

Quarterly report 2.2004



ATOSS®



Andreas F. J. Obereder  
Chairman of the Executive Board



Christof Leiber  
Executive Board

#### Economic environment

Economic trends and branch environment present mixed picture

#### ATOSS:

Sales and earnings above previous quarter, however, below the high performance of the previous year as expected

Further positive development in the second half of the year planned

Effects of measures strengthening growth dynamics expected to be felt in 2005

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## Dear shareholders, dear ladies and gentlemen,

Following on a difficult market and branch environment in the first three months of the ongoing business year, the second quarter showed first indications of an upturn. Industrial production output increased slightly and the IT branch recorded stronger incoming orders. This development, however, was mainly driven by strong foreign demand. In addition, the various indexes failed to show uniform and stable developments. A number of leading economic research institutes and the International Monetary Fund (IMF) have already adjusted their forecasts for Germany upwards. All in all, however, a certain corporate reticence to commit investments is still in evidence. At present, the emphasis is on the necessary replacement investments. Investments in innovative software solutions enhancing production processes continue to be postponed, as companies are waiting for clear signals of future economic developments to emerge. While we are therefore not experiencing any notable improvements on domestic markets, growth in the largest software market – the USA – would seem to have weakened recently. In any case, the first quarter business developments of many major US software companies failed to meet expectations. Therefore, we continue to operate in what remains a difficult market environment.

Against this backdrop, ATOSS has, in line with expectations, considerably increased group sales and the operating group results in the second quarter by comparison with the previous quarter. In connection with an eight percent increase in sales over the first quarter to € 5.6 million (previous quarter: 5,2 Mio. €), we posted operating results (EBIT) of € 0.5 million following on € 0.1 million in the previous quarter. Earnings before tax (EBT) and after tax have also moved ahead. Viewed on a half-year basis, sales and earnings have developed in line with expectations. In the first six months of the ongoing business year we generated total sales of € 10.8 million (previous year: € 11.8 million). EBIT came in at € 0.5 million (previous year: € 1.1 million).

As of June 30, 2004, cash flow from ordinary business activities amounted to € 1.9 million over € 1.1 million in the same period last year. In connection with the dividend outpayment of € 1.5 per share on April 23, 2004 liquidity has dropped to € 27.7 million. In view of this figure, we continue to hold a very sound position.

#### Large-scale order boosts sales and earnings

The anticipated gains in sales and earnings in the second quarter over the previous quarter were positively impacted by a software order placed by EDEKA Minden-Hannover Holding GmbH. With this large scale order ATOSS has once again succeeded in acquiring a very significant order in the wholesale/retail area, thereby underlining the company's position as a full range provider fielding solutions for all company sizes, branches and utilization scenarios. Subsequent to implementation, EDEKA Minden-Hannover Holding GmbH will be conducting personnel deployment planning and working hour management for around 30,000 members of staff based on ATOSS solutions installed at a central location. The solution will be deployed in the wholesale and retail area, as well as in manufacturing locations and in administration.

Thanks to the extremely lean cost and organization structure at ATOSS, the gains in sales fully impacted our earnings. In order to derive increasing benefits of such effects in future, we have initiated measures that should result in notable additional dynamics in the next years. In view of the tremendous market potential of our products, we aim to mainly advance earnings strength by additional sales growth.

### Changes in operating areas to impact performance in 2005

In an overall consolidating market we will only achieve sales growth by staking out a larger share of the market. Therefore, the aim will be to expand the position of ATOSS in the core markets.

The actual challenge we perceive in this context remains in addressing the requirements for consistent, unified solutions for achieving a greater flexibility in working hours, and providing the respective flexible software systems. All in all, we have identified four concrete growth paths in the direction of a medium-term growth strategy: the improved generation and qualification of leads, implementation of an integrated sales and performance process, realization of customized customer solutions in all of our market segments, and the enhancement of our business process management. We already provided a detailed description in our operating areas in our report on the first quarter of 2004, and at the Shareholders' Meeting on April 22, 2004.

Contrary to our expectations at the time, the implementation of the strategic measures in our operating areas will not incur notable effects in the ongoing business year. The persisting weak markets will cause a delay in positive effects of between three to six months. Therefore, notable repercussions will only be registered in the upcoming business year. As a result, the ATOSS management board continues to anticipate a further improvement in business developments in the second half of 2004, but does not expect the strong overall performance of 2003 to be exceeded. Excluding the possibility of additional large-scale orders, total sales and EBIT margin slightly below the previous year's figures are currently forecasted.

We will continue to make the most of persisting difficult market conditions to concentrate our entire know-how and commitment on the consistent further development of ATOSS.

We are firmly convinced that these changes will benefit all participants: our customers, our staff, and not least our shareholders.

Sincerely yours,



Andreas F. J. Obereder  
(Chairman of the Executive Board)



Christof Leiber LL. M.  
(Executive Board)

### GROUP OVERVIEW: Half-yearly comparison as of June 30 according to IFRS (T€)

	2004		2003		Change 2004 over 2003
	from Jan. 01 to Jun. 30	Percentage	from Jan. 01 to Jun. 30	Percentage	
<b>Sales</b>	10,779		11,797		-9%
<b>Software</b>	6,265	58%	6,397	54%	-2%
thereof software licenses	2,474	23%	2,767	23%	-11%
thereof software maintenance	3,791	35%	3,630	31%	+4%
<b>Consulting</b>	2,898	27%	3,494	30%	-17%
thereof Professional Services <sup>(1)</sup>	2,272	21%	2,474	21%	-8%
thereof Consulting	625	6%	1,020	9%	-39%
<b>Hardware</b>	1,279	12%	1,308	11%	-2%
<b>Others</b>	337	3%	599	5%	-44%
<b>EBITDA</b>	1,053	10%	1,612	14%	-35%
<b>EBITCB</b> <sup>(2)</sup>	633	6%	1,077	9%	-41%
<b>EBIT</b>	535	5%	1,077	9%	-50%
<b>EBT</b>	778	7%	1,345	11%	-42%
<b>Net Income</b>	445	4%	891	8%	-50%
<b>Cash Flow</b> <sup>(3)</sup>	1,905	18%	1,126	10%	69%
<b>Cash</b> <sup>(4)</sup>	27,669		35,320		-22%
<b>EPS (in €)</b>	0.12		0.23		-50%
<b>Employees</b> <sup>(5)</sup>	174		172		+1%

### GROUP OVERVIEW: Quarterly comparison according to IFRS (T€)

	2004				2003	
	Q2	Q1	Q4	Q3	Q2	Q1
<b>Sales</b>	5,607	5,172	6,014	5,595	6,009	5,788
<b>Software</b>	3,381	2,884	3,409	3,009	3,321	3,076
thereof software licenses	1,444	1,030	1,562	1,166	1,471	1,296
thereof software maintenance	1,937	1,854	1,847	1,843	1,850	1,780
<b>Consulting</b>	1,530	1,368	1,667	1,512	1,748	1,747
thereof Professional Services <sup>(1)</sup>	1,143	1,130	1,300	1,154	1,254	1,221
thereof Consulting	387	238	367	358	494	526
<b>Hardware</b>	513	767	618	768	561	746
<b>Others</b>	184	153	320	306	380	219
<b>EBITDA</b>	751	301	860	813	1,065	547
<b>EBITCB</b> <sup>(2)</sup>	515	118	629	601	804	272
<b>EBIT</b>	450	85	609	581	804	272
<b>EBIT-margin in %</b>	8%	2%	10%	10%	13%	5%
<b>EBT</b>	422	356	903	790	1,027	317
<b>Net Income</b>	238	207	513	396	739	152
<b>Cash Flow</b> <sup>(3)</sup>	-20	1,924	-12	2,391	-136	1,261
<b>Cash Flow per share</b> <sup>(6)</sup>	-0.01	0.51	0.00	0.63	-0.04	0.33
<b>Cash</b> <sup>(4)</sup>	27,669	33,574	31,855	37,999	35,320	35,408
<b>Cash per share</b> <sup>(6)</sup>	7.27	8.83	8.37	9.99	9.31	9.34
<b>EPS in €</b> <sup>(6)</sup>	0.06	0.05	0.13	0.10	0.19	0.04
<b>Employees</b> <sup>(5)</sup>	174	176	173	177	172	169

<sup>(1)</sup>: Formerly IT-Services; <sup>(2)</sup>: EBIT before staff participation scheme involving convertible bonds; <sup>(3)</sup>: Adjustment of previous years figures due to restructuring of the method applied to determine cash flow; <sup>(4)</sup>: Cash, Cash Equivalents and Marketable Securities; formerly Liquidity; <sup>(5)</sup>: At end of quarter

<sup>(6)</sup>: Cash flow, liquidity per share and EPS: based on average number of shares in circulation

## Management Report



### Sales and earnings up on the previous quarter

In the second quarter of the ongoing business year consolidated sales amounted to € 5.6 million following in € 5.2 million in the first three months of 2004. This translates as an increase of more than eight percent. Consolidated sales during the first half of the year were at € 10.8 million, and did not match the previous year's record figure € 11.8 million. This performance, however, was also fully in line with expectations. The positive development in the second quarter is especially attributable to a software order in the wholesale/retail sector that was placed by EDEKA Minden-Hannover Holding GmbH. SMEs and Germany's Mittelstand companies continue to put off the necessary investments geared to establishing more flexible working processes.

With the exception of hardware, all of our divisions and operating areas have achieved higher sales by comparison with the previous quarter. Software, the most important division, reported a 17% sales increase to € 3.4 million (previous quarter: € 2.9 million). Posting a 40% sales leap to € 1.4 million (previous quarter: € 1.0 million) software licenses sales showed a notable improvement. By contrast, software maintenance moved ahead by a mere 4% to € 1.9 million (previous quarter: € 1.9 million). Driven by the positive developments in this operating area, the share of software business in the company's total sales reflected on a half-year basis rose from 54% in 2003 to 58% as of June 30, 2004.

ATOSS participated with the impressive number of more than 40 employees in Munich's first Business Running Challenge.

In the consulting business ATOSS generated sales of €1.5 million marking growth of around 12% over the first quarter of 2004. The gain in the consulting area to € 0.4 million was especially pronounced, while the Professional Services activities hardly gained in posting sales of € 1.1 million.

Our software related consulting services that we had listed under "IT Services" to date, will be under the heading of "Professional Services" in future. In view of the fact that the term "IT Services" is understood on the markets as referring more to pure IT services, we have decided to use a more precise designation. The term Professional Services comprises all software related services such as customizing, training and project management. By contrast, the Consulting area covers business process consulting revolving around personnel deployment, such as consulting on achieving higher working hours flexibility and developing working hour models geared to the optimal adjustment of available personnel resources to the given order situation. In this way idling periods and downtime, as well as overtime, can be significantly reduced.

Sales of our hardware division declined and amounted to € 0.5 million. By half-year comparison hardware sales had dipped by no more than two percent to a total of € 1.3 million.

The order intake in the first six months of the current business year more or less matches the volume of software sales realized. Therefore, the volume of orders on hand in the software division once again remained stable.

### Positive operating result

In anticipation of the upcoming requirement from financial year 2005 onwards for capital market oriented companies to prepare their accounts in accordance with IFRS, ATOSS had already switched its accounting from US GAAP to IFRS in the first quarter of 2004. The only notable effects on results arise from the convertible bonds for employees and executive organs, which since the conversion are identifiable from the difference between the items EBITCB (EBIT before convertible bonds) and EBIT.

In view of the positive sales development in the second quarter of 2004 the operating result (EBIT) also increased markedly over the first quarter of the ongoing business year. Following on € 0.1 million as of March 31, ATOSS generated EBIT of € 0.5 million in the period from April through to June this year. The EBIT margin rose accordingly from two to eight percent. For the entire half-year the earnings before interest and tax and before the costs of the convertible bonds for employees was recorded at € 0.6 million (previous year: € 1.1 million). With these figures our performance in the second quarter as well as in the entire half year of the current business year is in line with expectations. In the second quarter, earnings before interest, taxes, depreciation and amortization (EBITDA) totaled € 0.8 million following on € 0.3 million in the previous quarter. At the same time earning before taxes (EBT) improved markedly by 19% to € 0.4 million and the period result after taxes moved up by 15% to € 0.2 million. With a view to the entire year, ATOSS expects

generating interest earnings of € 0.5-0.6 million. In view of the conservative investment policy geared to securing capital and exclusively based on investments in time deposits and federal bonds with short maturity terms, risks associated with fluctuating interest rates are reduced to an absolute minimum in spite of the low yield.

Adjusted by the convertible bond program EBIT CB came in at € 0.5 million (previous quarter: € 0.1 million). In the second quarter earnings per share (EPS) were € 0.06 following on € 0.05 as of March 31, 2004. In the first six months of the business year earnings per share (EPS) was recorded at € 0.12 (previous year: € 0.23).

Thanks to continued tight cost management in all areas the company succeeded in achieving above average growth in earnings by comparison with sales. In future too, earnings are set to grow disproportionately by increases in sales volume.

### Investments

As a matter of principle, we report investments in the further development of our products directly under current expenditure. Intangible assets of our own manufacture are not capitalized. Over the previous year the volume of investments in research and development increased slightly by 2% to € 2.1 million. As of June 30, 2004 there were 46 software programmers (previous year: 43) active in the further development of existing products as well as creating new functionalities.

**Cash flow and liquidity significantly increased**

ATOSS has once again succeeded in generating stronger liquidity from its own earnings strength. In the first half of 2004 cash flow from business operations amounted to € 1.9 million after € 1.1 million in the same period last year. Cash flow from investment activities was recorded at € 0.2 million on the same level as the previous year. Due to the dividend paid in the second quarter, Cash flow from financing activities came in at € 0.6 million (previous year: € 5.9 million).

In future liquidity will be reported under the term "cash funds" comprising cash and marketable securities. After the special dividend payment of € 1.5 per share on April 23, 2004, of this item stood at € 27.7 million as of June 23, 2004 (after € 33.6 million on March 31, 2004). A total of € 5.7 million was disbursed to the company's shareholders.

On June 30 the equity capital of ATOSS S Software AG stood at € 26.4 million, representing a capital ratio of 81% (previous year: 72%).

**Slight increase in number of staff**

On June 30, 2004 the workforce employed at the ATOSS group amounted to 174 members of staff (previous year: 172). As of June 30, 2004 there are six trainees in addition to regular staff.

**Stronger growth dynamics in 2005**

In view of the persistently fluctuating market indicators and the shifting forecasts issued the by economic research institutes, it is hardly possible to venture a sound outlook for the second half of the year. In addition, the positive impulses to date are mainly generated by export business. The domestic markets continue to show replacement investments at best. Therefore, the market for innovative software solutions remains difficult. The Bundesverband Informationswirtschaft, Telekommunikation und neue Medien e.V. (BITKOM, Federal Association for IT Economy, Telecommunications and New Media) regards our sector environment as continuing on a positive course. Regarding the year as a whole, sales in the area of information technology are expected to rise by 1.5% (previous year: -2.1 %), and incoming orders recently showed a slight increase. For the most part this applies to the telecommunications area that is benefiting from export business, while a 'wait and see' customer attitude continues to prevail in the software sector.

Also in view of the changes initiated in the first half of the year we expect positive company developments in the further course of 2004, but we will not be able to remain completely immune to general market and branch developments. ATOSS is likely to further increase sales and earnings in the second half of the year, but will conclude the year slightly behind the figures posted in 2003 – excluding any additional high volume orders obtained.

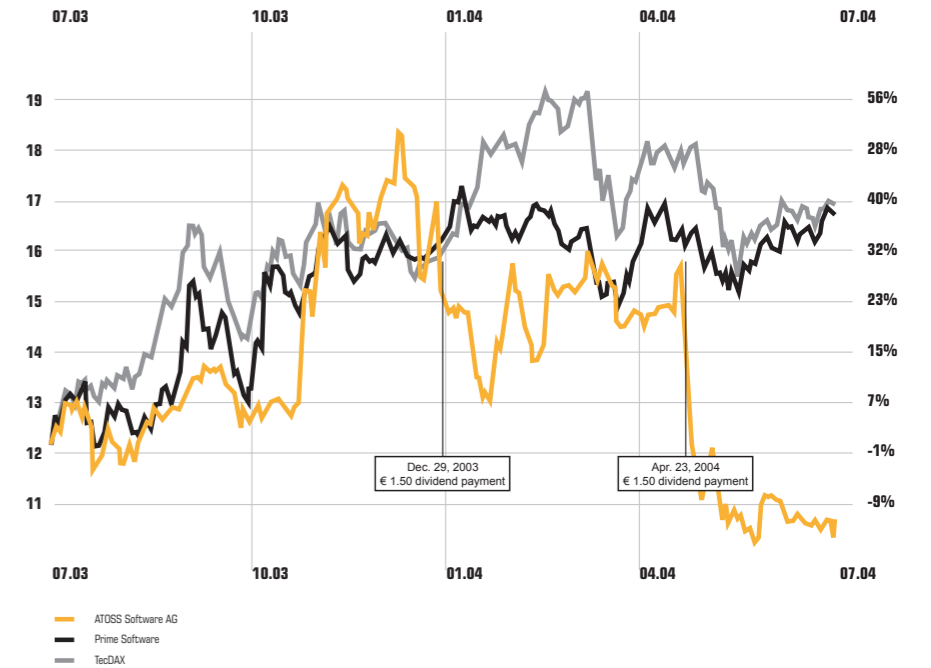
**High dividend payments have distorted the picture**

Over a period of several years the ATOSS share price has exceeded all of the key comparative indexes. This highly positive development was mainly rooted in the successful strengthening of earnings strength. Given the outpayment at the end of December 2003 and the disbursement following the Shareholders' Meeting of € 1.50 share respectively, and the fact that the changes initiated will temporarily curb the further development of the company, interest has weakened. We regard this situation, however, as a major opportunity, especially for those investors who have not yet joined the ranks of our shareholders. For this reason, members of the managing board have been conducting many one-on-one talks with asset managers and managers of special funds.

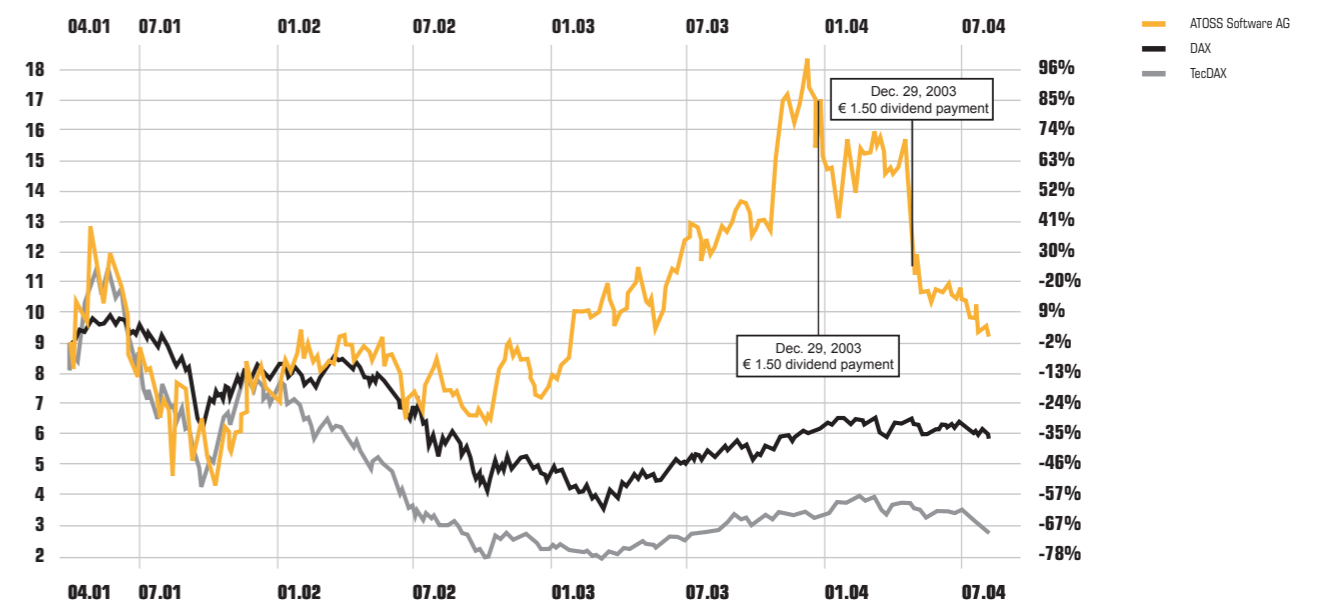
In the second quarter the share price moved between a high of € 15.75 and a low of € 10.20. Adjusted by the dividend payment, our share still had still sustained a 20 % price decline over the figure recorded at the end of last year. In the first half-year the Prime Software Index and the Technology all share were two and three percent higher respectively, while the TecDAX developed sideways all in all.

**ATOSS upgraded to outperformer status**

In the second quarter of 2004 the analysts at GBC German Business Concepts continued to rate the ATOSS share as "accumulate." By contrast, at the end of May SES Research upgraded our share from "Market performer" to "Outperformer" and maintained the EquiRisk-Rating at the best grade A+. The upgrade is mainly based on the current rating level, which is considerably below the fair value determined by SES. In addition, it has been gratifying to note the recommendations issued in various investor letters and the open and fair reporting in the respective media.



**Long Term View on Share Price Development**



**General Meeting resolves special dividend of € 1.50**

On April 23, 2004 at the well-attended General Meeting a resolution was adopted to pay a special dividend of € 1.50 per share. The shareholders are

obligated to pay tax on a share of around € 0.70. All the additional agenda items were also approved by a large majority and have been filed with the Commercial Register of the Municipality of Munich insofar as such registration is mandatory.

**KEY FIGURES PER SHARE**

	2004				2003
	Q2	Q1	Q4	Q3	Q2
<b>Max. share price in €</b>	15.75	16.00	18.09	13.75	12.45
<b>Min. share price in €</b>	10.20	13.00	12.60	11.65	9.40
<b>Price at end of quarter in €</b>	10.31	14.77	15.20	12.70	12.45
<b>Number of shares held in treasury <sup>(1)</sup></b>	234,635	204,635	228,653	233,792	233,560
<b>Cash Flow per share in € <sup>(2)</sup></b>	-0.01	0.51	0.00	0.63	-0.04
<b>Cash per share in € <sup>(2)</sup></b>	7.27	8.83	8.37	9.99	9.31
<b>EPS in € <sup>(2)</sup></b>	0.06	0.05	0.13	0.10	0.20
<b>EPS (diluted) in € <sup>(2)</sup></b>	0.06	0.05	0.13	0.10	0.19

<sup>(1)</sup>: At end of quarter

<sup>(2)</sup>: Cash flow, liquidity per share and EPS: based on average number of shares in circulation



ASSETS	Jun. 30, 2004	Dec. 31, 2003
	(€)	(€)
<b>Current Assets</b>		
Cash and Cash Equivalents	7,268,458	4,664,237
Marketable Securities	20,400,930	27,190,860
Trade accounts receivable	2,690,860	3,504,975
Inventories	19,997	16,090
Prepaid expenses and other current assets	482,019	869,439
<b>Total current assets</b>	<b>30,862,265</b>	<b>36,245,601</b>
<b>Non current assets</b>		
Property, plant and equipment	490,652	552,300
Intangible assets	448,929	622,513
Deferred Taxes	631,411	658,200
<b>Total non current assets</b>	<b>1,570,993</b>	<b>1,833,013</b>
<b>Total Assets</b>	<b>32,433,257</b>	<b>38,078,615</b>

LIABILITIES AND SHAREHOLDER'S EQUITY	Jun. 30, 2004	Dec. 31, 2003
	(€)	(€)
<b>Current liabilities</b>		
Short term debt and current portion of long-term dept	0	639
Trade accounts payable	395,951	442,879
Accrued expenses	1,673,122	2,106,732
Deffered revenues	852,291	489,108
Income tax payable	949,814	960,713
Other current liabilities	555,210	604,795
<b>Total current liabilities</b>	<b>4,426,388</b>	<b>4,604,866</b>
<b>Non-current liabilities</b>		
Convertible Bonds	272,155	282,777
Pension accrual	1,311,759	1,244,374
<b>Total non-current liabilities</b>	<b>1,583,914</b>	<b>1,527,151</b>
<b>Shareholder's equity</b>		
Share Capital	4,025,667	4,025,667
Capital Reverse	20,111,122	19,990,630
Treasury Stock	-2,288,374	1,936,400
Retained Earnings	4,648,934	9,935,911
Accumulated other comprehensive loss	-74,394	-69,211
<b>Total Shareholder's equity</b>	<b>26,422,955</b>	<b>31,946,597</b>
<b>Total liabilities and shareholder's equity</b>	<b>32,433,257</b>	<b>38,078,615</b>

## CONSOLIDATED INCOME STATEMENT TO JUN. 30, 2004

	Quarterly report		6-month-statement	
	II/2004	II/2003	Jan. 01, 2004	Jan. 01, 2003
	Apr. 01, 2004 Jun. 30, 2004	Apr. 01, 2003 Jun. 30, 2003	Jan. 01, 2004 Jun. 30, 2004	Jan. 01, 2003 Jun. 30, 2003
	€	€	€	€
<b>Revenues</b>	<b>5,606,910</b>	<b>6,009,075</b>	<b>10,778,598</b>	<b>11,797,263</b>
Cost of revenues	-1,866,999	-2,106,299	-3,919,214	-4,224,919
<b>Gross profit</b>	<b>3,739,911</b>	<b>3,902,776</b>	<b>6,859,384</b>	<b>7,572,345</b>
Selling and Marketing expenses	-1,513,540	-1,281,262	-3,006,018	-2,775,239
General and administrative expenses	-867,302	-780,129	-1,619,305	-1,682,416
Research and development	-1,088,434	-1,074,380	-2,103,898	-2,069,453
Other operation income and expenses	179,042	37,246	404,395	31,350
<b>Operation income</b>	<b>449,676</b>	<b>804,249</b>	<b>534,558</b>	<b>1,076,587</b>
Interest income and expenditure	156,313	36,768	427,503	-265,805
Other income / expense	-183,975	186,250	-183,975	533,825
<b>Result before income taxes</b>	<b>422,014</b>	<b>1,027,267</b>	<b>778,087</b>	<b>1,344,607</b>
Income tax	-184,320	-288,510	-333,516	-453,827
<b>Net income</b>	<b>237,694</b>	<b>738,757</b>	<b>444,571</b>	<b>890,780</b>
Net income per share (basic)	0.06	0.19	0.12	0.23
Net income per share (diluted)	0.06	0.18	0.11	0.22
Weighted average shares outstanding (basic)	3,803,445	3,792,307	3,801,831	3,792,213
Weighted average shares outstanding (diluted)	4,062,417	4,037,491	4,065,231	4,071,245

## CONSOLIDATED CASH FLOW STATEMENTS TO JUN. 30, 2004 ACCORDING TO IFRS

	Jan. 01, 2004 Jun. 30, 2004	Jan. 01, 2003 Jun. 30, 2003
	€	€
<b>Cashflow from operating activities</b>		
<b>Net profit</b>	<b>444,571</b>	<b>890,780</b>
Depreciation and amortisation	419,736	535,733
Loss on the disposal of property and equipment	12,054	12,349
Gain on the disposal of marketable securities	-183,975	-533,825
Deferred Taxes	26,789	316,052
Convertible Bonds	98,270	0
<b>Change in net working capital</b>		
Trade accounts receivable	814,115	55,782
Inventories	-3,908	3,296
Prepaid expenses and other current assets	387,419	50,645
Trade accounts payable	-46,928	-137,489
Other current liabilities	-433,610	-690,914
Deferred Revenues	363,183	350,902
Accrued taxes	-10,899	198,344
Other current liabilities	-49,585	-8,370
Pension accrual	67,385	82,341
<b>Cash flows from operating activities (1)</b>	<b>1,904,618</b>	<b>1,125,624</b>
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	-196,559	-154,229
<b>Cash flow from investing activities (2)</b>	<b>-196,559</b>	<b>-154,229</b>
<b>Cash flow from financing activities</b>		
Proceed from issuance of share capital	-345,992	1,800
Payment from purchase of share capital	-5,982	0
Capital Reserve	22,222	0
Proceed from sale of marketable securities	183,975	533,825
Unrealised losses of marketable securities	-5,184	147,713
Proceed from issuance of convertible bonds	52,000	0
Payments from redemption of convertible bonds	-62,622	-68,383
Dividends paid	-5,731,548	0
Repayment of short term dept	-639	-639
<b>Cash flow from financing activities (3)</b>	<b>-5,893,769</b>	<b>614,316</b>
<b>Total (1) to (3): Net decrease in cash*</b>	<b>-4,185,711</b>	<b>1,585,711</b>
Cash* at the beginning of period	31,855,098	33,734,552
Cash* at the end of period	27,669,388	35,320,264
Cash	7,268,458	6,968,873
Marketable securities	20,400,930	28,351,391

\* cash means here: cash and marketable securities

<b>CHANGE IN CONSOLIDATED EQUITY TO 30.06.2004</b>						
	Share Capital €	Capital Reserve €	Treasury Stock €	Retained Earnings €	Accumulated other comprehensive loss €	Total equity €
<b>January 01, 2003</b>	<b>4,025,667</b>	<b>31,722,582</b>	<b>-1,891,330</b>	<b>2,097,426</b>	<b>-177,064</b>	<b>35,777,281</b>
Net income				890,780		890,780
Capital increase	31,601,486	-31,601,486				0
Capital decrease	-31,601,486	31,601,486				0
Treasury Stock			2,000			2,000
Convertible Bonds		9,323				9,323
Withdrawal from capital reserve		-6,038,500				-6,038,500
Other					138,390	138,390
<b>June 30, 2003</b>	<b>4,025,667</b>	<b>25,693,405</b>	<b>-1,889,330</b>	<b>2,988,206</b>	<b>-38,674</b>	<b>30,779,274</b>
<b>January 01, 2004</b>	<b>4,025,667</b>	<b>19,990,630</b>	<b>-1,936,400</b>	<b>9,935,911</b>	<b>-69,211</b>	<b>31,946,597</b>
Net income				237,694		237,694
Dividends				-5,731,548		-5,731,548
Treasury Stock		-13,842	-351,974			-365,816
Convertible Bonds		137,033				137,033
Other		-2,699			-5,183	-7,882
<b>June 30, 2004</b>	<b>4,025,667</b>	<b>20,111,122</b>	<b>-2,288,374</b>	<b>4,442,057</b>	<b>-74,394</b>	<b>26,216,079</b>

### 1. General

The present quarterly financial statements have been prepared according to the International Financial Reporting Standards (IFRS), and in particular in compliance with IAS 1.11, and SIC-8. These reporting standards have been applied since January 2004. Thus the current standards and interpretations have been applied retrospectively. The comparative data for preceding periods have likewise been presented in accordance with IAS. The present financial statements been drawn up in such a manner as if the current standards had always applied.

Pursuant to IAS 34 "Interim Financing Reporting", 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 requirements contained in German Accounting Standard (DRS) No. 6 regarding interim reporting have also been fulfilled.

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

The Executive Board is satisfied that all of the information stated conveys an impression of the economic situation of the company that accords with the true circumstances.

### 2. Currency

All figures are stated in euro.

### 3. Group of consolidated companies

In addition to ATOSS Software AG, Munich, the consolidated statements also include

ATOSS CSD Software GmbH, Cham  
ATOSS Software Ges.mbH, Vienna  
ATOSS Software AG, Zurich  
ATOSS Software S.A.R.L., Paris  
ATOSS Software SRL, Timisoara

These companies are fully consolidated.

### 4. Changes in equity

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

### 5. Treasury stock

As of June 30, 2004 the company held 234,635 shares in treasury. Treasury stock is reported as a separate equity item at acquisition cost.

### 6. Personalaufwand

	Jan. 01, 2004	Jan. 01, 2003
	Jun. 30, 2004	Jun. 30, 2003
	(T€)	(T€)
Wages and salaries	5,230	5,040
Social security contributions and expenditure on retirement pensions and welfare	999	922
Effects resulting from convertible bonds programs	98	0
<b>Gesamt</b>	<b>6,327</b>	<b>5,962</b>

### 7. Segmental information

The company draws a distinction between product related activities (development of software and the sale of software and hardware products, as well as maintenance contracts) and services. These activities cover Germany and extend to other European countries.

	Jan. 01, 2004	Jan. 01, 2003
	Jun. 30, 2004	Jun. 30, 2003
	(T€)	(T€)
<b>SALES, RESULTS</b>		
<b>Products, maintenance</b>		
Sales	6,129	8,132
EBIT	197	842
<b>Services</b>		
Sales	4,650	3,665
EBIT	338	235
Domestic sales	9,753	10,321
International sales	1,026	1,476
<b>Total sales</b>	<b>10,779</b>	<b>11,797</b>

The geographic distribution of sales is based upon the location of customer headquarters. The company does not differentiate its assets on a segmental basis.

Sales are divided into the following categories:

SALES, CATEGORIES		
	Jan. 01, 2004	Jan. 01, 2003
	Jun. 30, 2004	Jun. 30, 2003
	(T€)	(T€)
Software licenses	2,474	2,767
Software maintenance	3,791	3,630
<b>Software, total</b>	<b>6,265</b>	<b>6,397</b>
Professional services	2,272	2,474
Consulting	625	1,020
<b>Consulting, total</b>	<b>2,898</b>	<b>3,494</b>
Hardware	1,279	1,308
Others	337	599
<b>Total sales</b>	<b>10,779</b>	<b>11,797</b>

### 8. Interest earnings

Due to the change from US GAAP to IFRS the valuation of marketable securities has been change. Losses from lower market values formerly have been shown in the equity, now they are realised in the P&L-Statement. Thus results in a negative interest effect in the second quarter while the first half of the current year is balanced. Expense on securities amounting to € 183,975 in the firsts half-year (previous year € 265,805) is offset by securities earnings amounting to € 427,503 that were recording in the first half of the year (previous year: € 533,825). The interest earning are at € 243,528 (previous year: € 268,020).

### 9. Employees

On June 30, 2004 the company employed 176 members of staff, by comparison with 169 as of June 30, 2003. Some 41 (44) employees are active in product development, 53 (51) in the areas of Professional Services and Consulting, while 41 (39) are engaged in sales and in marketing.

### 10. Supervisory Board

On June 30, 2004, Supervisory Board of ATOSS Software AG comprised three members:

Peter Kirn, Chairman  
Bernhard Dorn, Deputy Chairman  
Rolf Baron Vielhauer von Hohenhau

### 11. Executive Board

On June 30, 2004 the Executive Board of ATOSS Software AG was composed of three members:

Andreas F.J. Obereder, Chairman  
Christof Leiber (since April 1, 2004)  
Dr. Burkhard Scherf (up to July 31, 2004)

### 12. Board member shareholdings

On the reporting date of June 30, 2004, board members held the following numbers of ATOSS shares:

BOARD MEMBER SHAREHOLDINGS					
	Jun. 30, 2004	Mar. 31, 2004	Dec. 31, 2003	Sep. 30, 2003	Jun 30, 2003
Andreas F.J. Obereder	1,946,184	1,946,184	1,967,905	1,967,905	1,967,905
Christof Leiber	0	0	0	n.a.	n.a.
Dr. Burkhard Scherf	78,108	78,108	78,108	78,108	78,108
Peter Kirn	11,260	11,260	11,260	11,260	11,260
Bernhard Dorn	1,000	1,000	1,000	1,000	1,000
Rolf Baron Vielhauer von Hohenhau	0	0	0	0	0

On the reporting date of June 30, 2004, as a result of subscriptions to convertible bonds, present and former board members held the following options on ATOSS shares:

CONVERTIBLE BONDS					
	Jun. 30, 2004	Mar. 31, 2004	Dec. 31, 2003	Sep. 30, 2003	Jun 30, 2003
Andreas F.J. Obereder	15,864	15,864	15,864	15,864	15,864
Christof Leiber	23,668	8,668	10,500	n.a.	n.a.
Dr. Burkhard Scherf	15,864	15,864	15,864	15,864	15,864
Christiane Glöckler	12,167	12,167	12,167	12,167	15,864
Peter Kirn	12,000	12,000	12,000	12,000	12,000
Bernhard Dorn	12,000	12,000	12,000	12,000	12,000
Rolf Baron Vielhauer von Hohenhau	12,000	12,000	12,000	12,000	12,000



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

<b>EXERCISE PRICE</b>			
	Outstanding options in €	Contractual validity in years	Possible rights to be exercised in €
<b>Board members</b>			
27.00	1,728	0.7	1,728
11.68	15,000	6.9	0
9.02	5,000	6.2	0
6.11	1,668	1.4	1
5.56	12,167	1.9	6,611
5.21	32,000	2.8	10,666
5.09	36,000	5.1	0
<b>Employees</b>			
27.00	3,039	0.7	3,039
11.68	37,000	6.9	0
9.02	45,000	6.2	0
8.06	1,334	1.5	667
6.11	32,716	1.4	13,094
5.21	47,169	2.8	13,699
2.51	2,334	2.3	1
	<b>272,155</b>		<b>49,506</b>

### 13. Details of reportable securities transactions

In the first six months of the 2004 business year no reportable securities transactions were conducted.

### 14. Convertible bonds

In the first six months of the 2004 business year 55,018 convertible bonds were exercised, 52,000 new convertible bonds issued and 7,604 returned. On June 30, 2004, there were 272,155 convertible bonds outstanding.

### 15. Earnings per share

The figure for earnings per share is arrived at by dividing the result for the year by the weighted average number of shares outstanding. From January 1 to June 30, 2004, an average of 3,801,831 shares were in circulation. Therefore, earnings per share for this period amounted to € 0.12, while this figure stood at € 0.23 in the preceding year.

In order to calculate the diluted earnings per share, the average number of outstanding shares was increased by the addition of the potential shares to be issued as a result of convertible bonds. From January 1 to June 30, 2004, an average of 263,400 convertible bonds were in circulation. Therefore the diluted earnings per share for this period stood at € 0.11, in comparison with € 0.22 in the previous year.

### Disclaimer

The present report contains forward looking statements that are based on the conviction of the managing board of ATOSS Software AG, and reflect current assumptions and estimations. These forward-looking statements are subject to risks and uncertainties. Many currently not foreseeable facts could result in the actual performance and earnings of ATOSS Software AG developing in a different manner. This could include the following: the non-acceptance of newly introduced products or services, changes in the general economic and business situation, the failure to achieve efficiency or cost reduction targets or changes in business strategy.

The management board is firmly convinced that the expectations of these forward-looking statements are sound and realistic. In the event that the above mentioned or other unforeseen risks arise, ATOSS Software AG cannot guarantee that the stated expectations will develop as outlined.

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