



**2008.3**

QUARTERLY REPORT 2008.3

# LETTER TO SHAREHOLDERS

**Dear Shareholders,  
Ladies and Gentlemen,**

Following a successful first half year in 2008 we have recorded continuing growth and achieved the best 9-monthly result in the company's history. With an operating profit (EBIT) of € 3.9 million, we are not only 42 percent ahead of the same period last year: We have in fact already exceeded the full-year result (€ 3.7 million) for the whole of 2007. There can now be no doubt that 2008 will be our third record year in succession.

## **Strong development in sales of software licenses and consulting**

Having already recorded satisfying sales growth in the first half of 2008, ATOSS continued this trend in the third quarter. Thanks to strong demand for software licenses and consulting in particular, we achieved an increase of 11 percent over the year before, lifting sales to € 6.7 million.

As the pace of growth accelerates, we have recorded overall sales of € 20.1 million in financial year 2008 to date (2007: € 17.8 million). Whereas in the same period last year we generated a rise of 11 percent, this year the rate increased to 13 percent. One of the decisive factors driving this growth has been our continued, outstanding success in acquiring new customers, especially in the retail sector.

Once again in the third quarter we recorded a balanced development in business which extended to sales of all types. In the first nine month of the current year turnover in software licenses was up 11 percent at € 4.4 million, while software maintenance rose 10 percent to reach € 7.4 million compared to the same period in prior year. In this respect, long-term maintenance contracts provide continuous, calculable growth. Consulting sales increased by an even more emphatic 24 percent in association with new projects

to stand at € 5.5 million, underpinning the robust development in our operations.

## **Outstanding profit growth continues**

Thanks to the solid development in sales in conjunction with sustained cost efficiency, the operating profit (EBIT) of almost € 4 million to September 30, 2008 was some 42 percent up on the year before. This outstanding profit growth is also evident in the EBIT margin which rose from 16 percent last year to 20 percent. This is an impressive step toward our medium-term goal of achieving an EBIT margin in excess of the 20 percent mark. Our other key figures were also substantially improved, with the net result up from € 1.8 million last year to € 2.7 million and profit per share up from € 0.46 to € 0.67.

## **Stability assured with high liquidity, a strong equity ratio and sound investments**

Liquidity as of September 20, 2008 stood at € 15.4 million (previous year: € 14.8 million). The company's considerable financial strength is confirmed by the continuing strong equity ratio of 59 percent (previous year: 52 percent). 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.

Whereas in the past the policy adopted by ATOSS of investing our consistently high liquidity largely in term deposits or other safe, short time to maturity investments has been viewed by many investors as too conservative, our practice is now confirmed to be correct. Our investment policy is focused on the preservation of value – security takes precedence over returns. In view of the changing market

» ATOSS has now achieved the best 9-monthly result in the history of the company. We will conclude the year 2008 as the third record year in a row. «

conditions, our policy will in future continue to prioritize secure and sustainable value. At the present time the company's substantial liquid funds amounting to over € 15 million are invested almost exclusively in interest-bearing current accounts, fixed-term deposits or Federal treasury notes with a short time to maturity.

#### Strong order book safeguards targets

While sales of software licenses rose substantially in the first nine months, orders received increased even more strongly. We achieved an increase of 16 percent in this field, lifting software license orders from € 4.1 million to € 4.7 million. In a clear demonstration of customers' sustained interest in the solutions offered by ATOSS, orders on hand grew by 64 percent compared with the same time last year, up from € 1.4 million to € 2.3 million. Our long established customer base coupled with the rise in orders on hand for software licenses serves to enhance the stability of our business model and provide the security that our sales targets will be met.

#### Continuing development in products and services

In addition to the substantial stability of our relations with customers and our order book, the continuing development of the ATOSS product range is one of the principal elements in our corporate strategy. We invest around 20 percent of our sales revenues in research and development in order to sustainably safeguard and extend the features that distinguish our software solutions. The growth in our enterprise is in large measure attributable to this, by comparison, above-average level of expenditure. For this reason our investment in research and development will reach a new high of around € 5 million in the current year.



Andreas F.J. Obereder

Christof Leiber

#### Third record year in succession

Based on the excellent results of the first nine months and the gratifyingly strong order book, we expect an operating profit totaling around € 5 million for financial year 2008. This will be the third record year in succession in the history of ATOSS Software AG.

Yours truly,

Andreas F.J. Obereder  
(Chief Executive Officer)

Christof Leiber  
(Management Board member)

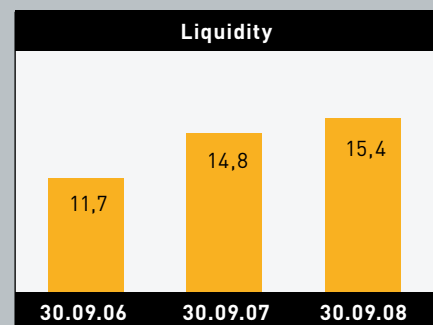
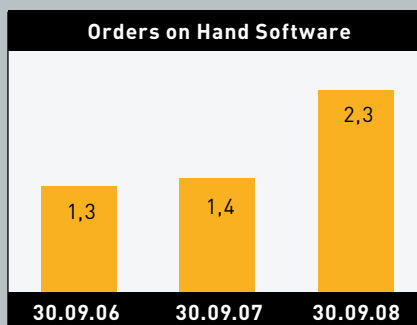
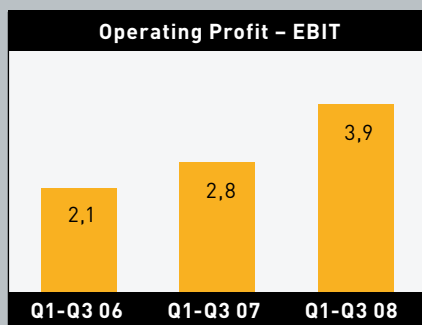
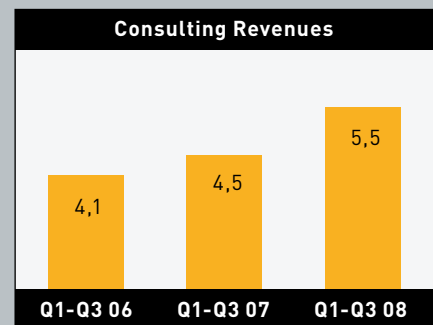
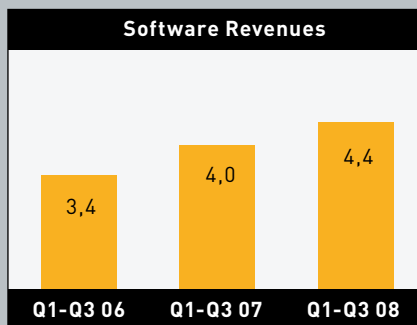
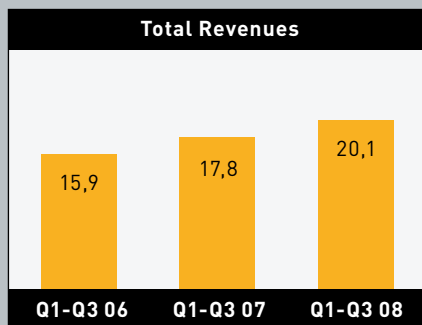
# FACTS OVERVIEW

## ECONOMIC BACKGROUND

The crisis in the financial markets is now also spreading to the real economy. Current and anticipated future development in this sector is below expectations.

## ATOSS SOFTWARE AG

Strong growth earns ATOSS a continuing increase in market share. After a record 9 months, a third record year in succession is expected.



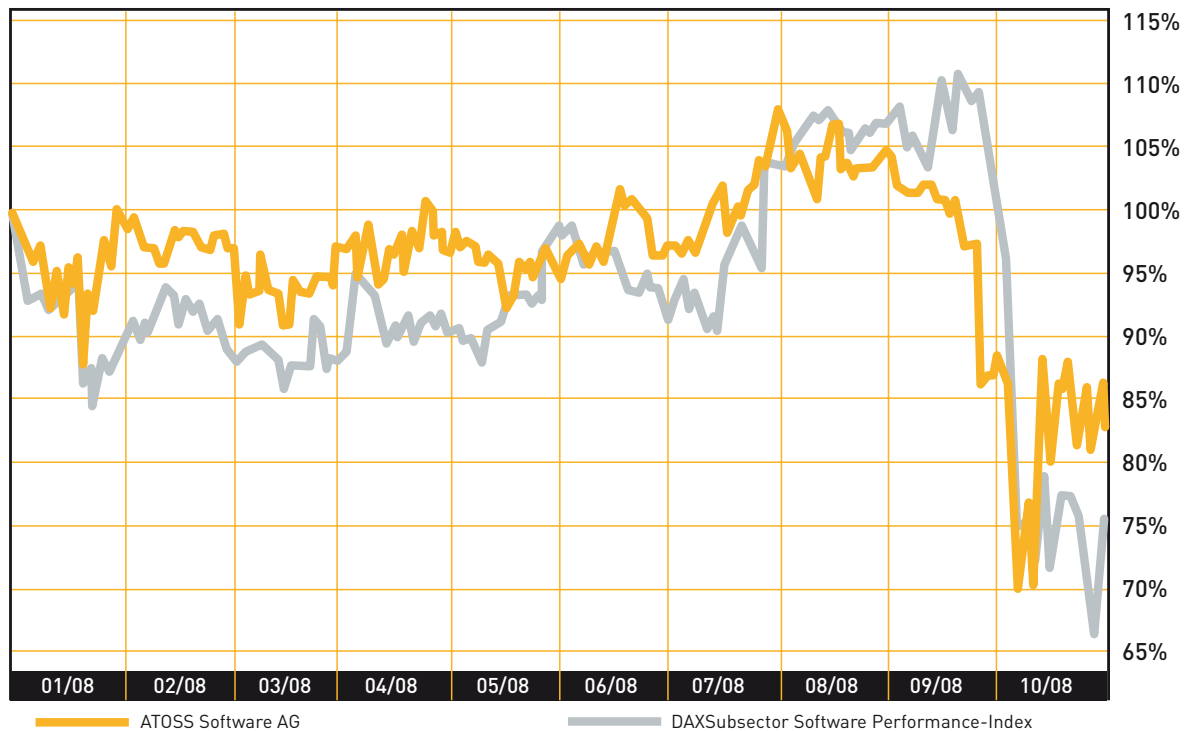
| CONSOLIDATED OVERVIEW AS PER IFRS: 9-MONTH COMPARISON IN EUR'000 |               |                                 |               |                                 |                     |
|--|---------------|---------------------------------|---------------|---------------------------------|---------------------|
|  | 2008          |                                 | 2007          |                                 | Change<br>2008/2007 |
|  | to September  | Proportion of<br>total revenues | to September  | Proportion of<br>total revenues |                     |
| <b>Software</b>  | <b>11,840</b> | <b>59%</b>                      | <b>10,748</b> | <b>61%</b>                      | <b>10%</b>          |
| Software licenses  | 4,423         | 22%                             | 3,990         | 22%                             | 11%                 |
| Software maintenance   | 7,417         | 37%                             | 6,758         | 38%                             | 10%                 |
| Consulting   | 5,524         | 28%                             | 4,467         | 25%                             | 24%                 |
| Hardware   | 2,080         | 10%                             | 2,005         | 11%                             | 4%                  |
| Other  | 623           | 3%                              | 532           | 3%                              | 17%                 |
| <b>Total sales revenues</b>                                      | <b>20,067</b> | <b>100%</b>                     | <b>17,752</b> | <b>100%</b>                     | <b>13%</b>          |
| EBITDA   | 4,255         | 21%                             | 3,155         | 18%                             | 35%                 |
| <b>EBIT</b>  | <b>3,948</b>  | <b>20%</b>                      | <b>2,789</b>  | <b>16%</b>                      | <b>42%</b>          |
| EBT  | 3,949         | 20%                             | 3,097         | 17%                             | 28%                 |
| Net income   | 2,679         | 13%                             | 1,808         | 10%                             | 48%                 |
| Cash flow  | 3,556         | 18%                             | 5,477         | 31%                             | -35%                |
| Liquidity <sup>1,2</sup>   | 15,425        |                                 | 14,841        |                                 | 4%                  |
| EPS (in EUR)   | 0.67          |                                 | 0.46          |                                 | 46%                 |
| Employees <sup>3</sup>   | 213           |                                 | 192           |                                 | 11%                 |

| CONSOLIDATED OVERVIEW AS PER IFRS: QUARTERLY COMPARISON IN EUR'000 |              |              |              |              |              |
|--|--------------|--------------|--------------|--------------|--------------|
|  | 2008         |              | 2007         |              | 2007<br>Q3   |
|  | Q3           | Q2           | Q1           | Q4           |              |
| <b>Software</b>  | <b>4,126</b> | <b>3,996</b> | <b>3,717</b> | <b>3,900</b> | <b>3,782</b> |
| Software licenses  | 1,603        | 1,513        | 1,307        | 1,419        | 1,482        |
| Software maintenance   | 2,523        | 2,483        | 2,410        | 2,481        | 2,300        |
| Consulting   | 1,860        | 1,894        | 1,770        | 1,740        | 1,489        |
| Hardware   | 540          | 814          | 725          | 678          | 644          |
| Other  | 222          | 217          | 187          | 352          | 184          |
| <b>Total sales revenues</b>  | <b>6,748</b> | <b>6,921</b> | <b>6,399</b> | <b>6,670</b> | <b>6,099</b> |
| EBITDA   | 1,310        | 1,521        | 1,395        | 1,050        | 1,020        |
| <b>EBIT</b>  | <b>1,214</b> | <b>1,429</b> | <b>1,306</b> | <b>941</b>   | <b>907</b>   |
| EBIT margin  | 18%          | 21%          | 20 %         | 14 %         | 15 %         |
| EBT  | 1,394        | 1,549        | 1,006        | 1,075        | 1,028        |
| Net income   | 948          | 1,046        | 685          | 693          | 564          |
| Cash flow  | 3,034        | -2,513       | 3,035        | -1,325       | 3,238        |
| Liquidity <sup>1,2</sup>   | 15,425       | 12,472       | 16,375       | 13,468       | 14,841       |
| EPS (in EUR)   | 0.24         | 0.26         | 0.17         | 0.17         | 0.14         |
| Employees <sup>3</sup>   | 213          | 207          | 198          | 195          | 192          |

<sup>1</sup> Cash and marketable securities, <sup>2</sup> Dividend of € 0.31 paid on April 30, 2008 (previous year € 0.24 on April 27, 2007),

<sup>3</sup> At the end of the quarter

# INVESTOR RELATIONS



## CONSOLIDATED OVERVIEW AS PER IFRS: QUARTERLY COMPARISON IN EUR

|                               | 2008   |        |        |        | 2007   |
|-------------------------------|--------|--------|--------|--------|--------|
|                               | Q3     | Q2     | Q1     | Q4     | Q3     |
| Highest share price           | 8.90   | 8.40   | 8.40   | 9.35   | 9.63   |
| Lowest share price            | 7.10   | 7.61   | 7.20   | 7.60   | 8.02   |
| Share price at end of quarter | 7.10   | 7.95   | 7.80   | 8.29   | 8.50   |
| Treasury stock                | 24,500 | 29,500 | 29,500 | 31,881 | 65,881 |
| Dividend paid per share       | 0.00   | 0.31   | 0.00   | 0.00   | 0.00   |
| Cash flow per share           | 0.76   | -0.63  | 0.76   | -0.33  | 0.82   |
| Liquidity per share           | 3.86   | 3.12   | 4.10   | 3.39   | 3.75   |
| EPS                           | 0.24   | 0.26   | 0.17   | 0.17   | 0.14   |
| EPS (diluted)                 | 0.24   | 0.26   | 0.17   | 0.17   | 0.14   |

### ATOSS again stands out positively in the third quarter

In a climate in which many companies in the software sector have recently been compelled either to report weaker figures for the current year or at least make a downward revision in their forecasts, SES Research took a highly positive view of both the half-year figures released by ATOSS early in July as well as the 9-months figures published on October 24. The substantial rates of growth in sales and earnings exceeded the analysts' expectations. ATOSS continued to develop strongly and was able to report numerous prominent new customers, a large proportion of whom are drawn from the retail sector. Not only was ATOSS attractively valued in the opinion of the analysts – more importantly the company has an exceptionally good risk profile for an IT enterprise, as well as highly stable earnings. SES also pointed to the robust development in the company's sales in conjunction with an enduringly efficient cost structure, a combination which supports long-term high margins. What's more, the comparatively high dividend yield and substantial liquidity were also regarded as positive factors.

### Above-average development in the ATOSS share price

In the first half of 2008, the ATOSS share price tended to move sideways within a relatively narrow fluctuation range. The company's excellent figures went unregarded, whereby it must be borne in mind that both second-line stocks as a whole, as well as the software industry in general were shunned by institutional investors.

It was not until the third quarter that our stock broke free of this sideways trend and began to climb. ATOSS shares peaked at around € 9 and remained highly stable close to their annual high in August and September. Ultimately however, our stock was unable to escape the general development in the market.



ATOSS Customer Radio Bremen

Considering the movement in the share price over the year 2008 as a whole, allowing for the dividend, the loss to shareholders between January 1 and September 30, 2008 has been around 10 percent. Certainly not a satisfactory result, yet in comparison with various other stocks in this sector and indeed with other technology stocks and indices, this nevertheless ranks as a success.

### Company valuation exceptionally low

On September 30, 2008 the market capitalization of ATOSS Software AG stood at around € 29 million. The company's liquidity alone on this date at € 15.4 million equated to more than half this figure. Our successful software enterprise as a whole was therefore valued at less than € 14 million.

### Confirmed by analysts

Following publication of the provisional quarterly figures to September 30, 2008, which underscored the positive performance ATOSS achieved in spite of the financial market crisis and its effects on the economy, SES Research raised its EBIT forecast to around € 5 million. The analysts above all emphasized the record order intake in the third quarter, the company's good risk profile and its highly stable earnings. Their model calculations indicate an EV/EBIT ratio of 2.73 and a P/E ratio of 8.29 – at this current level in the opinion of SES the company is extremely attractively valued. Viewed against this overall background, SES emphasized its "buy" rating with an upside target still at € 14.00.

**Low share price provides an opportunity to buy back shares**

Shortly after September 30, 2008 in the wave of turbulence that spread through the stock markets, ATOSS shares soon came under heavy pressure as well. The low share price again led to markdowns in valuation as the ratio of enterprise value (market capitalization less liquidity) to expected operating profits for the year hovered between two and three.

This low valuation of ATOSS Software AG, which resulted in particular from the weakness of the stock markets in the first half of October, motivated the Management Board to buy company shares. Under the terms of the authority granted by the General Meeting on April 29, 2008 to buy back shares and on the basis of several resolutions adopted by the Management Board, a total of 36,478 shares were purchased in October 2008 on the stock market at an average price of € 6.36 per share. The company provides a continuous report on the progress of its share buy-back on its web site ([www.atoss.com](http://www.atoss.com)).



ATOSS Customer KEUCO GmbH & Co. KG

# CONSOLIDATED MANAGEMENT REPORT

## 1. Business and conditions: Global economy weak, German ICT industry stable

As a result of the inflationary pressures exerted by prices for non-renewable resources, the real estate market corrections affecting more and more countries and the worldwide financial crisis, the global economy is on a downward path. In Germany this situation is prompting a further sharp downhill trend in the ifo business climate index. Provided that efforts to stabilize the banking sector prove successful, however, the leading economic research institutes expect the global economy to recover from mid 2009 onwards. Germany is still expected to record economic growth of 1.8 percent in 2008, to be followed by stagnation in 2009 with growth of just 0.2 percent.

According to the industry association BITKOM, the market for information and communications technology in Germany is, however, only barely affected by the consequences of the financial crisis. Of the companies surveyed by BITKOM, 85 percent see no cause for revise staffing levels. Some 15,000 new jobs have already been created in the current year. Nevertheless, current and anticipated future development in this sector is below original expectations.

## 2. Earnings situation: Outstanding development in business in the first nine months

In spite of the difficult economic environment ATOSS Software AG generated an excellence result: Total sales were up 13 percent at € 20.1 million, compared with € 17.8 million in the year before. As in the previous year, ATOSS has thus once again achieved the highest sales in the first nine months of any financial year since the company was founded.

Software license sales up 11 percent at € 4.4 million (previous year: € 4.0 million) remain the driving force behind

our business model. Recurring maintenance revenues were increased by 10 percent from € 6.8 million to € 7.4 million.

Thanks to high levels of capacity utilization and the considerable commitment of our consultants, turnover in services again developed strongly. Consulting sales rose by 24 percent from € 4.5 million to € 5.5 million. This gratifying progress is attributable not least to the effort ATOSS has for some years devoted to developing both personnel and expertise.

Hardware sales, that is to say sales of peripheral recording equipment, also rose with 4 percent growth taking the total to € 2.1 million (previous year: € 2.0 million).

The operating profit (EBIT) in particular at € 3.9 million was a hefty 42 percent higher than the previous year's figure of € 2.8 million. This included a € 0.3 million lift resulting from the liquidation of overly generous provisions formed in previous years.

Earnings after taxes to September 30, 2008 came in at € 2.7 million, representing growth of 48 percent relative to the € 1.8 million recorded in the same period last year.

Earnings per share accordingly rose from € 0.46 to € 0.67.

Orders on hand for software licenses at the end of the first nine months amounted to € 2.3 million, up by 64 percent over the previous year's figure of € 1.4 million. Against this background, even in a difficult economic environment the company is confident that it will achieve its profits targets for financial year 2008.

### 3. Net assets and financial position

Liquidity (cash and marketable securities) rose to € 15.4 million, compared with € 14.8 million on September 30, 2007. Operating cash flow in the first nine months amounted to € 3.6 million, compared with € 5.5 million in the year before. Besides the net result, positive factors impacting cash flow included in particular an increase in deferred revenues due to the invoicing of maintenance. Negative factors mainly included reductions in accruals and tax provisions. The dividend distributed in the financial year amounted to € 1.2 million compared with € 1.0 million in the year before.

Non-current assets increased as a result of investments in property, plant and equipment from € 1.0 million on December 31, 2007 to € 1.1 million. The rise in current assets from € 6.7 million to € 19.0 million was essentially due to the increase in liquidity.

The increase in deferred taxes lifted non-current liabilities from € 1.4 million to € 1.5 million.

Current liabilities rose from a 2007 year-end figure of € 5.8 million to € 6.7 million. The principal contributing factor was the increase in deferred revenues from € 1.0 million as of December 31, 2007 to € 3.2 million on September 30, 2008 as a result of maintenance services invoiced in advance. As in the past, deferred revenues will decrease once more by the end of the year.

As a result of the gratifying development in business, equity increased from € 10.5 million to € 11.9 million, equating to 59 percent of overall capital as was the case at the end of 2007. The company thus remains extremely well capitalized, with solvency assured at all times.



### 4. Product development

In August 2008 the fifth version of the ATOSS Staff Efficiency Suite was successfully released – the new generation of this modular solution for work time management and personnel resource planning. ATOSS continues to intensively pursue the development of both new and existing products. Product development costs rose by eleven percent in the first nine months to stand at € 3.8 million, compared with € 3.4 million in the preceding year. As in the year before, development costs thus equate to 19 percent of overall sales.

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

### 5. Employees

Over the past twelve months the number of employees has risen by 11 percent from 192 to 213. On September 20, 2008, ATOSS employed 80 software developers (previous year: 64), with a further 62 staff employed in consulting (previous year: 56) and 37 in sales and marketing (previous year: 38).

Personnel costs for the first nine months of the current financial year increased to € 10.1 million (previous year: € 9.0 million).

### 6. Risks associated with future development

There has been no change in the company's risk structure relative to the description contained in the consolidated financial statements to December 31, 2007.

As in the past, the company's investment policy continues to focus on preserving the value of freely available resources.

#### 7. Events after the balance sheet closing date

Under the terms of the authority granted by the General Meeting on April 29, 2008 to buy back shares and on the basis of several resolutions adopted by the Management Board, the Management Board purchased in October 2008 a total of 36,478 shares on the stock market at an average price of € 6.36 per share. The Management Board reserves the right to purchase further shares in future on the basis of this authority.

In other respects there have been no reportable events of particular import subsequent to September 30, 2008.

#### 8. Outlook

The development in the economy is mirrored in the reductions in the growth forecasts issued by leading economic research institutes for the year 2009. This could also have a negative effect on the company's order situation. However, as a result of the strong order situation to date far and the sustained growth which the company has recorded, the prospects for the current year remain encouraging. With this in mind the company has consolidated its operating profit forecast. ATOSS expects to substantially exceed the operating profit of € 3.7 million booked in the previous year and achieve EBIT of around € 5 million.



ATOSS Customer Alfred Ritter GmbH & Co. KG

# CONSOLIDATED BALANCE SHEET

| <b>CONSOLIDATE BALANCE SHEET TO 30.09.08</b> |                   |                   |
|--|-------------------|-------------------|
| <b>Assets (in EUR)</b>                       | <b>30.09.2008</b> | <b>31.12.2007</b> |
| <b>Non-current assets</b>                    |                   |                   |
| Tangible fixed assets (net)                  | 626,571           | 529,798           |
| Intangible assets (net)                      | 139,032           | 149,841           |
| Deferred taxes                               | 303,943           | 295,319           |
| <b>Total non-current assets</b>              | <b>1,069,546</b>  | <b>974,958</b>    |
| <b>Current assets</b>                        |                   |                   |
| Inventories                                  | 11,690            | 26,120            |
| Trade accounts receivable (net)              | 3,038,018         | 2,833,419         |
| Other current assets                         | 564,622           | 340,627           |
| Cash and cash equivalents                    | 15,424,924        | 13,467,767        |
| <b>Total current assets</b>                  | <b>19,039,254</b> | <b>16,667,933</b> |
| <b>Total assets</b>                          | <b>20,108,800</b> | <b>17,642,891</b> |

| <b>CONSOLIDATE BALANCE SHEET TO 30.09.08</b> |                   |                   |
|--|-------------------|-------------------|
| <b>Equity and liabilities (in EUR)</b>       | <b>30.09.2008</b> | <b>31.12.2007</b> |
| <b>Equity</b>                                |                   |                   |
| Subscribed capital                           | 4,025,667         | 4,025,667         |
| Capital reserve                              | -226,670          | -134,511          |
| Treasury stock                               | -295,058          | -406,608          |
| Unappropriated net income                    | 8,422,272         | 6,981,913         |
| <b>Total equity</b>                          | <b>11,926,211</b> | <b>10,466,461</b> |
| <b>Non-current liabilities</b>               |                   |                   |
| Convertible bonds                            | 24,500            | 35,922            |
| Pension provisions                           | 1,189,579         | 1,212,551         |
| Deferred taxes                               | 257,913           | 102,958           |
| <b>Total non-current liabilities</b>         | <b>1,471,992</b>  | <b>1,351,431</b>  |
| <b>Current liabilities</b>                   |                   |                   |
| Trade accounts payable                       | 263,154           | 446,476           |
| Short-term accruals                          | 2,454,504         | 3,012,888         |
| Deferred revenues                            | 3,232,991         | 1,005,811         |
| Tax provisions                               | 239,238           | 791,439           |
| Other short-term liabilities                 | 520,710           | 568,385           |
| <b>Total current liabilities</b>             | <b>6,710,597</b>  | <b>5,824,999</b>  |
| <b>Total equity and liabilities</b>          | <b>20,108,800</b> | <b>17,642,891</b> |

# CONSOLIDATED INCOME STATEMENT

| CONSOLIDATED INCOME STATEMENT FROM 01.01. TO 30.09.2008 |                  |                  |                   |                   |
|---|------------------|------------------|-------------------|-------------------|
| EUR   | Quarterly report |                  | 9-months report   |                   |
|   | 01.07.08         | 01.07.07         | 01.01.08          | 01.01.07          |
|   | 30.09.08         | 30.09.07         | 30.09.08          | 30.09.07          |
| <b>Sales revenues</b>                                   | <b>6,748,020</b> | <b>6,099,154</b> | <b>20,067,357</b> | <b>17,751,985</b> |
| Cost of sales   | -2,129,302       | -1,906,836       | -6,549,725        | -5,628,394        |
| <b>Gross profit on sales</b>                            | <b>4,618,718</b> | <b>4,192,318</b> | <b>13,517,632</b> | <b>12,123,591</b> |
| Marketing costs   | -1,467,470       | -1,470,615       | -4,184,879        | -4,242,132        |
| Administration costs                                    | -622,559         | -675,394         | -1,946,829        | -1,801,408        |
| Research and development costs                          | -1,319,081       | -1,206,231       | -3,755,702        | -3,384,414        |
| Other operating income                                  | 4,267            | 67,137           | 318,217           | 93,374            |
| <b>Operating income (EBIT)</b>                          | <b>1,213,875</b> | <b>907,215</b>   | <b>3,948,439</b>  | <b>2,789,011</b>  |
| Interest and similar income                             | 190,845          | 134,083          | 479,156           | 349,484           |
| Interest and similar expenses                           | -10,668          | -13,144          | -478,192          | -41,534           |
| <b>Income before taxes</b>                              | <b>1,394,052</b> | <b>1,028,154</b> | <b>3,949,403</b>  | <b>3,096,961</b>  |
| Taxes on income and earnings                            | -445,678         | -463,957         | -1,270,233        | -1,288,879        |
| <b>Net profit</b>                                       | <b>948,374</b>   | <b>564,197</b>   | <b>2,679,170</b>  | <b>1,808,082</b>  |
| Earnings per share (undiluted)                          | 0.24             | 0.14             | 0.67              | 0.46              |
| Earnings per share (diluted)                            | 0.24             | 0.14             | 0.67              | 0.45              |
| Average number of shares in circulation (undiluted)     | 3,999,645        | 3,959,786        | 3,997,916         | 3,958,242         |
| Average number of shares in circulation (undiluted)     | 4,025,776        | 4,032,286        | 4,027,481         | 4,034,114         |



# CONSOLIDATED CASH FLOW STATEMENT

| CONSOLIDATED CASH FLOW STATEMENT FROM 01.01. TO 30.09.2008            |                   |                  |
|---|-------------------|------------------|
| EUR   | 01.01.2008        | 01.01.2007       |
|   | 30.09.2008        | 30.09.2007       |
| <b>Net profit</b>   | <b>2,679,170</b>  | <b>1,808,082</b> |
| Depreciation of fixed assets  | 277,190           | 366,438          |
| Loss (previous year, profit) incurred on the disposal of fixed assets | 5,121             | -7,595           |
| Changes in deferred taxes   | 146,331           | 378,154          |
| Personnel costs arising from the convertible bonds program            | 0                 | 32,670           |
| Provisions for pension commitments                                    | -22,972           | -1,223           |
| <b>Change in net current assets</b>                                   |                   |                  |
| Trade accounts receivable   | -204,599          | 1,273,224        |
| Inventories and other current assets                                  | -209,565          | -33,764          |
| Trade accounts payable  | -183,322          | -185,279         |
| Short-term accruals   | -558,384          | -152,493         |
| Deferred revenues   | 2,227,180         | 1,882,445        |
| Tax provisions  | -552,201          | 122,478          |
| Other short-term liabilities  | -47,676           | -6,568           |
| <b>Cash flow generated through business operations (1)</b>            | <b>3,556,273</b>  | <b>5,476,569</b> |
| <b>Cash flow from investment activities</b>                           |                   |                  |
| Acquisition of tangible and intangible assets                         | -368,273          | -506,095         |
| Disposal of tangible fixed assets                                     | 0                 | 24,385           |
| <b>Cash flow generated through investment activities (2)</b>          | <b>-368,273</b>   | <b>-481,710</b>  |
| <b>Cash flow from financing activities</b>                            |                   |                  |
| Expenditure for the purchase of treasury stock                        | -48,510           | 0                |
| Disbursements resulting from the redemption of convertible bonds      | 0                 | -3,000           |
| Income from the sale of treasury stock                                | 56,479            | 15,396           |
| Dividend payments   | -1,238,812        | -950,348         |
| <b>Cash flow generated through financing activities (3)</b>           | <b>-1,230,843</b> | <b>-937,952</b>  |
| Changes in liquidity <sup>1</sup> – total of (1) to (3)               | 1,957,157         | 4,056,907        |
| Liquidity <sup>1</sup> at the beginning of the period                 | 13,467,767        | 10,784,323       |
| Liquidity <sup>1</sup> at the end of the period                       | 15,424,924        | 14,841,230       |

<sup>1</sup> Liquidity: Cash and marketable securities

# CHANGES IN CONSOLIDATED EQUITY



## CHANGES IN CONSOLIDATED EQUITY AS OF 30.09.08

| EUR                                       | Subscribed capital | Capital reserve | Treasury stock    | Unappropriated net income | Total             |
|---|--------------------|-----------------|-------------------|---------------------------|-------------------|
| <b>As of 01.01.2007</b>                   | <b>4,025,667</b>   | <b>362,241</b>  | <b>-1,102,252</b> | <b>5,431,461</b>          | <b>8,717,117</b>  |
| Net profit                                | 0                  | 0               | 0                 | 1,808,082                 | 1,808,082         |
| Sale of treasury stock                    | 0                  | -79,960         | 104,273           | 0                         | 24,313            |
| Additions deriving from convertible bonds | 0                  | 32,670          | 0                 | 0                         | 32,670            |
| Dividend payments                         | 0                  | 0               | 0                 | -950,348                  | -950,348          |
| <b>As of 30.09.2007</b>                   | <b>4,025,667</b>   | <b>314,951</b>  | <b>-997,979</b>   | <b>6,289,196</b>          | <b>9,631,835</b>  |
| <b>As of 01.01.2008</b>                   | <b>4,025,667</b>   | <b>-134,511</b> | <b>-406,608</b>   | <b>6,981,913</b>          | <b>10,466,461</b> |
| Net profit                                | 0                  | 0               | 0                 | 2,679,170                 | 2,679,170         |
| Sale of treasury stock                    | 0                  | -92,160         | 179,100           | 0                         | 86,942            |
| Purchase of treasury stock                | 0                  | 0               | -67,550           | 0                         | -67,550           |
| Dividend payments                         | 0                  | 0               | 0                 | -1,238,812                | -1,238,812        |
| <b>As of 30.09.2008</b>                   | <b>4,025,667</b>   | <b>-226,670</b> | <b>-295,058</b>   | <b>8,422,272</b>          | <b>11,926,211</b> |

One share represents € 1 of subscribed capital.

# NOTES

Notes to the consolidated financial statements to 30.09.2008



### **1. General**

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

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

The same financial accounting, valuation and computation methods have been applied as in the case of the annual financial statements.

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

### **2. Reporting period**

The present interim report was prepared to September 30, 2008 for the reporting period from January 1, 2008 to that date.

### **3. Currency**

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

### **4. Group of consolidated companies**

In addition to the parent company ATOSS Software AG, Munich, the consolidated financial statements to 30.09.08 also include all subsidiary companies:

ATOSS CSD Software GmbH, Cham  
ATOSS Software Ges.mmbH, Vienna, Austria  
ATOSS Software AG, Zurich, Switzerland  
ATOSS Software S.R.L., Timisoara, Romania

These companies are fully consolidated.

### 5. Changes in equity

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

### 6. Treasury stock

In the first nine months of the financial year 14,000 treasury shares were dispensed in response to the exercise of convertible bonds and 6,619 shares were acquired to underpin the convertible bond program. On September 30, 2008 the company held 24,500 own shares acquired at an average price of € 12.04. Treasury stock is reported as a separate equity item at cost of acquisition.

### 7. Sales revenues

The company's sales revenues were composed as follows:

| EUR                         | 01.01.2008        | 01.01.2007        |
|-----------------------------|-------------------|-------------------|
|                             | 30.09.2008        | 30.09.2007        |
| Software licenses           | 4,423,017         | 3,989,971         |
| Software maintenance        | 7,416,831         | 6,758,284         |
| <b>Total software</b>       | <b>11,839,848</b> | <b>10,748,255</b> |
| Consulting                  | 5,523,855         | 4,466,952         |
| Hardware                    | 2,079,611         | 2,005,131         |
| Other                       | 624,043           | 531,647           |
| <b>Total sales revenues</b> | <b>20,067,357</b> | <b>17,751,985</b> |

The geographic breakdown of sales revenues was as follows:

| EUR   | 01.01.2008        | 01.01.2007        |
|---|-------------------|-------------------|
|   | 30.09.2008        | 30.09.2007        |
| Germany                                     | 17,802,329        | 16,374,578        |
| Austria                                     | 1,625,622         | 1,013,932         |
| Switzerland                                 | 523,002           | 288,951           |
| <b>German-speaking territories in total</b> | <b>19,950,953</b> | <b>17,677,461</b> |
| Other countries                             | 116,404           | 74,524            |
| <b>Total sales revenues</b>                 | <b>20,067,357</b> | <b>17,751,985</b> |

**8. Personnel costs**

The consolidated personnel costs to 30.09.08 were composed as follows:

| <b>EUR</b>   | <b>01.01.2008</b> | <b>01.01.2007</b> |
|--|-------------------|-------------------|
|  | <b>30.09.2008</b> | <b>30.09.2007</b> |
| Wages and salaries   | 8,551,835         | 7,451,847         |
| Social security contributions and expenditure on retirement pensions and welfare | 1,594,204         | 1,482,610         |
| Effects arising from the convertible bonds program                               | 0                 | 32,670            |
| <b>Total personnel costs</b>   | <b>10,146,039</b> | <b>8,967,127</b>  |

**9. Other operating income**

In the first nine months of the current financial year the company recorded other operating income in the amount of € 318,217 (previous year: € 93,374). This income essentially resulted from the liquidation of reserves formed in the previous year and valuation allowances.

**10. Financial investment income and expenditure**

In the first nine months of the current financial year the company recorded income in the amount of € 479,156 (previous year: € 349,484) from financial investments. This was comprised of interest earnings on fixed-term and current account deposits.

The company also recorded expenses in the first three quarters of 2008 amounting to € 478,192 (previous year: € 41,534). This figure included expenses in connection with a hedging transaction amounting to € 434,415 and financial costs in connection with pension provisions in the amount of € 40,569 (previous year: € 38,927).

**11. Tax expenses**

Consolidated tax expenses to September 30, 2008 were comprised as follows:

| <b>EUR</b>   | <b>01.01.2008</b> | <b>01.01.2007</b> |
|--|-------------------|-------------------|
|  | <b>30.09.2008</b> | <b>30.09.2007</b> |
| <b>Pre-tax earnings as per IFRS</b>                  | <b>3,949,403</b>  | <b>3,096,961</b>  |
| Expected tax charge (2008: 32.98%, 2007: 40.86%)     | -1,302,513        | -1,265,418        |
| Non-deductible operating expenses                    | -15,547           | -15,147           |
| Permanent differences arising from convertible bonds | 0                 | -13,349           |
| Differences in tax rates at consolidated companies   | 47,827            | 5,035             |
| <b>Actual Group tax charge</b>                       | <b>-1,270,233</b> | <b>-1,288,879</b> |

### 12. Earnings per share

The figure for earnings per share is arrived at by dividing the result for the period in the amount of € 2,679,170 by the weighted average number of shares outstanding. From January 1 to September 30, 2008 there were an average of 3,997,916 shares in circulation. Thus earnings per share for this period amounted to € 0.67, in comparison with € 0.46 in the first nine months of the preceding year.

In order to calculate diluted earnings per share, the result for the period must be adjusted to allow for the interest cost relating to convertible bonds in the amount of € 616 (previous year: € 1,340). In addition the average number of shares outstanding is increased with the inclusion of shares potentially issued as a result of convertible bonds. From January 1 to September 30, 2008 there were an average of 29,565 convertible bonds in circulation. Thus the diluted earnings per share for this period amounted to € 0.67, in comparison with € 0.45 in the preceding year.

### 13. Segment reporting

The company has only one uniform business segment within the meaning of IAS 14 which comprises the creation, sale and implementation of software solutions directed towards the efficient deployment of personnel. Similarly in geographic terms the German-speaking territories comprise a uniform segment within the meaning of IAS 14.

The individual software solutions comprise:

#### **ATOSS Staff Efficiency Suite (ASES) and ATOSS Startup Edition (ASE):**

ASES and ASE are working time management and personnel resource planning solutions for customers of all sizes in all industries. These software solutions are generally accompanied by other services covering implementation and training. In addition consulting services are rendered with the object of making meaningful use of the available scope and developing optimum solutions for the efficient deployment of personnel under specific operating conditions and in consideration of works agreements and industry-wide pay deals. The company also sells hardware components for time recording and access control purposes. ASES/ASE software is used in conjunction with all major standard system platforms and databases. Moreover thanks to the extensive facility to define customer-specific parameters these solutions are capable of satisfying even the most sophisticated requirements of customers of all sizes in all industries.

#### **ATOSS Time Control (ATC):**

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

| <b>EUR</b>  | <b>01.01.2008</b> | <b>01.01.2007</b> |
|---|-------------------|-------------------|
|   | <b>30.09.2008</b> | <b>30.09.2007</b> |
| <b>Sales revenues</b>   |                   |                   |
| ATOSS Staff Efficiency Suite (ASES) and ATOSS Startup Edition (ASE) | 18,359,497        | 16,470,481        |
| ATOSS Time Control (ATC)  | 1,707,860         | 1,281,504         |
| <b>Total sales revenues</b>   | <b>20,067,357</b> | <b>17,751,985</b> |
| <b>Operating result (EBIT)</b>                                      |                   |                   |
| ATOSS Staff Efficiency Suite (ASES) and ATOSS Startup Edition (ASE) | 3,707,396         | 2,535,430         |
| ATOSS Time Control (ATC)  | 241,043           | 253,581           |
| <b>Total operating result (EBIT)</b>                                | <b>3,948,439</b>  | <b>2,789,011</b>  |

The result recorded for ATC was lower than in the previous year. This was attributable to higher cost allocations in this area in 2008 relative to those allocated in 2007. If cost allocation structures would have been comparable between both years, in 2007 the operating result (EBIT) for ATC-area would have been € 138,868. Similarly, EBIT for the ASES/ASE product area would have been € 2,650,143.

#### 14. Employees

On September 30, 2008 the company employed 213 staff, in comparison with 192 on the same date in 2007.

|                     | <b>30.09.2008</b> | <b>30.09.2007</b> |
|---------------------|-------------------|-------------------|
| Development         | 80                | 64                |
| Consulting          | 62                | 56                |
| Sales and marketing | 37                | 38                |
| Administration      | 34                | 34                |
| <b>Total</b>        | <b>213</b>        | <b>192</b>        |

#### 15. Management Board member

The company's Management Board continued to comprise two members:

|                       |                         |
|-----------------------|-------------------------|
| Andreas F.J. Obereder | Chief Executive Officer |
| Christof Leiber       | Management Board member |

#### 16. Supervisory Board

The company's Supervisory Board as of 30.09.08 comprised three members:

|                                   |                                 |
|-----------------------------------|---------------------------------|
| Peter Kirn                        | Chairman                        |
| Fritz Fleischmann                 | Deputy Chairman                 |
| Rolf Baron Vielhauer von Hohenhau | Member of the Supervisory Board |

Mr. Bernhard Dorn, Deputy Chairman of the Supervisory Board, passed away on February 10, 2008. By a resolution adopted by the Municipal Court of Munich, Mr. Winfried Wolf of St. Gallen was appointed as a member of the Supervisory Board on February 18, 2008. At the General Meeting held on April 29, 2008, Mr. Peter

Kirn, Rolf Baron Vielhauer von Hohenhau and Mr. Fritz Fleischmann were appointed to form the new Supervisory Board. At the constituent meeting of the Supervisory Board that followed the General Meeting, Mr. Peter Kirn was elected as Chairman of the Supervisory Board and Mr. Fritz Fleischmann was chosen as his Deputy.

#### 17. Board member shareholdings

On the reporting date of September 30, 2008, board members held the following numbers of ATOSS shares:

|                                   | 30.09.2008 | 30.06.2008 | 31.03.2008 | 31.12.2007 | 30.09.2007 |
|-----------------------------------|------------|------------|------------|------------|------------|
| Andreas F.J. Obereder             | 1,981,184  | 1,981,184  | 1,981,184  | 1,981,184  | 1,981,184  |
| Peter Kirn                        | 29,760     | 29,760     | 29,760     | 29,760     | 23,760     |
| Rolf Baron Vielhauer von Hohenhau | 0          | 0          | 5,675      | 5,675      | 0          |

#### 18. Convertible bonds held by board members

On September 30, 2008, board members held the following number of bonds convertible into ATOSS shares:

|                 | 30.09.2008 | 30.06.2008 | 31.03.2008 | 31.12.2007 | 30.09.2007 |
|-----------------|------------|------------|------------|------------|------------|
| Christof Leiber | 5,000      | 5,000      | 5,000      | 5,000      | 10,000     |

#### 19. Convertible bonds

In the first nine months of financial year 2008 some 14,000 convertible bonds were exercised. On September 30, 2008 there were 24,500 convertible bonds outstanding.

Details of outstanding convertible bonds held by board members and employees are summarized in the following table:

|                      | Exercise price<br>in EUR | Outstanding options | Contractual validity<br>in years | Possible rights<br>remaining to be<br>exercised as of<br>30.09.2008 |
|----------------------|--------------------------|---------------------|----------------------------------|---|
| <b>Board members</b> |                          |                     |                                  |   |
|                      | 6.18                     | 5,000               | 2.7                              | 5,000   |
| <b>Employees</b>     |                          |                     |                                  |   |
|                      | 3.52                     | 2,000               | 2.0                              | 2,000   |
|                      | 3.97                     | 3,000               | 3.1                              | 3,000   |
|                      | 6.18                     | 14,500              | 2.7                              | 14,500  |
| <b>Total</b>         |                          | <b>24,500</b>       |                                  | <b>24,500</b>   |

**20. Notifiable participating interests**

In the first nine months of financial year 2008 the company received no notifications regarding changes in participating interests pursuant to §§ 21 ff. of the German Securities Trading Act.

**21. Business transactions with closely related persons**

A business relationship exists with the wife of the Chief Executive Officer, from whom the company rents business premises in Meerbusch. The premises concerned comprise 1,176 m<sup>2</sup> of office space for which rental costs in the amount of € 171,603 (previous year: € 171,603) were incurred in the first nine months of 2008.

Moreover the wife of the Chief Executive Officer provides services to the company. In the first nine months of the year 2008 the value of these services amounted to € 3,120 (previous year: € 12,740).

The company is satisfied that the terms agreed for these transactions are standard market terms.

**22. Dividend**

By a resolution adopted by the General Meeting on April 29, 2008, in accordance with the proposal by the Management Board and Supervisory Board a dividend of € 0.31 per share was paid on April 30, 2008, representing a total distribution of € 1,238,812.

**23. Events after the balance sheet closing date**

There have been no reportable events of particular import subsequent to September 30, 2008.

# ASSURANCE BY THE COMPANY'S LEGAL REPRESENTATIVES

We hereby give an assurance to the best of our knowledge and belief that in accordance with the applicable interim reporting standards these interim consolidated financial statements convey an impression of the net assets, financial position and earnings situation of the Group which accords with the true facts; and that the development in business including the results and the situation of the Group are so described in the interim consolidated management report 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 in the remainder of the financial year are so described.

Munich, 21.11.08



Andreas F.J. Obereder  
(Chief Executive Officer)



Christof Leiber  
(Management Board member)

# CORPORATE CALENDAR

## CORPORATE CALENDER UPCOMING DATES 2009

|            |  |
|------------|--|
| 30.01.2009 | Press Release – Annual Financial Statements for 2008 |
| 12.03.2009 | Annual Press Briefing                                |
| 12.03.2009 | Publication Annual Financial Statements 2008         |
| 23.04.2009 | Press Release – Three Months' Statement              |
| 30.04.2009 | Annual General Meeting 2009                          |
| 15.05.2009 | Publication Three Months' Statement                  |
| 23.07.2009 | Press Release – Six Months' Statement                |
| 14.08.2009 | Publication Six Months' Statement                    |
| 22.10.2009 | Press Release – Nine Months' Statement               |
| 13.11.2009 | Publication Nine Months' Statement                   |

# DISCLAIMER

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

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

# IMPRINT

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