



**ATOSS**<sup>®</sup>  
Software AG

n:evolution in time!

**Quarterly report**

**3.2001**

# Contents



Andreas F.J. Obereder



Christiane Glöckler



Dr. Burkhard Scherf

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## Dear Shareholders,

The negative development in the economic environment has continued through the third quarter. Whereas by the middle of the current financial year, the first positive signs were beginning to emerge of a reversal of the economic trend by the fourth quarter, the mood has meanwhile once again deteriorated. Companies remain reluctant to invest, and in recent times some important industry federations such as Bitkom (the German Federal Association for the Information Economy, Telecommunications and New Media) have been compelled to significantly downgrade their forecasts. Bitkom, for example, now expects sales in its sector in the current financial year to grow by just 4.6 % (against 8.7 % in June). Marginally stronger sales growth is expected in the coming year, driven mainly by software and services. Market researchers at IDC and Dataquest have also issued negative forecasts for the IT market. After a third-quarter fall of 11.6% in deliveries of new PCs compared with the preceding year, it is expected that the weakness in the PC business will result in a 1.6 percent drop in the market as a whole. Maximum forecast growth for 2002 is just 7 percent. In this context, current sales figures being reported by major software companies such as SAP, Siebel Systems and others indicate that sales in the software segment in the second half of this year will fall short of last year.

### Targets achieved despite difficult environment

Despite the situation, we have achieved the targets announced in our half-year report for the third quarter of 2001. Sales at € 5.1 million were 5 % up on the second quarter, and thanks to our decision to instigate cost-cutting measures at an early stage, there was a significant improvement in the result. EBIT at € - 0.15 million was only slightly negative, compared with the second quarter figure of € -1.2 million. As a result of the measures which have been introduced, ATOSS Software AG has now achieved a cost structure which is supportable even at the depressed level of sales contingent on the economic climate and which when the economy begins to take off will ensure that profitability rises sharply.

Overall, over the first nine months of financial year 2001 even without large orders we have recorded sales of € 15.6 million, up by 1 % on the same period last year. With EBIT of € -1.65 million (compared with € -0.6 million) and

earnings before taxes (EBT) of € -0.7 million (against € -0.6 million), a year-on-year comparison of the earnings situation over nine months has yet to reflect the reversal in trend which is clearly evident from one quarter to the next in the current year. Also, comparing the third quarter figures for 2001 with those for the fourth quarter of 2000, sales are up 6 % and results (EBIT) improved by 81 %. Over the reporting period we have generated a positive cash flow of € 1,2 million, thereby giving a clear signal to our shareholders and to the capital market.

Rising sales in the IT Service and Consulting field in the third quarter contrasted with a downturn in the high-margin areas of Software and Hardware due to the reticent investment policy being pursued by many companies. This represented a continuation of the trend in the first half-year: Despite increased sales, the shift in the breakdown of sales and thus of margins has prevented any significant improvement in net earnings over the first nine months. Of course, last year's result was essentially attributable to one large order in the high-profit area of software. The proportion of total sales accounted for by software rose last year to over 40 %. Currently that proportion is just 29 %. Our sales activities are correspondingly intensive in this area, in the interests of once more getting back to our target of 40% in the future. The downturn in the proportion of software sales in comparison with the same period last year is nevertheless to a large extent compensated for by the sharp rise in maintenance revenues. These in turn are based upon multi-year maintenance contracts and are thus of particular importance for the long-term development of ATOSS Software AG.

According to a study by the Commerzbank AG dated 14.8.2001, in future a new understanding of software is likely to become increasingly prevalent and give new impetus to the market: Software is no longer a product, no longer just an IT concept, but a solution to the problem of controlling value chains. This confirms the trend towards complete solutions which provide software support for business processes all along the value chain. Here ATOSS enjoys an optimal position with its integrated software solutions and a complete package comprising software, hardware and services.

## Foreword

Thanks to their demonstrable effect on costs, the solutions offered by ATOSS are likely to profit at a particularly early stage from any improvement in the investment climate. As soon as the inclination to invest begins to rise once more, ATOSS can expect to record significantly higher sales revenues in high-margin areas along with a sharp rise in operating results. It should be said, however, that we do not anticipate such a development in the economy before the middle of next year.

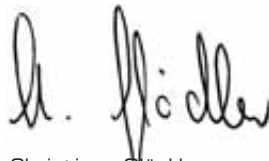
In the fourth quarter we expect the economic environment to remain equally difficult. There has in many cases been a considerable downturn, in the air transportation industry in particular, in our clients' willingness to invest. This trend continued during October 2001 and resulted in particularly weak software revenues.

Against this background, it is very difficult to make a forecast for the fourth quarter. However, and as a result of the significant optimization of our cost structure, we anticipate a positive operating result (EBIT) for the fourth quarter. The extent of the positive operating result (EBIT), however, will be largely dependent on whether year-end business will have the traditional stimulating effect on sales in the software area despite this year's weak economic environment.

For the financial year 2001, ATOSS therefore expects to record sales which are at minimum no more than slightly below last year's record figure as well as an improved operating result (EBIT) in comparison with October 30, 2001, a more or less balanced EBT and a positive operating cash flow for the full year. In the event that year-end business will have the traditional stimulating effect on sales despite this year's weak economic environment, ATOSS expects sales to come up to last year's high level, an improvement in operating results (EBIT) over last year, as well as markedly positive earnings before taxes (EBT) for the full year.



Andreas F.J. Obereder  
(Chairman of the board)



Christiane Glöckler  
(Member of the board Sales & Marketing)



Dr. Burkhard Scherf  
(Member of the board Consulting & Development)

# Corporate Overview

## CORPORATE OVERVIEW ACCORDING TO US-GAAP: NINE-MONTH COMPARISON

	from <b>Jan. 1, 2001</b> till <b>Sep. 30, 2001</b>	from <b>Jan. 1, 2000</b> till <b>Sep. 30, 2000</b>	<b>Changes</b> <b>in percent</b>	<b>Financial</b> <b>year 2000</b>
Sales (in T€)	15,572	15,382	+ 1 %	21,525
Software	4,520	6,296	-28 %	8,644
Maintenance	4,186	2,986	+40 %	4,225
Services	3,975	2,577	+54 %	3,984
Hardware	2,057	2,716	-24 %	3,519
Others	834	807	+3 %	1,153
EBIT	-1,577	-597	>100 %	-827
EBT	-726	-555	-31 %	278
Net Income	-568	-518	-10 %	-62
EPS (in €)	-0.14	-0.15	7 %	-0.02
EPS diluted (in €)	-0.14	-0.15	7 %	-0.02
Cash Flow (in T€)	1,187	-4,607	>100 %	-4,487
Employees	170*	181*	-6 %	175**

\* as at 30.09.2001 \*\* average

## CORPORATE OVERVIEW ACCORDING TO US-GAAP: QUARTERLY COMPARISON

	<b>3<sup>rd</sup> Quarter 2000</b>	<b>3<sup>rd</sup> Quarter 2001</b>	<b>2<sup>nd</sup> Quarter 2001</b>	<b>1<sup>st</sup> Quarter 2001</b>
Sales (in T€)	4,781	5,061	4,839	5,673
Software	1,693	1,085	1,178	2,257
Maintenance	1,160	1,431	1,576	1,179
Services	772	1,394	1,292	1,289
Hardware	779	882	547	628
Others	378	270	245	320
EBIT	-778	-153	-1,248	-176
EBT	-739	-87	-728	89
Net Income	-576	-61	-540	33
EPS (in €)	-0.14	-0.02	-0.13	0.01
EPS diluted (in €)	-0.14	-0.01	-0.13	0.01
Cash Flow (in T€)	-886	1,296	1,880	-1,989
Employees (as at end of quarter)	181	170	177	185

# Management Report

## Continued growth in Maintenance and Services with stable order book – active cost management yields success

As a result of the reticence of companies to invest in software and hardware products, in the first nine months ATOSS has recorded reduced sales in these areas. Software sales in particular have developed significantly more slowly than planned.

Since the speed with which our software products are delivered and booked means that there is a no more than negligible lead time in processing orders booked, further software revenues in the current fourth quarter must be generated through the sales of standard software products to new and existing customers. Business in the areas of Maintenance and Services, on the other hand, is more easily planned. The successful sale of our software products last year in particular has resulted in a corresponding number of maintenance contracts, thereby ensuring a secure and growing order position in this area.

In the area of Services, our intensive customer care and consultancy has brought further growth. It is above all established customers who are happy to rely on our services. Our costs are the subject of constant and active attention. As part of our cost reduction program we have promptly tracked down potential savings in all areas. In fact even last year we had already begun to implement the appropriate action. The first successes are now evident following the deployment of process-optimized IT systems in the field of administration and order processing. The personnel capacity required has been reduced from 197 employees as at 31.12.2000 to 170 as at 30.09.2001. Despite this we have continued to invest in the development of our products. This is reflected in our increased expenditure on research and development which has risen to € 2.2 million, compared with € 1.5 million in the same period last year.

## Software licensing sales below expectations due to economic factors – significant growth in maintenance sales

Sales totaling € 4.5 million were achieved in the first nine months of 2001 in the field of Software Licensing. This represents a fall of € 1.8 million or 28.2% compared with last year's figure of € 6.3 million. Moreover, a look at the individual quarters of this year reveals a downward trend which however we hope to break in the usually strong last quarter. There are essentially two reasons for this negative development. On the one hand, last year's result was to a large extent attributable to

one very large order, whilst on the other hand we can detect a marked reluctance on the part of companies to invest in new software products. The generally weak economic situation is unsettling for many companies, causing them to put off planned investments to a later date.

### OVERVIEW ACCORDING TO US GAAP: QUARTERLY COMPARISON, SOFTWARE AND MAINTENANCE

	from Jan. 1, 2000 till Sep. 30, 2000	from Jan. 1, 2001 till Sep. 30, 2001	Q3/2000	Q3/2001	Q2/2001	Q1/2001
Sales (in T€)	15,382	15,572	4,781	5,061	4,839	5,673
Software (in T€)	6,296	4,520	1,693	1,085	1,178	2,257
Maintenance (in T€)	2,986	4,186	1,160	1,431	1,576	1,179

# Management Report

Overall, sales of software products accounted for 29 % of our overall sales, against over 40 % in the preceding year. Since our largest margin contributions are derived from the sale of software products, this development has had a direct negative impact on our earnings situation. Nevertheless, this also presents an opportunity once the willingness to invest revives to achieve supra-proportional earnings growth.

The development in our product mix has been positive. New developments account for a constantly rising proportion of sales which has now reached 29 %, whilst 71 % of sales are accounted for by our ATOSS Time Solutions and ATOSS Core & Communication products.

Following on from the sale of software solutions, there has been considerable growth in the area of Maintenance, which to a large extent compensates for the downturn in software itself. This area is profiting from the huge successes in software sales over recent years. As a result, in the reporting period sales totaling € 4.2 million were recorded, against € 3.0 million in the same period last year. This equates to an increase of 40 % – and the trend continues to rise. The proportion of total sales is now up to 27 % (previous year 19 %). This development is all the more gratifying in that the multi-year terms of these maintenance contracts will safeguard the future revenues of ATOSS Software AG in the long term.

## Services revenues constant with high growth dynamic

The business area of Services, which includes Consulting and IT-Services, is likewise notable for its dynamic record of unbroken growth. Sales were up by a further 54 % to € 4.0 million. With a 26 % (previous year 17 %) share in total sales, this area is now one of the principal performing divisions of ATOSS Software AG. The background to this gratifying development lies in the desire of many clients to achieve a sustained improvement in the efficiency of their undertaking through process optimization, effective human resources management and professional project management.

New clients acquired by our Consulting division during the first nine months of the current financial year include Aventis Behring, Nortell Networks, Düsseldorf Airport, as well as the Deutsche Bank AG insurance group and Dystar Textilfarben GmbH & Co Deutschland KG.

## OVERVIEW ACCORDING TO US GAAP: QUARTERLY COMPARISON, SERVICES

	from <b>Jan. 1, 2000</b> till <b>Sep. 30, 2000</b>	from <b>Jan. 1, 2001</b> till <b>Sep. 30, 2001</b>	<b>Q3/2000</b>	<b>Q3/2001</b>	<b>Q2/2001</b>	<b>Q1/2001</b>
Umsatz (in T€)	15,382	15,572	4,781	5,061	4,839	5,673
Services (in T€)	2,577	3,975	772	1,394	1,292	1,289

## Reluctance to invest is particularly clear in the area of Hardware

Against a background of negative economic development, the general reluctance to invest is particularly strongly felt in the market for hardware. The tendency to defer investments is even more clearly marked in the hardware segment than in software. ATOSS Software AG likewise recorded declining hardware sales.

This year's volume of € 2.1 million represented a shortfall of 24 % compared with the figure of € 2.7 million for the first three quarters of last year. The proportion of total sales fell from 18 % to 13 %.

### OVERVIEW ACCORDING TO US GAAP: QUARTERLY COMPARISON, HARDWARE

	from Jan. 1, 2000 till Sep. 30, 2000	from Jan. 1, 2001 till Sep. 30, 2001	Q3/2000	Q3/2001	Q2/2001	Q1/2001
Sales (in T€)	15,382	15,572	4,781	5,061	4,839	5,673
Hardware (in T€)	2,716	2,057	779	882	547	628

## Earnings situation significantly better than in previous quarters

Our early decision to introduce cost reduction measures at the end of the last financial year has by the third quarter of 2001 led to a significantly improved earnings situation. Whereas in the first two quarters of the current year, the result was still somewhat impaired due to the step-by-step implementation of these measures and to the expenses involved in restructuring, success is now apparent. In the fourth quarter this success will become even more clearly evident. We have thus created a basis on which in future we are able to secure at least a balanced operating result, even if due to economic conditions only moderate business can be achieved. Each and every improvement in the tone of the market which prompts an increased willingness to invest will in future have a supra-proportional impact on net earnings. Despite the gratifying development in the quarter just ended, it has not yet proven possible to improve on the net earnings situation for the first nine months. As a result, for the reporting period earnings per share were € -0.14 (or € -0.14 diluted), against € -0.15 in the preceding year.

With regard to our pricing policy, there have been no changes vis-à-vis the year before.

A clear improvement was achieved in the economic situation at our subsidiary companies ATOSS CSD Software GmbH, ATOSS Software Ges. mbH, Vienna, and ATOSS Software AG, Zürich. As a result of the start-up investments required, the subsidiary in France will be unable to make a positive contribution to performance in the current financial year.

## OVERVIEW ACCORDING TO US GAAP: QUARTERLY COMPARISON, EARNINGS DATA

	from Jan. 1, 2000 till Sep. 30, 2000	from Jan. 1, 2001 till Sep. 30, 2001	Q3/2000	Q3/2001	Q2/2001	Q1/2001
EBIT (in T€)	-597	-1,577	-778	-153	-1,248	-176
EBT (in T€)	-555	-726	-739	-87	-728	89
Net Income (in T€)	-518	-568	-576	-61	-540	33
Cash Flow (in T€)	-4,607	1,187	-887	1,296	1,880	-1,989

### Assets, finance and earnings situation: High capital ratio remains unchanged

As at 30.09.2001 the balance sheet total was € 40.8 million, against € 43.98 million at 31.12.2000.

Capital investment is down slightly due to the current cost-cutting policy and is now € 3.0 million against a year-end figure of € 3.6 million. Under the heading of current assets, cash positions are down by € 1.4 million from € 31.7 million to € 30.3 million. This liquidity will continue to safeguard future long-term growth at ATOSS Software AG.

The Company's equity capital as at 30.09.2001 amounted to € 36.1 million, as against € 37.0 million at 31.12.2000. This equates to a capital ratio of 88 % (84 % as at 31.12.2000). As a result of a decline in provisions and liabilities, capital from outside sources fell from € 6.8 million at as 31.12.2000 to € 4.7 at 30.09.2001.

There has been a gratifying development in cash flow: Our business operations have yielded a positive cash flow of € 1.2 million, compared with € -4.6 million in the preceding year.

This rise is due in particular to a reduction in outstanding accounts which had risen sharply towards the end of last year. Cash flow from investment activities was € -16.7 million, due essentially to investments in securities. The € -2.4 million cash flow from financing activities was largely attributable to the repayment of loans. This primarily related to a financing arrangement in connection with the AENEIS transaction last year.

The corporate result of € -0.6 million for the first nine months of this year continues to lag behind our expectations and does not yet reflect the reversal in trend which is evident from a comparison of Q3 with Q2. Earnings per share were € -0.14; after allowing for convertible bonds in circulation, diluted EPS was € -0.14.

## **Additional partners found, particular concentration on developing existing sales and cooperation agreements**

Following our success during the first half-year in forging both strategic alliances as for example with KPMG Consulting AG as well as national and international sales partnerships focused on conventional indirect sales, in the third quarter we have been concentrating our efforts in particular on fostering these existing contacts. New partnerships were also

entered into with KTW Software & Consulting, Innsbruck (cooperation partnership) and with Sage KHK Software GmbH & Co. KG, Frankfurt (product partnership), a subsidiary of the Sage Group which is quoted on the London Stock Exchange.

## **New products in the third quarter 2001**

Following completion of the ATOSS Startup Edition (ASE) in the first half-year, as well as various expansions of existing products such as mobile data acquisition (as part of the ATOSS Time Solution), we completed the new Release 2.4 of the Staff Efficiency Suite as we had planned in the third quarter. In addition to improved integration of individual modules, Version 2.4 includes process management (ATOSS Process Improvement) and project management (ATOSS Project- & Performance Management) as integrated tools. The integration of process and project management within the ATOSS Staff Efficiency Suite for example makes it possible for data acquired during project planning and control to be applied in the measurement of processes. In this way what-if analyses, simulation and process cost accounting can all help to reveal potential savings which can then be verified with the aid of actual status data from current projects. What's more, the integration of the project management (ATOSS Project- & Performance Management) and human resources deployment planning (ATOSS Resource Allocation) modules facilitates the control of human resources even in personnel-intensive projects. We have already succeeded in placing the new Release 2.4 for Windows NT with one of our major new clients, the Austrian Post AG. The new Release 2.4 is expected to be generally available for all supported platforms during the month of November.

The already announced expansion of our Staff Efficiency Suite to include knowledge management will likewise be introduced by the end of the year, as a beta version integrated into Version 2.4. This will be the first time our clients will have been able to experience the integration of the field of knowledge into resources, projects and processes. In addition, Version 2.4 also contains a new reporting tool with a graphic interface which will allow users to individually define applications and evaluations as well as automatically plan the deployment of personnel on the basis of the employees' own desired work plans.

In the field of sector-specific solutions we achieved further progress in the third quarter. Following successful sales of our ATOSS MEDICAL Solution, our client list now extends to 64 hospitals and clinics employing some 64,800 staff. As a result of this successful development and the considerable potential which this market holds, we have set up a separate profit center-oriented „MEDICAL“ business unit which is focused keenly on the needs of the clinics and hospitals market. Further trend-setting functions designed specifically for the commercial sector as well as personnel planning and management functions for call centers will be presented towards the end of the current financial year.

## Numerous new customers

Once again in the third quarter, ATOSS was able to acquire numerous new customers. These include among others:

Aventis Behring GmbH  
FCI Automotive Germany GmbH  
Freytag & Petersen GmbH & Co.  
HDI Niederlassung Munich  
IMI Norgren Buschjost GmbH & C. KG  
Klinikum Saarbrücken  
Krankenhaus der Barmherzigen Brüder, Trier  
Lear Corporation  
Paul Hartmann AG  
Phoenix AG  
Post Austria AG, Vienna

## Changes on the Supervisory Board and Management Board

As already announced in our interim report of 30.06.2001, with the arrival of Christiane Glöckler as our new director in charge of sales and marketing, effective from 01.07.2001, we have succeeded in making an important acquisition for the management team at ATOSS Software AG. The areas covered by the Chairman of the Management Board, Andreas F.J. Obereder (Strategy, M&A, Finance and Personnel) and by Board member Dr. Burkhard Scherf (Research & Development, Consulting & IT Services) remain unchanged.

On August 15 we were also able to announce that by application to the Municipal Court, Bernhard Dorn had been appointed as a member of the Supervisory Board. Mr. Dorn, formerly for many years General Manager of IBM Deutschland GmbH, is now a corporate consultant and member of various supervisory boards. Winfried Wolf has stepped down from the Supervisory Board.

At a Board meeting subsequent to his appointment, Mr. Dorn was elected as Deputy Chairman of the Supervisory Board. Peter Kirn, formerly Management Chairman of CGI Deutschland GmbH and a member of the Supervisory Board since ATOSS became a stock corporation, remains the Chairman of the Supervisory Board.

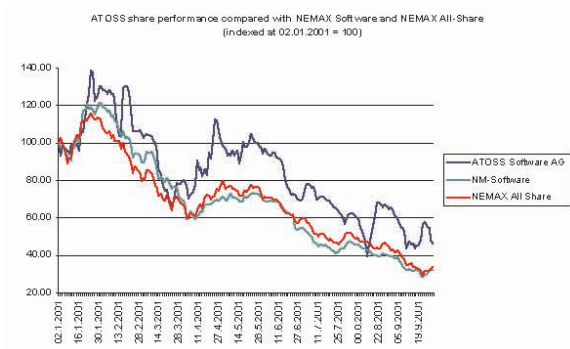
Andreas F.J. Obereder expressed great satisfaction at these personnel changes and emphasized that the recruitment of Ms. Glöckler and the appointment of Mr. Dorn signified and safeguarded the long-term professionalism of the management organs of ATOSS Software AG.

## Our shares – more than just undervalued

Just how far we have crossed over from the exaggerated values once attributed especially to technology-driven growth companies to a phase of undervaluations, is sadly highlighted by our own shares. Leaving aside interim price gains which have been accompanied by high levels of turnover, the third quarter has produced no reversal of this trend. ATOSS Software AG is currently valued at around € 24 million

with liquidity of € 30.3 million. The fact that we are a successful company with a profitable business model which has proven itself over 14 years and a broad-based inventory of established customers appears to have been left entirely out of the equation.

Even a sharp rise in our share price would simply mean that our existing liquidity would equal the stock market valuation of our company. Comments in the press that now is the time to buy into just those companies which are valued at significantly less than book value allow us to look forward with some confidence to a revival of the share price in the near future. The fact is that even in the reporting period, ATOSS shares have clearly outperformed some of the major indices.



## Analysts give ATOSS an „Outperform“ rating

During the third quarter we have held numerous important individual discussions with analysts, institutional investors and journalists, in which we have successfully communicated both our strategy and the great potential which the future holds. It is evident that we are not the only ones who are convinced of the strength of our shares. In August 2001 three further studies appeared which highlighted ATOSS shares. BNP Paribas gave ATOSS an „Outperform“ rating, with a target price of € 12.00 per share. Analysts at ICE SECURITIES saw a fair value of € 16.00, and likewise gave us an „Outperform“ rating. Given that the economy is unlikely to recover until some time in 2002, Bayerische Landesbank stood by its „Neutral“ rating. Nevertheless, the Bank did point out that our liquidity alone equates to a market price of € 7.30, thus clearly demonstrating that our shares are undervalued.

Moreover, at the end of September in a study focusing on „Cash values on the Neuer Markt“, the team of analysts at GBC German Business Concepts also highlighted ATOSS. Their recommendation was an „overweighting“ on the grounds that even in times of crisis, ATOSS and its software will be in demand and the company represents by far one of the best cash values on the Neuer Markt.

Whilst it was difficult enough even at the middle of this year to estimate the economic climate, the situation deteriorated markedly, especially in September. For the global economy as a whole there is little likelihood of growth in the current fourth quarter. Indeed, in the industrialized countries and in the USA in particular, there are signs of a further drop-off.

Our expectations of a somewhat more positive economic environment – at least in the software segment – for the last quarter of the current financial year have thus been sadly dampened. Our clients in the air transportation industry have cut back significantly on their investments.

We remain of the opinion that the major companies in the computer and software sector will suffer from the weakness of demand. However, as in the case of the stock markets, these companies have adapted their plans and expectations to the negative development in the economy, the terrorist attacks and limited military conflicts. There are meanwhile indications of a reviving corporate willingness to invest in the second half of the coming year. In this event ATOSS with its range of solutions would be especially well positioned to help businesses boost their efficiency and profitability. We would therefore benefit at a very early stage from any improvement in the investment climate.

Therefore, we expect the economic environment to remain equally difficult in the fourth quarter and saw this trend to continue during October 2001 with particularly weak software revenues for that month.

Against this background, it appears difficult to indicate an outlook for the fourth quarter. However, and as a result of the significant optimization of our cost structure, we anticipate a positive operating result (EBIT) for the fourth quarter. The extent of said positive operating result (EBIT), however, will be largely dependent on whether year-end business will have the traditional stimulating effect on sales in the software area despite this year's weak economic environment.

For the financial year 2001 ATOSS therefore expects to record sales which are at minimum no more than slightly below last year's record figure as well as an improved EBIT in comparison with October 30, 2001, a more or less balanced EBT and a positive operating cash flow for the full year. In the event that year-end business will have the traditional stimulating effect on sales despite this year's weak economic environment, ATOSS expects sales to come up to last year's high level, an improvement in operating result (EBIT) over last year, as well as markedly positive earnings before taxes (EBT) for the full year.

# Consolidated Balance Sheet

CONSOLIDATED BALANCE SHEET (€)

September 30, 2001

December 31, 2000

<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	8,727,883.99	26,588,860.20
Short-term Investments/Marketable Securities	21,592,672.61	5,104,947.57
Trade accounts receivable	4,677,455.39	6,525,521.71
Accounts receivable due from related parties	0.00	0.00
Inventories	38,341.19	48,272.70
Deferred tax assets	0.00	0.00
Prepaid expenses and other current assets	1,583,755.18	927,37.28
Others	0.00	0.00
<b>Total current assets</b>	<b>36,620,108.35</b>	<b>39,194,975.46</b>
<b>Non current assets</b>		
Property, plant and equipment	1,295,557.30	1,659,248.55
Intangible assets	1,703,825.63	1,988,877.87
Goodwill	24,990.77	33,320.96
Investments	0.00	0.00
Investments accounted for by the equity method	0.00	0.00
Notes receivables/loans	0.00	0.00
Deferred Taxes	1,190,688.53	976,517.06
Other assets	0.00	0.00
Others	0.00	0.00
<b>Total non current assets</b>	<b>4,222,062.23</b>	<b>4,657,964.44</b>
<b>Total Assets</b>	<b>40,842,170.58</b>	<b>43,852,939.90</b>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>		
<b>Current liabilities</b>		
Current portion of capital lease obligation	0.00	0,00
Short term debt and current portion of long-term debt	57,304.75	450.232,42
Trade accounts payable	765,006.29	2.959.325,46
Accounts payable due to related parties	0.00	0.00
Advance payments received	0.00	0.00
Accured expenses	1,436,612.29	1.462.799,53
Deffered revenues	1,505,645.35	489.378,80
Income tax payable	0.00	393.837,48
Deffered taxes	0.00	0.00
Other current liabilities	554,033.49	791,750.17
Others		
<b>Total current liabilities</b>	<b>4,318,602.17</b>	<b>6,547,323.87</b>
<b>Long-term liabilities</b>		
Long-term debt, less current portion	169,313.00	45,454.00
Capital lease obligation, less current portion	0.00	0.00
Deffered revenues	0.00	0.00
Deffered taxes	0.00	0.00
Pension accrual	227,824.89	217,124.19
Others	0.00	0.00
<b>Total long-term liabilities</b>	<b>397,137.89</b>	<b>262,578.19</b>
<b>Sharholder's equity</b>		
Share Capital	4,025,667.00	4,025,667.00
Additional paid-in capital	33,177,939.13	33,197,087.36
Treasury Stock	-401,964.79	-272,850.00
Retained Earnings/Accumulated Deficit	-508,731.33	59,479.14
Accumulated other comprehensive income	-166,479.49	33,654.35
Others	0.00	0.00
<b>Total Shareholder's equity</b>	<b>36,126,430.52</b>	<b>37,043,037.85</b>
<b>Total liabilities and Shareholder's equity</b>	<b>40,842,170.58</b>	<b>43,852,939.90</b>

# Consolidated Income Statement

## CONSOLIDATED INCOME STATEMENT (in €)

	QUARTERLY REPORT		NINE-MONTH COMPARISON	
	III/2001 from Jul. 1, 2001 till Sep. 30, 2001	III/2000 from Jul. 1, 2000 till Sep. 30, 2000	from Jan. 1, 2001 till Sep. 30, 2001	from Jan. 1, 2000 till Sep. 30, 2000
Revenues	5,060,926.51	4,781,346.58	15,572,288.16	15,382,461.91
Cost of revenues	-1,978,128.14	-2,265,037.39	-5,865,510.73	-5,820,597.84
<b>Gross profit</b>	<b>3,082,798.37</b>	<b>2,516,309.20</b>	<b>9,706,777.43</b>	<b>9,561,864.07</b>
Selling and Marketing expenses	-1,364,738.92	-1,744,472.17	-5,530,455.83	-4,901,033.99
General and administrative expenses	-1,089,469.16	-1,237,655.11	-3,511,420.92	-3,714,757.88
Research and development	-791,737.63	-312,541.03	-2,243,041.79	-1,543,502.71
Other operation income and expenses	10,089.19	0.00	836.46	0.00
Depreciation and amortisation	0.00	0.00	0.00	0.00
Others	0.00	0.00	0.00	0.00
<b>Operation income/loss</b>	<b>-153,058.15</b>	<b>-778,359.12</b>	<b>-1,577,304.65</b>	<b>-597,430.51</b>
Interest income and expenditure	103,771.61	3,993.83	691,458.48	22,462.79
Income from investments and participations	0.00	0.00	0.00	0.00
Income/expense from investments accounted for by the equity method	0.00	0.00	0.00	0.00
Foreign currency exchange gains/losses	0.00	0.00	0.00	0.00
Other income/expense	-37,443.06	35,017.96	159,850.24	19,872.36
Others	0.00	0.00	0.00	0.00
<b>Result before income taxes</b>	<b>-86,729.60</b>	<b>-739,347.33</b>	<b>-725,995.93</b>	<b>-555,095.36</b>
Income tax	17,526.66	162,903.02	149,964.33	37,228.79
Extraordinary Income	7,820.82	0.00	7,820.82	0.00
<b>Net income/loss</b>	<b>-61,382.12</b>	<b>-576,444.30</b>	<b>-568,210.78</b>	<b>-517,866.57</b>
Net income per share (basic)	-0.02	-0.14	-0.14	-0.15
Net income per share (diluted)	-0.01	-0.14	-0.14	-0.15
Weighted average shares outstanding (basic)	3,973,017	4,025,667	3,991,038	3,416,672
Weighted average shares outstanding (diluted)	4,127,455	4,061,493	4,137,647	3,443,234

# Consolidated Cash Flow Statement

## CONSOLIDATED CASH FLOW STATEMENT (€)

	Quarterly Report (current year to date)	Quarterly Report (comparative period previous year)
	from January 1, 2001 till September 30, 2001	from January 1, 2000 till September 30, 2000
<b>Cash flows from operating activities</b>		
<b>Net profit/loss</b>	-568,210.78	-517,866.07
Adjustments for		
Minority Interest	0.00	0.00
Depreciation and amortisation	932,479.86	615,668.54
Increase/decrease in provisions and accruals	-409,324.02	-696,128.50
Losses/gains on the disposal of fixed assets	-83,058.64	46,350.14
Foreign exchange gains/losses	0.00	0.00
Other	-221,171.74	302,619.86
Change in net working capital	1,536,510.02	-4,358,066.91
<b>Net cash provided by operating activities</b>	<b>1,187,224.97</b>	<b>-4,607,422.94</b>
<b>Cash flows from investing activities</b>		
Acquisition of subsidiaries, net of cash acquired	0.00	0.00
Purchase of property, plant and equipment	-301,834.90	-1,237,222.56
Proceeds from sale of equipment	109,487.68	68,808.64
Other	-16,487,725.03	-31,000,578.78
<b>Net cash used in investing activities</b>	<b>-16,680,072.25</b>	<b>-32,168,992.70</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of share capital	-348,396.85	34,460,802.32
Proceeds from short or long-term borrowings	123,859.00	0.00
Cash repayments of amounts borrowed	-2,143,591.08	-4,541.29
Payment of capital lease liabilities	0.00	0.00
Other	0.00	5,044.41
<b>Net cash provided by financing activities</b>	<b>-2,368,128.94</b>	<b>34,461,305.43</b>
Net effect of currency translation in cash and cash equivalents	0.00	0.00
<b>Net increase in cash and cash equivalents</b>		
Cash and cash equivalents at beginning of period	26,588,860.20	2,774,634.81
Cash and cash equivalents at end of period	8,727,883.99	459,524.60

# Development in Group capital and reserves

## DEVELOPMENT IN GROUP CAPITAL AND RESERVES (in €)

	Individual share certificates	Purchase of own shares	Capital subscribed	Capital reserve	Profit reserve	unappropriated surplus	Variation in capital and reserves with neutral effect on operating result	Total capital and reserves
<b>Status at December 31, 1999</b>	<b>669,273</b>	<b>0</b>	<b>669,273</b>	<b>1,576,488</b>	<b>0</b>	<b>688,686</b>	<b>48,686</b>	<b>3,083,134</b>
Result for the year	0	0	0	0	0	-61,660	0	-61,660
Transfer to profit reserves	0	0	0	0	567,547	-567,547	0	0
Increase in capital from company resources	2,100,000	0	2,100,000	-1,532,453	-567,547	0	0	0
Increase in capital by cash contribution	1,256,394	0	1,256,349	33,053,052	0	0	0	34,309,466
Purchase of own shares	0	-272,850	0	0	0	0	0	-272,850
Variation in capital and reserves with neutral effect on operation result	0	0	0	0	0	0	-15,031	-15,031
Others	0	0	0	0	0	0	6,089	6,089
Unrealised profits (losses) on securities	0	0	0	0	0	0	-21,120	-21,120
<b>Status at December 31, 2000</b>	<b>4,025,667</b>	<b>-272,850</b>	<b>4,025,667</b>	<b>33,197,087</b>	<b>0</b>	<b>59,479</b>	<b>33,655</b>	<b>37,043,038</b>
Result at September 30, 2001	0	0	0	0	0	-568,211	0	-568,211
Purchase of own shares	0	-129,115	0	0	0	0	0	-129,115
Proportion of convertible bonds	0	0	0	-19,148	0	0	0	-19,148
Variation in capital and reserves with neutral effect on operation result	0	0	0	0	0	0	-200,134	-200,134
<b>Status at September 30, 2001</b>	<b>4,025,667</b>	<b>-401,965</b>	<b>4,025,667</b>	<b>33,177,939</b>	<b>0</b>	<b>-508,732</b>	<b>-166,479</b>	<b>36,126,431</b>

## 1. General

The present quarterly accounts have been prepared in accordance with the specifications contained in the United States Generally Accepted Accounting Principles (US-GAAP) for Interim Financial Reporting. For this reason, not all of the data required for the annual financial statement is included. Nevertheless, the same balance sheet reporting and valuation methods have been applied as for the annual financial statement. The Management Board is therefore satisfied that all of the information conveys a picture of the economic situation of the company which accords with the true facts.

## 2. Currency

All information is given in Euro (€). Figures for the preceding year were converted at the official exchange rate.

## 3. Consolidation group

In addition to the accounts of ATOSS Software AG, Munich, the consolidated accounts include those of:

ATOSS CSD Software GmbH, Cham  
 ATOSS Software Ges.m.b.H, Vienna  
 ATOSS Software AG, Zürich  
 ATOSS Software S.A.R.L., Paris

These companies are fully consolidated within the present accounts.

The amalgamation of ATOSS Systems Consulting GmbH, Meerbusch into ATOSS Software AG, Munich was resolved at the general meeting on 22.05.2001, entered into the Commercial Register on 19.07.2001 and completed retroactively with effect from 01.01.2001.

## 4. Changes in equity

The development in equity is evident from the equity variation statement.

## 5. Own shares

During the current financial year, 18,515 shares in ATOSS Software AG were repurchased, 13,700 of these in the third quarter of this year. The cost of acquiring all of the shares bought back in this financial year was € 129,114.74 of which € 80,964.74 was paid for the shares purchased in the quarter just ended. The purchase of own shares was previously approved by the general meeting of shareholders. As at 30.09.2001 ATOSS Software AG thus held 45,800 own shares.

## 6. Personnel costs

### PERSONNEL COSTS

	Sep. 30, 2001	Sep. 30, 2000
Wages and salaries (in million €)	7,999	6,502
Social security contributions and expenditure on pension provisions and support (in million €)	1,350	1,310
Total (in million €)	9,349	7,812

## 7. Employees

As at 30.09.2001 the Company had 170 employees, against 181 in the preceding year. Of these 45 (37) were engaged in Product Development, 45 (49) in IT Services and Consulting and 48 (45) in Sales and Marketing.

## 8. Management Board

There were three members of the Management Board of ATOSS Software AG as at 30.09.2001:

Andreas F.J. Obereder: Chairman, Strategy, M&A, Finance and Personnel  
 Dr. Burkhard Scherf: Research & Development, IT Services and Consulting  
 Christiane Glöckler: Sales and Marketing

## 9. Supervisory Board

There were three members of the Supervisory Board of ATOSS Software AG as at 30.09.2001:

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

At the application of ATOSS Software AG, Mr. Bernhard Dorn was appointed to the Supervisory Board with effect from 02.08.2001 by the Municipal Court of Munich. He replaced Mr. Winfried Wolf, of Munich.

## 10. Shareholdings by members of these organs

As at the cut-off date of 30.09.2001, members of these organs had the following holdings in ATOSS shares and by subscribing for convertible bonds held the following options on ATOSS shares:

### SHAREHOLDINGS BY MEMBERS OF THE ORGANS

	Shares	Convertible bonds
Andreas F.J. Obereder	1,967,905	864
Dr. Burkhard Scherf	78,308	864
Christiane Glöckler	0	50.000
Peter Kirn	11,260	0
Bernhard Dorn	1,000	0
Rolf Baron Vielhauer von Hohenhau	0	0

Within the context of the existing employee share program, there are a total of 169,313 convertible bonds outstanding with a nominal value of Euro 1 each.

### OUTSTANDING BONDS

Outstanding as of December 31, 2000	45,454
Changes in the first quarter 2001	+97,068
Changes in the second quarter 2001	-2,959
Changes in the third quarter 2001	+29,750
Outstanding as of September 30, 2001	169,313

## 11. Statements regarding reportable securities transactions

During the quarter, however before his appointment as a member of the Supervisory Board, Bernhard Dorn acquired 1,000 ATOSS shares via the stock market. Ms. Glöckler, who has been a member of the Management Board of ATOSS Software AG since 01.07.2001, acquired options on 50,000 ATOSS shares on 17.07.01 by subscribing for convertible bonds.

## 12. Earnings per share

The earnings per share were arrived at by dividing the result for the year by the weighted average number of shares outstanding. From 01.01.2001 to 30.09.2001 there were an average of 3,991,038 shares in circulation. The earnings per share for this period thus amounted to € -0.14.

In order to calculate the diluted earnings per share, the average number of outstanding shares was increased by the addition of potential shares deriving from convertible bonds. From 01.01.2001 to 30.09.2001 there were an average of 146,609 convertible bonds in circulation. The diluted earnings per share thus amounted to € -0.14.

## 13. Segment report by types of sales

From 01.01.2001 to 30.09.2001 the company achieved sales revenues amounting to € 15,572. These were made up as follows:

### SEGMENT REPORT BY TYPES OF SALES

	from <b>Jan. 1, 2001</b> till <b>Sep. 30, 2001</b>	from <b>Jan. 1, 2000</b> till <b>Sep. 30, 2000</b>	from <b>Jul. 1, 2001</b> till <b>Sep. 30, 2001</b>	from <b>Jul. 1, 2000</b> till <b>Sep. 30, 2000</b>
Software (in T€)	4,520	6,296	1,085	1,693
Maintenance (in T€)	4,186	2,986	1,431	1,160
Services (in T€)	3,975	2,577	1,394	772
Hardware (in T€)	2,057	2,716	882	779
Others (in T€)	834	807	270	378
<b>Total (in T€)</b>	<b>15,572</b>	<b>15,382</b>	<b>5,061</b>	<b>4,781</b>