the "Club of the Best with audited Customer Service". To safeguard this tradition, now and in the future, the company relies on efficient working time management and service-oriented workforce scheduling based on the ATOSS Retail Solution. As part of a company-wide project, personnel and administration processes were optimized, complex working time rules simplified and interfaces created with existing systems such as Lotus Notes, wages and salaries, ERP and BI tools. At present, around 5,000 employees are covered by working time management in sales, administration, production, logistics and catering. Our solution is also managing access control. The 2,200 sales floor consultants are scheduled to reflect customer and service criteria, taking their qualifications and individual workplace rules into account. Company management benefits from enhanced transparency and flexibility in all working time matters. As a result, the customers of this successful company can continue to look forward to gratifying and pleasant shopping experiences.

Fluid logistics

ATOSS CUSTOMER **HOYER GROUP**

Every minute is vital in the global transport and logistics growth market. Whether by road, rail or sea – standstills spell losses. This calls for intelligent transport concepts, exact route planning and pinpoint precision in employee planning and scheduling. The **HOYER Group** is one of the world's leading bulk logistics specialists with around 5,700 employees in over 115 countries. This successful family business has specialized in the chemicals, food, gas and mineral oil sectors and generates sales to the tune of some billions. HOYER deploys over 2,700 tractor units, 3,000 tank trailers, 24,900 IBCs and 36,400 tank containers as well as operating numerous logistics centers with depots, purification plants and workshops. The Petrolog business unit supplies petrol station networks with fuel and lubricants and airports with aviation fuel in eleven European countries. Drivers and equipment in Germany, the United Kingdom, Ireland and Denmark are scheduled and managed by the ATOSS Logistics Solution. Here, avoiding expensive empty runs as well as downtime and idle times is essential, while the truck drivers' statutory driving times and rest periods must be precisely adhered to. Factors such as qualifications, different budgeted working times, shift cycles of 2 to 13 weeks, multi-shift operations, on-call times, travel times and various remuneration systems are also incorporated into the planning process. The principle of the mobile workplace has been codeveloped, meaning that drivers, tractor units and tank trailers can be separately scheduled and combined so as to optimize costs. To summarize: Planning and scheduling drivers and tankers is a highly complex undertaking, which is why HOYER also relies on the Flexible Assignment Plan module. The advantages: Employees can be easily and clearly assigned to their vehicles by drag & drop. This simplifies the planning process enormously to the benefit of ergonomics and transparency. ATOSS Task Management is also designed to warn dispatchers in future if statutory driving times and rest periods are not adhered to. Thanks to innovative workforce management, HOYER is retaining its competitive edge in a hotly contested, extremely price-sensitive market.

"We work in a highly dynamic market.
This calls for flexibility and agility on our part, and these are precisely the qualities we expect from our partners and our workforce management solution."

CHRISTINA MAKOWSKI
Performance Measurement & Support Manager
DB Schenker

Global player

ATOSS CUSTOMER **DB SCHENKER**

DB Schenker is the preferred partner when complex logistics services are called for. The company belongs to the Deutsche Bahn AG and supports industry and the retail trade with tailored concepts for the global exchange of goods – by overland transport, worldwide air and sea freight, in contract logistics and supply chain management. Around 5,000 employees are involved in contract logistics in 25 facilities across Germany. ATOSS Workforce Management is tasked with optimizing the highly complex duty schedules in this area, increasing planning quality and flexibilizing the deployment of staff. Managing the large number of different qualifications at individual locations presents a particular challenge. In Leipzig, where the pilot project was conducted, 1,500 employees supply components to a renowned German automobile manufacturer in China and South Africa. Every day, more than 100 containers are professionally packed and readied for shipment. These operations require around 1,300 different qualifications. No problem for our Enterprise Solution, as the scheduling process also incorporates qualifications besides statutory regulations, collective pay-scales, company agreements as well as special rules. The planning staff benefit from the clear display of workplaces and the relevant requirements. Warnings prevent breaches of the rules and point out if training sessions are needed. To further enhance the quality of planning, in future DB Schenker will also be relying on the Automatic Duty Plan to generate a rule-based duty plan proposal. Following the successful pilot project in Leipzig, the solution will be successively rolled out across Germany. Five additional locations are on the agenda for 2017.

ATOSS Workforce Management has been advancing workforce management efficiency at **Deutsche Bahn AG** for more than 20 years. Around 100,000 employees are currently scheduled and managed based on our Enterprise Solution in roughly 60 Group companies such as **DB Station&Service**, **DB Gastronomie** and **DB Fahrzeuginstandhaltung**.

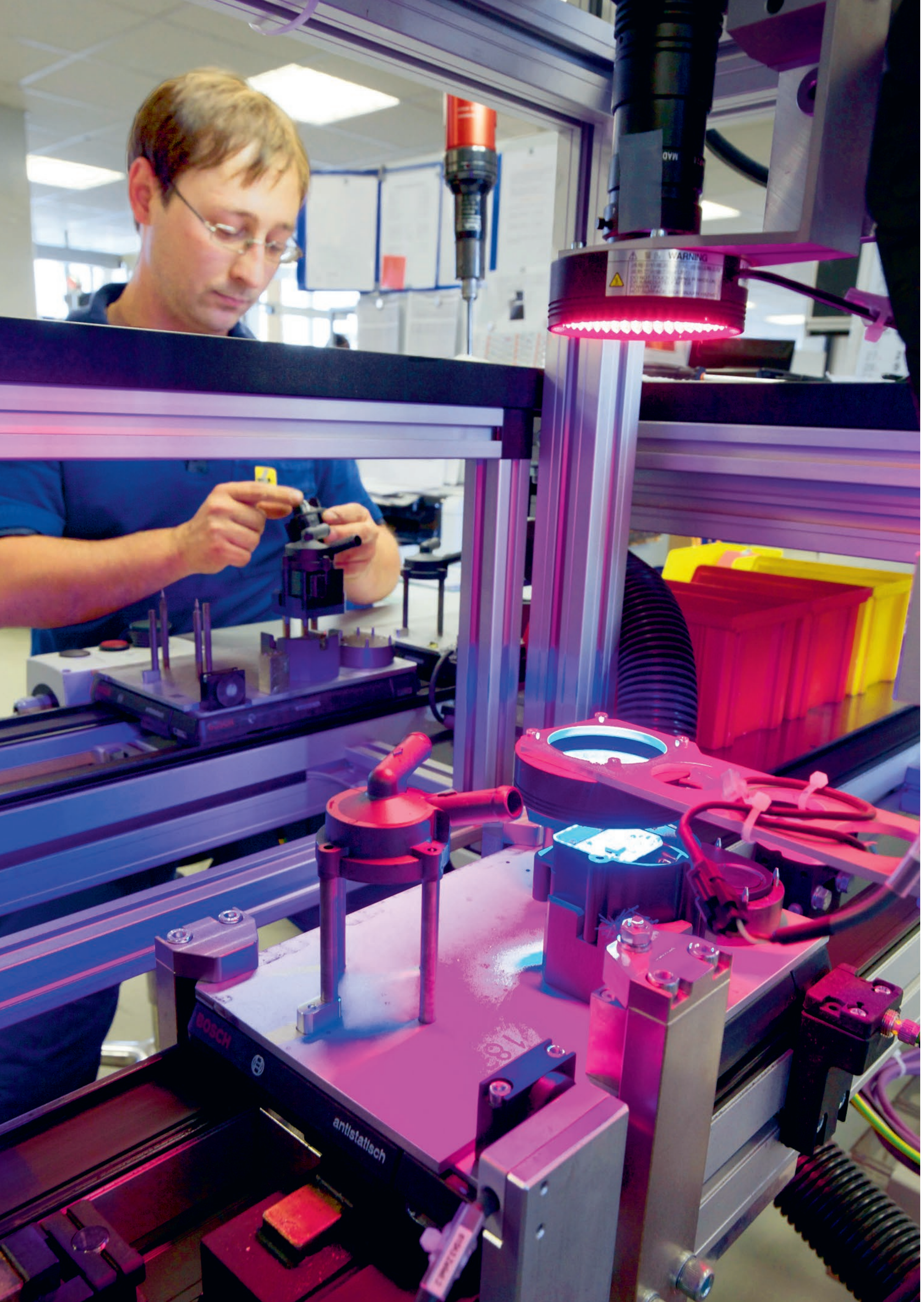
Just-in-time medication

Millions of people need medication every day. As a leading European healthcare provider, the **PHOENIX group** ensures that drugs and other medical products arrive day in day out where they are needed – quickly and reliably thanks to its wholesale and retail operations and Pharma Services. Comprising more than 34,000 employees and 153 distribution centers, the company commands virtually seamless operations across 26 European countries. In Germany alone, around 12,000 PHOENIX pharmacies are served – up to five times a day. This entails around 6,000 daytime trips and more than 850 at night. On average, no more than 45 minutes elapse from order receipt to goods handover to the drivers. This impressive response time is based on an ingenious warehouse, logistics and transport system, a strong distribution network and professional workforce management. PHOENIX relies systematically on efficient staff processes and the ATOSS Enterprise Solution. The modules Workforce Scheduling and Flexible Assignment Plan ensure demand-driven planning and scheduling in the fast-moving distribution centers and the company's own customer service centers. Employees are integrated into the working time management processes via Self Services, while some members of the management team make additional use of the mobile ATOSS app. The 20 distribution centers in Germany were recently equipped with sturdy terminals at which around 2,500 shop floor employees can conveniently and intuitively tap into the self service offerings, such as vacation applications. Our solution currently manages the working times of around 8,000 employees in Germany, the United Kingdom and Switzerland. The vision of the PHOENIX group is to be the best integrated healthcare provider. We are delighted to be supporting this successful family business on this journey.

Spot on the agriculture industry

ATOSS CUSTOMER **HaGe KIEL**

With a workforce of some 1,700 employees, **Hauptgenossenschaft Nord AG**, or **HaGe Kiel** for short, ranks as one of the largest trading corporations in the agriculture sector in Germany. The main focus is on Schleswig-Holstein, Mecklenburg-Western Pomerania and the other new federal states. Operating its own large scale terminals in Hamburg, Rostock and Kiel, HaGe Kiel is engaged in the international marketing and sales of grain and handled half of Germany's exports to third countries last year. The company's business segments are divided into divisions for grain, rape and pulses, crop production equipment, as well as animal feed and logistics. Powerful logistics chains, modern feed mills and a diversified fleet for general cargo, bulk products, silo transport systems and machinery connect domestic agriculture with national and international markets. To bring even greater efficiency to its production facilities and logistics centers, HaGe Kiel decided to introduce the ATOSS Enterprise Solution – interfacing with the SAP® ERP system in place throughout the company. It was a particular challenge for our consultants to analyze the wide variety of working time management rules at the individual locations, harmonizing them where necessary and mapping them in the solution. Project management is highly satisfied with the result. Today, time recording is performed on robust terminals or by telephone. An interface to the ZA-ARC fleet management enables data to be taken directly from the digital tachographs of the truck fleet. In this way, the company has an overview of the driving and resting times – accurate to the nearest minute – of its roughly 300 truck drivers who transport goods to and from Poland, Sweden, Denmark, the Netherlands and within Germany. In the meantime, all 950 industrial workers in production and logistics have been incorporated into the ATOSS solution. Error prone manual processes and queries in the Human Resources department have been consigned to history. Company management is delighted with the significant cost reductions in administration and new transparency levels regarding working time. The introduction of Employee & Manager Self Services is already in the planning stage.



Efficient production as a driving force

"The goal of our workforce management project is to achieve cost-effective, demand-driven planning without risks."

PETER GEISSLER
Hartha Plant Manager
Pierburg

With its pump business, **Pierburg** has been holding its own for decades in the globally highly competitive automotive supply industry thanks to market conforming innovations and high quality. Nearly all renowned automotive manufacturers rely on the oil, vacuum and coolant pumps from this brand owned by Rheinmetall Automotive AG. Efficiency is the top priority in the manufacture of vehicle components and an important key to economic success. This also includes efficient workforce management. ATOSS Consulting was tasked with conducting a critical review of the processes, from the calculation of demand over vacation and deployment planning to time recording and evaluation. The detailed process and potential analysis convinced company management, and the pilot project in Hartha is now ongoing with 335 employees in four mini-factories run as profit centers. The aim is to introduce the ATOSS Enterprise Solution across all factories with a seamless connection to the SAP® APO and SAP® HCM systems used in the company. Manual processes and carryovers are to be eliminated and deployment planning centralized. In Hartha, demand-optimized planning and scheduling as well as efficient, error-free time & attendance management have now become a reality beyond all system boundaries. First responders and fire prevention officers are planned automatically and audit-proof with the ATOSS solution, too. ATOSS Task Management is used as a proactive warning system. For example, it is designed to inform employees by SMS of any shift changes made at short notice, and support management in defined assignments – i.e. by pointing out if an employee has been working for more than ten hours. Pierburg's next step will be to involve employees more closely in the organization of their working time via the shift-swapping exchange.

Marzipan made with love

ATOSS CUSTOMER **NIEDEREGGER**

The family business **Niederegger** aspires to make and market the best marzipan in the world. The company's success is based on the combination of tradition and modernity, as well as excellent quality. In the meantime, the tasty creations are on the shelves in more than 40 countries around the world. As well as marzipan, nougat, chocolates and truffles, the product range also includes baumkuchen, fruit loaf and biscuits. Lavishing loving attention on details, the production facilities and manufactories turn out more than 300 different delicacies and special edition products. In the process, the company has to cope with hefty seasonal fluctuations. From the middle of the year on, production volumes are ramped up massively to meet the Christmas season demand. For example, around 30,000 kilos of marzipan are processed every day. Up to 250 full-time and part-time seasonal workers, 90 percent of whom return every year, top up the 500-strong core team during this peak period. This makes tremendous demands on personnel organization. In their search for a powerful time & attendance system, company management put demand-driven, flexible duty schedules on the top of their wish list. Niederegger opted for ATOSS Time Control. Today, our solution is managing working times and access control throughout the company. Our hardware partner dormakaba installed the necessary terminals. The company's five branches in Lübeck were also incorporated into the project. All employees have access to their working time accounts at all times via Self Services, and benefit from paperless vacation applications. Administrative input in Human Resources was significantly reduced, and errors in wage statements are now a thing of the past. A pilot project is currently ongoing with workforce scheduling in the production area. The clear objective is to optimize workforce processes along the entire production chain and to flexibilize shift planning over the long term. Niederegger is currently building an all-new, ultra-modern production facility. Today, the company already has the matching future-proof workforce management solution in place.

Good news

"Today, we benefit from uniform duty plans, which are consistently up to the minute, and we can respond quickly and flexibly at all times to meet any requirements that may arise. The quality of our planning has improved significantly – requiring a great deal less time than previously."

WOLFGANG HEITZER
Technical Operations Manager
Straubinger Tagblatt

Hot off the press – and always on time. Naturally, this fundamental rule of publishing also applies in the media group **Straubinger Tagblatt / Landshuter Zeitung**. This long-established Straubing based publishing house is the second-largest publishing group in Lower Bavaria. Every day, its papers reach more than 490,000 readers. Ensuring that newspapers are on the breakfast table right on time, requires more than just impressive editorial and logistics efforts. All the processes at the two modern printing plants belonging to the publishing group in Straubing and Landshut must also run smoothly seven days a week. Some 250 employees work round the clock in three shifts to supply the region with news and to produce other orders precisely on time. In brief: The rotary presses in Straubing and Landshut rarely stand still. After all, competition in the printing business is tough. Profitability suffers if the load factor drops. The multi-shift operations and the complex rules in place at the media group translated as a highly complex planning process, not least as time recording was still based on time cards. The company decided to introduce ATOSS Time Control in order to bring its working time management and workforce scheduling processes up to the state of the art. Today, working times are digitally stamped at terminals, automatically evaluated and transferred error-free to the payroll system. The administrative effort has been considerably reduced. The quality of planning and scheduling has also gained an entirely new quality. Instead of tools cobbled together on the basis of spreadsheet programs, standardized, intuitive user interfaces are used in all areas today. Legislation, collective agreements, working time accounts and qualifications are automatically taken into consideration in the planning process. Company-wide evaluations are now available at the press of a button. The management is delighted with the new transparency and in-depth foundations for decision making.

ATOSS CUSTOMER **MEDIA GROUP STRAUBINGER TAGBLATT/ LANDSHUTER ZEITUNG**

"Duty schedules based on qualifications and priorities, lean HR processes and a significant reduction in administrative complexity on all levels – we are impressed by our workforce management pilot project."

MARKUS WITTIG
HR Manager Shared Service Center
TMD Friction

Braking performance

ATOSS CUSTOMER **TMD FRICTION**
A joint project with our partner KWP

"If it moves it's our job to stop it." That's the philosophy of **TMD Friction**, one of the world's largest manufacturers of brake pad technology. The company is part of the Japanese Nisshinbo Group, and counts more than 5,000 employees in Europe, the USA, Brazil, Mexico, China, Japan and South Africa. In Germany, TMD Friction is operating four modern production facilities and a research and development center. To make its workforce management more flexible, while easing the burden of administrative tasks on the HR Shared Service Center at the same time, TMD Friction opted for the ATOSS Enterprise Solution for its roughly 1,500 industrial workers in Germany, with an interface to the SAP® HCM software at work throughout the Group. The solution is already in full operation at the Hamm and Coswig facilities. Today, the 600 employees in production, maintenance and the blending unit are planned and scheduled with qualifications, pay-scales and legislation fully adhered to. In addition, the Automatic Duty Plan is implemented in the production area. The rule based plan guarantees that staffing specifications are taken into account at a workplace and shift level, the required qualifications are met when workplaces are changed during the day, while employees are scheduled according to priorities. Preferential planning assigns higher qualified employees to more demanding workplaces. First Aid Officers are also planned and scheduled by the solution with audit-proof duty plans. Non-industrial workers on flexitime can find out their duty details via Self Services as well as apply for vacation or overtime. All the relevant information such as time corrections or allowances are automatically imported into SAP® HCM. Complex manual entries, multiple registrations and media gaps are a thing of the past at the Hamm and Coswig locations. Optimized duty schedules, lean personnel processes and greater transparency in all working time matters – a combination that will certainly not put the brakes on TMD Friction. The rollout in other German facilities is already at the planning stage, and the possible international deployment of the ATOSS solution in Mexico, the United Kingdom, South Africa and China is currently under review.

Quality made in Germany

"We have invested in a future-proof, sustainable solution capable of growing with our requirements."

BRITTA-ANDREA JURECKA
Head of Human Resources & Legal Affairs
HEINE Optotechnik

Devising and building the highest quality medical diagnostic instruments – that was the vision of company founder Helmut A. Heine more than 70 years ago. This basic principle is still lived and breathed at **HEINE Optotechnik**, a worldwide leading manufacturer of primary diagnostic instruments. Whether general medicine, ophthalmology, dermatology, dentistry or veterinary medicine – HEINE optical instruments are now part of physicians' daily instruments across the world. More than 500 employees work for HEINE worldwide, most of them in Herrsching am Ammersee, which is where the products are made. The family business relies on experience, craftsmanship and the most advanced technologies in the production of its high-quality instruments. The demands made on the new workforce management solution were also very high. The solution was tasked with combining the highest degree of functionality with state-of-the-art technology, sustainability and scalable architecture – and the capability of flexibly supporting the company's growth course. This was due to the fact that HEINE aimed to deploy a single solution for time & attendance management at home and abroad. ATOSS Time Control met all the company's requirements in its standard version and impressed with its intuitive user interface, smart reporting functions and multilingual capability. The audited interface with the payroll system of our partner DATEV marked an additional benefit. Today, HEINE's employees in Germany record their working times on modern terminals and apply for vacation and absences electronically on their PCs via Employee Self Services. The next step will be to equip managerial staff with the ATOSS Mobile Workforce Management app. This will enable them to process their employees' applications any time and anywhere via smartphones or tablets and make time corrections. A comprehensive package of solutions that efficiently support the optical technology specialists from Bavaria in their work serving healthcare.

Leading edge medical care

ATOSS CUSTOMER **AUGSBURG HOSPITAL**

As a hospital providing excellent care, **Augsburg Hospital** offers nearly every field of medical specialty under one roof. Some two million residents in the Swabian region regard the facility as "their" hospital. The work of the roughly 5,500 employees of a wide variety of professions is characterized by the best possible medical treatment and patient care and a comprehensive approach driven by economic considerations. The desire for efficient, demand-optimized workforce management is an ideal fit with this strategy. After all, high care quality must be guaranteed at all times. At the same time, employee needs and interests must be taken into account with regard to plannable and equitable duty times, as well as organization's demands for cost-effective workforce deployment. In Augsburg, the ATOSS Medical Solution is mastering this balancing act. Subsequent to a Europe-wide tender, this was the system that best met the hospital's demands in terms of technology, performance, functionality as well as retroactive accounting and future viability. Today, ATOSS solutions form the basis for patient-oriented, cost-effective workforce management, optimized processes and greater transparency for employees and management at the 23 clinics, three institutes and 19 medical centers as well as many departments and disciplines. At the beginning of 2019, the municipal hospital will become a university hospital under the auspices of the Free State of Bavaria. The beginning of a new era for which the hospital's advanced personnel management is very well suited.

In view of rising patient numbers and the lack of specialists, hospitals face the permanent dilemma of squaring this circle. In order to ensure the best possible medical treatment and patient care, it is important to find answers to these challenges. Efficient personnel management plays an important role in this process. Which is why Frankfurt's University Hospital, University Hospital Salzburg and the Mainz University Medical Center rely on ATOSS when it comes to planning and managing their staff.

Healthcare in the cloud? Naturally!

"Our crucial focus across all areas is on optimizing processes. Given the high personnel costs in hospitals, there is enormous potential here for greater cost efficiency. Our success confirms this. According to current experience, we will be able to achieve savings in personnel costs and also enhance our attractiveness as employer thanks to reliable working times."

DETLEF ODENDAHL
Authorized representative
Division Manager for Law & Human Resources,
Clinical Functions
Leverkusen Hospital

Leverkusen Hospital relies on high-quality health services, company-wide process optimization and the responsible deployment of all resources. Workforce management is making valuable contributions to this approach. The hospital provides medical excellence to the region with a capacity of 740 beds and ensures continuously high care quality by way of the demand-driven planning and scheduling of its roughly 2,200 employees across all professions. Workforce management also plays a key role in an additional focus issue – namely employer branding. That’s because working time concepts for a better work-life balance and greater employee inclusion form an integral part of these topics. The innovative working time models in place at the hospital can be easily managed by means of ATOSS Medical Solution. The workforce is actively involved in processes via Self Services and Preferred Duty Planning. Our app makes time & attendance management even easier – any time and any place. Deployment can even be managed from home by smartphones or tablets. Efficiency calls for transparency. And this is why the ATOSS BI Connector is tasked with combining relevant information from the ATOSS solution with the Smart Analyzer tool to create multi-dimensional evaluations. Whether time credits, overtime accounts, vacation accounts or the course of sickness rates, development of age structures or further training measures – in the near future, ATOSS Task Management will automatically deliver defined reports punctually to management. This will create an even more in-depth basis for information and decision making for senior doctors, heads of nursing services, administrative heads and management. Such efficiency delivers decisive effects. For example, six-figure provisions were reduced by the proactive management of overtime and residual leave. And the next project is already underway. In order to ease the pressure on IT resources and secure the optimum performance of all the relevant systems, the ATOSS Medical Solution will be run from the cloud. Whether on premise or in the cloud – professional workforce management is an essential part of the corporate strategy at Leverkusen Hospital. The results are convincing: motivated employees, generous scope for patients and their care – and a profitable company.

The processes to make the difference

People serving people: This is established practice throughout the **Augustinum Group**, one of Germany's leading social service providers. The core of the Group with around 4,400 employees is formed by 23 care homes of an elevated standard for the elderly. These facilities are home to more than 7,400 residents, leading self-determined lives and enjoying individual care. Augustinum also operates a specialist clinic, sanatoriums, schools and curative educational institutions. The company has grown tremendously since it was set up at the beginning of the 50s. The Group now comprises eight companies with different task scopes, ranging from care services to culinary offerings and all the way through to technical facility management and cleaning. The evolved structures in place were an obstacle on the path to greater cost-effectiveness and represented a major roadblock for the workforce management project planned throughout the company. Our consulting team had the demanding task of harmonizing the heterogeneous personnel processes, thereby creating a foundation for sustained efficiency and the successful introduction of the ATOSS Enterprise Solution. As part of a thorough analysis of processes conducted with all stakeholders, a concept was developed for simplifying the working time management throughout the company. The systematic optimization of processes alone succeeded in leveraging tremendous potentials across all divisions. For example, the roughly 6,500 working time models in place at the company and the wide variety of rules with regard to breaks, reference times, removal and relocation times or commuting times were trimmed to around 900. Uniform processes, clear structures and significantly less complexity – the key objectives of the challenging consulting project were fully achieved. On this sound foundation, a new system era has begun at the Augustinum Group, bringing about reduced compexity in administration, increased planning quality and the effective prevention of accounting errors – while legal and wage agreement compliance is automatically guaranteed. Management is especially looking forward to meaningful evaluations and the new transparency of all personnel matters. The introduction of the ATOSS solution is currently underway. Our consulting team is also supporting Augustinum in the change process in order to secure acceptance on all levels. This underscores the high status of the workforce management project at the Augustinum Group.

A big heart for patients and staff

"We place great emphasis on a family-friendly working environment. With our solution, we have created the necessary basis for efficient workforce management focused on our employees. In this way, we can work cost-efficiently, while at the same time remaining true to our values as a church employer."

SEBASTIAN BAUM
Commercial Director
St.-Antonius-Hospital Eschweiler

With its 443 beds and around 1,300 employees, **St.-Antonius-Hospital** offers basic and standard care for citizens in and around Eschweiler. Besides highly qualified medical treatment and care, the academic teaching hospital belonging to RWTH Aachen attaches great importance to personal attention, maintaining a pleasant atmosphere in the hospital and offering individual service. As with most institutions in healthcare, St.-Antonius-Hospital is also caught in the tension between care quality, making the hospital attractive to employees and cost-efficency. The growing importance of transparency in the area of working times and absences for staffing decisions and the wide variety of planning and administrative processes led to the decision to implement ATOSS Medical Solution for managing the employees in all professional categories. The decisive factors were its optimal process support, intuitive user interface and the necessary flexibility to cope with future medical and technical challenges. In addition to conventional duty scheduling, St.-Antonius-Hospital is also harnessing the Flexible Assignment Plan. This enables medical staff to be planned and scheduled in a way that is relevant to their workplace, ensuring that special services and medical equipment are staffed according to requirements, while operating theaters are managed at their optimum capacity. In future, the ATOSS BI Connector will ensure smooth interfacing with the existing business intelligence tool. The intention is to facilitate multi-dimensional evaluations for management and create the necessary transparency for all issues related to working times. Greater process efficiency, higher planning quality and a more cost-effective workforce management – the largest confessional hospital in the municipal region of Aachen has adapted its time & attendance management to meet future needs.

The Esslingen, Erding, Fürth and Itzehoe Clinics, as well as the SLK-Kliniken Heilbronn and the RoMED Kliniken are also relying on the ATOSS Medical Solution to ensure cost-efficient workforce management focused on patients and employees to an equal measure.

Premium service

ATOSS CUSTOMER **COMMUNIGATE**

CommuniGate is specialized in excellent customer dialog catering to financial services providers, energy suppliers as well as small and medium-sized companies. Whether on or offline, inbound or outbound – CommuniGate banks on treating customers and employees responsibly and equitably. As a company set up by Lufthansa AirPlus and BCS Bayern Card-Services, this premium service provider offers the entire range of distribution and service-oriented customer communication. The roughly 650 employees in Passau and Frankfurt an der Oder manage more than three million written transactions and 2.8 million telephone calls every year. To ensure that every inquiry is processed professionally, competently and promptly, CommuniGate relies on the ATOSS Call Center Solution to schedule the deployment of its employees on the basis of precise requirements forecasts. The forecasts, however, not only take account of "customer contact" business and its average processing time. The solution also schedules time for back office activities, e.g. the processing of credit card applications and inquiries. Every day, the incoming volumes expected are forecast while a time budget is set up for the back office at the same time. The planning process also encompasses laws, working time regulations, qualifications, defined service levels and working time accounts. The balancing act between economically efficient employee workloads matched by optimal availability, is part and parcel of daily customer service center operations. Workforce scheduling at CommuniGate that is simultaneously demand-based and employee focused, provides sufficient time for customers, makes for motivated teams and delivers excellent service. Premium – plain and simple.

Customer excellence is a claim that many companies aspire to today, as committed employees and professional communication promote a positive image. That is why companies such as Deerberg, HUK-COBURG, Lands' End, Medgate or Sixt rely on ATOSS Workforce Management – also in their customer contact centers. Because motivated employees are quite simply better employees.

Diagital, agile, client focused

"We rely on personalization, quality-based service and consistent digitization in order to gain a competitive edge. Most essentially, this hinges on efficient processes throughout the entire organization. IT-based, future-proof time & attendance management is decisive here."

JOCHEN HÜBNER
HR Services Manager
Helvetia Group

Over the course of 150 years, **Helvetia Group** has evolved into today's successful insurance group with around 6,500 employees operating Europe-wide. In Switzerland, Helvetia occupies a strong top 3 position and has set itself the ambitious target of becoming the best Swiss insurance company. Digitization, agility and strong customer focus all play important roles in this process. The world is becoming more digital – an aspect that the company is systematically leveraging in evolving its organization. Consequently, following on from the merger between Helvetia and Nationale Suisse, the processes and systems relevant to the organization of working time were subjected to thorough review. An ATOSS process analysis identified significant potential for efficiency gains by optimizing and automating time recording, reporting and absence management. These results and a visit to our customer Confiserie Sprüngli by way of reference won Helvetia over to the idea of professional workforce management. The working times of the 3,200 employees in Switzerland are now managed with the modular ATOSS Enterprise Solution, factoring in all the relevant regulations. Employees can use Self Services to correct their working times, report sickness, register vacations and view their working time accounts – in German, French and Italian. ATOSS Task Management monitors the observance of defined rules and automatically reports any breaches. This has considerably reduced the time and effort expended on administrative tasks throughout the company, while the insurance company is benefiting from new transparency levels in all working time issues. The ATOSS BI Connector facilitates the smooth exchange of data with the existing Business Intelligence Tool from SAP®. This provides the basis for in-depth management analyses. The introduction of ATOSS Call Center Solution for planning and scheduling the 100 employees in the customer call center is currently under review, enabling Helvetia to further extend process agility.

"We are expanding rapidly. Our workforce management solution must be able to match and map this growth flexibly and quickly."

MICHAEL JUNG
CEO
AirHop Germany

Ultimate bouncing fun

ATOSS CUSTOMER **AirHop**

AirHop stands for fun, action and sports – in short for jumping and bouncing fun for children and adults alike. The company, founded in the United Kingdom, is one of the first professional operators of trampoline parks in Europe. The recently opened parks in Essen and Munich are just the beginning, and work is already ongoing on six further projects in Germany. Jumping fans, trendsetters and adrenalin junkies of all ages can fill their boots in the AirHop Parks. An XXL trampoline court, 3D dodge ball, slam dunk tracks and battle beam duels are just a few of the action packed features. And there are cozy AirHop cafés for when visitors need a breather. Such a dynamic, high-paced environment calls for a committed, flexible team. That's because things can really heat up in these parks, especially on week-ends, national holidays and during school vacations. Consequently, the company relies on ATOSS Time Control to plan the deployment of its staff in Munich, Essen and Gothenburg, Sweden – and more to come. Flexibility, scalability, the inter-nationalization capabilities and not least the intuitive user interface were the deciding factors in winning over management. Currently, more than 300 employees, among them many part-time workers, working students and mini-jobbers, are managed by ATOSS Time Control in a legally compliant manner. Access control with a multi-level authorization concept is also running on our solution. Employees can use Self Services to apply for absences, view duty plans or working time accounts and submit their individual working time requests. HR planning takes account of the demand fluctuations at the parks, and if necessary, re-adjusts plans at short notice. By the way, speed was also the order of the day in terms of software implementation at AirHop – with only a few weeks between the contract awarded and full operation. A sporty challenge we were happy to accept …

Adventure meets business

"We are choosy when it comes to our partners. We only work with the best in their sector. This is the only way we can realize our high customer service and performance aspirations."

SAAD DAOUD
Managing Director
Jochen Schweizer Technology Solutions

The Jochen Schweizer brand is synonymous with thrills and adventure. So it's no surprise that the new **Jochen Schweizer Arena** in the south of Munich is an absolute hotspot for unique experience worlds. A wind tunnel in which visitors literally take off in body flight, a permanent indoor wave for surfing and the outdoor high rope course are just three of the attractions providing fun and thrills 365 days a year. The offerings are rounded off by creative, regional cuisine in several restaurant areas and a multi-functional spatial concept for up to 1,200 guests. After all, the arena is not only intended as a port of call for leisure time activities, but also as a very special location for company events of all kinds. This is where business meets adventure. Some 75 employees, mainly trainers, security personnel, chefs and service staff, are responsible for ensuring a perfect operation, top notch service and excellent cuisine – seven days a week. And this is where we entered the picture. Jochen Schweizer opted for ATOSS Time Control as early as the planning phase. In its standard version, our software readily met all the requirements for time recording, access control and workforce scheduling. All employees are recording their times on a central terminal. According to a sophisticated authorization concept, 36 doors open for authorized personnel only. Here, our partner PCS provided the relevant hardware. Demand-driven duty planning ensures that all workplaces are staffed with the defined number of qualified employees at all times. Statutory provisions and framework conditions laid down in collective wage agreements as well as individual regulations are automatically taken into account – an important issue, as work continues more or less round the clock. As a result, the Jochen Schweizer Arena is ideally equipped to deliver those very special customer thrills. With the Munich arena now in place, this dynamic company is just getting started, and additional adventure centers are already in the planning pipeline.

"Today, we have a completely different level of planning and significantly higher transparency in terms of working time. We can produce reports at the press of a button and we have a commanding view of all our travel shops at any given time."

MARTINA HAGEDORN
HR Manager
STA Travel

Worldwide adventure tours

ATOSS CUSTOMER **STA TRAVEL**

Exploring the world in all its diversity and expanding horizons: For more than 35 years, **STA Travel** has been turning these dreams into reality for the adventurous among us – with attractively priced flights, hotels, adventure travel and language trips. Founded in 1979 by two students in Australia, today's company employs almost 2,000 people in around 60 countries. Aided by travel specialists in over 200 travel shops, more than two million people every year now set off on their very own discovery journeys. In Germany, Austria and Switzerland alone, more than 300 travel experts in over 70 branches provide individual travel adventures for their mostly young clientèle. Their working times are planned and managed with ATOSS Time Control. The office managers are responsible for the planning and scheduling, a task they used to solve with spreadsheet software. All employees in Germany, Austria and Switzerland conveniently record their working times via PCs. Vacations and time corrections are also applied for in paperless form and processed and approved by their respective supervisors by means of multi-level workflows in the system. Working time accounts and the status of vacations can be called up in this way by both employees and supervisors, always right up-to-date and at any time – dispensing with administrative effort and tedious queries in the Human Resources department. This frees up more time for qualified advice. And precisely this is a genuine priority for this innovative company. At STA Travel, the idea is for everyone to find their very personal travel adventure – whether it's a round trip through the USA, work and travel in Australia, an Antarctic expedition or a night tour through Bangkok by bicycle.

"We regard citizen proximity, prompt service and employee focus as utmost priorities. Workforce management delivers greater efficiency and cost-effectiveness, especially in the public service area. We gain time for the essentials, the concerns of our citizens, while enhancing our attractiveness as employers."

CLAUS ERLENBACH
Time & Attendance Project Manager
City of Würzburg

Mobile city

ATOSS CUSTOMER **CITY OF WÜRZBURG**

Efficiency, cost-effectiveness and transparency are the top priorities of the **City of Würzburg** in its personnel management. Whether fire service, traffic monitoring, the authority for buildings and parks, street cleaning, theaters, schools or administration – the university town provides services for citizens large and small, on time and with a high degree of reliability. This innovative administration service has established an advanced time & attendance management for its roughly 3,000 employees with the ATOSS Staff Efficiency Suite. Lean, automated processes, efficient organization, systematic optimization of costs and payment complying with the Collective Wage Agreement for the Civil Service (TVöD) all represent principles that are involved in the process. Employees can access information relevant to their working times via the intuitive Self Services portal. The City of Würzburg is steadily expanding its range of use. For example, the ATOSS solution ensures demand-driven planning and scheduling in traffic monitoring. The mobile workforce management project run by the City of Würzburg is also boosting efficiency and sparking enthusiasm. Today, some 250 employees – whose deployment may vary from the construction depot to street cleaning – regard time recording, group bookings and allocations to working time accounts during the day via smartphone as standard practice. Positive side-effects: The mobile app proved its worth to the city in the initial stages of the refugee crisis in the emergency offices. And it is also revealing its strengths in preparations for the State Garden Show in 2018. The highly complex deployment planning for the fire service ensuring 24/7 services 365 days a year is fully catered for by the ATOSS Staff Efficiency Suite. In the near future some 100 firefighters and 75 employees in administration or the control center will be scheduled on an even more consolidated basis. As a result, firefighters can be assigned to different jobs during the day, taking their qualifications into account and depending on the situation, e.g. turntable ladder chief, tank or hose attendant. An additional project in the town's schools is already in the pipeline. No wonder that the City of Würzburg won the DiALOG Award in 2016 which honors future-oriented concepts in administrative processes.

A very personal touch

ATOSS CUSTOMER **VILA VITA HOTELS**

The portfolio of the **VILA VITA Hotel Group** comprises three exclusive hotels in Germany, one in Austria and one in Portugal on the Algarve. Every hotel has its very own charm, individual atmosphere, sophisticated cuisine and innovative conference facilities. The three hotels in Germany – VILA VITA Rosenpark in Marburg, Burghotel in Dinklage and Anneliese Pohl Seedorf in Mecklenburg-Western Pomerania – have selected the ATOSS Hospitality Solution for central employee management. Overall, the three hotels have over 336 rooms accommodating a maximum of 649 guests who are attended to by 269 members of staff. Each hotel has been designed with meticulous attention to detail and a very personal touch. For example, the freshly refurbished luxury hotel, VILA VITA Rosenpark impresses its guests with 194 rooms and two restaurants featuring different culinary concepts, a generous wellness area and ten event rooms catering to a wide range of activities. While the four-star Superior VILA VITA Burghotel offers serenity and relaxation with its 55 rooms in the idyllic region of Oldenburg far from fast paced urban life, guests of the VILA VITA Anneliese Pohl Seedorf hotel with 87 rooms situated directly on the Plauer See can savor unspoiled nature. All hotel employees are integrated into the time & attendance management of the ATOSS Hospitality Solution, hotel staff are additionally planned and scheduled in accordance with service requirements. The Automatic Duty Plan and Employee & Manager Self Services modules are to be introduced in the next phase of the project. In this way, workforce management ensures in the background, that the guests of the three VILA VITA hotels will remember every stay as a very special experience.

A taste of luxury

Brenners Park-Hotel & Spa offers its guests sophisticated savoir vivre in harmony with nature – right at the heart of Baden-Baden. "Brenners", as the grand hotel is lovingly referred to, is the headquarters of the Oetker Collection and – as a member of The Leading Hotels of the World – stands for exclusive service in luxurious ambience. 104 elegant hotel rooms and suites, exquisite cuisine and the Destination Spa Villa Stéphanie quickly dispel all thoughts of everyday life among hotel guests. Tradition matched with innovative, future-oriented concepts is the hallmark of "Brenners". And this also applies to its personnel management. Therefore, the 5-star superior hotel is relying on the ATOSS Hospitality Solution in all areas in order to guarantee excellent service around the clock on 365 days of the year. Our solution supports the efficient planning and management of the 300 employees, automatically evaluating their working times and allowances. Employees always have the latest information on their duty plans. Higher planning quality and greater personnel costs transparency are additional positive effects. The next step will involve interfacing with the PMS system to import information relevant to the planning process, such as the number of guests or restaurant bookings, into the ATOSS solution. First-class service in all areas is clearly the benchmark to which this repeatedly awarded grand hotel aspires.

ABOUT US

Value added partnerships

Three questions for
ALEXANDER VON FRITSCH
Managing Director SMB Sales & Alliances
ATOSS Software AG

ATOSS and SAP® are collaborating on workforce management issues. Users of the cloud-based personnel management system SAP® SuccessFactors Employee Central have good reason to be pleased, as the full functionality range of ATOSS Time & Attendance Management and Workforce Scheduling is now available with no system restrictions. The new ATOSS SF Connector enables direct access to the clients of the ATOSS Staff Efficiency Suite via single sign on. This seamless integration creates a powerful platform with which all the relevant HR processes can be mapped in a cloud solution. The first joint projects are up and running.

At the end of last year, ATOSS and SAP® concluded an alliance in the area of workforce management in the cloud in order to make it easier for companies to digitize their HR processes. How digital are companies today in the area of human resources?
At ATOSS we are happy that companies for some years now are no longer regarding HR as merely a support function. Managers have recognized the growing importance of this area and are now integrating HR ever more closely into the strategic safeguarding of their success. However, those responsible are facing challenges created by their enhanced role as business partners. Work is becoming more demanding, and the volume of relevant data to be incorporated into the processes is rising appreciably. The requirement for solutions that make this complexity controllable, is growing accordingly. Promising approaches and best practices are available, but as far as deploying suitable software is concerned, many companies have barely started, as astonishing as this may be. The potential for the networked exploitation of data and information is enormous, however.

What strategy is ATOSS pursuing in order to support customers on their path to digitization?
First of all, we want to ensure that our customers can concentrate on their core business. The use of software in the cloud is therefore an important pillar in our offerings. The expenditure of time and effort as well as costs are reduced when systems no longer run on the company's own infrastructure. In addition, organizations quite simply remain more flexible in the long term. The solutions are always scalable and grow with the requirements, as needed. In addition to the ATOSS cloud, we are also systematically placing our emphasis on best-of-breed partnerships in terms of a platform strategy. In this way, each relevant process can be satisfied by the best solution on the market. These alliances create the greatest possible value added for our customers. One example of such a partnership is the integration of ATOSS Workforce Management with SAP® SuccessFactors.

How do customers benefit from your partnership with SAP®?
In this case, the reduction in complexity is probably the largest benefit. Personnel management, time & attendance management and deployment planning come from a single source, although different players are involved with their specialist solutions. The only thing the customer sees is the performance of the overall system. All the important personnel processes are managed on one platform. Also, the solution runs in the cloud. This keeps a lid on the complexity and creates scope for the crucial areas of the business. As I said, we want to ensure that our customers can concentrate on their core business. Partnerships such as the one between ATOSS and SAP®, create the optimum preconditions enabling precisely this. The lively interest shown right from the start in our joint solution is proof enough that the concept works.

"We intend to open up the growth market of workforce management even further with the help of a powerful network. Which is why we are looking consequently for distribution and implementation partners at home and abroad."

ALEXANDER VON FRITSCH
Managing Director SMB Sales & Alliances
ATOSS Software AG

We believe in networks

"Our focus has always been on digitization in SMEs. Our clear goal is to offer our customers not just products, but measurable benefits to go with them. The ATOSS portfolio fits perfectly with this philosophy. Since more than 15 years we have been living a successful, balanced partnership of equals, and have realized some 450 projects with ATOSS software solutions in the meantime."

REINER VEIT
CEO
CompData GmbH

"We have specialized in HR in the cloud since 2008 and have successfully conducted hundreds of implementation projects. As a technology partner, we developed a connector together with ATOSS which seamlessly combines the ATOSS world of solutions with that of SAP® SuccessFactors. We look forward to more exciting projects as the subject of workforce management in the cloud holds a great deal of potential."

DR. NIKOLAUS KRASSER
CEO
PENTOS AG

"In 2016, we decided to expand our portfolio with the ATOSS solutions. The long-standing growth story, state-of-the-art software, short implementation time and the opportunities in the Dutch market convinced us. This is because we can solve very concrete challenges of our clients with workforce management. And above all we can do this in the cloud."

MARK VAN DER SNEL
CEO
FORTEZZA ICT

The market for workforce management is growing at above-average rates every year and is one of the most dynamic in the IT sector. ATOSS is benefitting from this increase, and our partners are benefitting too – with substantial and sustainable growth. Together, we can look back on a very successful decade. We are working systematically to extend our partner network at home and abroad and to further expand our leading position in the future market of workforce management. Whether knowledge of the sector, IT expertise or process know-how, complementary software or innovative security and access concepts – we are bundling resources and expertise in collaboration with our partners. The aim is clear: measurable added value for our customers.

Networked markets demand networked action. In line with this philosophy, we have created a powerful and successful eco system with over 50 distribution partnerships and alliances at home and abroad. The open design of our solutions plays an important role here as they can be easily incorporated into other portfolios. **PENTOS**, one of the largest SAP®SuccessFactors partners in Germany, ensures for example that SAP®SuccessFactors users can tap the entire functionality of ATOSS Workforce Management in a fully integrated manner. Together with **CompData**, we have been offering sector specific solutions for many years, such as those for industrial bakeries. We also rank as preferential **DATEV** partner. Audited interfaces ensure the smooth connection of our midcap solution to DATEV payroll accounting systems. **Ratiodata**, one of the largest IT system houses in Germany, offers the complete ATOSS solution portfolio as software-as-a-service in its own data center. And **Fortezza** is featuring as one of the new partners that we won from abroad last year. Together, we will address the midcap market for workforce management in the cloud in the Netherlands. Regardless of the type of collaboration, our partners benefit from a market with great potential, state-of-the-art product suites, a sustainable business model and the security of a listed company.

Workforce management that's us!

"Our goal is to design workforce management solutions that offer companies a clear, measurable benefit and an unbeatable ROI."

MARKUS WIESER
Executive Director Product Management
ATOSS Software AG

Some 30 years of experience in the workforce management area and around 5,000 successful projects – this represents intellectual property that we are proud of and that is essential for the sustainable creation of value. This empirical knowledge benefits our customers on a daily basis. Our relentless specialization has paid off. Today, ATOSS is positioned as a full range provider fielding a unique portfolio of solutions. No scenario is too complex, no company too large or small for us. We have the right answers to meet all requirements – whether classical time & attendance management, intuitive self services, mobile apps, detailed workforce forecasting, demand driven workforce scheduling or strategic planning of capacity and requirements. Sector solutions for call centers, healthcare, the retail trade, logistics and production round off our portfolio. In the cloud or on premise – we live and breathe workforce management without compromise.

This also applies to the refinement of our product suites. After all, we are convinced that the development of software on a high level is a continuing obligation. Every year around 20 percent of our revenue is committed to R&D. In concrete terms, this means a total investment of 108 million euros in our solutions. According to the EU Industrial R&D Investment Scoreboard 2016, ATOSS is among the top 20 software companies in Germany with the highest investments, and in the workforce management area, we are even the number 1 in Europe.

More than 160 ATOSS staff in R&D and Product Management work daily to create solutions that will stand the test of time. Agile development processes and advanced automatic test procedures ensure that solutions are quickly put into practice. In 2016, for example, three releases of our Enterprise Solution with almost 400 new features were launched while in total, more than 500 hours of automated tests were conducted every day on 160 virtual machines. Our formidable development power and high quality standard are paying off. ATOSS software is state-of-the-art in terms of technology, functionality and user experience. And we never cease to improve. For workforce management with measurable added value.

Productivity knows no borders

ATOSS **TEAM**

ATOSS solutions are Made in Germany, but they are equally at home wherever customers insist on higher productivity in workforce management. Companies having to manage staff in more than one country are well aware of how varied and complex the tasks arising from individual countries' legislation alone can be. Demanding labor laws and social security regulations, together with cultural differences, make international rollouts more complex than one would imagine. But this is no problem for our solutions. The standard versions of ATOSS products factor in laws, collective agreements, typical characteristics of the country as well as providing interfaces with national payroll systems. Our customers speak Italian, French, Spanish, Czech or English – and we speak Workforce Management. At present, in more than 40 countries and nine languages around the world.

For example, at **W.L. Gore & Associates** fielding the well-known GORE-TEX® brand. The company researches, develops and manufactures with 10,000 associates all over the world. We have been supporting Gore for many years with ATOSS Staff Efficiency Suite and Self Services. Germany, France, the United Kingdom, Italy, Spain, Finland, Norway, Sweden, Australia, China, Japan, Singapore, Taiwan – these are just some of the almost 30 countries whose regulations and cultures our Enterprise Solution tackles on behalf of Gore around the world. The global mobility service provider **Sixt SE** also relies on ATOSS Workforce Management. Working times of the Sixt employees are managed with the ATOSS Enterprise Solution in Belgium, Germany, France, the United Kingdom, Italy, Luxembourg, the Netherlands, Austria, Switzerland and Spain. Sixt is growing along the entire mobility value chain – and our solution is growing with them.

Companies such as Gebr. Heinemann, HORNBACH, HOYER Group, Jack Wolfskin, Jeppesen, Lufthansa, Toys"R"Us or WITRON are also relying on ATOSS Workforce Management. After all, our solutions show their true strength in the international arena.



More speed for personnel processes

"The central challenge for companies lies in integrating the workforce as smoothly and intelligently as possible into the increasingly digitized and networked working environment. In doing so, all processes affecting employees must be subject to review."

DR.DR.FLORIAN FORSTER
Director Consulting
ATOSS Software AG

Global competition, Industry 4.0, the digitization of the working environment, increasing individualization, multi-channeling – in times of rapid change, adaptive organizations are called for. Because success in volatile markets stands or falls with a company's response speed. Agile processes and a high degree of flexibility in the organization of working time represent essential prerequisites of any such success. Far from acting as a brake, personnel processes must facilitate the rapid implementation of changes. Only then can an optimal allocation of resources, appropriate to any market situation, be guaranteed. People are becoming a critical success factor in the work process.

We support companies in all sectors and of all sizes in optimizing their personnel processes along the entire value chain, simplifying process architecture and thereby enhancing their operational agility. Because managing complexity and change is primarily a personnel issue. Changes to processes and organization in a company's core business must therefore be systematically extended to its workforce management. Work can only be efficient and effective if there is congruence between the processes. There is enormous untapped potential for creating greater value added in an astonishingly large number of organizations. Consequently, even companies that have already been using professional workforce management solutions for some time should regularly review their personnel processes.

In terms of designing processes and analyzing the ROI, our consultants can draw on the empirical knowledge gained from around 5,000 projects. Practical experience shows that the average potential benefit per year in a company with 1,000 employees lies in the order of seven digit sums. Customers such as Augustinum, Kastner & Öhler, Osram, Pierburg, RITTER SPORT or VAPIANO began their entry into professional workforce management with a comprehensive analysis of their processes and the potentials. Whether the innovative organization of working time, detailed workforce forecasting, demand driven workforce management, ergonomic duty schedules or sustainable change management – we support companies in making their working environments fit for the future. After all, the full power of workforce management will only be unleashed when the right foundations are in place.

Team@ATOSS

"What I particularly appreciate at ATOSS is the inspiring product range, flat hierarchies and the scope to take the initiative in shaping my own area of work. That and the personal atmosphere make ATOSS unique."

MAX NEFF
Senior Account Manager Retail & Logistics
ATOSS Software AG

Designing working environments for the benefit of companies, employees and society – this is a fascinating task, an exciting outlook and a great responsibility. Our employees accept this challenge with expertise, experience and enthusiasm, and breathe life into the ATOSS vision of a human economy every day.

The commitment of our team is the foundation of our success and the driver of our aspiration to create value added for our customers. We believe in a motivating, productive and dynamic working environment. Flat hierarchies, ample scope for taking initiative, excellent growth opportunities, individual career paths, inspiring teamwork and participation in company success – these are the cornerstones of our human resources work. We live and breathe a corporate culture in which commitment and team spirit are promoted and performance is rewarded. In this environment, our employees are able to grow professionally and personally and enjoy long-term success. This applies to every one of our employees from the outset – whether in sales, marketing, product management, development, consulting, professional services or administration. As part of the ATOSS Academy, we define an induction and development program tailored to individual demands and future roles. And we support our employees in all phases of their employee journey!

We offer national and international career opportunities. Our goal is to continually expand our worldwide presence. To do so, we are relying on extending our own business activity and establishing alliances. We are currently represented in Austria, Switzerland, the Netherlands and Romania through ATOSS offices. There is a great deal still ahead of us. With several thousand projects with companies from a wide variety of sectors, of different sizes and with different degrees of internationalization, we have created a solid platform for growth and expansion. Around three million people in more than 40 countries around the world are currently managed with ATOSS solutions. We regard this as both an obligation and an incentive to improve every single day.

FINANCIAL REPORT

For the eleventh year in succession, we have exceeded the previous year's record sales and earnings. This development proves the success and stability of our business model.

CHRISTOF LEIBER
Member of the Board of Management
ATOSS Software AG

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LETTER TO SHAREHOLDERS

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

Dear Shareholders,
Customers, Business Partners
and Colleagues,

ATOSS Software AG can look back on an extremely successful financial year in 2016, with a particularly strong final sprint in the fourth quarter. For the eleventh year in succession, we have exceeded the previous year's record sales and earnings. This development in itself is unique, and once again proves the success and great stability of our business model.

As a dependable long-term business partner offering a maximum of investment security and excellence in innovation as well as strong growth rates, we are ideally placed to successfully exploit the unceasing increase in opportunities in the market for workforce management. This is meanwhile also perceived and appreciated by the public at large. According to a survey published by the magazine Wirtschaftswoche, ATOSS ranks as one of the twelve most successful family-owned businesses listed on the stock market, alongside prominent names such as United Internet, Fielmann and Henkel.[1] We are delighted to receive this distinction, which emphatically confirms that we are on the right track.

Workforce 4.0 – a new dimension in flexibility
The excellent development in business recorded by ATOSS Software AG is closely linked with the increasing demands made by businesses on process optimization, in which aspects such as productivity, cost efficiency, quality and flexibility as well as employee satisfaction and compliance with statutory regulations play a major role.

Workforce management provides companies with a management tool with which to target the deployment of staff in consideration of these challenges. With solutions from ATOSS Software AG, businesses are able to achieve a balance between the rapidly developing requirements of the market, such as the order situation in manufacturing, or customer footfall in the retail sector, as well as the constantly changing statutory environment. At the same time, the desire on the part of employees for greater participation and the chance to influence their own working conditions is also gaining in significance.

The issues of Industry 4.0, which according to a survey by industry association bitkom by the year 2025 is expected to generate productivity increases in six economically important sectors totaling around 78 billion euro, presents companies with new challenges: one of the visions for Industry 4.0 foresees a manufacturing sector that can adapt dynamically to the requirements

[1]) Wirtschaftswoche (20/05/2016)

of the market. A flexible personnel infrastructure is imperative to achieve this. Clearly, Industry 4.0 will not only impact on processes, but also on corporate organization and our entire work culture.

Against this background of change, ATOSS will profit in a sustained manner. We are already supporting companies of all sizes with the best-practice know-how that we have amassed as a specialist in workforce management in the course of several thousand projects in a wide variety of sectors. Our customers can count on this expertise in implementing the requirements emanating from Industry 4.0.

Innovation, technology and a focus on customer benefits all make the difference

Innovation, technology and a consistent orientation towards maximum customer benefits enjoy the highest priority at ATOSS, while at the same time forming the basis for our outstanding market position. Each year we invest around 20 percent of our sales revenues in research and development. Among the important technological milestones of the recent past was the launch in 2015 of the new Expert Interface Web, one of the greatest development projects in the history of ATOSS. Users of this Enterprise Solution are impressed by the state-of-the-art Web technology, the high-efficiency interactive design and purist visual appeal. The ATOSS Cloud Solution (Hosting & Managed Services) has also been outstandingly well received, offering customers the opportunity to utilize the full performance of the ATOSS Enterprise Suite in the form of software-as-a-service. And there is no end in sight. Today, we are already working on solutions for 2025.

For another example of the first-class differentiation and value added inherent in ATOSS solutions, let us consider our sophisticated algorithms which enable the forecasting of staffing requirements with pinpoint accuracy and propose optimum-cost deployment plans that take account of all relevant criteria at the touch of a button, also when the employees are numbered in their thousands. These algorithms can forecast personnel requirements with an accuracy of plus/minus 2 percent, representing a genuine competitive advantage for our customers.

Optimistic outlook for 2017

As a key player in the market for workforce management, ATOSS Software AG is excellently placed to achieve continuing success in future. Our outstanding competitive position coupled with software solutions customized for every customer provides the ideal basis. In addition, our financial strength affords us the necessary scope to achieve our targeted growth and structure our continuing international development. Our goal is therefore to grow profitably and sustainedly this year and gain additional market share.

With passion, motivation and clear objectives, we have made a successful start to the current year and we expect the ATOSS success story to continue in 2017 – the thirtieth anniversary of our enterprise.

Thanks to employees, business partners and shareholders

At this juncture, we would like to express our sincere thanks to all our employees – with their competence, motivation and tireless commitment, they are the ones who made our outstanding success in financial year 2016 possible.

Our thanks are due also to the Supervisory Board and their outstanding cooperation in the past year. Together we have exceeded the goals we set ourselves. And finally to you, our valued shareholders, we express our thanks for your confidence in us and your loyalty.

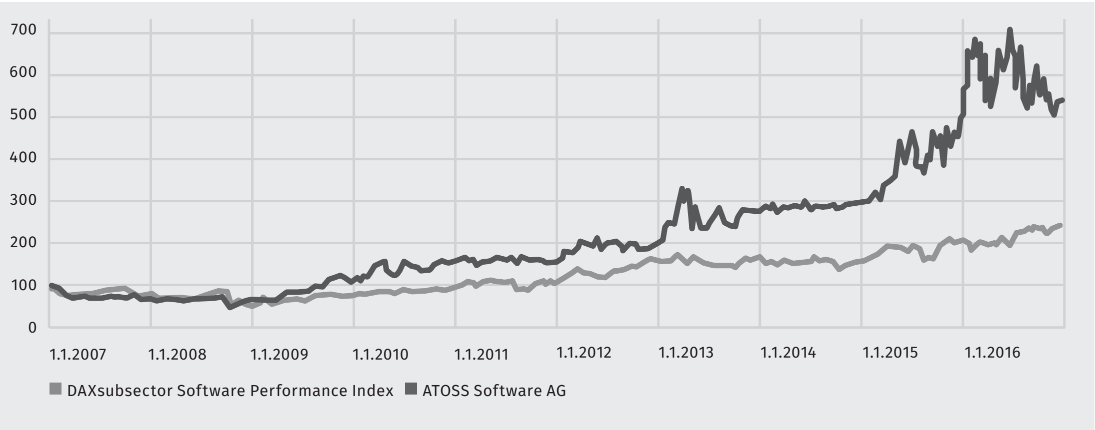
Yours sincerely,

Andreas F.J. Obereder
Chief Executive Officer

Christof Leiber
Member of the Board of Management

INVESTOR RELATIONS

Share price development 01/2007 to 12/2016



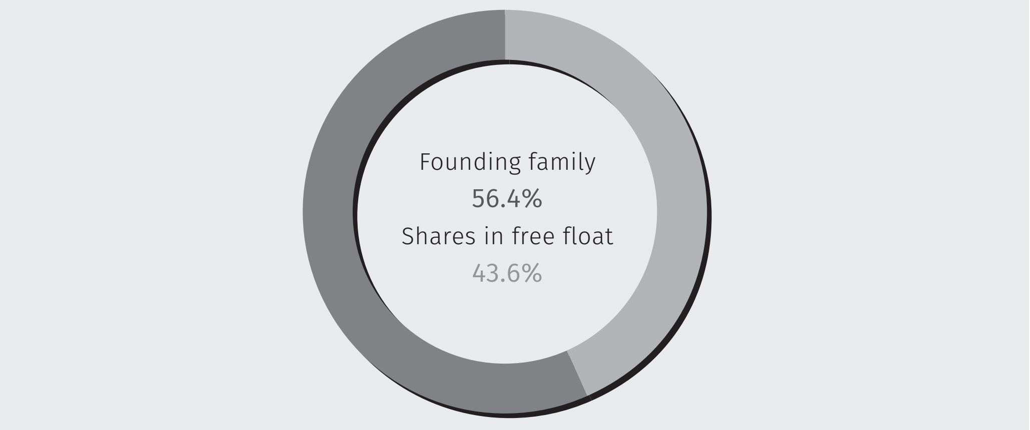
Sustainable corporate strategy ensures stable development in ATOSS stock

Brexit, Trump's victory, a government crisis in Italy and concerns about the global economy have all kept investors in suspense in 2016. In spite of these developments, the DAX, Germany's principal stock market barometer, rose by a modest 7 percent from a starting point of 10,743 points to end the year at 11,481. By contrast, the Dow Jones recorded more vigorous growth in 2016, climbing 13.4 percent between the beginning of January and the end of December. The yield on 10-year Bunds stood at 0.2 percent at the year-end, while US bonds with the same maturity returned a yield of 2.4 percent.

Following publication of the Management Board proposal for the appropriation of net income and prior to the AGM at the end of April 2016, ATOSS shares peaked at their highest price since they were first listed in 2000, reaching EUR 71.99 (Xetra). The announcement of a dividend of EUR 0.95 and a special payment of EUR 1.85 boosted the share price by a substantial 15 percent in the first four months. Subsequently, the price gradually settled to end the year at EUR 52.48. By the time the provisional results for financial year 2016 were published at the end of January 2017, ATOSS shares climbed once more to EUR 63.5, up by 21 percent on their year-end value.

From a longer-term perspective, however, ATOSS Software AG has rewarded its shareholders with a highly stable development in value. Since 2007 the share price has risen by 484 percent (not taking into account special distributions), whereas the DAXsubsector Performance Index put on 148 percent in the same period.

ATOSS Software AG shareholder structure



The founding family continues to hold 56.4 percent of the shares in ATOSS Software AG. Since December 6, 2012 Mr. Andreas Obereder has held 50.0000025 percent of the shares indirectly via AOB Invest GmbH, of which he is sole owner.

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

Investor	Shareholding	Threshold exceeded on:
MainFirst SICAV	5.07%	16.12.2014
Investmentgesellschaft für langfristige Investoren TGV	5.004%	28.10.2013

Capital market-oriented figures

(in EUR, unless otherwise specified)

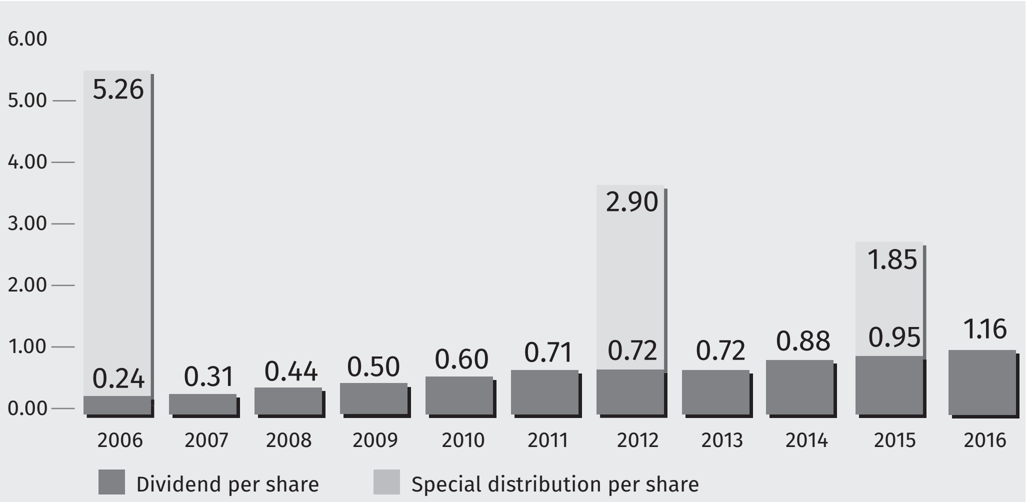
	Reporting period 2016	Previous year 2015
Market price at the financial year-end	53.48	68.83
Number of shares (Dec. 31)	3,976,568	3,976,568
Market capitalization in million EUR as of Dec. 31	208.7	273.71
Earnings per share in EUR	2.33	1.91

Based on the results for 2016 the average price/earnings ratio amounted to 25.58 with liquidity of EUR 6.23 per share at the year-end.

ATOSS Software AG dividend policy

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

Dividends and special distributions (EUR)



In view of the new record figures and in conformity with its long-standing dividend policy, the Management Board is proposing a dividend of EUR 1.16 per share. Future dividend policy will continue to make provision for a distribution of 50 percent of (consolidated) earnings per share, but with the overriding goal of safeguarding nominal dividend continuity. A decision on the appropriation of earnings recommended by the Management and Supervisory Boards will be taken at the annual general meeting on April 28, 2017. Provided that the meeting adopts the proposal, based on the (XETRA) closing price on EUR 52.48 on December 30, 2016, this puts the dividend yield at 2.2 percent. By comparison thanks to the special distribution, the yield for the previous year amounted to 4.1 percent.

Analysts stress growth continuity

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

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

The company's development has been regularly reviewed during the reporting period by analysts at Warburg Research. The complete analyses by Warburg Research are available on the Internet at https://www.atoss.com/company/investor-relations/stock/analysts-reports/2016.

ATOSS among the top 30 growth stocks

The name ATOSS is a byword in the media for profitability, sustainability and an open communications policy. In a nationwide survey covering all sectors, the Munich Strategy Group (MSG) in cooperation with the newspaper "Die Welt" highlighted Germany's most successful small businesses. In a direct long-term comparison of 3,500 companies, ATOSS Software AG was ranked among the top 30 thanks to its impressive and sustained earnings ratio.

SUPERVISORY BOARD REPORT ON FINANCIAL YEAR 2016

Peter Kirn
Chairman of the Supervisory Board

Dear Shareholders,

The financial year 2016 was once again an extremely successful one for ATOSS Software AG. The company continued to record sustained and sustainable growth for an eleventh year in succession. In financial year 2016 the Supervisory Board of ATOSS Software AG took great care in fulfilling the duties incumbent upon it under the law, the articles of association and the German Corporate Governance Code. The Board has regularly supported and supervised the Management Board. The cooperation between the Management and Supervisory Boards was at all times trustful and close. The Supervisory Board was directly involved in all matters and decisions of fundamental importance. The relevant information was made available regularly, promptly and comprehensively, both verbally and in writing.

At four meetings in the course of the year, the Supervisory Board considered in particular the current business and financial situation including the company's exposure to risk, as well as business planning, risk management, and a review of Management Board compensation and corporate governance. Between meetings, the Supervisory Board was kept informed of important financial figures by the Management Board. The annual financial statements, consolidated financial statements and audit report in particular were made available to the Supervisory Board in good time prior to the relevant meeting. All measures requiring its consent were approved by the Supervisory Board after studying the corresponding documents and following open discussion between the Management and Supervisory Boards and within the Supervisory Board itself. The Chairman of the Supervisory Board was in regular contact with the Management Board, with the result that events of exceptional importance for ATOSS Software AG could be discussed without delay.

In financial year 2016 there were no conflicts of interest on the part of Management or Supervisory Board members which required immediate disclosure to the Supervisory Board.

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

Supervisory Board meetings and resolutions in 2016
During the reporting period the Supervisory held four ordinary meetings which were attended by all members of the Supervisory and Management Boards.

Principal subjects of discussion at the meeting on March 4, 2016
At the first meeting of the financial year, the auditors Ernst & Young GmbH of Munich gave a presentation to the Supervisory and Management Boards regarding their audit of the annual financial statements and consolidated financial statements of ATOSS Software AG and the management reports for financial year 2015. The Supervisory Board approved the annual financial statements for the Group and company for financial year 2015 which had been audited and awarded an unqualified audit certificate, and these are now deemed to be adopted. Under item

4 on the agenda the Supervisory Board subsequently approved the Supervisory Board report for financial year 2015. The discussion also extended to the agenda for the annual general meeting on April 26, 2016 which was approved by the Supervisory Board and the Management Board. The Management Board also submitted a report explaining the profitability of ATOSS Software AG and in particular the return on equity and the current development in business.

Principal subjects of discussion at the meeting on April 26, 2016

This meeting of the Supervisory Board took place following the 2016 annual general meeting in Munich. The meeting was attended by the Supervisory Board members newly elected at the annual general meeting, Mr. Peter Kirn, Rolf Baron Vielhauer von Hohenhau and Mr. Klaus Bauer, and by the Management Board. The Supervisory Board was also reconstituted at this meeting, with Mr. Peter Kirn elected as Supervisory Board Chairman. Rolf Baron Vielhauer von Hohenhau was elected as his deputy. The Supervisory Board then went on to establish that all three members meet the criteria that render them suitable to act as financial experts within the meaning of § 100 Para. 5 of the German Stock Corporation Act. The Management Board also reported on the current course of business, the risk report and the current development in orders. The meeting closed with the discussion and approval of a proposal to lease further space at the company's head office in Munich.

Principal subjects of discussion at the meeting on September 21, 2016

At the third Supervisory Board meeting of the year, the Management Board informed the Supervisory Board of the current course of business, the latest risk report and the company's investment policy and provided an outlook for the budget and planning process for 2017. The last item on the agenda was a detailed report by the CEO on current developments in sales and marketing at ATOSS Software AG.

Principal subjects of discussion at the meeting on December 1, 2016

In addition to the Management Board report on current business development, the main focus of the last Supervisory Board meeting of the year was on the balance sheet, liquidity, sales and earnings projections for financial year 2017. The plans were approved as presented.

The declaration of conformity for 2016 on the basis of the German Corporate Governance Code as amended on May 5, 2015 was also approved at this meeting and published on the company website (www.atoss.com) on December 1, 2016. In this context the Supervisory Board also considered the appropriateness of Management Board compensation. The discussion centered in particular on the appropriate nature of compensation in relation to senior management and workforce and in comparison with third parties.

Appointment of auditors and conduct of audit

At the annual general meeting of ATOSS Software AG held on April 26, 2016 in Munich, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft Stuttgart (Munich Branch) was elected as auditor for financial year 2016. 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, 2016 as well as the consolidated financial statements and consolidated management report to December 31, 2016 and awarded an unqualified audit certificate.

Supervisory Board meeting on March 7, 2017 to adopt the financial statements

The Supervisory Board received the annual financial statements, consolidated financial statements and management reports for financial year 2016 from the Management Board for examination in good time prior to the meeting. In addition, the Supervisory Board also received the 2016 dependence report confirming that no transactions took place in financial year 2016 between ATOSS Software AG and AOB Invest GmbH or companies associated with AOB Invest GmbH which were unreasonably disadvantageous to the company.

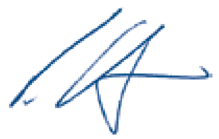
These documents were examined by the members of the Supervisory Board and addressed in full detail at the meeting in the presence of the auditors Ernst & Young GmbH. The auditors reported on the essential results of their audit and answered all questions posed by the Board.

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

The report by the Supervisory Board for financial year 2016 was also discussed and agreed and the agenda for the annual general meeting on April 28, 2017 was approved.

Once again in financial year 2016 the Management Board and staff have achieved an outstanding result. The Supervisory Board would like to express its thanks to the Management Board and all of the employees of ATOSS Software AG for their commitment and their contribution to the success of the past financial year, and to signify its particular appreciation for 11 record years in succession.

Munich, March 2017



Peter Kirn
Chairman of the Supervisory Board

Members of the Supervisory Board, with a summary of other supervisory board positions held
The Supervisory Board of ATOSS Software AG is comprised of three members. In view of its size, the Supervisory Board dispenses with the formation of committees as recommended by the German Corporate Governance Code, including an Audit Committee within the meaning of § 107 of the German Stock Corporation Act. The Supervisory Board is of the opinion that with a Board comprised of three members, the efficiency with which the Board performs its tasks would in no way be increased by the formation of committees.

Peter Kirn
Chairman of the Supervisory Board
Corporate consultant, Böblingen.
Mr. Kirn held no other supervisory or similar board positions in financial year 2016.

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

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

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

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

GROUP MANAGEMENT REPORT 2016

1. Company

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

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

The company's software solutions are currently deployed worldwide in over 40 countries and 9 languages. Around 5,000 customers use ATOSS solutions to plan and manage the deployments of around 3 million employees.

2. Group Basics

Economic climate
The global economy continued to record moderate growth in 2016. Development in recent months, for example, was prompted primarily by the signs of economic stabilization in the major emerging markets, and by the slackening pace of growth in the large industrialized nations.

The past six months have seen a marked change in the global political landscape, which could have far-reaching and highly uncertain consequences for the global economy in coming years. in June 2016 Great Britain voted to exit the European Union, while Donald Trump's surprise election as US President raises a large number of questions concerning future US financial and foreign trade policies. Fortunately, the feared negative economic effects have so far not materialized. The Eurozone also continues to experience an economic recovery, due primarily to strong consumer and public sector spending.

The German economy is experiencing a robust upturn, underpinned mainly by buoyant domestic demand which in turn is driven by the favorable employment market and rising household incomes. This assessment is also reflected in the most important leading indicator for the German economy, the ifo business climate index, which in December 2016 climbed to 111.0 points, its highest level since February 2012. According to the forecast published in December by the Bundesbank[1] the economy is expected to have grown by 1.8 percent in 2016.

1) Deutsche Bundesbank (December 2016): Perspectives on the German economy – Macroeconomic advance estimates for 2017 and 2018 with an outlook for 2019

Segmental environment and market background

The forecasts for the German ICT market published by trade association bitkom[2] in October 2016 also remain positive. Growth in the software segment in the year elapsed, for example, is expected to come in at 6.2 percent.

Against this background ATOSS succeeded in 2016 in achieving new record sales and operating profits for the eleventh time in succession. Sales revenues rose by 10 percent in 2016, while EBIT (earnings before interest and taxes) climbed 20 percent. The company also achieved growth of 10 percent relative to the year before in its core software business. EBT increased by 21 percent, coming in at EUR 13.7 million.

In the past year ATOSS booked orders for software licenses, while the proportion of software accounted for by contracted Cloud solutions amounted to EUR 12.3 million altogether. The Cloud business developed particularly strongly with the overall order intake up 45 percent at EUR 3.5 million. As a result, orders on hand for Cloud solutions almost doubled to EUR 5.3 million, compared with 2.7 million in the year before. Taken together with orders on hand for software licenses which were valued at EUR 5.6 million as of December 31, 2016 (previous year: EUR 5.9 million) this offers a high degree of sales and budgeting security for the near future. What's more, the company's substantial liquidity and high equity ratio provides security for customers, employees and shareholders.

Positioning of the ATOSS Group

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

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

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

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

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

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

The right staff

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

At the right time

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

In the right place

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

Working on the right job

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

2) bitkom (October 18, 2016): Press release: German ICT market grows to over 160 billion euro

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

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

When deciding upon a long-term partnership, major customers in particular are increasingly focusing on independent companies with a sound financial base. When investment decisions are made, our robust equity ratio, our substantial liquidity and our continuing high level of expenditure on technological development are among the determining factors.

Business development
The company regards the key figures for sales, 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, orders received for software licenses and for the software components of contracted Cloud solutions are an essential indicator of the company's future development.

In financial year 2016 ATOSS achieved sales of EUR 49.5 million (previous year: EUR 44.9 million) with an operating profit (EBIT) of EUR 13.6 million (previous year: EUR 11.3 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 2016 with revenues rising 10 percent to EUR 29.3 million (previous year: EUR 26.7 million). The proportion of sales accounted for by software in 2016 stood at 59 percent (previous year: 59 percent).

Software maintenance sales during the year rose by 7 percent to reach a total of EUR 18.1 million (previous year: EUR 16.9 million).

Sales of software licenses at EUR 11.2 million were also well up on the previous year (EUR 9.8 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 the acquisition of orders from new customers.

Orders received for software licenses and the software proportion of contracted Cloud solutions rose to EUR 12.3 million, compared with EUR 11.1 million in the year before. A total of 4 percent (previous year: 3 percent) of orders received for software licenses related to long-term production orders.

Whereas orders on hand for software licenses as of December 31, 2016 declined slightly from EUR 5.9 million in the year before to EUR 5.6 million, orders for cloud solutions rose from EUR 2.7 million to EUR 5.3 million. Some 6 percent (previous year: 11 percent) of software license orders on hand relate to long-term production orders. It is expected that orders on hand for software licenses will be realized within one year.

Development in consultancy sales
Consultancy sales in 2016 stood at EUR 13.4 million, up by 12 percent over the previous year's figure of EUR 11.9 million. As a result, consultancy accounted for 27 percent of overall sales (previous year: 26 percent).

Development in hardware and other sales
Hardware sales revenues declined by 4 percent in 2016 to EUR 4.4 million. As a proportion of total sales, this amounted to 9 percent (previous year: 10 percent). Other sales, the heading under which certain consulting services, Cloud solutions and customer-specific programming services and identification media in particular are booked, came in at EUR 2.4 million, some 41 percent higher than in the year before thanks to the development in Cloud solutions. As a proportion of total sales, this amounted to 5 percent (previous year: 4 percent).

Long-term production orders
As in previous years, the company realizes long-term orders in application of the percentage of completion method. In 2016 this applied to 13 orders (previous year: 12) which were realized in accordance with the progress of the project in the amount of EUR 2.1 million (previous year: 2.7 million).

Corporate strategy and opportunities
At the heart of our business activities stands 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 2016. For example, products incorporating the company's latest generation of software solutions were placed both with existing customers of major importance, as well as with a large number of new customers. Not least the fact that all products are now available as Cloud solutions has opened the door to new groups of customers and yielded additional orders. The year 2016 also witnessed the successful implementation of major projects acquired in the preceding year. We regard these successes as continuing confirmation that we are pursuing the correct strategy to enhance both sales and results.

We see opportunities to continue to develop our business model in particular in the rising demands on companies to increase the flexibility of working hours. Essential factors in this respect include a shortage of skilled staff, demographic considerations, the growing need to step up productivity and the resulting requirements on the part of employers for workforce management solutions. As one of the leading workforce management solution providers, we expect to profit from these developments.

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

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

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

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

Research and development

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

We harness state of the art technology platforms as a basis on which to create solutions 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 ASES (ATOSS Staff Efficiency Suite), ASE (ATOSS Startup Edition) and ATC (ATOSS Time Control) which enable these solutions to be integrated into a variety of system environments represented a major milestone.

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

Our fully Java-based package of solutions for software-supported workforce management is suitable for deployment in a wide range of industries. The ATOSS Startup Edition (ASE) and ATOSS Time Control (ATC) are distinguished by the simplicity of their user interfaces. These two solutions are a stepping stone for customers harnessing a variety of system environments. As their requirements become more complex in future, they can easily migrate to the ATOSS Staff Efficiency Suite (ASES). Regular release updates ensure that our software solutions are continuously refined. For example, with the arrival of the latest product generation ATOSS Staff Efficiency Suite 10.1, 2015 saw the successful launch of the new Expert Interface Web, one of the biggest development projects in the history of ATOSS. Both software solutions have been available since 2015 as server-hosted (cloud) solutions.

In 2016 our expenditure on research and development amounted to EUR 9.5 million (previous year: EUR 8.7 million). The bulk of this figure in the amount of EUR 7.7 million (previous year: EUR 7.1 million) was accounted for by the personnel costs for 156 (previous year: 146) software developers. R&D expenditure as a proportion of overall sales amounted to 19 percent (previous year: 19 percent).

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

Subsidiaries and international business

With the exception of the start-up ATOSS Aloud GmbH, all subsidiaries recorded positive results in 2016. The proportion of Group sales accounted for by our international business in 2016 amounted to 17 percent (previous year: 15 percent).

Employees, development in personnel

In the financial year 2016 the Group employed an average workforce of 358 (previous year: 327). Of these, 151 (previous year: 138) were employed in product development, 96 (previous year: 89) in consulting, 60 (previous year: 52) in sales and marketing and 50 (previous year: 48) in administration. Personnel costs in 2016 amounted to EUR 24.3 million, some 11 percent higher than the figure of EUR 22.0 for the preceding year.

On December 31, 2016 the company employed 8 trainees (previous year: 6).

Corporate management and control

The management of the Group proceeds on the basis of plans jointly agreed by the Management and Supervisory Boards. These plans are reviewed annually and adapted in line with changing circumstances and opportunities arising, whereby the company aims to safeguard average sales growth targets in a band between 8 and 12 percent and an average margin (EBIT) of around 25 percent.

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

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

Executive bodies
The Supervisory Board in 2016 was comprised of Peter Kirn as Chairman, Rolf Baron Vielhauer von Hohenhau as Deputy Chairman, and Klaus Bauer.

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

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 2016 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 5, 2015 by the Government Commission on the German Corporate Governance Code.

On December 1, 2016 the Management and Supervisory Boards adopted a new declaration of compliance pursuant to Section 161 of the German Stock Corporation Act in which it is confirmed that the recommendations of the Commission on Corporate Governance appointed by the German Government are complied with, with the exception of those points stated in the declaration. This declaration is published on the company's web site. It is consequently evident that the company in broad measure conforms with the recommendations and deviates only in respect of a small number of points which in the company's view are of marginal importance.

Deviations apply in respect of the following points:

- The German Corporate Governance Code recommends that directors and officers liability insurances (D&O) arranged by an undertaking for its management and supervisory board members should include a self-insured deductible (Section 3.8 of the Code). ATOSS Software AG has taken account of this in its current contracts with Management Board members. With regard to the agreement of a self-insured deductible to be included in the corresponding insurances covering members of the Supervisory Board, the company is fundamentally not of the opinion that the commitment and responsibility with which the Supervisory Board members perform their duties would be improved by such a measure. The D&O insurances for members of the Supervisory Board of ATOSS Software AG therefore do not contain such a provision. No change to this situation is currently intended.

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

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

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

- 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, the number of independent Supervisory Board members within the meaning of Section 5.4.2 of the Code, a defined age limit for Supervisory Board members and a defined time limit on membership of the Board, and also diversity. This recommendation is currently not complied with since in the opinion of the Supervisory Board of ATOSS Software AG such targets are not necessary for the effective and successful work of a Supervisory Board composed of three members. The Supervisory Board will consider the extent to which the recommendation can be complied with in future.

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

Corporate governance report

The corporate governance declaration made by the Board of Management pursuant to Section 289 a of the German Commercial Code (HGB) is published on the company web site at https://www.atoss.com/de/unternehmen/investor-relations/corporate-governance/2016/Documents/ATOSS_Entsprechenserklaerung_2016.pdf.

Other disclosures

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

In accordance with Section 312 of the German Stock Corporation Act, the Management Board has prepared a report for the reporting period detailing relations with associate companies which has been examined by our auditors. The dependence report by the Management Board concludes with the following statement: "We declare that in the transactions undertaken and measures taken or omitted between January 1 and December 31, 2016 and listed in the report on relations with associate companies, in accordance with the circumstances known to us at the time these transactions were undertaken and measures taken or omitted, in each legal transaction the company received an adequate consideration. Nor did the company suffer any detriment as a result of the measures being taken or omitted."

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

No special rights exist that convey powers of control.

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

At the general meeting held on April 26, 2016 the Board of Management was further authorized, other than for purposes of trading in own shares and in consideration of the restrictions imposed by Section 71, Para 2 of the German Stock Corporation Act, on or before September 30, 2017 to purchase company shares in the amount of up to ten percent on the company's capital stock either via the stock market or by means of a public offer to purchase addressed to all company shareholders.

The Management Board was further authorized at the general meeting on April 26, 2016 without further resolution by a general meeting not only to offer the purchased shares via the stock market or by a public offer to all shareholders, but also to the exclusion of existing shareholders' subscription rights and with the consent of the Supervisory Board

- to issue the shares to third parties in return for contributions in kind, insofar as it is understood to be in the interests of the company to acquire said contributions in kind and insofar as the countervalue per treasury share to be contributed by third parties is not unreasonably low;
- to issue the shares to third parties in return for contributions in cash, in order to place the shares of the company on a foreign stock exchange where the shares are not yet admitted to trading;
- to sell the shares at a cash price which shall not be materially lower that the stock market price of company shares at the time of the sale;
- to use the shares to fulfill option and/or conversion rights arising from convertible bonds, convertible profit share certificates, warrant-linked bonds or other option rights issued by the company or a Group subsidiary.

The Management Board was further authorized at the general meeting on April 26, 2016 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 28, 2015 regarding the repurchase of own shares was revoked at the general meeting on April 26, 2016.

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

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

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

In addition to its subsidiaries ATOSS Software Ges.m.b.H., Vienna, ATOSS Software AG, Zürich, ATOSS CSD Software GmbH, Cham, and ATOSS Software SRL, Timisoara, and ATOSS Aloud GmbH, Munich, and ATOSS North America Inc., West Hollywood, the parent company ATOSS Software AG of Munich also has business premises in Berlin, Frankfurt, Hamburg, Meerbusch, Stuttgart, and Utrecht, Netherlands.

3. Business Report

Earnings

The earnings situation in financial year 2016 was principally defined by a 10 percent increase in overall sales revenues which rose to EUR 49.5 million (previous year: EUR 44.9 million). Costs – without including sales input – rose by a somewhat lower 9 percent to EUR 31.9 million (previous year: EUR 29.2 million). As a result, taking continuing investments in sales and marketing and a sustained high level of development expenditure into account, the company maintained its profitability this year with an EBIT margin of 27 percent (previous year: 25 percent).

The essential key figure determining the success of the company's operating performance, namely its earnings before interest and taxes (EBIT), improved markedly from EUR 11.3 million in the preceding year to EUR 13.7 million, due mainly to the development in sales. The return on sales represented by EBIT stood at 27 percent (previous year: 25 percent).

Earnings before taxes (EBT) were 21 percent higher at EUR 13.7 million (previous year: EUR 11.3 million).

Net income for the 2016 financial year amounted to EUR 9.3 million (previous year: EUR 7.6 million), some 22 percent higher than in the year before. Earnings per share accordingly increased to EUR 2.33 (previous year: EUR 1.91).

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

Financial and asset position

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

In this respect the ATOSS Group was highly successful in financial year 2016:

Cash flow from business operations for the period from January 1 to December 31, 2016 amounted to EUR 12.2 million (previous year: EUR 8.0 million) and was thereby EUR 4.2 million higher than in the year before. Liquidity (cash and cash equivalents) declined from EUR 17.8 million to EUR 14.8 million. The position as a whole comprising liquidity and other current and non-current financial assets (e.g. gold, equities, claims against banks and insurance companies resulting from investments, investment funds) increased slightly from EUR 24.4 million to EUR 24.8 million. Liquidity per share on December 31, 2016 including these other current and non-current financial assets accordingly stood at EUR 6.23 (previous year EUR 6.13).

The operating cash flow was boosted mainly by net earnings, writedowns on fixed assets, an increase in miscellaneous liabilities arising from higher salary and commission liabilities and a reduction in deferred revenues. On the other hand cash flow was reduced mainly as a result of the reduction in tax provisions due to higher tax prepayments.

In the financial year 2016 the company made no investments in gold. Instead the company invested EUR 3.0 million in an investment fund. The fair value of its existing gold holdings as of December 31, 2016 stood at EUR 1.9 million (previous year: EUR 1.7 million). Liquidity was reduced by the payment of a dividend of EUR 0.95 per share (previous year: EUR 0.88) and a special payment of EUR 1.85 (previous year: EUR 0.00) (total disbursement: EUR 11.1 million; previous year: EUR 3.5 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.

Following an increased investment of EUR 1.1 million (previous year: EUR 0.7 million) in fixed assets, the value of the company's tangible and intangible assets increased from EUR 2.8 million to EUR 3.3 million.

The company's long-term holdings in gold are reported under the heading of miscellaneous non-current financial assets in the amount of EUR 0.5 million (previous year: EUR 0.4 million).

Receivables were flat at EUR 4.5 million (previous year: EUR 4.5 million). The average time to receipt of 28 days (previous year: 28 days) remains extremely low – a fact which in the company's opinion is attributable to a high level of customer satisfaction as well as successful customer account management.

Other current financial assets classified as assets available for sale amounted on December 31, 2016 to EUR 9.5 million (previous year: EUR 6.1 million). In addition to claims against banks and insurers resulting from investments in the amount of EUR 5.0 million (previous year: EUR 4.9 million), this item also includes investments approved by the Supervisory Board in the amount of EUR 3.0 million in an investment fund as well as investments in physical gold in line with the company's defined investment policy. Following the impairments recorded in previous years, the valuation of the company's gold holdings as of the balance sheet closing date resulted in a write-up in the amount of kEUR 172 (previous year: kEUR 21 writedown). The increase in claims deriving from capital assurances resulted from write-ups of kEUR 145 recognized in equity (previous year: kEUR 95 writedown) The valuation of the fund investment resulted in writedowns recognized in equity in the amount of kEUR 44 (previous year: kEUR 0). As in the year before, no impairments to the value of equity instruments (shares) were recorded as of December 31, 2016. In addition as a result of mark-ups recognized in equity, non-current financial assets classified as available for sale were kEUR 61 higher (previous year: kEUR 7 writedown) at EUR 0.5 million. On December 31, 2016 the fair value of current and non-current gold holdings stood at EUR 1.9 million (previous year: EUR 1.7 million).

The company is financed through the ongoing cash flow generated from operations. Current liabilities include trade accounts payable in the amount of EUR 0.6 million (previous year: EUR 0.3 million), deferred revenues in the amount of EUR 4.3 million (previous year: EUR 2.7 million), tax provisions in the amount of EUR 0.5 million (previous year: EUR 0.7 million) and miscellaneous current liabilities in the amount of EUR 6.7 million (previous year: EUR 6.2 million). Current liabilities on December 31, 2016 had risen to EUR 12.2 million (previous year: EUR 10,0 million). This increase was essentially attributable to higher salary and commission liabilities and an increase in deferred revenues as of the qualifying date. It remains the company's intention not to incur borrowings to finance business operations.

The miscellaneous current financial liabilities relate predominantly to commitments to employees in respect of variable salary components to be disbursed in the following year, and also to anticipated accounts payable. The company had no liabilities denominated in foreign currencies on December 31, 2016, and no bank loans. Nor does the company intend to use bank loans to finance business operations.

Unsecured current account credit lines in the amount of EUR 0.5 million (previous year: EUR 0.5 million) are available with the principal banks of the integrated companies. As in the year before, no loans were taken out during the past financial year.

Non-current liabilities essentially include the pension provision in the amount of EUR 4.9 million (previous year: EUR 4.3 million).

Group equity capital as of December 31, 2016 amounted to EUR 16.9 million (previous year: EUR 18.9 million), resulting in an equity ratio (equity capital as a proportion of the balance sheet total) of 50 percent (previous year: 57 percent). The return on equity as of December 31, 2016 stood at 55 percent (previous year: 40 percent).

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

In order to reduce the burden of administrative costs, the company vehicle fleet as well as various items of business equipment are leased. As of December 31, 2016 there were 107 leasing agreements for company vehicles (previous year: 99). In addition there were also leasing agreements for 9 copiers (previous year: 11).

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

4. Compensation Report

4.1 Compensation report for the Management Board

The members of the Management Board are:

Andreas F.J. Obereder	Chief Executive Officer	Appointed until December 31, 2018
Christof Leiber	Member of the Management Board	Appointed until March 31, 2022

The compensation paid to members of the Management Board is oriented towards their contribution to the success of the business, and towards industry standards. It includes performance-related and non-performance related components. The performance-related components amount to between 19 percent and 40 percent. The non-performance-related compensation is paid monthly in the form of a salary. An advance on the performance-related compensation is paid monthly up to a maximum of 50 percent of the target profit-share payment for the financial year in question.

The Supervisory Board turns its attention at least once per year to the appropriateness of this compensation 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), when contracts with the Management Board are concluded in future the Supervisory Board will determine the level of compensation in consideration of the sustained development of the undertaking, of a multi-year basis for assessment and of both positive as well as negative aspects of the development in business. In addition the Supervisory Board reviews the appropriateness of Management Board compensation annually on the basis of a comparison with the remuneration paid to senior management and employees.

The level of the performance-related remuneration (profit-share payment) in 2016 was as a matter of principle geared to the Group sales target and operating profit target.

The contract with the CEO, Mr. Andreas F.J. Obereder, was extended with effect from January 1, 2014 for a period of five years. Of the newly agreed targets, 40 percent are one-year targets and 60 percent are multi-year targets calculated over a period of three years. The one-year targets relate to sales and earnings, while the multi-year targets comprise quantitative objectives over a three-year period.

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

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

A non-forfeitable pension commitment also exists in favor of the CEO which is classified as a defined-benefits plan. Pursuant to this agreement, pension payments will commence when the recipient reaches the age of 65 and will be paid for life. 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.

In respect of Management Board compensation, we further refer to Note 44 in the Notes to the consolidated financial statements.

4.2 Compensation report for the Supervisory Board

The Supervisory Board of ATOSS Software AG is comprised of three members. Mr. Peter Kirn, Rolf Baron Vielhauer von Hohenhau and Mr. Klaus Bauer were re-elected to the Supervisory Board by a resolution adopted by the annual general meeting on April 26, 2016.

The members of the Supervisory Board are:

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

The compensation paid to the Chairman, Deputy Chairman and members of the Supervisory Board was determined by a resolution adopted by the annual general meeting on May 22, 2001. Their compensation is accordingly composed of a fixed component and a variable component that is dependent on the number of meetings.

In respect of Supervisory Board compensation, we further refer to Note 43 in the Notes to the consolidated financial statements.

4.3 Ownership of and trading in shares and financial instruments

Board members' shareholdings insofar as these relate to shares in the company are reported in Note 30.

4.4 Reportable securities transactions

The company publishes details of all reportable securities transactions by board members on its website at https://www.atoss.com/unternehmen/investor-relations/corporate-governance/2016 and this information remains available for at least 12 months following publication.

In financial year 2016 the following reportable transactions were undertaken by board members and disclosed:

Name	Transaction	Date of transaction	Number	Price	Disclosed on
Peter Kirn	Sale	01.02.2016	1,000	69.025	01.02.2016
Peter Kirn	Sale	28.04.2016	114	69.50	03.05.2016
Peter Kirn	Sale	25.08.2016	23	58.00	29.08.2016
Peter Kirn	Sale	02.09.2016	177	58.00	02.09.2016
Peter Kirn	Sale	25.10.2016	200	55.90	26.10.2016
Peter Kirn	Sale	28.10.2016	200	58.00	31.10.2016
Peter Kirn	Sale	16.11.2016	200	59.00	18.11.2016

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

5. Report on Events After The Balance Sheet Date

There have been no reportable events of particular importance since the balance sheet closing date which would have necessitated a different presentation of the company's situation.

6. Risk Management and Control System

6.1 Company-wide risk management and control system

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

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

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

The Group-wide risk management system comprises the entirety of all organizational rules and activities designed to recognize risk and deal with the risks inherent in the conduct of business. Risk in this context is deemed to be a negative deviation from expectations. Against this background within the framework of the existing risk management system we concentrate solely on the identification of risks. The procedure for the recognition and management of risk is described in the following explanatory notes:

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

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

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

In accordance with the principles adopted by ATOSS for the management of risk, all risks with an expected loss value (calculated as the product of the level of loss and the probability of occurrence) of more than EUR 300,000 within the divisions of ATOSS Software AG as well as risks with an associated loss value which is rated as "high" or is not quantifiable are fundamentally deemed to be material.

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

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

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

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

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

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

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

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

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

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

6.2 Risk management system and the accounting process

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

- The companies exhibits a clear management, corporate and control structure.
- The functions of the financial accounting, order processing and controlling departments materially involved in the (Group) accounting process are clearly separated and 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 (Group) accounting procedures are assured by the application of uniform Group-wide guidelines which are adapted as necessary.
- Functions and responsibilities are unambiguously assigned in all areas of the (Group) accounting process.
- The departments concerned in the (Group) accounting process meet both quantitative and qualitative requirements.
- The IT systems employed in connection with the (Group) accounting process are protected by security features against unauthorized access.
- The financial systems employed are based on standard software.
- Matters with a material (Group) accounting relevance are discussed and clarified at weekly finance meetings.
- Essential (Group) accounting-related processes are subject to regular audit. Where necessary the risk management system is adapted in line with current developments.
- All essential (Group) accounting-related processes are consistently subject to the principle of dual control.
- The Supervisory Board concerns itself with matters of material importance pertaining to (Group) accounting, risk management and the audit assignment and its areas of emphasis.
- The Management Board bears overall responsibility for the (Group) 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 (Group) accounting-related internal control and risk management system, the essential features of which are described above, ensures that business events are accurately recorded, treated and reflected in the internal accounts and correctly translated into external accounts. The system also guarantees that potential risks are identified at an early stage and appropriate counter-measures initiated where necessary in good time.

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

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

With regard to the objectives and methods of financial risk management, we refer to Note No. 49.

7. Dividend Distribution

In proposing a dividend, the Management and Supervisory Boards take due account of the need to safeguard the company’s financial resources as well as the principle of dividend continuity which requires that the dividend should not be lower than that paid in the previous year and should be increased if it is possible to do so at a distribution ratio of 50 percent of consolidated earnings per share generated in the financial year. At irregular intervals the company also disburses surplus liquidity in the form of special distributions. In conformity with the policy adhered to in previous years, the Management Board intends to propose that in resolving on the appropriation of net income, the Supervisory Board recommends a disbursement of EUR 1.16 per share. The recommendations for the appropriation of net income put forward by the Management and Supervisory Boards will be resolved upon at the annual general meeting on April 28, 2017.

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

In the assessment of the German Council of Economic Experts, the global economy is likely to maintain its moderate pace of expansion in the coming year. The economic situation in the major advanced economies, however, will remain widely heterogeneous. The Experts anticipate that aggregate economic output in the USA will again increase more rapidly in the coming year than in either the Eurozone or Japan, whereas in the emerging markets the pace of expansion will slacken during the forecast period. As oil prices cease to fall and other prices for raw materials slowly recover, Brazil and Russia should emerge from recession in the coming year. There are other opposing forces, however, that will prevent any notable economic revival. As a consequence of the difficult transformation process, the downward trend in the pace of growth in China is likely to continue.

The Eurozone economy is likely to remain burdened by the massive structural weaknesses of some member states – such as for example the volume of potential loan losses carried on the balance sheets of Italian and Portuguese banks, and the low level of competitiveness of the French and Italian economies. Overall in the view of the Council of Experts the recovery is set to continue, but it will remain no more than moderate despite the markedly accommodating policy of the ECB. The impact of the United Kingdom's exit from the European Union on the European economy will become apparent only after negotiations commence in March 2017.

The upturn in Germany itself is expected to persist, with growth underpinned – as in previous years – by domestic demand. Here, consumer spending is the decisive driving force. Despite highly favorable financing terms, investment growth remains very modest. Both the uncertainties surrounding the still smoldering euro-crisis and the outcome of the Brexit negotiations, as well as the lack of dynamics in world trade, serve to limit the appetite for investment. The ifo Institute expects real gross domestic product overall to rise by 1.5 percent[1]. The decline relative to the 1.9 percent increase in 2016 is primarily attributable to a calendar effect.

The current forecasts by industry association bitkom foresee a continuation in 2017 of the growth seen in recent years. The overall ICT market, of which the software, IT services and IT hardware segments form the core, is expected to increase by 1.2 percent to reach 162.4 billion euro.[2]

We refer to this outlook on opportunities in Section 2, Group Basics, and in Section 6, Risk Management and Control System. Clearly distinguished as the company is at the level of products and technology, financial stability and sustainability and with first-class references in all relevant markets, ATOSS is well positioned to take advantage of the opportunities that present themselves and convert these into business success. What's more, there is considerable potential to improve the competitiveness of our target customers and thereby secure sustained sales opportunities in the company's specialist field of solutions designed to enhance workforce management efficiency.

1) ifo Institut (December 16, 2016): ifo economic forecast for 2016 – 2018: Robust German economy faces a year of uncertain international economic policy
2) bitkom (October 18, 2016): Press release: German ICT market grows to over 160 billion euro

In financial year 2017 we expect our sales to develop at the growth rates seen in the past year within a bandwidth of +/- 3 percent. At the same time, in financial year 2017 ATOSS intends to increase the level of investment in addressing new markets and associated opportunities for fresh growth in the field of workforce management. Investments are planned in particular in sales and marketing. With costs generally remaining static, the company expects an EBIT margin of approx. 25 percent, again within a bandwidth of +/- 3 percent. Also after the dividend distribution, ATOSS Software AG – with its balance sheet structure largely unchanged – will continue to enjoy a comfortable equity ratio with liquidity in excess of EUR 25.0 million at the year-end. Last year's forecast for the development in sales and earnings was achieved and exceeded thanks to the number of new enterprise customers acquired.

9. Responsibility Statement

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

Munich, February 13, 2017

Andreas F.J. Obereder
Chief Executive Officer

Christof Leiber
Member of the Board of Management

CONSOLIDATED BALANCE SHEET TO 31.12.2016

Assets (EUR)	Note	31.12.2016	31.12.2015
Non-current assets			
Intangible assets	12, 23	219,357	161,175
Tangible fixes assets	12, 23	3,033,049	2,685,539
Other financial assets	7, 9, 10, 21	505,370	444,504
Deferred taxes	13, 24	904,850	932,562
Total non-current assets		**4,662,626**	**4,223,780**
Current assets			
Inventories		4,320	8,278
Trade accounts receivables	7, 9, 21	4,475,776	4,461,802
Other financial assets	7, 9, 10, 21	9,504,667	6,142,294
Other non-financial assets	22	611,709	674,954
Cash and cash equivalents	9, 10, 20	14,769,956	17,781,537
Total current assets		**29,366,428**	**29,068,865**
Total assets		**34,029,054**	**33,292,645**

Equity and Liabilities (EUR)	Anhang	31.12.2016	31.12.2015
Equity			
Subscribed capital	30	3,976,568	3,976,568
Capital reserve	30	-661,338	-661,338
Equity deriving from unrealized profits/losses	30	-1,998,976	-1,798,324
Unappropriated net income	54	15,581,847	17,428,349
Equity attributable to equity holders of the parent		**16,898,101**	**18,945,255**
Non-controlling interests		-20,180	-10,394
Total equity		**16,877,921**	**18,934,861**
Non-current liabilities			
Pension provisions	6, 16, 29	4,882,582	4,338,973
Deferred taxes	13, 24	52,434	37,218
Total non-current liabilities		**4,935,016**	**4,376,191**
Current liabilities			
Trade accounts payable	14	621,958	300,045
Other liabilities	26	6,692,762	6,240,055
Deferred revenues	27	4,314,247	2,700,790
Tax provisions		498,150	651,703
Other provisions	15, 28	89,000	89,000
Total current liabilities		**12,216,117**	**9,981,593**
Total equity and liabilities		**34,029,054**	**33,292,645**

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 01.01.2016 TO 31.12.2016

EUR	Note	01.01.2016 –31.12.2016	01.01.2015 –31.12.2015
Sales revenues	**17, 31**	**49,543,647**	**44,940,772**
Cost of sales	32	-14,928,959	-14,138,130
Gross profit on sales		**34,614,688**	**30,802,642**
Selling costs	33	-8,020,355	-7,385,889
Administration costs	34	-3,779,690	-3,532,506
Research and development costs	35	-9,488,484	-8,706,603
Other operating income	38	351,740	349,967
Other operating expenses	38	-109,340	-183,489
Operating profit (EBIT)		**13,568,559**	**11,344,122**
Interest and similar income	37	225,805	97,582
Interest and similar expenses	37	-117,234	-119,586
Earnings before taxes (EBT)		**13,677,130**	**11,322,118**
Taxes on income and earnings	24, 39	-4,399,028	-3,731,339
Net income for the year		**9,278,102**	**7,590,779**
Attributable to:			
Equity holders of the parent:		9,287,888	7,599,039
Non-controlling interests:		-9,786	-8,260
Earnings per share (undiluted)		2.33	1.91
Earnings per share (diluted)		2.33	1.91
Average number of shares in circulation (undiluted)		3,976,568	3,976,568
Average number of shares in circulation (diluted)		3,976,568	3,976,568

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 01.01.2016 TO 31.12.2016

EUR	Note	01.01.2016 –31.12.2016	01.01.2015 –31.12.2015
Net income for the year		**9,278,102**	**7,590,779**
Components not reallocated in profit and loss			
Profits/losses on the revaluation of defined benefit pension plans recognized in equity	29	-445,670	-30,372
Tax effects on profits/losses on the revaluation of defined benefit pension plans recognized in equity	29	145,290	9.901
Components reallocated in profit or loss in later periods			
Profits/losses recognized in equity on the disposal of financial assets available for sale	21	162,369	-103.073
Tax effects on profits/losses recognized in equity on the disposal of financial assets available for sale	21	-62,641	33,051
Other comprehensive income for the period after taxes		**-200,652**	**-90,493**
Comprehensive income after taxes		**9,077,450**	**7,500,286**

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD FROM 01.01.2016 TO 31.12.2016

EUR	Note	01.01.2016 –31.12.2016	01.01.2015 –31.12.2015
Earnings before taxes (EBT)		**13,677,130**	**11,322,118**
Depreciation of fixed assets	23	707,974	688,294
Interest and similar income		-225,805	-97,582
Interest and similar expenses		117,234	119,586
Gains/losses from the disposal of fixed assets		3,235	22,957
Change in net current assets			
Trade accounts receivable	21	-13,975	-619,795
Inventories and other assets	21	-31,221	-143,620
Trade accounts payable		321,913	-20,343
Other liabilities	26	441,330	789,798
Deferred revenues and payments received		1,613,457	165,578
Interest received		63,360	22,216
Interest paid		-7,916	-60
Income taxes received		71,981	3,518
Income taxes paid		-4,498,986	-4,235,565
Cash flow generated from business operations (1)	**40**	**12,239,711**	**8,017,100**
Cash flow from investment activities			
Disbursements for the purchase of tangible and intangible assets	23, 41	-1,116,903	-679,654
Disbursements for the purchase of other financial assets	21, 41	-3,000,000	-5,000,000
Receipts from the disposal of other financial assets	41	0	3,837,000
Cash flow generated from investment activities (2)	**41**	**-4,116,903**	**-1,842,654**
Cash flow from financing activities			
Disbursements from acquisitions of non-controlling interests	42	0	-1,250
Dividends paid	30, 42	-11,134,390	-3,499,380
Cash flow generated from financing activities (3)	**42**	**-11,134,390**	**-3,500,630**
Change in liquidity - total of (1) to (3)		**-3,011,581**	**2,673,816**
Liquidity at beginning of year	20	17,781,537	15,107,721
Liquidity at end of year	20	14,769,956	17,781,537

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS OF 31.12.2016

	Attributable to the equity holders of the parent					
EUR	Subscribed capital	Capital reserve	Equity deriving from unrealized profits/losses	Profit shown on balance sheet	Non-controlling interests	Total
Note	30	30	30	30		
01.01.2015	**3,976,568**	**-661,338**	**-1,707,831**	**13,333,498**	**-5,692**	**14,935,206**
Net income 2015	0	0	0	7,599,039	-8,260	7,590,779
Other comprehensive income	0	0	-90,493	0	0	-90,493
Total comprehensive income	**0**	**0**	**-90,493**	**7,599,039**	**-8,260**	**7,500,286**
Dividends	0	0	0	-3,499,380	0	-3,499,380
Non controlling interests	0	0	0	-4,808	3,558	-1,250
Status 31.12.2015	**3,976,568**	**-661,338**	**-1,798,324**	**17,428,349**	**-10,394**	**18,934,861**
01.01.2016	**3,976,568**	**-661,338**	**-1,798,324**	**17,428,349**	**-10,394**	**18,934,861**
Net income 2016	0	0	0	9,287,888	-9,786	9,278,102
Other comprehensive income	0	0	-200,652	0	0	-200,652
Total comprehensive income	**0**	**0**	**-200,652**	**9,287,888**	**-9,786**	**9,077,450**
Dividends	0	0	0	-11,134,390	0	-11,134,390
Status 31.12.2016	**3,976,568**	**-661,338**	**-1,998,976**	**15,581,847**	**-20,180**	**16,877,921**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2016

I. Company Information

ATOSS Software AG, hereinafter also called “ATOSS” or “the company”, is a stock corporation established in Munich, Germany, and as such has limited liability. The company with headquarters at Am Moosfeld 3 in Munich is one of the leading providers engaged in the development and sale of software licenses, software maintenance, hardware and consulting services pertaining to the provision of electronic support for all corporate processes involved in the efficient workforce management 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 year before, the present consolidated financial statements were prepared for both the parent company and subsidiaries in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), as applicable in the EU and with the supplementary provisions of German commercial law applicable pursuant to § 315a, Para. 1 of the German Commercial Code (HGB).

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

Standard or Interpretation	Description	For financial years with effect from
IFRS 14	Regulatory Deferral Accounts	01.01.2016
Amendment to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	01.01.2016
Amendments to IAS 16 and IAS 38	Clarification of Permissible Methods of Depreciation	01.01.2016
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants	01.01.2016
Amendment to IAS 27	Equity Method in Separate Financial Statements	01.01.2016
Improvements to IFRS 2012-2014		01.01.2016
Amendment to IAS 1	Disclosure Initiative	01.01.2016
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities – Applying the Consolidation Exception	01.01.2016

Application of these new or amended Standards had no material impact on Group accounting and did not affect either the presentation of the consolidated financial statements or the net assets, financial position and earnings situation of the Group.

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

Standard or Interpretation	Description	For financial years with effect from
IFRS 9	Financial Instruments	01.01.2018
IFRS 15	Revenue from Contracts with Customers	01.01.2018
IFRS 16	Leases	01.01.2019

In July 2014 the IASB published the final version of IFRS 9 Financial Instruments, which replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 amalgamates the three phases involved in the “accounting for financial instruments” project, namely “classification and measurement”, “ impairment” and “hedge accounting”. IFRS 9 is applicable for fiscal years beginning on or after January 1, 2018. Earlier application is permissible. With the exception of hedge accounting, the standard must be applied retroactively, however it is not necessary to provide information for comparative purposes. The hedge accounting rules are with some few exceptions to be applied prospectively. Our analysis commenced in the year before to determine the effects of the application of IFRS 9 on the consolidated financial statements was continued in 2016 in the light of the developing interpretation of IFRS 9. The Group does not currently anticipate that the application of this Standard will have any effect on the consolidated accounts.

IFRS 15 was published in May 2014 and introduces a five-stage model to account for revenues deriving from contracts with customers. In accordance with IFRS 15, revenues are recognized in the amount of the consideration which a company can expect to receive in return for the transfer of goods or services to a customer (the transaction price within the meaning of IFRS 15). The new Standard for the measurement of revenues will replace all currently existing IFRS rules for the realization of revenue. For financial years commencing on or after January 1, 2018, either complete or modified retroactive application is called for. Earlier application is permissible. In financial year 2016 the Group undertook a provisional assessment of IFRS 15, which may possibly alter in the course of further detailed analysis. The Group also took into account the clarifications published by the IASB in April 2016 and will closely watch developments in the interpretation of IFRS 15.

(a) Sale of goods
It is not anticipated that the changeover to accounting as per IFRS 15 for contracts with customers in which it may generally be expected that the sale of software licenses constitutes the only obligatory performance will have any effect on income. The Group anticipates that realization will take place at a point in time at which the power to dispose over the asset transfers to the customer. As in the past, this will generally be upon delivery of the software license.

(b) Provision of services
The Group provides consulting and implementation services. These services are sold individually to the customer by contract or offered to the customer as a package jointly with the sales of software licenses, whereby the remuneration is currently divided between these two component on the basis of their relative attributable market values. Service revenues are measured in consideration of the degree of completion. In accordance with IFRS 15, the remuneration must be divided on the basis of the relative individual sale prices. As a result the division of remuneration and consequently also the time of measurement of these revenues may be affected by the changeover to IFRS 15. The Group provisionally takes the view that implementation services are provided over a period of time, during which the customer is in receipt of, and simultaneously makes use of, the benefits of the Group’s activities. On this basis the Group would continue to measure revenues deriving from these services (or from the service components of contracts comprising implementation services and software licenses) over a period of time and not at a single point in time.

(c) Presentation and disclosure requirements
The presentation and disclosure requirements contained n IFRS 15 go far beyond those of the current Standard. The new presentation requirements represent a significant change in comparison with current practice and will in future necessitate substantially more disclosure in the consolidated financial statements. IFRS 15 requires quantitative as well as qualitative details regarding the sub-division of revenues, performance obligations and contract balances as well as significant discretionary decisions and capitalized contract costs, whereby many of these requirements are entirely new. In financial year 2016 the Group developed suitable systems, guidelines and processes as well as internal controls and began to test these with a view to gathering and reporting the required information.

IFRS 16 was published in January 2016 and replaces IAS 17 Leases and all interpretations of accounting for leases. IFRS 16 defines the principles for the reporting, measurement, presentation and required disclosures relating to leases and obliges lessees to recognize all leases in accordance with a single model similar to the method of accounting for finance leases as per IAS 17. For lessors, IFRS 16 will not essentially bring any accounting changes relative to the currently applicable IAS 17. IFRS 16 is applicable for fiscal years beginning on or after January 1, 2019. Early application is permissible, but only if the company also applies IFRS 15. When first applying the new Standard, lessors may opt for either full or modified retrospective application.

The transitional rules for IFRS 16 afford certain simplifications. The Group intends to apply the new Standard upon the prescribed date on which it takes effect. An initial analysis indicates the following effects. However this analysis is not yet completed, and is being constantly updated by the Group in the light of the developing interpretation of IFRS 16.

The Group has thus far predominantly entered into operating leases for moveable assets (motor vehicles). So far it has merely been necessary for the payment obligations relating to operating lases to be disclosed in the Notes. In future, however, the rights and obligations resulting from these leases must be mandatorily disclosed on balance sheet as assets (the right to use the leased object) and liabilities (the rental liability). The Group expects to see a significant increase in the balance sheet total at the time of first application.

The expense resulting from operating leases has so far been reported in the income statement under the heading of material costs. In future, depreciation on the right of use and interest costs for the rental liabilities must both be shown.

In the cash flow statement, payments for operating leases have so far been reported within the cash flow from current business operations. In future payments for operating leases must be divided into interest payments and capital repayments. Whereas the interest payments will continue to be reported within cash flow from current operations, the capital repayments will be allocated to cash flow from financing activities.

2. Bases for the preparation of the financial statements

The present consolidated financial statements were prepared to December 31, 2016 for the reporting period from January 1 to December 31, 2016. The financial year for all group companies coincides with the calendar year. As a matter of principle the consolidated financial statements are prepared in application of the historical cost method, with the exception of current financial assets which are measured at fair value.

3. Reporting currency

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

4. Consolidated group

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

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

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

Company	Proportion of subscribed capital	Equity 31.12.2016 in EUR	Result for the year 2016 in EUR
ATOSS Aloud GmbH, Munich, Germany	97%	-672,677	-326,202
ATOSS CSD Software GmbH, Cham, Germany	100%	1,383,613	800,349
ATOSS Software AG, Zurich, Switzerland	100%	695,257	324,236
ATOSS Software Gesellschaft m.b.H., Vienna, Austria	100%	2,149,437	993,924
ATOSS Software S.R.L., Timisoara, Romania	100%	475,243	69,487
ATOSS North America Inc., West Hollywood, USA	100%	24,011	0

5. Consolidation principles

The financial statements for subsidiaries are prepared in application of uniform accounting methods for the same reporting period as the financial statements for the parent company. All Group-internal balances, business events, unrealized profits and losses on internal transactions and dividends are eliminated in full.

Capital consolidation of fully consolidated companies was undertaken in accordance with the acquisition method. The recognized values of assets assigned and liabilities accepted representing the acquisition cost of the interest in each relevant company were offset against the equity capital reported by the subsidiary at the time of acquisition.

Should the Group acquire a business, it must assess the appropriate classification and designation of financial assets and assumed debts in compliance with the terms of contract, business circumstances and conditions prevailing at the time of acquisition. This includes the separation of embedded derivatives in underlying contracts. No mergers between companies took place in financial year 2016 (previous year: none).

ATOSS Aloud GmbH, Munich, which was newly established on August 1, 2014, is fully consolidated in the Group financial statements for ATOSS Software AG. The equity attributable to minority shareholders in ATOSS Aloud GmbH and the pro rata net earnings are each reported separately in the consolidated balance sheet, income statement, statement of comprehensive income and statement of changes in equity. ATOSS North America, West Hollywood, which was newly established on December 20, 2016, is also fully consolidated within the financial statements of ATOSS Software AG.

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. These components are based on information which at the time the financial statements are prepared is in the possession of the consultants deployed and of the management in respect of the services to be provided and the required use of resources. It is therefore to some extent more difficult and more complex to make an estimate in the early stages of a project. Sales revenues deriving from production orders in work at the end of the reporting period amounted in financial year 2016 to EUR 943,226 (previous year: EUR 699,851).

On every reporting date the Group investigates whether there are objective indications to conclude that the value of a financial asset or group of financial assets available for sale is impaired. In the case of financial assets classified as available for sale, a significant or sustained decline in fair value below the cost of acquisition would constitute objective grounds. The decision as what constitutes "significant" or "sustained" is discretionary. In this context in addition to other factors the Group considers past fluctuations in price and the duration and extent to which the fair value of a financial investment falls below its cost of acquisition. Other financial assets are deemed to be impaired if the fair value on the closing date in the case of fund investments is 25 percent or in the case of gold 10 percent below cost of acquisition, or has been below cost for an uninterrupted period of 6 months. The book value of the fund investments and gold holdings carried as miscellaneous financial assets amounted as of December 31, 2016 to EUR 4,867,119 (previous year: EUR 1,677,905).

The value of pension provisions is also subject to estimates in respect of the parameters listed in Note 28. The book value of the provision as of December 31, 2016 stood at EUR 4,882,582 (previous year: EUR 4,338,973).

Actual figures may deviate from estimates made.

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

Development costs are recognized as expenses in profit and loss. The criteria contained in IAS 38.57 for development costs to be carried as assets are not fulfilled, since the original development of today's products to some extent took place through the medium of customer projects and it is not possible to reliably measure the income achievable in future from the development of individual functions and releases.

Moreover, in the interests of greater transparency regarding the development in value of its investments – made as part of its investment policy – in physical gold, the company classifies its holdings as financial assets available for sale.

7. Currency translation

The functional currency for all Group companies is the euro.

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

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

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

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

8. Segment reporting

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

The company has only one uniform business segment within the meaning of IFRS 8 which comprises the creation, sale and implementation of software solutions directed towards efficient workforce management. In accordance with the company's strategy as a provider of end-to-end solutions for issues of time and attendance management and workforce scheduling, these software solutions comprising software licenses, maintenance services, consulting services and the supply of hardware for time recording and access control purposes (merchandise for resale) are offered to customers as integrated packages and exhibit a comparable risk structure. These software solutions are employed both by small and medium-sized customers comprising the SME market and by high-end small businesses and major customers who comprise the premium market. The choice of software solution is essentially dependent on the specific technical and functional requirements of the individual customer. The company's endeavors in addressing the SME and premium markets differ only in terms of the marketing approach. For this reason the Management Board manages the company on the basis of key figures for business as a whole. Business activities are not divided into segments, therefore the Group does not prepare segment reports.

The individual software solutions comprise:

- ATOSS Staff Efficiency Suite (ASES) and ATOSS Startup Edition (ASE): ASES and ASE are time and attendance management and workforce scheduling 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 efficient workforce management under specific operating conditions and in consideration of company agreements and collectively bargained wage agreements. 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 represents a software solution for time and attendance management and workforce scheduling for small and medium-sized customers, as well as large-scale decentrally organized clients. Likewise, in conjunction with ATC, ATOSS offers software implementation and training services as well as consulting services to optimize efficient workforce management. Merchandise, including hardware and recording media is also available. ATC software is installed on the Microsoft Windows system platform in connection with standard SQL databases and is particularly user-friendly and convenient for small to medium-sized customers, as well as large decentralized organizations.s

9. 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.

In addition to cash and cash equivalents, the Group's financial assets also include trade receivables (classed as: "loans and receivables") and miscellaneous financial assets (classed as: "financial assets available for sale").

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

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments which 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 as well as fees or 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.

Financial assets available for sale
Financial investments in gold, investment funds and dividend-bearing securities as well as claims against banks and insurance companies arising from capital investments are classified by the Group as financial assets available for sale. They are 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 an asset is eliminated, the cumulative profit or loss is reported among financial income and expenses. 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, it is possible and intended to sell these in the near future. 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. No reclassifications took place in financial year 2016 (previous year: none).

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 and an associated liability.

Fair value hierarchy
The Group uses the following hierarchy to determine the fair value of financial instruments and for the purpose of making disclosures regarding the measurement process:

Level 1: Quoted (unadjusted) prices on active markets for equivalent assets or liabilities,
Level 2: Procedures in which all input parameters which materially affect fair value are either directly or indirectly observable,
Level 3: Procedures which employ input parameters that have a material impact on the recognized fair value and are not based on observable market data.

10. Impairment of financial assets

On every reporting date the Group investigates whether there are objective indications that the value of a financial asset or group of financial assets is impaired. A financial asset or group 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 group 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.

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.

In the case of trade accounts payable, adjustments 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.

In the case of receivables, the carrying value of the asset is reduced with the aid of a value adjustment account and the impairment recognized in profit and loss. Receivables including an associated impairment are derecognized if they are classed as uncollectable. Should the estimated impairment increase or decrease in subsequent reporting periods as the result of an event which occurs after the impairment has been recognized, the increase or decrease in the previously recognized impairment cost is recognized in profit or loss by adjusting the impairment account. If a derecognized receivable is subsequently considered to be collectable as the result of an event which takes place after derecognition, the corresponding amount is set off directly against other operating expenses.

Financial assets 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 group of financial assets available for sale is impaired.

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. The decision as what constitutes "significant" or "sustained" is discretionary (see Point 6.)

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. Should the fair value subsequently increase once again, the financial assets available for sale will be written back up and recognized in the income statement at the original cost of acquisition, and the impairment cost will be reversed.

11. Non-current non-financial assets

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

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

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

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

12. Tangible and intangible assets

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

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

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

Residual values, service lives and methods of depreciation are reviewed at least at the end of each financial year and adjusted as required. Alterations to the method or period of depreciation necessitated by changes in the expected service life or expected consumption of the future economic benefit of the asset are treated as changes in estimates.

13. Taxes

Actual taxes on income

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

Deferred taxes

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

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

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

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

Deferred taxes relating to items recognized in equity are similarly recognized. Dependent on the underlying business event, these deferred taxes may be recognized either in other income or directly in equity.

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

Turnover tax

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

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

The amount of turnover tax refunded by or remitted to the tax authority is recognized in the consolidated balance sheet under other non-financial assets or liabilities.

14. Financial liabilities

Financial liabilities such as trade accounts payable and other liabilities are measured on first recognition at cost, being the fair value of the counter-performance received. Thereafter these liabilities are carried on the balance sheet at amortized cost. The trade accounts payable and other financial liabilities do not attract interest.

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

15. 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.

16. Pension provisions

A non-forfeitable pension commitment exists in favor of the CEO of ATOSS Software AG, Munich, which is classified as a defined benefits plan. Pursuant to this plan, pension payments will commence when the recipient reaches the age of 65 and will be paid for life. To cover this pension commitment the company has arranged pension liability insurance cover with insurers who enjoy positive ratings and assigned the entitlements arising there from with the result that since financial year 2005 the attributable fair value of the assets of the plan deriving from the pension liability insurance policies are netted against the benefit obligation.

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

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

The pension provision was calculated on the basis of an assumed interest rate of 1.95 percent (previous year: 2.3 percent), a salary trend of 0.0 percent (previous year: 0.0 percent), an inflation rate of 2.0 percent (previous year: 2.0 percent) and a pension trend of 3.0 percent (previous year: 3.0 percent). The biometric tables prepared by Prof. Klaus Heubeck [Richttafeln 2005 G] were applied.

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 2016 amounted to EUR 131,025 (previous year: EUR 122,823).

17. 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 and turnover tax or other levies 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.

Software licenses and maintenance services are generally sold together. Sales revenues are realized in accordance with IAS 18.13. Maintenance revenues are treated as deferred income and recognized as sales revenues over the period during which the services are provided.

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 as per IAS 11.23. 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.

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

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

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

18. Expenditure on research and development

The company recognizes the costs of researching and developing its software products as an expense in its income statement.

19. 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, 2016 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

20. Cash and cash equivalents

EUR	31.12.2016	31.12.2015
Fixed-term deposits	3,000,000	10,000,000
Cash at banks	11,769,956	7,781,537
Total of cash and cash equivalents	**14,769,956**	**17,781,537**

Fixed-term deposits have times to maturity of up to 9 months and are invested at an interest rate of 0.04 percent per annum. The other cash sums held at banks earn interest at up to 0.01 percent.

Despite the positive cash flow from operations amounting to EUR 12,239,711, as a result of investment expenditure of EUR 4,116,903 and the dividend payment of EUR 11,134,390, cash and cash equivalents reduced from EUR 17,781,537 to EUR 14,769,956.

Of the cash at banks, the sum of EUR 373,125 (previous year: EUR 0) was pledged as security in connection with rental agreements and as such was of limited availability.

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

The fair value of the company's cash and cash equivalents equates to the book value and accordingly stands at EUR 14,769,956 (previous year: EUR 17,781,537).

21. Other financial assets

31.12.2016 (EUR)	Held for trading	Available for sale	Held to maturity	Loans and receivables	Mis-cellaneous
Trade receivables	0	0	0	4,475,776	0
Other current financial assets					
of which at fair value	0	9,504,667	0	0	0
Other non-current financial assets					
of which at fair value	0	505,370	0	0	0

31.12.2016 (EUR)	Held for trading	Available for sale	Held to maturity	Loans and receivables	Mis-cellaneous
Trade receivables	0	0	0	4,461,802	0
Other current financial assets					
of which at fair value	0	6,142,294	0	0	0
Other non-current financial assets					
of which at fair value	0	444,504	0	0	0

The default risk associated with other financial assets that are neither overdue nor impaired is continuously monitored and assessed by the management.

Trade receivables

The reported trade accounts receivable were composed as follows:

EUR	31.12.2016	31.12.2015
Gross receivables	4,494,548	4,488,993
Less impairments	-18,772	-27,191
Net receivables (carrying value)	**4,475,776**	**4,461,802**

These receivables include those relating to long-term production orders in the amount of EUR 84,302 net (previous year: EUR 388,397).

As of December 31, 2016 receivables with due dates which had been extended amounted to EUR 58,074 (previous year: EUR 59,148).

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, 2016 was as follows:

EUR	31.12.2016	31.12.2015
Neither overdue nor adjusted	3,122,317	2,883,819
Up to 30 days overdue	1,198,143	1,280,280
31 to 60 days overdue	86,543	176,494
61 to 90 days overdue	49,027	131,041
91 to 120 days overdue	9,960	6,104
More than 120 days overdue	28,558	11,255
Gross receivables	**4,494,548**	**4,488,993**
Adjustments	-18,772	-27,191
Net receivables	**4,475,776**	**4,461,802**

In general, trade accounts receivable are due for payment within 10 days. In exceptional cases other terms and conditions of payment are granted.

The adjustment account developed as follows:

EUR	2016	2015
Status 01.01	27,191	8,215
Expense allocations	18,711	27,191
Usage	0,00	0,00
Liquidations	-27,130	-8,215
Status 31.12	**18,772**	**27,191**

The company demands no securities from its customers.

Financial assets available for sale were composed as follows:

Current financial assets available for sale

EUR	31.12.2016	31.12.2015
Dividend-bearing securities	4,778	4,717
Claims on insurance companies	5,049,652	4,904,177
Gold	1,405,720	1,233,400
Investment fund	2,956,029	0
Security deposits	88,488	0
Total of (current) financial assets available for sale	**9,504,667**	**6,142,294**

Non-current financial assets available for sale

EUR	31.12.2016	31.12.2015
Gold	505,370	444,505
Total of (non-current) financial assets available for sale	**505,370**	**444,505**

In financial year 2016 the Group identified increases in the value of financial assets available for sale in the amount of EUR 172,320 (previous year: decreases of EUR 21,160) which were recognized as financial income (previous year: financial expenses) in the income statement. In addition, income resulting from the measurement of capital sum assurance claims at fair value in the amount of EUR 145,475 (previous year: expenses EUR 95,823) and associated income tax effects of EUR 47,425 (previous year: EUR – 31,238) were recognized in equity as other income. Expenses resulting from the measurement of fund investments at fair value in the amount of EUR 43,971 (previous year: EUR 0), were likewise recognized in equity as other expenses.

Profits on non-current financial assets available for sale in the amount of EUR 60,865 (previous year: losses of EUR 7,250) were recognized in equity as other income. In respect of the profits/losses recognized in other income, deferred taxes on temporary differences between the carrying value of the asset on balance sheet and the value for tax purposes were formed (previous year: liquidated) in the amount of EUR 15,216 (previous year: EUR -1,813).

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

22. Other (current) non-financial assets

Other current non-financial assets in the amount of EUR 611,709 (previous year: EUR 674,954) essentially include deferrals of EUR 500,784 (previous year: EUR 499,068).

23. Fixed assets

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

	Acquisition and manufacturing costs					**Cumulative depreciation**				**Net carrying values**	
EUR	01.01.2015	Additions	Transfers	Disposals	31.12.2015	01.01.2015	Additions	Disposals	31.12.2015	31.12.2015	31.12.2014
I. Intangible assets											
Software	1,607,885	137,732	0	0	1,745,617	1,466,301	118,141	0	1,584,442	161,175	141,584
	1,607,885	**137,732**	**0**	**0**	**1,745,617**	**1,466,301**	**118,141**	**0**	**1,584,442**	**161,175**	**141,584**
II. Property, plant and equipment											
Land and buildings	2,138,011	0	0	0	2,138,011	289,242	57,930	0	347,172	1,790,839	1,848,769
Technical equipment	577,255	61,484	0	71,789	566,950	482,260	22,675	55,819	449,116	117,834	94,995
Office and business equipment	4,318,199	472,974	0	71,542	4,719,631	3,525,237	489,548	64,556	3,950,229	769,402	792,962
Advance payments and assets under construction		7,464	0	0	7,464	0	0	0	0	7,464	0
	7,033,465	**541,922**	**0**	**143,331**	**7,432,056**	**4,296,739**	**570,153**	**120,375**	**4,746,517**	**2,685,539**	**2,736,726**
Total	**8,641,350**	**679,654**	**0**	**143,331**	**9,177,673**	**5,763,040**	**688,294**	**120,375**	**6,330,959**	**2,846,714**	**2,878,310**

EUR	01.01.2016	Additions	Transfers	Disposals	31,12,2016	01,01,2016	Additions	Disposals	31.12.2016	31.12.2016	31.12.2015
I. Intangible assets											
Software	1,745,617	205,970	0	487	1,951,100	1,584,442	147,787	486	1,731,743	219,357	161,175
	1,745,617	**205,970**	**0**	**487**	**1,951,100**	**1,584,442**	**147,787**	**486**	**1,731,743**	**219,357**	**161,175**
II. Property, plant and equipment											
Land and buildings	2,138,011	0	0	0	2,138,011	347,172	57,930	0	405,102	1,732,909	1,790,839
Technical equipment	566,950	8,111	0	0	575,061	449,116	18,030	0	467,146	107,915	117,834
Office and business equipment	4,719,631	891,579	7,464	173,750	5,444,924	3,950,229	484,227	170,515	4,263,941	1,180,983	769,402
Advance payments and assets under construction	7,464	11,242	-7,464	0	11,242	0	0	0	0	11,242	7,464
	7,432,056	**910,932**	**0**	**173,750**	**8,169,238**	**4,746,517**	**560,187**	**170,515**	**5,136,189**	**3,033,049**	**2,685,539**
Total	**9,177,673**	**1,116,902**	**0**	**174,237**	**10,120,338**	**6,330,959**	**707,974**	**171,001**	**6,867,932**	**3,252,406**	**2,846,714**

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

24. Taxes on income

The tax provisions in each case comprise the taxes on earnings for the past financial year or years. For details of tax charges and refunds, please refer to Note 39.

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

EUR	31.12.2016	31.12.2015
Deferred taxes on reporting and valuation differences carried as assets		
- Pension provisions	1,404,595	1,209,589
- Provision for AGM expenses	39,915	50,100
Subtotal	**1,444,510**	**1,259,689**
Deferred taxes on valuation differences carried as liabilities		
- Long-term production orders	539,660	327,127
Subtotal	**539,660**	**327,127**
Total	**904,850**	**932,562**

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

EUR	31.12.2016	31.12.2015
Deferred taxes on reporting and valuation differences carried as liabilities		
- Financial assets available for sale	52,434	37,218
Total	**52,434**	**37,218**

EUR	2016	2015
Tax charge resulting from the reversal of deferred taxes carried as assets		
- Costs of the AGM	-10,185	0
Tax charge resulting from the accrual of deferred taxes carried as liabilities		
- on long-term production orders	-348,590	-327,127
Tax income resulting from the accrual of deferred taxes carried as assets		
- on pension provisions	56,696	57,861
Tax income resulting from the reversal of deferred taxes carried as liabilities		
- on long-term production orders	136,057	153,331
Total	**-166,022**	**-115,935**

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

EUR	2016	2015
Earnings before taxes	100%	100%
Trade tax	-16.73%	-16.77%
Corporation tax at 15.00 % on taxable profits	-15.00%	-15.00%
Solidarity surcharge of 5.50 % on corporation tax	-0,83%	-0,83%
Nominal proportion of earnings taxed	67.44%	67.40%
Computed tax rate	**32.56%**	**32.60%**

The tax rates for subsidiary companies amounted in Austria to 25 percent, in Switzerland to 21.4 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	2016	2015
Pre-tax earnings as per IFRS	**13,677,131**	**11,322,118**
Expected tax charge (2016: 32.56%; 2015: 32.60%)	-4,453,274	-3,691,010
Non-deductible operating expenses	-49,351	-23,881
Interests as per § 8b KStG	0	-46,319
Tax payments/refunds for previous years	46,014	3,518
Lower tax rates at group companies and branches	203,940	188,139
Current losses for which no deferred tax claim has been recognized	-146,357	-161,786
Actual Group tax charge	**-4,399,028**	**-3,731,339**

The Group has taxable loss carry-forwards in the amount of EUR 1,291,684 (previous year: EUR 842,586) for which no deferred taxes have been capitalized.

The company anticipates that in future financial years the tax rate applicable to the parent company will be 32.56 percent. As a result on the one hand of non-deductible operating expenses and interests as per § 8b KStG and on the other of lower tax rates at group companies and branches, the actual tax charge may be somewhat higher or lower than this figure.

25. Credit lines

Unsecured current account credit lines in the amount of EUR 512,000 million (previous year: EUR 512,000 million) are available with the principal banks of the integrated companies. No loans were taken out during the financial year. On the closing date, as in the previous year, there were no liabilities to banks.

26. Other (current) liabilities

Other liabilities essentially comprise the following amounts:

EUR	31.12.2016	31.12.2015
Liabilities for salaries and commissions	5,249,309	4,763,221
Anticipated charges	879,831	970,929
Miscellaneous liabilities	563,622	505,905
Total	**6,692,762**	**6,240,055**

The liabilities for salaries and commissions include claims deriving from variable salary components arising in the reporting period but not disbursed until the following year, as well as wage tax liabilities and provisions for vacation commitments. The anticipated charges relate to performances received but not yet billed prior to the qualifying date. Other liabilities essentially include provisions for costs associated with the financial statements and auditing as well as turnover tax liabilities.

27. Deferred revenues

Deferred revenues as of December 31, 2016 were composed as follows:

EUR	31.12.2016	31.12.2015
Amounts invoiced in advance for maintenance works	743,116	671,029
Amounts invoiced in advance for long-term production orders	340,526	616,361
Miscellaneous	3,230,605	1,413,400
Total	**4,314,247**	**2,700,790**

The miscellaneous amounts here stated include sums invoiced in advance for hotline services as well as for software, hardware and services yet to be supplied. The sums invoiced in advance for long-term production orders include down payments in the amount of EUR 340,526 (previous year: EUR 454,854).

28. Other provisions

These provisions essentially comprise the following amounts:

EUR	31.12.2015	Drawn down	Liquidations	Allocations	31.12.2016
Other provisions	89,000	0	0	0	89,000
Total	**89,000**	**0**	**0**	**0**	**89,000**

These other provisions essentially comprise the provision for restoration costs. This amount will be due when the lease ends. The level of this provision is based on estimated costs. The amount required to settle this liability may differ from the provision formed.

29. Pension provisions

Pension costs were comprised as follows:

EUR	2016	2015
Current service cost	237,392	232,685
Net interest cost	97,043	98,291
Pension expenses	**334,435**	**330,976**

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

For the year 2017 the company expects pension expenses to amount to EUR 345,731.

The commitment translates to the balance sheet as follows:

EUR	31.12.2016	31.12.2015
Defined benefits obligation	7,656,249	6,837,361
Fair value of plan assets	-2,773,667	-2,498,388
Pension provision	**4,882,582**	**4,338,973**

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

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

EUR	31.12.2016	31.12.2015
Defined benefits obligation as of 01.01	6,837,361	6,442,250
Cost of interest	157,236	154,594
Current service cost	237,392	232,685
Actuarial profits and losses	424,260	7,832
Defined benefits obligation as of 31.12	**7,656,249**	**6,837,361**

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

EUR	2016	2015
Experience-based adjustment	51,141	50,861
Changes in financial assumptions	-475,401	-58,693
Deviation in actual income from plan assets relative to income calculated at the discount rate	-21,410	-22,540
	-445,670	**-30,372**

In respect of losses recognized in equity, tax deferrals in the amount of EUR 145,288 (previous year: EUR 9,901) were formed on the temporary differences between the carrying value of the pension provision on the balance sheet and the value for tax purposes as well as other tax effects.

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

EUR	31.12.2016	31.12.2015
Fair value of plan assets effective 01.01.	2,498,388	2,228,482
Returns on plan assets calculated at the discount rate	60,193	56,303
Employer's contributions	236,496	236,143
Actuarial profits and losses	-21,410	-22,540
Fair value of plan assets effective 31.12.	**2,773,667**	**2,498,388**

The actual return on plan assets in 2016 amounted to EUR 38,783 (previous year: EUR 33,763). The expected return on plan assets for 2017 in accordance with IAS 19.125 amounts to 1.95 percent (previous year: 2.3 percent).

Contributions to the pension plan in financial year 2017 are expected to total EUR 236,850.

Sensitivity analyses

A rise or fall in essential actuarial assumptions of one half of one percent would have affected the cash value of the pension liabilities as of December 31, 2016 as follows:

EUR	Development in pension commitment	
	+0.25%	**-0.25%**
Discount interest rate (initially 1.95%)	-412,970	443,398
Pension trend (initially 3.0%)	310,002	-293,614

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

The mean duration of the defined benefit commitment as of the end of the reporting period was 23.06 years (previous year: 23.65 years).

30. Equity

The development in equity is evident from the statement of changes in consolidated equity. The dividend paid in 2016 amounted to EUR 0.95 (previous year: EUR 0.88) per share. In addition there was also a special distribution of EUR 1.85 per share.

Issued shares in circulation

The company's capital is divided into 3,976,568 shares each with a nominal value of EUR 1.00. All shares carry full voting and dividend rights. On average during the year there were 3,976,568 shares in circulation (previous year: 3,976,568).

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:

	31.12.2016	31.12.2015
Andreas F.J. Obereder	1,988,285	1,988,285
Peter Kirn	10,873	12,787
Gesamt	**1,999,158**	**2,001,072**

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

Capital reserve

As of December 31, 2016 the capital reserve stood at EUR -661,338 (previous year: EUR -661,338). The purpose of this reserve is to carry the premium achieved over and above the subscribed capital (share premium) in connection with a flotation or increase in capital, as well as to carry the amount achieved through the issue of convertible bonds for the purchase of shares (convertible bond premium). Due to losses incurred in the application of treasury shares in connection with the convertible bond program in 2012, the capital reserve showed a negative balance.

Equity deriving from unrealized profits/losses

Equity deriving from unrealized profits and losses was accounted for in the amount of EUR 2,145,771 (previous year: EUR 1,845,391) by the revaluation of defined benefit pension plans and the associated tax effects, and in the amount of EUR 146,795 (previous year: EUR 47,067) by the recognition in equity of losses on financial assets available for sale and their corresponding tax effects.

IV. Notes to the Consolidated Income Statement

31. Sales revenues

The sales revenues were composed as follows:

EUR	2016	2015
Software licenses	11,206,320	9,838,285
Software maintenance	18,100,871	16,875,958
Total software	**29,307,191**	**26,714,243**
Consulting	13,378,907	11,905,726
Hardware	4,443,631	4,610,428
Miscellaneous	2,413,918	1,710,375
Total sales revenues	**49,543,647**	**44,940,772**

For long-term production orders, pursuant to IAS 11 the company realizes sales in accordance with the progress of each project. That is to say, the revenues are realized in line with the degree of completion. The degree of completion is in turn calculated as the ratio of hours already worked to the expected number of hours required for implementation. A project schedule is prepared for each long-term order. Deferrals which include both amounts invoiced in advance for production orders as well as maintenance services are used to demarcate sales that will be implemented in subsequent periods and be realized at that time.

Overall in financial year 2016 the amount of EUR 2,079,486 (previous year: EUR 2,737,342) deriving from production orders was realized as sales revenue. The costs of long-term production orders during the financial year amounted to EUR 1,210,906 (previous year: EUR 1,702,629). On December 31, 2016, as in the previous year, there were no profits from projects realized by the percentage of completion method and not yet billed.

The company has customers in all branches of industry as well as in the public sector. In the financial years 2016 and 2015 no single customer accounted for a proportion of 10 percent or more of total sales.

The sales revenues were distributed between product groups as follows:

EUR	2016	2015
ATOSS Staff Efficiency Suite (ASES) and ATOSS Startup Edition (ASE)	43,193,130	39,538,373
ATOSS Time Control	6,350,517	5,402,399
Total	**49,543,647**	**44,940,772**

The geographic breakdown of sales revenues was as follows:

EUR	2016	2015
Germany	40,991,588	38,215,695
Austria	4,272,222	4,673,981
Switzerland	2,215,715	1,485,756
German-speaking territories in total	**47,479,525**	**44,375,432**
Other countries	2,064,122	565,340
Total	**49,543,647**	**44,940,772**

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

32. Cost of sales

In addition to the material cost of goods bought for resale (hardware and other merchandise), the cost of sales also includes expenditure on external services as well as the personnel costs and overhead incurred in the provision of services by the consulting, services and support departments. Overheads included in the cost of sales essentially comprise rental, infrastructure, travel and motor vehicle costs. Overheads are generally apportioned per capita per department.

EUR	2016	2015
Material costs (goods for resale)	4,078,199	4,398,510
Material costs (external services)	190,772	183,495
Personnel costs	7,661,856	6,959,262
Scheduled depreciation of property, plant and equipment as well as intangible assets	207,158	191,500
Overheads	2,790,974	2,405,363
Total	**14,928,959**	**14,138,130**

33. Marketing costs

The marketing costs include personnel costs and overheads attributable to marketing as well as advertising costs recognized as an immediate expense. Overheads included in the cost of marketing essentially comprise rental, infrastructure, travel and motor vehicle costs. Overheads are generally apportioned per capita per department.

EUR	2016	2015
Marketing personnel costs	6,001,628	5,299,938
Scheduled depreciation of property, plant and equipment as well as intangible assets	123,011	127,601
Marketing overheads	1,104,625	1,234,766
Advertising costs	791,091	723,584
Total	**8,020,355**	**7,385,889**

34. Administration costs

Overheads included in the cost of administration essentially comprise rental, infrastructure, travel and motor vehicle costs. Overheads are generally apportioned per capita per department. The administrative costs were composed as follows:

EUR	2016	2015
Personnel costs	2,971,222	2,618,633
Scheduled depreciation of property, plant and equipment as well as intangible assets	60,614	71,003
Administration overheads	747,854	842,870
Total	**3,779,690**	**3,532,506**

35. Expenditure on research and development

Overheads included in the cost of research and development essentially comprise rental, infrastructure, travel and motor vehicle costs. Overheads are generally apportioned per capita per department. The expenditure on research and development was composed as follows:

EUR	2016	2015
Research and development personnel costs	7,683,981	7,089,829
Scheduled depreciation of property, plant and equipment as well as intangible assets	317,191	298,190
Research and development overheads	1,487,312	1,318,584
Total	**9,488,484**	**8,706,603**

36. Personnel costs

EUR	2016	2015
Wages and salaries	20,484,585	18,379,402
Social security contributions and expenditure on retirement pensions and welfare	3,834,102	3,588,261
of which expenditure on retirement pensions and welfare EUR 255,039 (previous year: EUR255,536)		
Service costs EUR 237,392 (previous year: EUR 232,685)		
Total	**24,318,687**	**21,967,663**

37. Financial investment income and expenses

The financial investment income in the amount of EUR 225,805 (previous year: EUR 97,582) relates essentially to income from the write-ups on miscellaneous financial assets (gold) in the amount of EUR 172,320 as well as interest in the investment of liquid funds in the amount of EUR 42,349. The figure for the previous year additionally included profits from the partial disposal of gold holdings carried as miscellaneous financial assets in the amount of EUR 73,320.

In 2016 the company recorded financial expenses amounting to EUR 117,234 (previous year: EUR 119,586). This essentially concerned financial expenses in connection with pension provisions amounting to EUR 97,043 (previous year: EUR 98,291).

38. Other operating income and expenses

Other operating income essentially includes income from the liquidation of miscellaneous liabilities and provisions in the amount of EUR 279,682 (previous year: EUR 159,625) as well as income from exchange rate differentials in the amount of EUR 27,541 (previous year: EUR 167,577).

Other operating expenses essentially comprise the amount of EUR 77,832 (previous year: EUR 140,063) in connection with exchange rate differentials.

39. Tax charge / tax income

EUR	2016	2015
Current tax charge	4,233,006	3,615,404
Deferred taxes: (cf. Note 23)	166,022	115,935
Tax charge	**4,399,028**	**3,731,339**

V. Notes to the Consolidated Statement of Cash Flows

40. Cash flow from business operations

The cash flow from business operations for the period from January 1 to December 31, 2016 amounted to EUR 12,239,711, representing an increase of EUR 4,222,611 over the previous year's figure of EUR 8,017,100.

The operating cash flow was boosted mainly by net earnings, an increase in miscellaneous liabilities arising from higher salary and commission liabilities and an increase in advance payments on orders received. On the other hand cash flow was reduced mainly as a result of the reduction in tax provisions due to higher tax prepayments.

The average time to receipt in financial year 2016 was 28 days (previous year: 28 days), and may as in the past be regarded as very low.

41. Cash flow from investment activities

Cash flow from investments for the period from January 1 to December 31, 2016 amounted to EUR - 4,116,903 (previous year: EUR –1,842,654), representing an increase of EUR 2,274,249 over the year before. This resulted from expenditure on investments in fixed assets in the amount of EUR 1,116,902 (previous year: EUR 679,654) as well as disbursements in respect of a capital investment in an investment fund amounting to EUR 3,000,000 (previous year: disbursement in the amount of EUR 5,000,000 by way of capital investment with an insurance company).

42. Cash flow from financing activities

The cash flow from financing activities for the period from January 1 to December 31, 2016 amounted to EUR -11,134,390 (previous year: EUR -3,500,630) and was thus EUR 7,633,760 greater than in the year before. This cash flow derived from the payment of a dividend of EUR 0.95 per share (previous year: EUR 0.88) and a special distribution of EUR 1.85 per share (previous year: EUR 0.00).

VI. Other disclosures

43. Supervisory Board

The members of the Supervisory Board are:

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

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

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

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

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

EUR	2016	2015
Peter Kirn		
Compensation pursuant to the Articles of Association	20,000	20,000
Attendance allowances	6,000	6,000
Total	**26,000**	**26,000**

EUR	2016	2015
Rolf Baron Vielhauer von Hohenhau		
Compensation pursuant to the Articles of Association	20,000	20,000
Attendance allowances	6,000	4,500
Total	**26,000**	**24,500**

EUR	2016	2015
Klaus Bauer		
Compensation pursuant to the Articles of Association	10,000	10,000
Attendance allowances	3,000	2,250
Total	**13,000**	**12,250**

In financial year 2016 there were no payments made for consultancy work beyond the scope of Supervisory Board activities (previous year: EUR 0).

44. Management Board

The members of the Management Board are:

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

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

EUR	2016	2015
Andreas F.J. Obereder		
Non-performance-related remuneration		
Salary	540,000	540,000
Miscellaneous	118,984	117,364
Performance-related remuneration		
Single-year profit-share payment	34,028	41,831
Multi-year profit-share payment	84,000	84,000
Overall remuneration	**777,012**	**783,124**

EUR	2016	2015
Christof Leiber		
Non-performance-related remuneration		
Salary	200,000	200,000
Miscellaneous	67,160	66,520
Performance-related remuneration		
Single-year profit-share payment	48,612	59,758
Multi-year profit-share payment	120,000	120,000
Overall remuneration	**435,772**	**446,278**

As a result of the extension of his contract effective January 1, 2014 for a further five years, the profit-share payment to the Chief Executive Officer, Mr. Andreas Obereder, includes entitlements for the achievement of single-year (40 percent) and pro rata multi-year targets (60 percent, three-year target-based profit share payment). Given that these entitlements are confirmed only after the financial year has ended, actual payments may deviate.

On the basis of the contract extended for a further five years with effect from April 1, 2012 with Chief Financial Officer Mr. Christof Leiber, his profit-share payment includes entitlements for the achievement of single-year (40 percent) and pro rata multi-year targets (60 percent, three-year target-based profit-share payment). Given that these entitlements in respect of single-year targets are confirmed only after the financial year has ended, actual payments may differ from the calculated profit-share payment. The multi-year profit-share payment entitlement for 2016 is calculated on the basis of the estimated achievement of targets for 3 years. Part-amounts are disbursed by way of advance payments. The actual multi-year profit share payment entitlement may vary dependent on the extent to which targets are achieved over the overall period from 2015 to 2017.

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 2016 for benefits after the retirement of the CEO, please refer to Notes 16 and 29.

As of December 31, 2016 there were provisions for liabilities to members of the Management Board amounting to EUR 345,589 (previous year: EUR 262,450) in respect of variable remuneration elements not yet paid.

45. Business relations with closely related persons

The wife of the Chief Executive Officer provides services to the company. In 2016 the value of services provided amounted to EUR 4,000.00 (previous year: EUR 1,924.00). These are standard market terms.

On December 6, 2012 the majority shareholder, Andreas F.J. Obereder of Grünwald, Germany, transferred 1,988,285 shares in ATOSS Software to the company AOB Invest GmbH of Grünwald, Germany, which is wholly owned by him. Accordingly, AOB Invest GmbH is the ultimate parent company of ATOSS Software AG.

With the exception of the existing contract between the company and Mr. Andreas F.J. Obereder and the contract newly entered into effective January 1, 2015, there were no reportable events during the financial year in the relationship between our company and AOB Invest GmbH (controlling company) and Mr. Andreas F.J. Obereder, nor with any company associated with AOB Invest GmbH (controlling company) or Mr. Andreas F.J. Obereder. The company is in no way disadvantaged by the abovementioned contract.

No further transactions took place in the 2016 reporting period with members of the Management or Supervisory Boards or other affiliated persons other than those specified in Note 43 (Supervisory Board) or Note 29 (Pension provisions).

46. Employees

On December 31, 2016 the company had 367 employees (previous year: 340). The average during the year was 357 (previous year: 327); excluding the Management Board, trainees, interns and temporary staff, the average number of employees was 337 (previous year: 311).

The quarterly average number of employees was as follows:

	2016	2015
Sales and marketing	60	52
Consulting	96	89
Development	151	138
Administration	50	48
Total	**357**	**327**
Of which trainees	7	6
Of which temporary staff and interns	11	8
Of which Management Board members	2	2

47. 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	2016	2015
Audit of the annual financial statements	65,440	62,320
Total of fees	**65,440**	**62,320**

No further payments were made to the auditors.

48. Financial commitments

The financial commitments relate to rental and leasing contracts.

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

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

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

EUR	Rents for premises	Other rents and lease payments
2017	745,402	711,832
2018 to 2020	3,402,477	789,596
post 2020	2,006,986	0
Total	**6,154,865**	**1,501,428**

The overall costs of all rental and lease agreements in financial year 2016 amounted to EUR 1,684,626 (previous year: EUR 1,511,496).

49. 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, 2016 and December 31, 2015 no changes were made in the Group's objectives, policies or procedures. Further information on how the capital structure of the Group is managed is contained in the Management Report.

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

The Group has various financial assets at its disposal including for example trade accounts receivable, financial assets available for sale and cash and cash equivalents. The essential risks deriving from the financial assets comprise market, liquidity and credit risks.

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

As of the reporting date, the risk associated with financial assets invested in investment funds amounted at fair value to EUR 2,956,029 (previous year: EUR 0). A further fall of 25 percent in the market price of the investment fund as a consequence of changes in market conditions would impact Group earnings in the amount of EUR 0 (previous year: EUR 0) and equity in the amount of EUR 739,007 (previous year: EUR 0). The value of the fund investment is deemed to be impaired insofar as the fair value is 25 percent below cost, or remains below cost for 6 months without interruption. An increase of 25 percent in the value of the investment fund would simply affect equity, but not earnings.

In the case of financial assets invested in gold, the risk on the closing date amounted at fair value to EUR 1,911,090 (previous year: EUR 1,677,905). A further fall of 10 percent in the gold price as a consequence of changes in market conditions would impact earnings in the amount of EUR -140,572 (previous year: EUR -123,340) and equity in the amount of EUR -178,475 (previous year: EUR -156,678). The value of gold is deemed to be impaired insofar as the fair value is 10 percent below cost, or remains below cost for 6 months without interruption. An increase of 10 percent in the value of gold would affect equity or earnings, dependent on whether an impairment had previously been recognized.

These sensitivity analyses each relate to the situation as of December 31, 2016.

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 2016 or 2015, nor will it do so in future.

To manage these credit risks the Group enters into transactions exclusively with creditworthy third parties. All customers with whom the Group wishes to enter into credit-based transactions are subjected to credit checks. In addition the trade accounts receivable are permanently monitored with the result that the Group is not exposed to any significant risk of default. The maximum default risk is limited to the carrying value detailed in Note 20. In the case of the Group's other financial assets such as cash and cash equivalents, the maximum credit risk in the event of a counterparty default equates to the carrying value of these instruments.

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

The Group assesses the concentration of risk in connection with other financial assets as low. Receivables are due from customers in a variety of sectors, operating in independent markets. The Group also invests its available liquidity in various forms of investment such as gold, investment funds, capital investments with banks and insurance companies and fixed-term deposits.

50. Events after the balance sheet closing date

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

51. German Corporate Governance Code

The Management and Supervisory Boards issued a declaration of compliance with the German Corporate Governance Code as required by Section 161 of the German Stock Corporation Act on December 1, 2016. The full text of the declaration is available on the Internet at https://www.atoss.com/de/unternehmen/investor-relations/corporate-governance/2016/Documents/ATOSS_Entsprechenserklaerung_2016.pdf. 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.

52. Notifiable participating interests

On the basis of information received by the company pursuant to Sections 21 ff. of the German Securities Trading Act (WpHG) as of December 31, 2016 the notifiable participating interests in the company were as follows:

Effective April 10, 2002 Mrs. Ursula Obereder, Grünwald, registered a voting share of 6.5 percent of the company's nominal capital.

Since December 16, 2014 MainFirst SICAV, Luxembourg, has held a voting share of 5.07 percent of the company's nominal capital.

Since October 22, 2013 Investmentgesellschaft für langfristige Investoren TGV, Bonn, has held a voting share of 5.004 percent of the company's nominal capital.

The actual number of voting rights may deviate from the number listed as a result of interim, non-notifiable or unreported trading.

In financial year 2016 the company received no notifications regarding changes in participating interests pursuant to Sections 21 ff. WpHG.

53. Adoption of the consolidated financial statements

The present annual financial statements were passed on February 13, 2017 by the Management Board and submitted to the Supervisory Board which may make alterations to the said statements up to and including the time of the Supervisory Board meeting to adopt the accounts on March 7, 2017.

The Management Board 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.

54. Appropriation of net income

The Management and Supervisory Boards propose that the surplus net income reported by ATOSS Software AG, Munich, for the past financial year 2016 in the amount of EUR 7,313,887 should be used to pay a dividend of EUR 1.16 per dividend-bearing share.

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

Munich, February 13, 2017

Andreas F.J. Obereder
Chief Executive Officer

Christof Leiber
Member of the Board of Management

Audit Opinion

We have audited the consolidated financial statements prepared by ATOSS Software AG, Munich, 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 to December 31, 2016. 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 13, 2017

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Bostedt
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, February 13, 2017

Andreas F.J. Obereder
Chief Executive Officer

Christof Leiber
Member of the Board of Management

CORPORATE CALENDAR

January 31, 2017
Press release preliminary results 2016

March 10, 2017
Publication annual report 2016

March 10, 2017
Balance sheet press conference

April 25, 2017
Press release three months' statement

April 28, 2017
Annual general meeting

July 25, 2017
Press release six months' statement

August 11, 2017
Publication six months' statement

October 25, 2017
Press release nine months' statement

November 27 – 29, 2017
ATOSS at the German Equity Forum

IMPRINT

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