

Quarterly report 2.2003



ATOSS[®]
Software AG

r:evolution in time!



Andreas F. J. Obereder
President and Chief Executive Officer



Dr. Burkhard Scherf
Member of Executive Board

Economic environment:

General economic situation and sector environment remain fraught with difficulty

ATOSS:

Best half-year in the company's history
Sharp increase in software sales against sector trend
Substantial improvement in results (EBIT >+100%, EBT +67%)
Outlook remains positive
Dividend of € 1.50 per share to be distributed on December 30, 2003

Contact:

ATOSS Software AG
Am Mossfeld 3
D-81829 München
Fon +49. 89. 4 27 71-0
Fax +49. 89. 4 27 71-100

info@atoss.com
www.atoss.com

Dear shareholders, dear ladies and gentlemen,

The overall economic conditions under which ATOSS Software AG is holding its ground on the market, are still best described as very difficult. It is all the more gratifying that the company has once again attained its ambitious goals. In the first six months, the sales generated by ATOSS Software AG rose by 9% compared with the previous year, with the gains in earnings even more pronounced. As a result, earnings before interest and taxes (EBIT) increased almost fivefold, from approx. € 0.2 million in the previous year to approx. € 1.1 as of June 30, 2003. With these figures ATOSS has achieved its highest half-yearly result since the company was founded in 1987!

Growth accelerates in second quarter, profitability increases substantially

We were able to accelerate our growth in the second quarter of 2003, with a gratifying increase in software license sales making a particularly notable contribution to this trend. Profitability, in particular, improved substantially as a result, with the EBIT margin rising to an extremely attractive level of 14% (previous year: 2%) in the second quarter.

Profitability also improved substantially in the half-yearly comparison, moving up from 2% to 9%, while pre-tax returns (EBT margin) came to 12%. We can also report very solid balance sheet ratios, with cash flow from current business operations amounting to € 1.7 million, the capital ratio 74% and liquidity of € 35.3 million. As a result of the Shareholders' Meeting resolutions concerning distribution being registered in December, € 6.0 million have now been reported as amounts owed to our shareholders. This was the reason for the reduction in the capital ratio to 74% – in our opinion still a very high figure for a dynamic company. Liquidity will remain unaffected by this until the distribution date December 30, 2003.

Despite the highly unfavorable environment in our sector, we have succeeded in gaining new customers and winning important orders. Accordingly, if our business model is so convincing in difficult times, we are certainly well prepared for the better economic climate to come!

Two orders in particular made outstanding contributions in the second quarter. Firstly, our subsidiary ATOSS CSD Software GmbH received an important software order from the Aldi Süd group. As a result, we were able to once again demonstrate our position as a full-range supplier (i.e. a supplier of solutions for all company sizes, sectors and application scenarios) while realizing our biggest order so far in the retail sector.

Our second major contract was awarded by Jos. L. Meyer GmbH (the shipyard Meyer Werft). This long-standing customer is the global leader on the cruise liner market. The fact that we were awarded a follow-up order impressively underlines the effectiveness of our approach, namely increasing productivity by intelligent personnel deployment management.

ATOSS Software AG among „Bavaria's Best 50“

We received further confirmation of the success of our corporate strategy when we were included in the elite group of companies receiving the above award. On July 1, our company was honored as one of the fifty fastest-growing companies in Bavaria. These awards were presented by the Bavarian minister of economics to companies from various sectors that achieved outstanding sales increases between 1998 and 2002 and distinguished themselves by virtue of their sustainability, entrepreneurship and job creation.

Sharp rise in our stock price, distribution date fixed

The pleasing business trend, together with our comprehensive efforts to communicate openly and promptly with shareholders, potential investors, analysts and journalists, has certainly born fruit. The ATOSS share price has risen by more than 60% since the start of the year, from € 7.50 to more than € 12 as per mid-year. Few companies in the Prime Standard were able to achieve such positive performance.

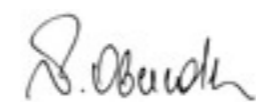
It is well known, however, that our shareholders' participation in their company's success consists of more than just the share price. That is why we presented our Shareholders' Meeting with a very wide-ranging agenda, every item of which was approved unanimously. The announcements can now be found in the commercial register where the Shareholders' Meeting resolutions were entered, which meant that we could determine the course of the approved profit distribution to our shareholders. According to this resolution, taking account of the distribution blocking period of six months provided for by corporation law, we will pay out € 1.50 per share on December 30, 2003 to the shareholders holding shares in our company when trading closes on December 29, 2003. According to the information at our disposal, this payout is tax-free for shareholders who own less than 1% of the shares. Over the next few years we will then switch to an earnings-related dividend policy. We intend to distribute 30% to 50% of our unappropriated retained earnings, underpinned by a minimum dividend – initially € 0.15 – in the less prosperous years.

ATOSS is thereby aiming for a high degree of reliability, not only in the development of its own business but also with regard to its dividend policy. Therefore the ATOSS share not only offers shareholders an investment in a future-oriented market in the technology sector and the attendant prospect of price gains, but also a reliable dividend yield.

Outlook for the second half of the year and the business year as a whole remain positive

We see no signs of an improvement in the general economic situation before the end of this year. Irrespective of this, we expect ATOSS Software AG to continue with the gratifying business trend recorded in the first half of the year. We are therefore sticking to our forecast of a solid increase in sales and a substantial increase in earnings compared with the previous year. We are also taking a positive view of the ongoing third quarter, with sales and earnings in this reporting period expected to improve further compared with the corresponding prior-year period. The year-on-year increases in the third quarter of 2003 will fall below those of the second quarter, however, although we then expect to see a typically strong year-end business trend. For these reasons, the employees and management of ATOSS are remaining optimistic. We would be delighted if you continue to accompany us with your suggestions, criticism and your commitment!

Sincerely yours,



Andreas F. J. Obereder
(Chairman of Management Board)



Dr. Burkhard Scherf
(Member of Management Board)

GROUP OVERVIEW: Half-yearly comparison as of June 30 according to US-GAAP in T€

	2003		2002		Change 2003 over 2002
	from 01.01. to 30.06.	Proportion of total sales	from 01.01. to 30.06.	Proportion of total sales	
Sales	11,797		10,857		+9%
Software	6,397	54%	5,890	54%	+9%
of which software licenses	2,767	23%	2,501	23%	+11%
of which software maintenance	3,630	31%	3,389	31%	+7%
Consulting	3,494	30%	3,259	30%	+7%
of which IT services	2,475	21%	2,099	19%	+18%
of which consulting	1,020	9%	1,161	11%	-12%
Hardware	1,308	11%	1,137	10%	+15%
Miscellaneous	599	5%	571	5%	+5%
EBITDA	1,654	14%	803	7%	>100%
EBIT	1,118	9%	237	2%	>100%
EBT	1,386	12%	830	8%	+67%
Net income	915	8%	509	5%	+80%
Cash flow	1,659	14%	1,415	13%	+17%
Liquidity (*)	35,320		32,331		+9%
EPS (in €)	0.24		0.13		+85%
EPS diluted (in €)	0.22		0.1		+83%
Employees (**)	172		16		+4%

GROUP OVERVIEW: Quarterly comparison according to US-GAAP in T€

	Q2	2003			2002		2001	
		Q1	Q4	Q3	Q2	Q1	Q4	Q3
Sales	6,009	5,788	6,529	5,859	5,418	5,439	5,661	5,061
Software	3,321	3,076	3,392	3,008	2,735	3,155	3,194	2,516
of which software licenses	1,471	1,296	1,677	1,319	1,050	1,451	1,769	1,085
of which software maintenance	1,850	1,780	1,715	1,689	1,685	1,704	1,425	1,431
Consulting	1,748	1,747	2,055	1,871	1,890	1,370	1,543	1,394
of which IT services	1,254	1,221	1,415	1,202	1,148	951	1,125	1,015
of which consulting	494	526	640	670	742	419	418	379
Hardware	561	746	766	676	522	615	714	882
Miscellaneous	380	219	317	305	272	299	210	270
EBITDA	1,086	568	1,222	741	395	408	476	161
EBIT	825	293	601	453	111	126	165	-153
EBT	1,048	338	512	776	568	262	549	-87
Net income	751	164	273	474	344	165	362	-61
Cash flow	37	1,622	537	2,181	362	1,053	1,623	1,296
Liquidity (*)	35,320	35,408	33,735	33,415	31,792	32,331	31,690	30,321
EPS (in €)	0.20	0.04	0.07	0.12	0.09	0.04	0.09	-0.02
EPS diluted (in €)	0.19	0.04	0.07	0.12	0.08	0.04	0.09	-0.01
Employees (**)	172	169	171	173	165	165	167	170

(*) Liquid assets and marketable securities (**) As per mid-year

Management report

High sales, best result in the company's history, further increases in cash flow and liquidity

In the first six months of the current business year, ATOSS achieved its highest ever half-yearly sales of € 11.8 million and, with EBIT of € 1.1 million, the best half-yearly result in the history of the company.

The individual divisions made different contributions to this result. While the Software division – thanks particularly to a positive trend in the software licenses segment – grew by 9% to € 6.4 million, the pace of growth in the Consulting division slowed down slightly after a phase of very strong growth since the beginning of 2001. Sales in this division showed an overall year-on-year increase of 7% to € 3.5 million, with revenue from IT Services increasing further (+18%) but Consulting posting a decline of 12% following the rapid growth rates of the past.

Earnings before interest, taxes, depreciation and amortization (EBITDA) doubled from € 0.8 million to € 1.7 million in the first half of the year. Earnings before interest and taxes (EBIT) increased from € 0.2 million to an impressive € 1.1 million, with a corresponding increase in the EBIT margin from the previous year's 2% to more than 9%. The increase in profitability to this level shows clearly that our business model

proves its worth even in negative economic phases. In view of the returns the company generated, ATOSS has set itself off clearly from the developments of the market as a whole.

Pre-tax earnings (EBT) increased by 67% from € 0.8 million in the first half of 2002 to approx. € 1.4 million. The EBT margin (pre-tax returns) correspondingly increased to 12%, compared with 8% in the previous year. Earnings per share (EPS) in the reporting period, with 3,792,213 shares in circulation (after deduction of treasury stock), amounted to € 0.24, an increase of 85% over the previous year.

At € 35.3 million, liquidity remained at a very high level, and cash flow also continued to develop positively. Cash flow from current business activity, for example, amounted to € 1.7 million, around 17% higher than in the previous year.

The subsidiaries also recorded a sustained positive business trend, with pride of place being taken – thanks not least to the order awarded by the ALDI SÜD group – by ATOSS CSD Software GmbH. Following the acquisition of CSD, this subsidiary – which with its many branches specializes in software solutions for medium-sized and large companies – showed a pleasing trend. Having posted a loss in 2000, it made solid contributions to earnings in the last two business years.

In the first half of 2003 13% of sales were generated abroad (previous year: 14%).

The company had 172 employees on its payroll, a slight increase on the 165 members of staff that were employed as of June 30, 2002.

There has been a change in the composition of the Management Board. As already announced last October, Christiane Glöckler departed from our company on June 30, 2003. Ms. Glöckler, who left at her own request, notified the Supervisory Board and the Management Board of her decision last year – and thus at a very early stage. We were therefore able to organize the succession in good time and without any negative impact on the development of our business. As already announced at the Ordinary Shareholders' Meeting on April 30, 2003, we have recruited a new marketing director who assumed overall responsibility for sales and marketing as of July 1, 2003. The Management Board was thus reduced in size to two members, with Mr. Obereder taking responsibility for sales and marketing at Board level. We wish Ms. Glöckler all the best for the future.

This interim report was examined by our auditors, as was the report on the first quarter of 2003.

Countering the sector trend, sales in the Software segment were 21% up on the corresponding previous year's quarter

OVERVIEW: quarterly comparison for software licenses and software maintenance according to US-GAAP in T€

	2003				2002				2001
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q3
Sales	6,009	5,788	6,529	5,859	5,418	5,439	5,661	5,061	
Software	3,321	3,076	3,392	3,008	2,735	3,155	3,194	2,516	
of which software licenses	1,471	1,296	1,677	1,319	1,050	1,451	1,769	1,085	
of which software maintenance	1,850	1,780	1,715	1,689	1,685	1,704	1,425	1,431	

Contrary to the sector trend, we boosted our sales in the Software segment by no less than 21% over the corresponding prior-year quarter to the current volume of around € 3.3 million. With growth of 40% recorded in the software licenses area, ATOSS clearly set itself off from the negative overall sales trend in the sector. Sales

in the software maintenance field grew by a solid 10%.

The two major individual orders, from the ALDI SÜD group and the Meyer Werft shipyard, had a proportionate impact on sales in the second quarter of 2003. The order from Meyer Werft, an ATOSS customer since 1993, is an important follow-up order.

It is concerned specifically with the introduction of ATOSS personnel deployment planning and is dovetailed closely with the company's existing production planning and control system, while incorporating the deployment of the new ATOSS „order-related personnel deployment planning“ module.

Growth in consulting revenue slows down slightly

OVERVIEW: quarterly comparisons for IT Services and Consulting according to US-GAAP in T€

	2003				2002				2001
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q3
Sales	6,009	5,788	6,529	5,859	5,418	5,439	5,661	5,061	
Consulting	1,748	1,747	2,055	1,871	1,890	1,370	1,543	1,394	
of which IT services	1,254	1,221	1,415	1,202	1,148	951	1,125	1,015	
of which consulting	494	526	640	670	742	419	418	379	

Sales in the Consulting segment declined by 8% in the quarterly comparison, a result of the Consulting area's downward trend compared with its strong performance in the corresponding prior-year period. Having posted significant growth rates in the previous business year, the Consulting area declined by 33%, while the IT Services area increased

its sales by 9% compared with the second quarter of 2002.

Even though the growth rate in the Consulting segment slackened as described above, ATOSS still possesses a high level of solution competence with regard to the sometimes highly complex requirements of its customers and is also able to make its competence count in a highly strained business

environment. In connection with this it must be noted that we have increased sales substantially in the past, particularly in the Consulting area, and that the previous year's Consulting figures in the direct half-yearly comparison included a sizeable order from Lufthansa. For the time being the priority is to consolidate this sharp leap in growth.

Increase in hardware sales

OVERVIEW: quarterly comparison for hardware according to US-GAAP in T€

	2003				2002				2001
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q3
Sales	6,009	5,788	6,529	5,859	5,418	5,439	5,661	5,061	
Hardware	561	746	766	676	522	615	714	882	

Compared with the corresponding prior-year quarter, hardware sales increased by 7% to € 0.6 million

in the second quarter of 2003. We are assuming that over the remainder of the business year,

sales will remain at the level attained in the elapsed quarter.

Outstanding results trend

OVERVIEW: quarterly comparison for the income ratios according to US-GAAP in T€

	2003				2002			2001
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
EBITDA	1,086	568	1,222	741	395	408	476	161
EBIT	825	293	601	453	111	126	165	-153
EBT	1,048	338	512	776	568	262	549	-87
Net income	751	164	273	474	344	165	362	-61
Cash flow	37	1,622	537	2,181	362	1,053	1,623	1,296
Liquidity (*)	35,320	35,408	33,735	33,415	31,792	32,331	31,690	30,321
EPS (in €)	0.20	0.04	0.07	0.12	0.09	0.04	0.09	-0.02
EPS diluted (in €)	0.19	0.04	0.07	0.12	0.08	0.04	0.09	-0.01

(*) Liquid assets and marketable securities

ATOSS has exceeded analyst expectations. In the months from April to June, profit growth accelerated significantly compared with both the comparable previous year period and the first quarter of 2003.

Earnings before interest and taxes (EBIT) increased substantially from € 0.1 million to € 0.8 million in the second quarter of 2003. Correspondingly, the EBIT margin increased to around 14% (previous year: 2%). The most notable contribution to this pleasing trend was made by the increased sales in the software segment. Pre-tax earnings (EBT) rose by 85%, from € 0.6 million to € 1.0 million, in the second quarter. The EBT margin

moved up to 17% as a result, having been just 10% in the second quarter of the previous year. Income for the period (net income) increased to € 0.8 million in the second quarter, compared with € 0.3 in the previous year. Earnings per share (EPS) amounted to € 0.20 in this quarter (diluted: € 0.19, previous year: € 0.09/0.08).

Our subsidiary ATOSS CSD Software GmbH also showed a positive earnings trend, which significantly improved its operating result against the background of another sharp increase in sales. Our subsidiary ATOSS Software Ges. mbH, Vienna, also advanced its sales and improved its operating result.

Assets and financial position: cash flow and liquidity again increase sharply

In the first half of the year the portfolio of bank deposits and securities increased by 11% to € 35.3 billion compared with June 30, 2002. The registration of the Shareholders' Meeting resolution to distribute € 1.50 per share, however, has led to a reduction of € 6.0 million in shareholders' equity; this is the sum earmarked for distribution. This amount will be reported as an amount owed to our shareholders until it is distributed on December 30, 2003. Correspondingly, the capital ratio will fall from its previous year's level of 89% to 74% - which we regard as still representing a very high level.

Cash flow from current business activity increased to € 1.7 million (previous year: € 1.4 million) in the first half of the year, while cash flow from investment activity amounted to € -2.4 million (previous year: € -1.1 million). Cash flow from financing activity amounted to € 0.1 million, compared with € -1.1 million in the previous year.

In principle, we report investment in the further development of our products directly as current expenditure. Self-produced intangible assets are therefore not capitalized. Compared with the previous year, the volume of investment in research and development was up by 15% to € 2.1 million. In the research and development field, 43 (previous year: 40) software programmers are entrusted with the further development of the existing products and functional innovations.

In the second quarter of 2003 we were again able to hold the price level of our products constant.

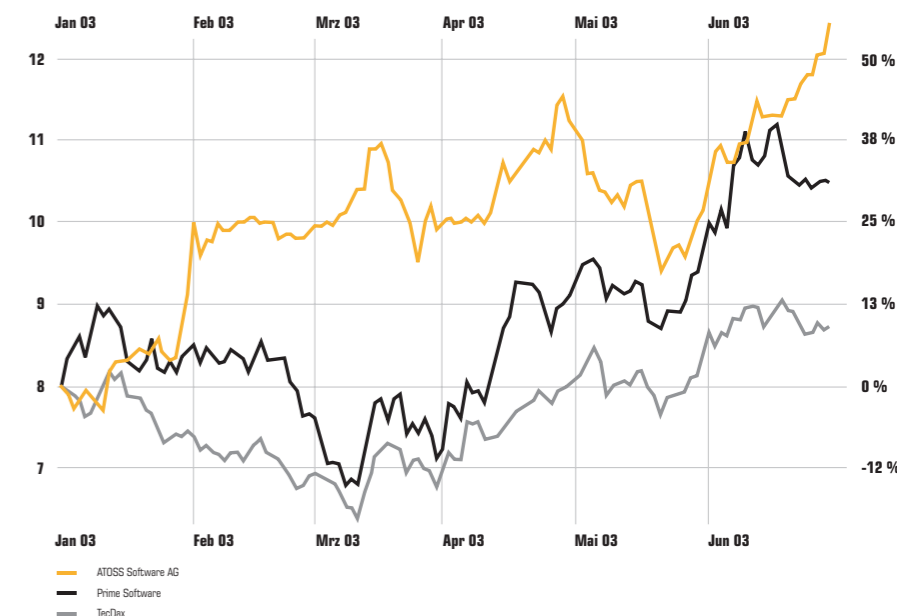
Outlook remains positive

We were unable to discern any positive signs in either the immediate sector environment or in terms of overall economic trends. Since ATOSS Software AG has been generating growth under

its own steam since mid-2001, however, we are maintaining our optimism concerning the remainder of the year. Our expectations for the business year 2003 as a whole – solid sales growth and a significant improvement in earnings – remain unchanged. In the process, the year-on-year growth rates achieved in the ongoing third quarter will be lower than those of the second quarter of 2003. For the last three months of the year under review, on the other hand, we are expecting a typical year-end business trend and consequently a strong final quarter.

The ATOSS share continued to outperform the market

In the first half of the year, the ATOSS share showed a positive trend with, at times, substantial turnover. From the start of the year until the end of June, we posted a price gain of 66%. By way of contrast, the TecDax and Prime Software indices – to take two examples – increased by just under 9% and 31% respectively. In other words, the previous gratifying trend, with a significantly better performance than the market as a whole, has continued.



Interest shown by media and analysts remains high

In the second quarter too, the interest of many analysts and journalists led to numerous articles and buy recommendations. These recommendations were „promising“, „accumulate“, „speculative buy“ or „buy“. Our share is also thought to possess further price potential – an assessment that we unreservedly share!

SES Research also made a highly positive assessment of our company and the ATOSS share. The current EquiRisk Rating again examined the company-specific risk faced by each of the companies listed in the TecDAX and the Technology All Share-Index of the Prime Standard. For this purpose, SES investigated ten operational, balance-sheet risk factors on the basis of up-to-date accounts and/or the last twelve quarterly reports using an objective, quantitative model and compressed them into a risk profile. SES converts this into a rating that represents the relative, company-specific risk that the investment in the share in question involves. Over the last few quarters, the rating for ATOSS was continuously increased from B to its current A+ (highest rating).

Sharp increase in earnings per share

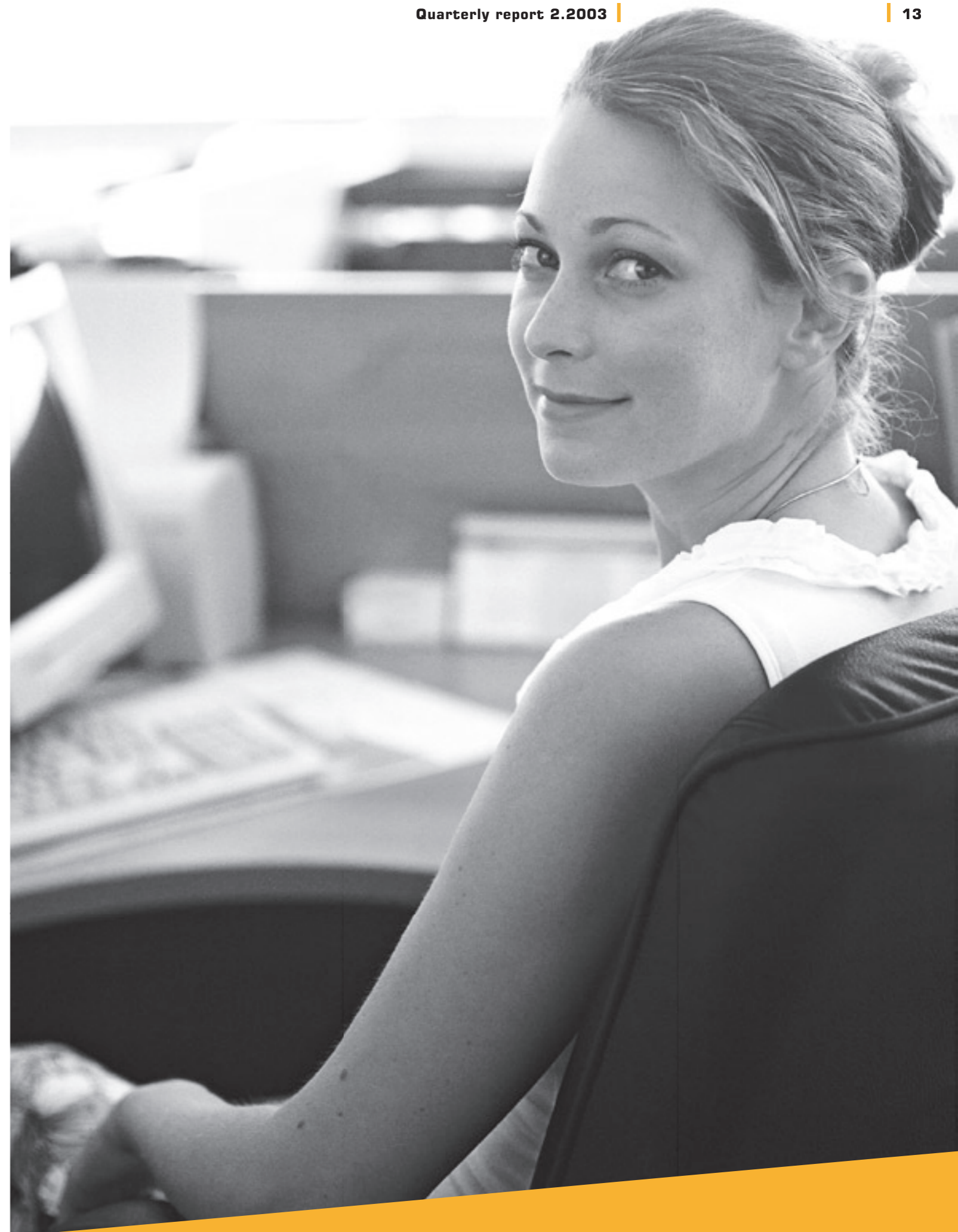
Compared with the previous year, earnings per share increased from € 0.13 to € 0.24. Against this background, the analysts' current estimates, with a range from € 0.48 to € 0.50 for earnings per share in 2003, can be regarded as realistic.

Extensive Shareholders' Meeting resolutions registered in June: € 1.50 per share will be distributed on December 30, 2003

We presented our shareholders with an extensive agenda on the occasion of their Ordinary Shareholders' Meeting on April 30, at which all of the items were adopted unanimously. Since the resolutions were registered in the commercial register in the first half of June and were announced on June 17 and 26, we were then able to determine the course of the distribution. This stipulates that shareholders who hold ATOSS shares as of December 29, 2003 will receive a payout of € 1.50 per share on their holdings on December 30, 2003.

Unfortunately, because of provisions concerning corporation law, we must take account of a distribution blocking period of six months from the date the entries were announced at the Registration Court. Otherwise we would certainly have carried out this distribution at a far earlier date.

Another objective of the capital measures resolved at our Shareholders' Meeting was the formation of extensive free capital reserves, the aim being to provide a credible bedrock for our long-term dividend policy plans while simultaneously creating further scope for repurchasing treasury stock. There were no changes in treasury stock in the second quarter of 2003. We continue to hold 233,560 shares with an average purchase price of € 8.09, which corresponds to 5.8% of the capital stock.



ASSETS	30.06.2003	31.12.2002
	(€)	(€)
Current assets		
Cash and cash equivalents	6,968,873	7,584,610
Short-term investments/ Marketable securities	28,351,391	26,149,942
Trade accounts receivable	4,396,806	4,452,587
Inventories	18,557	21,853
Prepaid expenses and other current assets	883,007	933,652
Others	0	0
Total current assets	40,618,633	39,142,644
Non-current assets		
Property, plant and equipment	657,005	798,544
Intangible assets	827,710	1,080,024
Goodwill	22,214	22,214
Deferred taxes	144,380	477,422
Other asset	0	0
Total non-current assets	1,651,309	2,378,204
Total assets	42,269,942	41,520,848

LIABILITIES AND SHAREHOLDERS' EQUITY	30.06.2003	31.12.2002
	(€)	(€)
Current liabilities		
Current portion of capital lease obligation		
Short-term debt and current portion of long-term debt	1,278	1,917
Trade accounts payable	405,480	542,969
Advance payments received		
Accrued expenses	1,827,561	2,518,475
Deferred revenues	1,072,368	721,466
Income tax payable	469,167	270,823
Other current liabilities	6,632,163	602,033
Others		
Total current liabilities	10,408,017	4,657,684
Non-current liabilities		
Long-term debt, less current portion	245,184	313,767
Pension accrual	316,867	276,067
Others	0	0
Total non-current liabilities	562,051	589,834
Shareholders' equity		
Share capital	4,025,667	4,025,667
Additional paid-in capital	25,693,405	31,722,582
Treasury stock	-1,889,330	-1,891,330
Unappropriated surplus	0	1,483,564
Retained earnings / Accumulated deficit	3,508,806	1,109,912
Accumulated other comprehensive income / loss	-38,674	-177,064
Total shareholders' equity	31,299,874	36,273,330
Total liabilities and shareholder's equity	42,269,942	41,520,848

INCOME STATEMENT IN €				
	Quarterly report		Half-yearly report	
	II/2003	II/2002		
	01.04.2003	01.04.2002	01.01.2003	01.01.2002
	30.06.2003	30.06.2002	30.06.2003	30.06.2002
Revenues	6,009,075	5,417,579	11,797,263	10,856,641
Cost of revenues	-2,106,299	-1,949,435	-4,224,919	-3,876,550
Gross profit	3,902,776	3,468,143	7,572,345	6,980,091
Selling and marketing expenses	-1,281,262	-1,613,092	-2,775,239	-3,112,079
General and administrative expenses	-759,358	-820,545	-1,640,875	-1,865,875
Research and development	-1,074,380	-942,695	-2,069,453	-1,805,890
Other operation income and expenses	37,246	19,462	31,350	40,842
Depreciation on goodwill	0	0	0	0
Others	0	0	0	0
Operation income / loss	825,020	111,272	1,118,128	237,088
Interest income and expenditure	36,768	455,441	-265,805	595,116
Other income / expense	186,250	1,344	533,825	-2,154
Others	0	0	0	0
Result before income taxes	1,048,038	568,057	1,386,148	830,050
Income tax	-297,005	-224,265	-470,817	-320,775
Extraordinary income	0	0	0	0
Net income / loss	751,033	343,792	915,331	509,275
Net income per share (basic)	0.20	0.09	0.24	0.13
Net income per share (diluted)	0.19	0.08	0.22	0.12
Weighted average shares outstanding (basic)	3,792,307	3,899,781	3,792,213	3,935,174
Weighted average shares outstanding (diluted)	4,037,491	4,147,505	4,071,245	4,145,540

CASH FLOW STATEMENT IN €		
	Accumulated period	Accumulated period
	(current business year)	(comparative period previous year)
	01.01.2003	01.01.2002
	30.06.2003	30.06.2002
Cash flow from operating activities		
Net profit/loss	915,331	509,275
Adjustments for		
minority interests	0	0
depreciation and amortization	535,733	565,836
increase/decrease in provisions and accruals	-451,771	-165,337
losses/gains on the disposal of fixed assets	12,349	56,152
other	333,042	309,872
change in net working capital	314,765	139,493
Net cash provided by operating activities	1,659,449	1,415,290
Cash flow from investing activities		
Acquisition of subsidiaries, net of cash acquired	0	0
Purchase of property, plant and equipment	-154,229	-193,048
Proceeds from sale of equipment	0	0
Other	-2,201,449	-946,270
Net cash used in investing activities	-2,355,677	-1,139,317
Cash flows from financing activities		
Proceeds from issuance of share capital	149,713	-1,222,149
Proceeds from short or long-term borrowings	-68,583	102,340
Cash repayments of amounts borrowed	-639	-639
Payment of capital lease liabilities	0	0
Other	0	0
Net cash provided by financing activities	80,491	-1,120,449
Net effect of currency translation in cash and cash equivalents	0	0
Net increase in cash and cash equivalents		
Cash and cash equivalents at beginning of period	7,584,610	8,772,743
Cash and cash equivalents at end of period	6,968,873	7,928,267

1. General

These quarterly accounts were prepared according to the provisions of the United States Generally Accepted Accounting Principles (US GAAP) for Interim Financial Reporting, and also in compliance with the German accounting standard DRS (Deutsche Rechnungslegungs-Standard) no. 6 for interim reports. For that reason, these accounts do not contain all of the information required for annual financial statements. However, the same accounting and valuation methods have been applied as in the annual financial statements.

The Management Board is convinced that all of the statements and figures provide a picture of the commercial position of the company that accurately reflects the actual conditions.

2. Currency

All of the information is provided in €.

3. Consolidated entity

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

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

The subsidiaries were included in the financial statements by means of full consolidation.

4. Changes in shareholders' equity

The development of shareholders' equity is shown in the statement of changes in shareholders' equity.

5. Company shares

In the ongoing business year, 200 of the company's own shares were transferred following the exercise of conversion rights within the framework of the convertible bond program. The company thus holds 233,560 of its own shares as of June 30, 2003.

Company-held shares are reported as a separate equity item.

6. Personnel costs

PERSONNEL COSTS		
	30.06.2003	30.06.2002
	(T€)	(T€)
Wages and salaries	5,040	5,138
Social security, pension and other benefits	922	803
Total	5,962	5,941

7. Segment information

The company differentiates between product-related activities (development of software products and marketing of software and hardware products and maintenance contracts) and services. These activities cover Germany and other European countries.

Due to adjustments in internal performance measurement, the figures for the previous year were altered.

SALES, EARNINGS		
	30.06.2003	30.06.2002
	(T€)	(T€)
Products, maintenance		
Sales	8,132	7,427
EBIT	829	141
Depreciations	435	444
Services		
Sales	3,665	3,430
EBIT	225	96
Depreciations	100	122
Domestic sales	10,321	9,354
Foreign sales	1,476	1,503
Total sales	11,797	10,857

The geographical allocations of sales refer to the location of the customer. The company does not divide up its assets according to segments.

Sales are broken down into the following sales types:

TYPES OF SALES	30.06.2003	30.06.2002
	(T€)	(T€)
Software licenses	2,767	2,501
Software maintenance	3,630	3,389
Total software	6,397	5,890
IT services	2,474	2,099
Consulting	1,020	1,161
Total services	3,494	3,259
Hardware	1,308	1,137
Other	599	571
Total sales	11,797	10,857

8. Employees

As of June 30, 2003 the company employed 172 members of staff, compared with 165 employees as of June 30, 2002. A total of 43 (40) of these employees are active in product development, 54 (44) in the IT services and consulting areas and 37 (44) in sales and marketing.

9. Supervisory Board

The Supervisory Board of ATOSS Software AG comprised three members as of June 30, 2003:

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

10. Management Board

The Management Board of ATOSS Software AG comprised three members as of June 30, 2003:

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

The directorship of Ms. Glöckler ended as contractually agreed on June 30, 2003. Mr. Obereder assumed Ms. Glöckler's areas of responsibility as of July 1, 2003.

11. Shares held by corporate officers

The corporate officers held the following ATOSS shares as of the cut-off date June 30, 2003:

SHARES HELD BY CORPORATE	30.06.2003	31.03.2003	31.12.2002	30.09.2002	30.06.2002
	Andreas F.J. Obereder	1,967,905	1,967,905	1,967,905	1,967,905
Dr. Burkhard Scherf	78,108	78,108	78,108	78,108	78,108
Christiane Glöckler	0	0	0	0	0
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

The corporate officers held options on ATOSS shares by way of convertible bond subscriptions as of the cut-off date June 30, 2003:

CONVERTIBLE BONDS	30.06.2003	31.03.2003	31.12.2002	30.09.2002	30.06.2002
	Andreas F.J. Obereder	15,864	15,864	15,864	15,864
Dr. Burkhard Scherf	15,864	15,864	15,864	15,864	15,864
Christiane Glöckler	16,667	16,667	65,000	65,000	65,000
Peter Kirn	12,000	12,000	12,000	12,000	0
Bernhard Dorn	12,000	12,000	12,000	12,000	0
Rolf Baron Vielhauer von Hohenhau	12,000	12,000	12,000	12,000	0

The following table summarizes the information on outstanding convertible bonds held by company officers and employees:

EXERCISE PRICE			
	Outstanding options	Contractual validity in years	Possible exercise rights
	in €	in €	in €
Corporate officers			
30.00	1,728	1,7	1,728
8.56	16,667	2,9	5,556
8.21	30,000	3,8	0
8.09	36,000	4,1	0
Employees			
30.00	2,039	1,7	1,359
28.70	1,000	1,9	333
9.11	82,750	2,4	27,583
11.06	2,000	2,5	667
5.51	6,500	3,3	0
8.21	59,500	3,8	0
8.17	7,000	3,8	0
	245,184		36,650

12. Information on reportable securities transactions

In the first six months of the business year 2003, corporate officers did not conduct any reportable transactions.

13. Convertible bonds

In the first six months of the business year 2003, no new convertible bonds were issued. 68,383 convertible bonds were returned. 200 conversion rights were exercised. These were satisfied from treasury stock. 245,184 convertible bonds were outstanding as of June 30, 2003.

14. Earnings per share

Earnings per share are calculated by dividing the earnings for the year by the weighted average number of outstanding shares. From January 1, 2003 to June 30, 2003, an average of 3,792,213 shares were in circulation. Earnings per share for the period therefore amounted to € 0.24, compared with € 0.13 in the previous year.

The diluted earnings per share are calculated by adding the average number of outstanding shares to the number that might potentially be issued on the basis of convertible bonds. From January 1, 2002 to September 30, 2002, an average of 279,032 convertible bonds were in circulation. Diluted earnings per share therefore amount to € 0.22, compared with € 0.12 in the previous year.

	No par		Subscribed capital	Purchase of treasury stock	Capital reserve	Profit reserve	Net earnings for the year	Changes in equity not impacting earnings	Total equity
	value	shares							
Status 01.01.2002	4,025,667	4,025,667	4,025,667	-421,086	33,172,808	0	-146,523	-196,447	36,434,419
Half-yearly result						509,275			509,275
Purchase of treasury stock				-985,958					-985,958
Transfer to capital reserve (convertible bonds)				14,300					14,300
Changes in equity not impacting earnings							-250,491		-250,491
Status 30.06.2002	4,025,667	4,025,667	4,025,667	-1,407,044	33,187,108	0	362,753	-446,939	35,721,545
Status 01.01.2003	4,025,667	4,025,667	4,025,667	-1,891,330	31,722,582	0	2,593,475	-177,064	36,273,330
Half-yearly result						915,331			915,331
Purchase of treasury				2,000					2,000
Transfer to capital reserve (convertible bonds)					9,323				9,323
Withdrawal from capital reserve (capital increase)					-31,601,486				0
Transfer to capital reserve (capital reduction)					31,601,486				0
Withdrawal from capital reserve (distribution)					-6,038,500				-6,038,500
Changes in equity not impacting earnings								138,390	138,390
Status 30.06.2002	4,025,667	4,025,667	4,025,667	-1,889,330	25,653,405	0	3,508,806	-38,674	31,299,874



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ATOSS Software AG

Am Moosfeld 3

D-81829 München

Fon +49. 89. 4 27 71-0

Fax +49. 89. 4 27 71-100

info@atoss.com

www.atoss.com