

Quarterly Report 3.2003



ATOSS[®]
Software AG

n:evolution in time!



Andreas F. J. Obereder
President and Chief Executive Officer



Dr. Burkhard Scherf
Member of Executive Board

Economic environment:

Challenging conditions persist

ATOSS:

Sales 4% ahead of last year
Incoming software licenses orders up by 21%
Operating result improves from € 0.7 to 1.7 million
Cash flow and liquidity rising once again
Outpayment of € 1.50 per share on 30.12.2003
Increase in sales and earnings expected in Q4

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Dear ladies and gentlemen, dear shareholders,

In the third quarter we have once again succeeded in holding our own in what remains a very difficult economic environment. In connection with a slight sales increase we have been able to more than double our operating results (EBIT) in the period under review from January 1, to September 30, 2003, over the same period last year. Our cash flow and liquidity have continued to improve. Especially gratifying is the fact that the order intake in the software area – that considerably exceeds our overall sales increase – reflects the growing demand for our solutions in working hour management and personnel deployment planning.

In view of these developments we are very satisfied with the course of business to date and are looking to the next quarters with optimism. ATOSS was oriented to the challenging market changes at an early phase and the company's costs and offerings were successfully adjusted to market conditions. Now, we hope that a future economic revival will enable us to achieve even more.

We are pleased to note increasing indications of a nascent economic upturn. Following three recessive quarters on the domestic market, the first small growth steps are not to be overlooked. This development is also reflected by the IFO business confidence index of September 2003 reflected

a considerable improvement of business outlook and sentiment, in spite of continued reticent business activities. In addition, numerous other indexes have improved and sound export growth is anticipated for 2004 in spite of the strong Euro. While we are pleased to register an increase in gross domestic product of 0.1 to 0.2 % in the third quarter, or 0.2 % for the entire year 2003, the developments in the United States actually deserve to be called growth. In the second quarter, gross domestic product in the USA rose by 3.1% and has probably increased by 7.2% in the third quarter.

Germany trails the leaders in high-tech developments

These very disparate developments have many causes. In the meantime, however, the significant follow-up effects of investment behavior in the technology sector are well established. According to an OECD survey spanning the period from 1990 to the year 2000, the share of investments in information and communication technology out of the total investment volume in Germany only rose by two percentage points, whereas investments in the United States in these areas (and involving considerably higher sums) increased by 8 percentage points during the same period. In this context, the correlation

between IT investments on the one hand, and productivity gains and stronger growth, on the other, is increasingly perceived in the USA. This high-tech gap must be closed, and we are confident that we will be able to make a valuable contribution with our solutions.

Extensive ATOSS market survey: Flexibilization of working hours is one of the key challenges for corporations

An extensive survey commissioned by DEKRA Akademie and ATOSS Software AG addressed the topic of "Germany as a business location: Ready to master the future thanks to intelligent personnel management" and yielded some very interesting results. The study polled 255 managers from the 1,000 largest German companies active in the industrial and the services sector. The aim of the survey was to ascertain how important flexible working hour models are for major corporations. A total of 64.8 % of the service providing companies and 78.5 % of the manufacturing companies view such concepts as very important. And more than 90 % of the executives hold the opinion that they will not be able prevail against competition in future without the requirements oriented personnel deployment planning, in other words, the synchronization of personnel utilization and orders.

Although the majority of companies have certainly perceived the signs of the times, the implementation of appropriate in-house solutions is frequently lacking. Flexible working hour schemes that are oriented to company requirements are still the exception. This area in particular, however, holds opportunities waiting to be tapped that will increase competitive strengths and productivity - without incurring personnel cutbacks!

The results of the survey and the findings gained from own market research clearly confirm the validity and soundness of our company strategy. ATOSS will continue to fully concentrate its efforts and resources on expanding the company's position as a provider of comprehensive solutions.

Diverging developments within the branch environment

Various and diverging developments are in evidence throughout our branch environment. On an international scale, the PC market is moving ahead again and after three arduous years, chip manufacturers are once again announcing investment projects running into the billions region.

By contrast, the software market has not turned around yet. All in all, the reports emanating from the major international software houses show declining license income. The second quarter of 2003 even saw some sharp tumbles in new business of up to 35%, with improvements in the third quarter are only reported in individual cases. In this area it will be exciting to observe whether corporate budgets will be expended in the ongoing last quarter. In the past two years, investments were postponed in spite of existing budget means in order to achieve further savings.

Moderate sales increase in connection with new top figures in earnings, cash flow and liquidity

In the period under review we recorded a slight increase in sales of 4% to € 17.4 million in connection with considerably enhanced performance. Earnings before interest and tax improved from last year's figure of € 0.7 to € 1.7 million, while the sales margin rose to 10% (previous year: 4%). Our liquid assets and marketable securities reached a new peak value of € 38.0 million and cash flow was registered at € 4.3 million.

The positive response for our products and services are eliciting from the markets is even more clearly reflected by a look to incoming orders. In the current year up to September, the rising demand for software solutions in the area of working hour management and personnel deployment resulted in an increase in software license orders of 21 % over the previous year, totaling € 4.4 million.

While we are very satisfied with developments in the software operating area, the consulting division suffered declining sales in the face of to the tough competition for consulting assignments, especially in the finance and insurance sectors.

Higher sales and continued improvement in earnings expected for the fourth quarter; company targets for 2003 remain as defined

While positive market developments are emerging abroad and especially in the United States, economic activity and the current corporate assessments of the situation point to a stagnating domestic market. It is only business sentiment that has brightened somewhat over

the past months. An economist summed up the short term outlook as follows: "There will be no upswing – only an up without swing." Over the short term we cannot discern any significant positive developments, only the continuation of a difficult market environment, in connection with a somewhat stronger year end business that is typical for the software branch.


In terms of sales, but also earnings, we expect the ongoing fourth quarter to deliver significant gains over the third quarter. Against the backdrop of the current order situation we are not making adjustments with regard to our announced planning for the year 2003. We anticipate a light increase in sales over the prior year in connection with an appreciable improvement in earnings strength. In this context, we expect the EBIT margin to move from the previous year's figure of 6% to 10% in 2003.

In concluding, we would like to make one final comment on the present quarterly report. In the software and consulting business areas we have reported in greater detail than is usually the case and have taken the opportunity to outline a number of the reasons why we continue to look to the future with optimism. We would be pleased if you would share this optimism with us.

Sincerely yours,



Andreas F. J. Obereder
(Board chairman)



Dr. Burkhard Scherf
(Member of the management board)

GROUP OVERVIEW: Comparison as per September 30 according to US-GAAP in T€

	2003		2002		Change 2002 over 2003
	from 01.01. to 30.09.	Percentage	from 01.01. to 30.09.	Percentage	
Sales	17,392		16,716		+4%
Software	9,406	54%	8,898	53%	+6%
thereof software licenses	3,933	23%	3,820	23%	+3%
thereof software maintenance	5,473	31%	5,078	30%	+8%
Consulting	5,006	29%	5,130	31%	-2%
thereof IT Services	3,628	21%	3,300	20%	+10%
thereof Consulting	1,378	8%	1,830	11%	-25%
Hardware	2,075	12%	1,813	11%	+14%
Miscellaneous	905	5%	875	5%	+3%
EBITDA	2,482	14%	1,544	9%	+61%
EBIT	1,714	10%	690	4%	> +100%
EBT	2,190	13%	1,606	10%	+36%
Net Income	1,343	8%	983	6%	+37%
Cash flow	4,262	25%	3,597	22%	+18%
Liquidität (*)	37,999		33,415		+14%
EPS (in €)	0.35		0.25		+40%
EPS diluted (in €)	0.33		0.24		+39%
Employees (**)	177		173		+2%

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

	2003			2002			2001	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Sales	5,595	6,009	5,788	6,529	5,859	5,418	5,439	5,661
Software	3,009	3,321	3,076	3,392	3,008	2,735	3,155	3,194
thereof software licenses	1,166	1,471	1,296	1,677	1,319	1,050	1,451	1,769
thereof software maintenance	1,843	1,850	1,780	1,715	1,689	1,685	1,704	1,425
Consulting	1,512	1,748	1,747	2,055	1,871	1,890	1,370	1,543
thereof IT Services	1,154	1,254	1,221	1,415	1,202	1,148	951	1,125
thereof Consulting	358	494	526	640	670	742	419	418
Hardware	768	561	746	766	676	522	615	714
Miscellaneous	306	380	219	317	305	272	299	210
EBITDA	828	1,086	568	1,222	741	395	408	476
EBIT	596	825	293	601	453	111	126	165
EBIT margin	11%	14%	5%	9%	8%	2%	2%	3%
EBT	804	1,048	338	512	776	568	262	549
Net Income	428	751	164	273	474	344	165	362
Cash flow	2,603	38	1,622	537	2,181	362	1,053	1,623
Cash flow per share (***)	0.68	0.01	0.43	0.14	0.57	0.09	0.27	0.41
Liquidität (*)	37,999	35,320	35,408	33,735	33,415	31,792	32,331	31,690
Liquidität per share (***)	9.99	9.31	9.34	8.90	8.73	8.15	8.14	7.97
EPS in € (***)	0.11	0.20	0.04	0.07	0.12	0.09	0.04	0.09
EPS diluted in €	0.11	0.19	0.04	0.07	0.12	0.08	0.04	0.09
Employees (**)	177	172	169	171	173	165	165	167

(*) Liquid assets and marketable securities

(**) at end of quarter

(***) Cash flow, liquidity per share and EPS: based on the average shares outstanding, adjusted by own shares, undiluted

Situation report

Light sales growth, further appreciable gains in earnings, cash flow and liquidity

In the period from January 1 through to September 30, 2003, ATOSS generated consolidated sales of € 17.4 million, representing a 4% increase over the prior year period. With a look to the individual divisions, software sales were up by 6% to € 9.4 million, while the consulting area recorded a slight decline of 2% down to € 5.0. In the hardware area, ATOSS posted sales of € 2.1 (an increase of 14%). During the period under review the share of foreign sales amounted to 12% (previous year: 14%).

We registered a considerable increase in customer interest in software solutions in the area of working hour management. This is underlined by the rising order intake for software licenses that is outpacing software sales and comes to € 4.4 million (previous year: € 3.6 million). While software sales showed growth of + 4% that is slightly above the previous year's level, incoming orders for software licenses were 22% above the past year.

Earnings continued to develop very satisfactorily. Earnings before depreciation, interest and tax (EBITDA) improved by 61% from

€ 1.5 million to € 2.5, the EBITDA margin came in at 14% (previous year: 9%). Earnings before interest and tax shot up by more than 100% from € 0.7 million to € 1.7 million, while the EBIT margin stood at 10% (previous year: 4%).

Earnings before tax (EBT) rose by 36% from € 1.6 to € 2.2 million, while performance for the period (net income) improved by 37% from € 1.0 million to more than € 1.3 million.

In the period under review earnings per share (EPS) were € 0.35 € (diluted € 0.33) in connection with 3,8 million shares outstanding (following deduction of own shares) representing an increase of 40 % over 0.25 € (diluted € 0.24) the year before.

The liquidity generating earnings strength of ATOSS is also evident in the company's cash flow. The cash flow from ongoing business activities was recorded at just under € 4.3 million (previous year: € 3.6 million).

The company employed 177 members of staff (previous year: 173 employees).

This interim report – as well as the first and second quarter reports – was carefully reviewed by our auditors.

Software division sales 6 percent ahead of prior year; significant increase in orders inflow

OVERVIEW: Quarterly comparison of software licenses and software maintenance according to US-GAAP in T€

	2003				2002				2001
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Sales	5,595	6,009	5,788	6,529	5,859	5,418	5,439	5,661	5,061
Software	3,009	3,321	3,076	3,392	3,008	2,735	3,155	3,194	2,516
thereof software licenses	1,166	1,471	1,296	1,677	1,319	1,050	1,451	1,769	1,085
thereof software maintenance	1,843	1,850	1,780	1,715	1,689	1,685	1,704	1,425	1,431

In the period from January through to September 2003, ATOSS generated sales in the software area of € 9.4 million. By comparison with the prior year period, this represents a sales increase of 6% achieved against the negative branch trend. Sales of software licenses increased by 3 % to € 3.9 million and software maintenance rose by 8% to € 5.5 million. The software share of consolidated sales amounted to 54% (previous year: 53%), while the share of software licenses remained unchanged at 23% and software maintenance contributed 31% (previous year: 30%) to total sales.

Orders on hand considerably above previous year's volume

We had not expected – and also communicated this fact – that we would be able to continue the successful software business experienced in the second quarter of 2003. In addition to the realized sales of software licenses of just under € 1.2 million in the third quarter, the entire year up to September 30, 2003 has resulted in a notable gain of 21 % to a total of € 4.4 million with regard to orders received for software licenses. As the major share of sales of the orders at hand as of September 30, 2003 is expected to be realized in the ongoing fourth quarter, the forecasting certainty in the fourth quarter is relatively high.

The spotlight is on hospitals/clinics, the wholesale and retail sector and manufacturing

The negative economic developments in our core markets have further

increased the pressure on companies and policy makers. Especially in West Germany that holds the international top position in the costs of labor per working hour in the industrial sector (Source: IW, 2003) companies are under pressure to take action. It is undeniable that there is a major demand for products and services geared to enhancing competitive strength, particularly in high-wage countries. Our survey that dealt with the issues of "Germany as business location: Ready to master the future thanks to intelligent personnel management" has clearly elucidated the tremendous potential of flexible personnel deployment solutions that deliver a short term return on investment.

In the upcoming quarters we perceive this growth potential that our solutions deliver in connection with a very short term return on investment of 6 to 12 months, in the areas of hospitals, clinics, wholesale and retail and the manufacturing sector.

ECJ judgment underscores strong growth potential

In September a judgment passed by the European Court of Justice (ECJ) in Luxemburg on emergency duty in German hospitals caused a considerable stir among existing and potential customers of our Business Unit Medical. The case leading to the judgment involved an assistant physician from Kiel, who had taken his case before court for better working conditions. On September 9, 2003 the court passed a ruling in his favor. In future, emergency duty also figures as standard working hours. "Physicians on duty for 30 hours without interruption, 15,000 additional posts to be filled, doctors seeking work abroad or in other professions," sums up the headlines in the press.

We are not of the opinion that this judgment will drive hospitals and clinics to an organizational and financial catastrophe. There are clinics that prove day by day that the flexibilization of work and intelligent personnel deployment schemes are viable and valuable solutions. By optimizing the personnel management costs and making more productive use of the available working hours, it is possible to neutralize or at least considerably reduce the additional costs of hiring and training new

personnel. This will entail putting rigid structures, conventional approaches and ways of thinking consistently up to question. It is certainly no coincidence that following the ECJ judgment many news programs highlighted the ATOSS client "Hospitals of Ingolstadt" as an example for the long since established and successful implementation of new and flexible working hour models and organization structures.

The ECJ judgment is increasing the pressure on hospitals and clinics. It also means that the demand for the above solutions will certainly increase by a decisive measure in the next 2 years. ATOSS commands an excellent position in this respect, and will also make prudent use of the experience gained in building up the Business Unit Medical in other areas.

In the wholesale and retail area, we can well assume that demand will be increasing in view of the strong order fluctuations companies are subject to. In the past year, ATOSS was able to gain a number of significant new clients in this area, among others, the ALDI SÜD corporate group. In the manufacturing sector, can also refer to numerous renowned clients. Here too, companies are giving increasing attention to order fluctuations in the manufacturing

area. To date, unnecessarily high personnel costs are frequently cause by personnel planning that is inadequately oriented and adjusted to incoming orders and orders handling.

New software module currently under development: APEP ATOSS is currently developing the new "Order-linked personnel deployment planning" module (APEP, "Auftragsbezogene Personaleinsatzplanung") and is factoring customer wishes and suggestions into the development process at an early stage. According to the "Order-linked personnel deployment planning" solution, personnel deployment planning is expanded by the dimension "orders" as a central planning factor, and thereby enables the determination of personnel requirements to deal with orders, as well as the planning of individual members of staff in terms of orders. This ensures a comprehensive, efficient and economic deployment of personnel and operating resources in which members of staff can assume tasks according to their qualifications.

Especially in the three branches outlined above, we expect further growth in future. Over the third quarter, we perceive a light increase in software maintenance sales, and a rise in software license sales.

Diverging sales developments in consulting proceeds

OVERVIEW: Quarterly comparison of IT Services and Consulting according to US-GAAP in T€

	2003				2002				2001
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Sales	5,595	6,009	5,788	6,529	5,859	5,418	5,439	5,661	5,061
Consulting	1,512	1,748	1,747	2,055	1,871	1,890	1,370	1,543	1,394
IT Services	1,154	1,254	1,221	1,415	1,202	1,148	951	1,125	1,015
Consulting	358	494	526	640	670	742	419	418	379

In the ongoing business year, the consulting area reported a slight sales decline of 2% down to € 5.0 over the prior year period. IT Services was able to notch up a 10% increase to € 3.6 million, whereas consulting experienced a pronounced decline in sales (minus 25% to € 1.4 million). The share that consulting activities contributed to consolidated sales came in at 29% (previous year: 31%), whereby the share of IT Services moved ahead slightly from 20% to 21% and Consulting contributed 8% to total sales (prior year: 11%).

In spite of the recent disappointing developments in Consulting, ATOSS will continue to build up and expand the consulting area in a targeted manner and perceives considerable growth potential here. This is part and parcel of the company's strategy of successfully positioning itself as a provider of comprehensive solutions and holding the capabilities to realize such sophisticated solutions.

Current market survey confirms the soundness of our strategies

Our own market survey on the requirements made on systems from a customer viewpoint, and the criteria that influence investment decisions has shown that our strategic orientation as a provider of complex and comprehensive solutions is absolutely sound. The market survey's target group consisted of top executives and management board members of SMEs from six different branches. According to the survey, companies perceive the greatest optimization potential in process management, working hour management as well as in personnel planning. And a full 62% of the respondents confirmed that their companies are subject to considerable order fluctuations, whereby 39 % stated that they would not be able to adjust their personnel requirements to these order fluctuations without incurring additional costs.

Accordingly, companies clearly perceive their need to achieve greater cost efficiency in personnel deployment. In addition to the general legislative and collective bargaining conditions, companies see especially great obstacles to change in the fact that they lack the necessary time and personnel. Help can only be provided when technical solutions are successfully implemented into company and operational sequences. The economic and operational effects that companies wished to achieve were also clearly articulated. The most frequently cited expectations by far were cost savings, enhanced economic efficiency, and transparency.

Why has ATOSS sustained sales losses in this area in the last quarters in spite of the company's absolutely sound strategic approach? The answer is to be found in a comparison of the breakdown of sales. Business in the

core area of solutions pertaining to key ATOSS topics is stable, while the sales Consulting generated in the past with insurance companies and banks are decidedly on the decline. This additional business that was initially very attractive after the Consulting division had

been set up, suffered to a marked degree in the ongoing year from investment reticence on the part of financial services providers. In future, however, we expect that the Consulting division will return to a growth course with solution

offerings in the ATOSS core topic areas.

In the ongoing fourth quarter we expect Consulting sales to be somewhat lower than the third quarter and IT Services to perform well above third quarter levels.

Hardware sales 14% above previous year

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

	2003				2002				2001
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Sales	5,595	6,009	5,788	6,529	5,859	5,418	5,439	5,661	5,061
Hardware	768	561	746	766	676	522	615	714	882

In the period between January and September 2003 hardware sales increased by 14 % to € 2.1. The share of total sales has thereby increased slightly to 12 %

(previous year: 11 %). In spite of this gratifying sales development and the associated positive profit contribution the fact remains that the hardware area, from a strategic

viewpoint, will not represent a core business area. In the ongoing fourth quarter we expect sales below the level of the third quarter, but on the level of the second quarter.

Earnings, cash flow and liquidity at new peak figures

OVERVIEW: Quarterly comparison of key earning figures according to US-GAAP in T€

	2003				2002				2001
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
EBITDA	828	1,086	568	1,222	741	395	408	476	161
EBIT	596	825	293	601	453	111	126	165	-153
EBIT margin	11%	14%	5%	9%	8%	2%	2%	3%	-3%
EBT	804	1,048	338	512	776	568	262	549	-87
Net Income	428	751	164	273	474	344	165	362	-61
Cash flow	2,603	38	1,622	537	2,181	362	1,053	1,623	1,296
Cash flow per share (**)	0.68	0.01	0.43	0.14	0.57	0.09	0.27	0.41	0.33
Liquidity (*)	37,999	35,320	35,408	33,735	33,415	31,792	32,331	31,690	30,321
Liquidity per share (**)	9.99	9.31	9.34	8.90	8.73	8.15	8.14	7.97	7.63
EPS in € (**)	0.11	0.20	0.04	0.07	0.12	0.09	0.04	0.09	-0.02
EPS diluted in €	0.11	0.19	0.04	0.07	0.12	0.08	0.04	0.09	-0.01

(*) Liquid assets and marketable securities

(**) Cash flow, liquidity per share and EPS: based on the average shares outstanding, adjusted by own shares, undiluted

In the period from January to September 2003 earnings before tax and interest (EBIT) increased over the prior year period from just under € 0.7 million to more than € 1.7 million. The EBIT margin was recorded at 10% by comparison with 4% in 2002. Pre-tax earnings (EBT) in the period under review advanced by 36% from € 1.6 million to € 2.2, translating as an EBT margin of 13% (previous year: 10%). The result for the period (net income) increased by 37% over 2002 and amounted to € 1.3. Earnings per share (EpS) came in at 0.35 € over 0.25 € (diluted € 0.33 over 0.24 €).

Assets and financial position: cash flow and liquidity continue to improve markedly

In the period from January 1 to September 30, 2002 the portfolio of bank deposits and securities increased by 14% to a volume of € 38.0 million over September 30, 2002. The registration of the Shareholders' Meeting resolution to distribute € 1.50 per share has resulted in a reduction of € 6 million in shareholders' equity, this being the sum earmarked for outpayment. 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 to 86% to 72%.

In the period under review cash flow from current business activity increased to € 4.3 million (previous year: € 3.6 million), while cash flow

from investment activity amounted to € 25.9 million (previous year: € -1.4). This is largely due to the disinvestment of securities at the end of the third quarter. Cash flow from financing activity amounted to € 0.2 compared with € -1.65 the year before.

In principle we report investment in the further development of our products directly as current expenditure. Self-produced intangible are therefore not capitalized. Compared with the past year, the volume of investment in research and development was up by 16% to € 3.1 million. In the research and development area 41 software programmers are active in the further development of existing products as well as creating new functionalities (previous year: 42). The prices of our products and services have remained unchanged in the third quarter of 2003.

Outlook remains positive, marked earnings gains in connection with light sales increase

Over the past months, surveys polling business sentiment among German companies and economists show rising optimism that is supported by individual signals such as the development of order intake in the industrial arena. On the other hand there is the dilemma that an upswing in Germany is still more wishful thinking than actual fact, as the Ifo Index recently documented. The majority of economists expect no more than a modest market upswing in the ongoing fourth quarter, as well as economic growth of a mere 1.5 to 1.8 percent for the year 2004. All in all, growth throughout the Euro region is seen at well over 2%.

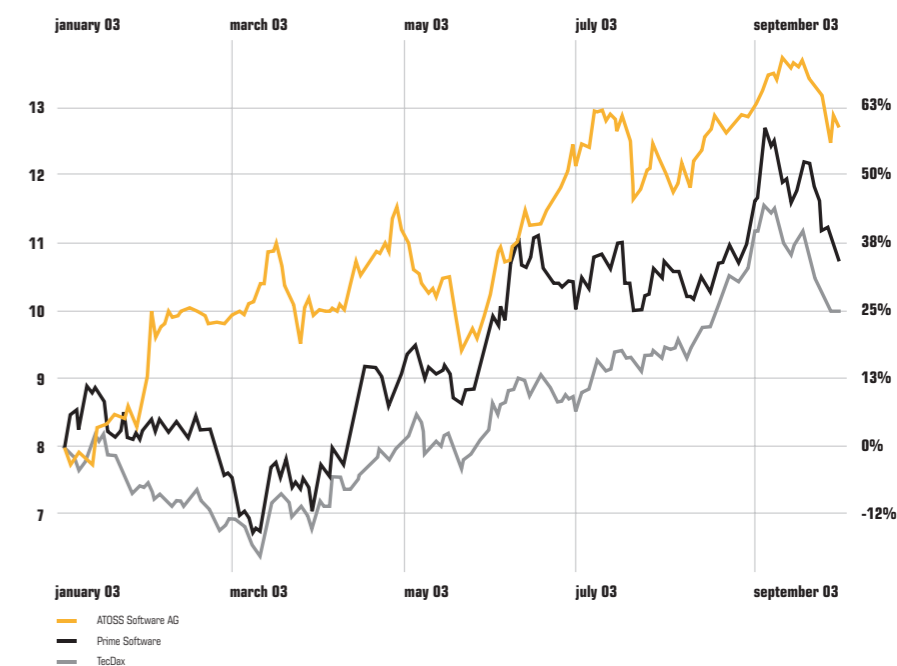
According to major branch associations such as Bitkom, our branch can expect to record very moderate economic growth in the ongoing year of just under 1% for West Europe, while sales in Germany are even seen on the level of 2002. In this context, Bitkom reported declining sales among the manufacturers of computer hardware and telecommunication terminal devices and handsets, while demand has shifted towards software and services. Bitkom forecasts 2.2% growth in information technologies and telecommunications in Germany, whereas the IDC market research

experts expect an increase of 5.2%. According to the assessments venture by IDC and Forrester Research, companies will be ramping up their investment expenditures once again.

With regard to our company, we assume that we will be able to generate stronger earnings and sales over the third quarter. Our overall objective for the year 2003 remains as originally stated: light sales gains in connection with improved earnings over the past year. Consequently, the EBIT margin will rise from just under 6% in the previous year to around 10% in the ongoing business year.

The ATOSS share continues to outperform the market

In connection with an overall increased trading volume, additional gains were recorded in August and September. ATOSS stock peaked at € 13.75 € which is more than 80% above the price at the beginning of the year. As of September 30, 2003 the price gain still stood at 69%, at a listing on € 12.70. All comparable indexes were consistently outperformed. The Prime Software Index gained 45%, TecDAX 35%, the Nemax 50 rose by 41% and Tec all shares was up by 45% in the same period.



Media and analysts continue to report favorably

Throughout the third quarter the interest in the in ATOSS stock remained constant. BayernLB and GBC German Business Concepts analysts rated us with "overweight" and "buy." SES Research evaluated ATOSS as "market performer," and awarded our company the best, A+ EquiRisk-Rating.

Moreover, we were pleased to note the recommendations made by various investor letters as well as the open and fair media reporting.

Outpayment of € 1.50 per share to be distributed on December 30, 2003

According to the decisions adopted by our Ordinary Shareholders' Meeting an outpayment of € 1.5 per share will be made in the ongoing fourth quarter. This distribution will be made on December 30, 2003 on the basis of the shares of ATOSS

stock our shareholders hold as of December 30, 2003. To the best of our current knowledge, the outpayment will be tax free for those shareholders who hold less than one percent of capital stock.

Another aim stated within the context of the capital measures adopted by our Ordinary Shareholders' Meeting is the formation of extensive capital reserves in order to credibly underpin the dividend policy planned over the long term, and also create additional scope for buying back own shares. In the third quarter of 2003 changes occurred in company held stock due to the exercising of conversion options as part of an employee participation scheme. In connection with the exercising of conversion rights, a total of 9,998 shares held by ATOSS Software AG were transferred to employee depots or sold. As of September 30, 2003 we are holding 223,792 shares with an average purchase price of € 8.0 €, equaling 5.6 % of equity capital.

Continuous expansion of investor relations activities

ATOSS has proved its commitment to open and transparent reporting over a very long period of time. According to the motto of "do good and make it known" our efforts are not only directed at selling our products and services, but also making sure that the awareness of ATOSS stock continues to grow. To this end, we are constantly seeking out new contacts among journalists, private and institutional investors, as well as portfolio managers and investment advisers. Making the company ATOSS known throughout Europe is one of the aims of our work in the investor relations area. In this context, we launched an initial Road Show in Great Britain that has resulted in a number of very interesting discussions.

KEY FIGURES PER SHARE

	2003					2002			2001
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Pear price in €	13.75	12.45	10.98	9.00	8.45	9.21	9.50	8.35	9.00
Lowest price in €	11.65	9.40	7.70	6.40	6.55	6.30	7.00	4.30	4.55
Price at end of quarter in €	12.70	12.45	9.90	7.50	6.60	7.40	9.30	7.10	5.25
Number of own shares at end of quarter	223,732	233,560	233,560	233,760	224,839	166,091	84,805	49,000	45,800
Cash Flow per share in € (**)	0.68	0.01	0.43	0.14	0.57	0.09	0.27	0.41	0.33
Liquidity per share in € (*)(**)	9.99	9.31	9.34	8.90	8.73	8.15	8.14	7.97	7.63
EPS in € (**)	0.11	0.20	0.04	0.07	0.12	0.09	0.04	0.09	-0.02
EPS diluted in €	0.11	0.19	0.04	0.07	0.12	0.08	0.04	0.09	-0.01

(*) Liquid assets and marketable securities per share

(**) Cash flow, liquidity per share and EPS: based on the average shares outstanding, adjusted by own shares, undiluted



ASSETS	30.09.2003	31.12.2002
	(€)	(€)
Current assets		
Cash and cash equivalents	37,974,506	7,584,610
Short-term investments/ Marketable securities	24,238	26,149,942
Trade accounts receivable	3,522,154	4,452,587
Inventories	16,652	21,853
Prepaid expenses and other current assets	1,018,872	933,652
Others	0	0
Total current assets	42,556,422	39,142,644
Non current assets		
Property, plant and equipment	574,362	798,544
Intangible assets	737,229	1,080,024
Goodwill	22,214	22,214
Deferred taxes	128,216	477,422
Other asset	0	0
Total non current assets	1,462,021	2,378,204
Total assets	44,018,442	41,520,848

LIABILITIES AND SHAREHOLDERS' EQUITY	30.09.2003	31.12.2002
	(€)	(€)
Current liabilities		
Short-term debt and current portion of long-term debt	639	1,917
Trade accounts payable	365,048	542,969
Accrued expenses	1,856,188	2,518,475
Deferred revenues	1,990,148	721,466
Income tax payable	804,190	270,823
Other current liabilities	6,553,825	602,033
Others	0	0
Total current liabilities	11,570,039	4,657,684
Non-current liabilities		
Long-term debt, less current portion	283,620	313,767
Pension accrual	337,267	276,067
Others	0	0
Total non-current liabilities	620,887	589,834
Shareholder's equity		
Share Capital	4,025,667	4,025,667
Additional paid-in capital	25,702,096	31,722,582
Treasury stock	1,791,350	1,891,330
Unappropriated surplus	0	1,483,564
Retained earnings / Accumulated deficit income / loss	3,936,312	1,109,912
	45,209	177,064
Others	0	0
Total shareholders' equity	31,827,516	36,273,330
Total liabilities and shareholder's equity	44,018,442	41,520,848

INCOME STATEMENT IN €				
	Quarterly report		Nine-month report	
	III/2003	III/2002		
	01.07.2003	01.07.2002	01.01.2003	01.01.2002
	30.09.2003	30.09.2002	30.09.2003	30.09.2002
Revenues	5,595,211	5,859,264	17,392,474	16,715,906
Cost of revenues	-2,037,991	-2,075,770	-6,262,909	-5,952,321
Gross profit	3,557,220	3,783,494	11,129,565	10,763,585
Selling and marketing expenses	-1,225,015	-1,612,818	-4,000,254	-4,724,897
General and administrative expenses	-734,180	-842,573	-2,375,055	-2,708,448
Research and development	-1,002,897	-839,825	-3,072,350	-2,645,715
Other operation income and expenses	690	-34,968	32,041	5,874
Depreciation on goodwill	0	0	0	0
Others	0	0	0	0
Operation income / loss	595,818	453,311	1,713,946	690,399
Interest income and expenditure	45,386	240,698	-220,419	835,815
Other income / expense	163,094	82,280	696,919	80,126
Others	0	0	0	0
Result before income taxes	804,299	776,290	2,190,447	1,606,340
Income tax	-376,792	-302,250	-847,610	-623,025
Extraordinary income	0	0	0	0
Net income / loss	427,506	474,039	1,342,837	983,315
Net income per share (basic)	0.11	0.12	0.35	0.25
Net income per share (diluted)	0.11	0.12	0.33	0.24
Weighted average shares outstanding (basic)	3,802,371	3,826,668	3,793,732	3,898,608
Weighted average shares outstanding (diluted)	4,043,690	4,120,182	4,060,008	4,137,034

CASH FLOW STATEMENT IN €		
	Quarterly Report	Quarterly Report
	(current year to date)	(comparative period previous year)
	01.01.2003	01.01.2002
	30.09.2003	30.09.2002
Cash flow from operating activities		
Net profit/loss	1,342,837	983,315
Adjustments for		
minority interests	0	0
depreciation and amortization	767,786	853,968
increase/decrease in provisions and accruals	-67,720	385,309
losses/gains on the disposal of fixed assets	15,451	100,131
other	349,206	469,898
change in net working capital	1,854,467	804,089
Net cash provided by operating activities	4,262,027	3,596,709
Cash flow from investing activities		
Acquisition of subsidiaries, net of cash acquired	0	0
Purchase of property, plant and equipment	-216,260	-316,560
Proceeds from sale of equipment	0	0
Purchase/Sale of Securities	26,125,704	-1,063,194
Net cash used in investing activities	25,909,445	-1,379,755
Cash flows from financing activities		
Proceeds from issuance of share capital	250,351	-1,687,540
Proceeds from short or long-term borrowings	-30,147	133,290
Cash repayments of amounts borrowed	-1,278	-1,278
Other	0	0
Net cash provided by financing activities	218,926	-1,555,528
Net effect of currency translation in cash and cash equivalent	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	37,975,008	9,434,169

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, 9,998 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 223,792 of its own shares as of September 30, 2003.

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

6. Personnel costs

PERSONNEL COSTS	30.09.2003	30.09.2002
	(T€)	(T€)
Wages and salaries	7,543	7,839
Social security, pension and other benefits	1,324	1,186
Total	8,867	9,025

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	30.09.2003	30.09.2002
	(T€)	(T€)
Products, maintenance		
Sales	12,130	11,328
EBIT	1,407	380
Depreciations	659	731
Services		
Sales	5,262	5,388
EBIT	307	310
Depreciations	109	122
Domestic sales	15,322	14,312
Foreign sales	2,070	2,404
Total sales	17,392	16,716

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	30.09.2003	30.09.2002
	(T€)	(T€)
Software licenses	3,933	3,820
Software maintenance	5,473	5,078
Total software	9,406	8,898
IT services	3,628	3,300
Consulting	1,378	1,830
Total services	5,006	5,130
Hardware	2,075	1,813
Other	905	874
Total sales	17,392	16,715

8. Employees

As of September 30, 2003 the company employed 177 members of staff, compared with 173 employees as of September 30, 2002. A total of 41 (42) of these employees are active in product development, 54 (50) in the IT services and consulting areas and 39 (44) in sales and marketing.

9. Supervisory Board

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

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

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 September 30, 2003:

SHARES HELD BY CORPORATE OFFICERS	30.09.2003	30.06.2003	31.03.2003	31.12.2002	30.09.2002
	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 September 30, 2003:

CONVERTIBLE BONDS	30.09.2003	30.06.2003	31.03.2003	31.12.2002	30.09.2002
	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*	12,167	16,667	16,667	65,000	65,000
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

*left the Company as of June 30, 2003

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	1.4	1,152
8.56	12,167	2.7	1,056
8.21	30,000	3.5	0
8.09	36,000	5.8	0
Employees			
30.00	2,039	1.4	1,359
28.70	1,000	1.7	667
9.11	77,352	2.2	22,385
11.06	1,334	2.3	1
5.51	6,500	3.0	0
8.21	58,500	3.5	0
8.17	7,000	6.0	0
12.02	50,000	6.9	0
	283,620		26,620

12. Information on reportable securities transactions

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

13. Convertible bonds

In the first nine months of the business year 2003, 50,000 new convertible bonds were issued. 70,149 convertible bonds were returned. 9,998 conversion rights were exercised. These were satisfied from treasury stock. 283,620 convertible bonds were outstanding as of September 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 September 30, 2003, an average of 3,793,732 shares were in circulation. Earnings per share for the period therefore amounted to € 0.35, compared with € 0.25 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 266.276 convertible bonds were in circulation. Diluted earnings per share therefore amount to € 0.33, compared with € 0.24 in the previous year.

	No par value shares		Subscribed capital		Purchase of treasury stock		Capital reserve		Profit reserve		Net earnings for the year not impacting earnings		Changes in equity		Total equity	
	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€
Status 01.01.2002	4,025.667	4,025.667	4,025.667	-421.086	33.172.808	0	-146.522	0	-196.448	36.434.419						
Nine-months result	0	0	0	0	0	0	983.315	0	983.315	0	983.315	0	983.315	0	983.315	0
Purchase of treasury stock	0	0	0	-1,411.564	0	0	0	0	0	0	0	0	-1,411.564	0	-1,411.564	0
Transfer to capital reserve (convertible bonds)	0	0	0	0	24.938	0	24.938	0	0	0	0	0	0	0	24.938	0
Changes in equity not impacting earnings	0	0	0	0	0	0	0	0	0	0	0	0	-300.914	0	-300.914	0
Status 30.09.2002	4,025.667	4,025.667	4,025.667	-1,832.650	33.197.746	0	836.792	0	-497.361	35.730.194						
Status 01.01.2003	4,025.667	4,025.667	4,025.667	-1,891.330	31.722.582	0	2,593.475	0	-177.064	36.273.330						
Nine-months result							1,342.837		1,342.837		1,342.837		1,342.837		1,342.837	
Purchase of treasury stock				99.990												99.990
Transfer to capital reserve (convertible bonds)					18.014										18.014	
Withdrawal from capital reserve (capital increase)				31.601.486	-31.601.486										0	
Transfer to capital reserve (capital reduction)				-31.601.486	31.601.486										0	
Withdrawal from capital reserve (distribution)					-6.038.500										-6.038.500	
Changes in equity not impacting earnings													131.856		131.856	
Status 30.09.2003	4,025.667	4,025.667	4,025.667	-1,791.350	25.702.096	0	3,936.313	0	-45.209	31.827.516						



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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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