



Quarterly report 1.2004



ATOSS[®]



Andreas F. J. Obereder
Chairman of the Executive Board



Dr. Burkhard Scherf
Executive Director

Economic environment:

The economic situation, both general and sector-specific, remains uncertain

ATOSS:

Sales as expected down on previous year
Continuing positive operating result
Increase in sales and earnings expected as the year progresses
Restructuring intended to accelerate growth

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Dear Shareholders, Ladies and Gentlemen,

The first quarter of 2004 was marked by the continuing difficult environment affecting both the economy as a whole and our industry in particular. The optimism discernible for some months now in various indices and surveys has yet to be reflected in the real economy in Germany. On the contrary, companies are continuing to defer necessary investments and leading economic research institutions have in recent weeks been compelled to revise their forecasts.

Against this backdrop our sales and operating results have as expected declined in comparison with the strong figures for the same period last year. With sales down by an overall 11 percent at EUR 5.2 million, the operating result (EBIT) slipped to EUR 0.1 million (previous year EUR 0.3 million), whereas earnings before (EBT) and after taxes actually showed a slight improvement.

At the same time we have achieved a significant increase in cash flow in comparison with last year and since the dividend payment on December 30, 2003, we have already raised our liquidity by more than EUR 1.7 million.

The consistent profitability improvement phase has been completed

Through a process of consistent cost management in all areas and by efficiently structuring our organization, we have prepared ourselves in good time to deal with periods of weakness in the market. Over a period of some two and a half years despite a markedly negative economic environment we have increased our profitability with the result that we are now presently returning positive operating results. ATOSS has meanwhile become such a lean organization that further significant increases in profitability are only to be achieved through sales growth.

Despite the fact that in the course of implementing essential structural changes, business in the first three months of 2004 was in line with our expectations, we are not yet content with the evident development. We have, however, during this period cleared the way to embark on a new phase in our company's development. Whereas in the current 2004 financial year we are targeting a slightly higher rate of sales growth coupled with an improvement in results, in future years the measures we have meanwhile taken can be expected to have a distinct dynamic effect.

We are now preparing for the transition to a phase of increased dynamic growth

We began our first steps towards consolidation at the end of the year 2000. At that time, following an extended period of high growth rates, albeit coupled with high volatility, it was becoming evident that the market was about to change for the worse. Corporate IT budgets the world over were being slashed dramatically. After a process of change lasting some for 9 months, in the year 2001 the adjustments to our cost structure began to bear fruit and have since yielded a continuous improvement in results. We now once again anticipate that our change of strategy in the direction of stronger dynamic growth will begin to show results after approximately 9 months. Thus, some initial successes will be evident in the second half of the current financial year.

What does our new strategy entail? Doubtless you too will have wondered why despite indisputable demand and huge potential, ATOSS has in fact seen only a relatively modest development in sales. There are many who maintain that it is the legal aspects that severely hinder companies wishing to introduce flexible working hours. This is certainly true – there is a

great deal complexity! However, the fact that existing opportunities are by no means being fully exploited and small and medium-sized enterprises in particular are struggling to improve their flexibility is not only attributable to legal obstacles.

This is our starting point, and this is where we see excellent prospects for growth. We aim to show companies how even under the present conditions productivity can be significantly enhanced through greater flexibility.

In specific terms, for the current year we have identified four paths to growth. Through an intensified partnership approach in particular we intend to gain an even better overview of pending investment

decisions and corresponding potential. In addition, ATOSS is to acquire an integrated sales and performance process. Sales, Services and Consulting are being more closely united with the aim of significantly enhancing our competence in delivering solutions. In this way we will achieve greater benefits for our customers and stand out even more clearly from the competition.

Another important aspect lies in consistently safeguarding our position as a provider of solutions to meet every customer requirement. We also see considerable potential for growth in our as yet still young field of Business Process Management which addresses the market for business process modeling.

The second quarter is headed in the right direction

Despite the continuing uncertainty afflicting the economic environment, we anticipate that in the current second quarter ATOSS will record an increase in both sales and results in comparison with Q1. By the second half, we then expect to exceed the figures for the equivalent period of the preceding year. In particular by interlinking all areas of our operation within the value chain, we expect to see a positive increase in revenues. For the financial year 2004 overall, with sales increasing a slightly higher rate we continue to anticipate an improvement in results.

There will be no change this year in our resolve to direct every effort towards ensuring the continuous development of ATOSS and increasing the value of our shareholders' assets.

Yours truly,



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



Dr. Burkhard Scherf
(Executive Director)

CONSOLIDATED OVERVIEW : Quarterly comparison to March 31 as per IFRS (T€)

	2004		2003		Change 2004 over 2003
	from 01.01. to 31.03.	Proportion of total sales	from 01.01. to 31.03.	Proportion of total sales	
Sales	5,172		5,788		-11%
Software	2,884	56%	3,076	53%	-6%
of wich software licenses	1,030	20%	1,296	22%	-21%
of wich software maintenance	1,854	36%	1,780	31%	4%
Consulting	1,368	26%	1,747	30%	-22%
of wich IT services	1,130	22%	1,221	21%	-7%
of wich consulting	238	5%	526	9%	-55%
Hardware	767	15%	746	13%	3%
Others	153	3%	219	4%	-30%
EBITDA	301	6%	547	9%	-45%
EBITCB(*)	118	2%	272	5%	-57%
EBIT	85	2%	272	5%	-69%
EBT	356	7%	317	5%	12%
Net income	207	4%	152	3%	36%
Cash flow	1,924	37%	1,274	22%	51%
Liquidität (**)	33,574		35,408		-5%
EPS (in €) (****)	0.05		0.04		25%
Mitarbeiter (***)	176		169		4%

CONSOLIDATED OVERVIEW : Quarterly comparison as per IFRS

	2004				2003
	Q1	Q4	Q3	Q2	Q1
Sales	5,172	6,014	5,595	6,009	5,788
Software	2,884	3,409	3,009	3,321	3,076
of wich software licenses	1,030	1,562	1,166	1,471	1,296
of wich software maintenance	1,854	1,847	1,843	1,850	1,780
Consulting	1,368	1,667	1,512	1,748	1,747
of wich IT services	1,130	1,300	1,154	1,254	1,221
of wich consulting	238	367	358	494	526
Hardware	767	618	768	561	746
Others	153	320	306	380	219
EBITDA	301	860	813	1,065	547
EBITCB (*)	118	629	601	804	272
EBIT	85	609	581	804	272
EBIT-Marge in %	2%	10%	10%	13%	5%
EBT	356	903	790	1,027	317
Net income	207	513	396	739	152
Cash flow	1,924	-61	2,439	-148	1,274
Cash flow per share (****)	0.51	-0.02	0.64	-0.04	0.34
Liquidity (**)	33,574	31,855	37,999	35,320	35,408
Liquidity per share (****)	8.83	8.37	9.99	9.31	9.34
EPS in € (****)	0.05	0.13	0.10	0.20	0.04
Employees (***)	176	173	177	172	169

(*) EBIT before cost of employee participation program arising from convertible bonds

(**) Liquid funds and marketable securities

(***) At end of quarter

(****) Cash flow, liquidity per share and EPS: based on average number of shares in circulation


 Situation report

Business has developed in line with expectations

In the first quarter of the current financial year ATOSS achieved consolidated sales of € 5.2 million, down by 11 % on the year before. Small and medium-sized enterprises in particular are currently holding back on necessary investments in more flexible working processes. In many cases existing potential remains untapped.

Overall the consultancy business with sales of € 1.4 million was down by 22 % on the year before. Sales in the markedly stronger field of IT Services slipped from € 1.2 million to € 1.1 million, whereas Consulting declined from € 0.5 million to € 0.2 million. Measured against total ATOSS sales, the Consulting division accounted for a proportion of 26 % (previous year: 30 %).

Sales in the traditionally strongest field of Software Maintenance rose from € 1.8 million to € 1.9 million, while Software Licenses at € 1.0 million fell short of the previous year's figure of € 1.3 million. As a result the proportion of sales accounted for by the main contributor Software Maintenance rose from 31 % last year to a present 36 %. Sales recorded by the Software division overall declined from € 3.1 million to € 2.9 million.

The Hardware business with sales of € 0.8 million remained stable in comparison with the year before, accounting for an increased proportion of 15 % of total sales (previous year 13 %).

Software-orders received in the first three months on the current financial year were at € 0.9 million. Orders on hand at the Software division declined from € 0.3 million to € 0.2 million.

Positive operating result

In anticipation of the forthcoming requirement from financial year 2005 onwards for capital market-oriented companies to prepare their accounts in accordance with IFRS, for the first quarter of 2004 ATOSS has switched its accounting from US GAAP to IFRS. TNotable effects on results arise from convertible bonds for employees and executive organs, which will in future be identifiable from the difference between the items EBITCB (EBIT before Convertible Bonds) and EBIT.

Following on from the high consolidated result in 2003, the operating result (EBIT) was clearly down but nonetheless remained in the positive range at € 0.1 million. The EBIT margin was 2 % (previous year 5 %). Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to € 0.3 million, against € 0.5 million in the same period last year. On the other hand, earnings before taxes (EBT) rose to € 0.4 million (previous year € 0.3 million) and the period result after taxes improved slightly to € 0.2 million. EBITCB was T€ 33 above EBIT of T€ 85. Earnings per share (EPS) in the reporting period came in at € 0.05 compared with € 0.04 in the previous year. This relatively strong profit in the face of weaker sales is the result

of the strict cost management practiced in all areas of the ATOSS Group. This enables us to operate profitably even in phases of market weakness.

Investments

Investments in the ongoing development of our products are as a matter of principle reported directly under current expenditure. Intangible assets of our own manufacture are not capitalized. The volume of investments in research and development was up slightly in comparison with the previous year, rising by 2 % to € 1.0 million. As of March 31, 2004, there were 41 software programmers (previous year 44) engaged in research and development aimed at the development of existing products and the creation of new functionalities.

Cash flow and liquidity significantly increased

The ability of ATOSS to generate liquidity even in a difficult market environment continues to be reflected in our cash flow. In the period under review the cash flow derived from business operations amounted to € 1.9 million, following on from € 1.3 million in the same period last year. The cash flow from investment activities amounted to – € 4 thousand, in comparison with the previous year's figure of – € 2.1 million which resulted from the sale of securities. Cash flow from financing activities came in at € 0.4 million (previous year € 0.5 million). Liquidity comprising cash at banks and securities accordingly rose to € 33.6 million against € 31.9 million as of December 31, 2003.

On March 31, 2004, the equity capital of ATOSS Software AG stood at € 32.1 million, equating to an capital ratio of 80 % (previous year 84 %).

Number of employees slightly increased

On March 31, 2004, the number of persons employed by the ATOSS Group stood at 176 (previous year 169). As of that date the Group provided six places for trainees.

Changes in the composition of executive bodies

In the first three months of 2004 there were two changes to the Executive Board which will take effect in the course of the year. Dr. Burkhard Scherf has informed ATOSS that he will not be available

for an extension of his contract and he will thus step down from the Executive Board of ATOSS Software AG with effect from July 31, 2004. On the other hand the Supervisory Board has appointed Christof Leiber to the Executive Board with effect from April 01, 2004. He takes responsibility for Finances & Financial Communications, Personnel and Law, whereas Mr. Obereder takes on responsibility for the sales, IT Services and Consulting operations as well as Research & Development.

As a member of the ATOSS management team Mr. Leiber has been engaged since 1999 in the areas of Law and Financial Market Communications as well as serving as General Manager of our subsidiary ATOSS CSD. He has already played a highly successful role in the optimization of our corporate structure.

Outlook remains positive

In view of the continuing uncertain prospects for the development of Germany's economy, looking ahead to the remainder of the current year is fraught with difficulty. While exports continue to follow a positive trend and after a brief interval of weakness the IFO Institute business climate index is once again headed upwards, private consumption still lags behind expectations. The six leading German economic research institutions have already revised their growth forecast for German gross domestic product downwards from 1.7 percent in autumn 2003 to a current 1.5 percent.

The Bundesverband Informationswirtschaft, Telekommunikation und neue Medien e.V. (BITKOM, Federal Association for IT Economy, Telecommunications and New Media) for the first time foresees a renewed positive development in our sector. Information technology sales are slated to rise by 1.5 % (previous year, minus 2.1 %). However businesses, and in particular small and medium-sized enterprises, are generally continuing to defer investments. and this includes all too necessary investments in more flexible working processes.

Despite the difficult environment, overall we anticipate a positive development at ATOSS. For example, the number of contacts made at this year's CeBIT may have been lower but the quality of those contacts was higher. In addition, the separate appearance of our business process modeling division was received with great acclaim.

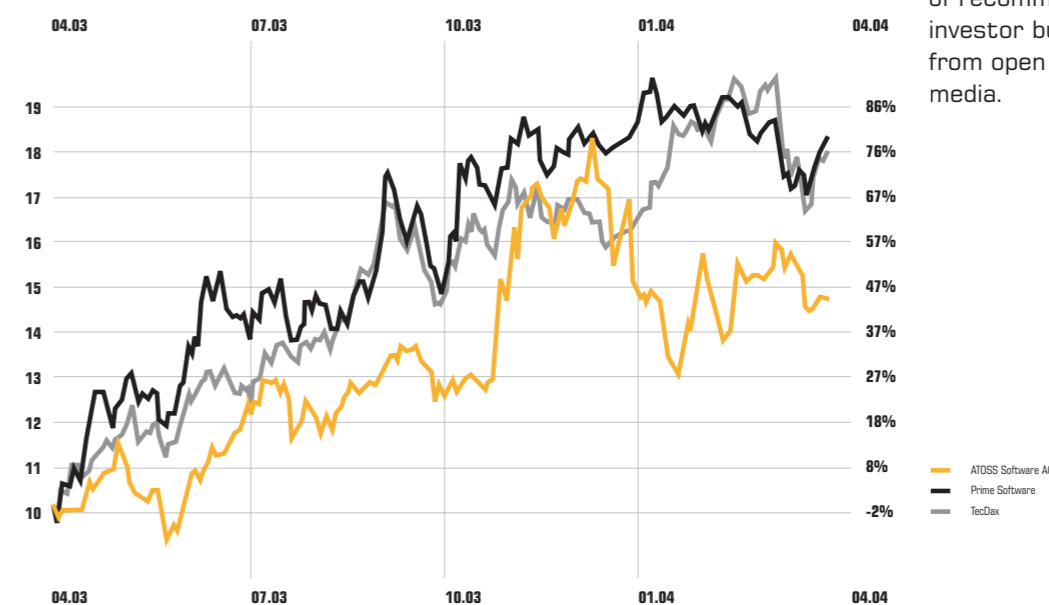
In the current second quarter of 2004 we expect both sales and results to exceed those recorded in Q1. By the second half of the year, the steps we have taken to interlink all areas of our operations within the value chain to create an integrated performance process should then be exerting a positive influence on profitability.

For the year 2004 as a whole from a present perspective we anticipate slightly higher sales coupled with an improved result.

Share price gratifying in Q1, marred following dividend distribution

Following a low of € 13.00 and a high of € 16.00, the ATOSS share price ended the first quarter at € 14.80, virtually unchanged in comparison with 2003 year-end price level. The stock thus stood some 57 % higher than at the

same time last year. With a minus of around 6 % the Prime Software Index in the first three months of the current financial year lagged somewhat behind ATOSS, while the Technology All Share and TecDAX indices each performed around 6 % better. Following the € 1.50 distribution on April 23, 2004, our stock was hit disproportionately hard, losing around € 2.



Media and analysts continue to spotlight ATOSS

In the first quarter of 2004, analysts at GBC German Business Concepts awarded ATOSS stock a rating of "accumulate". SES Research continued to rate ATOSS as a "market performer" with a top EquiRisk rating of A+. In addition we were the subject of recommendations in various investor bulletins and benefited from open and fair reporting in the media.

KEY FIGURES PER SHARE

	2004				2003
	Q1	Q4	Q3	Q2	Q1
Max. share price in €	16.00	18.09	13.75	12.45	10.98
Min. share price in €	13.00	12.60	11.65	9.40	7.70
Price at end of quarter in €	14.77	15.20	12.70	12.45	9.90
Numbers of share held in treasury (*)	204,635	228,653	233,792	233,560	233,560
Cash flow per share in € (**)	0.51	-0.02	0.64	-0.04	0.34
Liquidity per share in € (**)	8.83	8.37	9.99	9.31	9.34
EPS in € (**)	0.05	0.13	0.10	0.20	0.04
EPS (diluted) in €	0.05	0.13	0.10	0.19	0.04

(*) At end of quarter

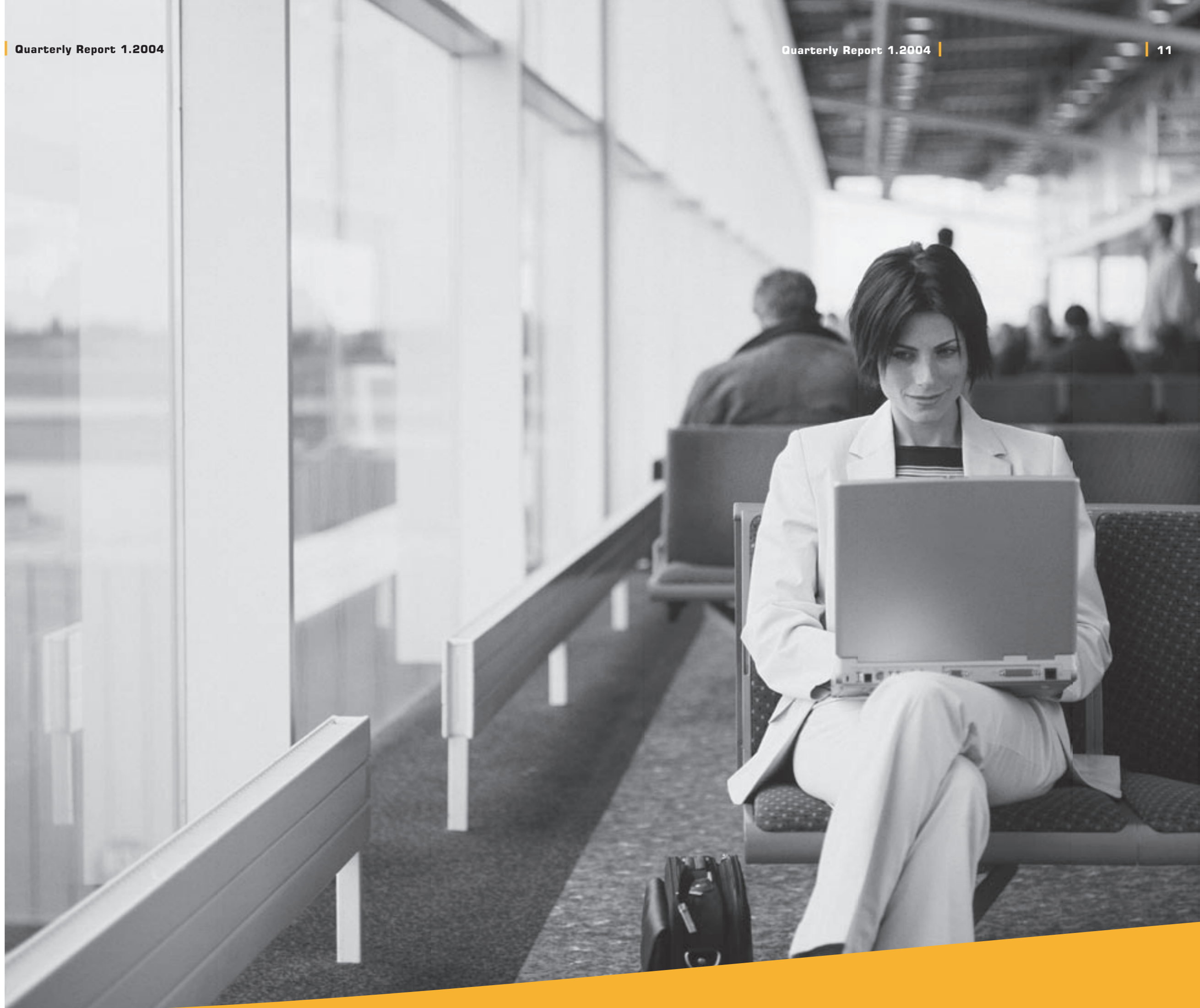
(**) Cash flow, liquidity per share and EPS: based on average number of shares in circulation

General Meeting resolves special dividend of € 1.50

As a result of a resolution adopted by our well-attended General Meeting held on April 22, 2004, in Munich, on April 23, 2004, a special dividend of € 1.50 per share was paid. Shareholders will be liable for tax on a proportion of this dividend amounting to approximately € 0.70. All other items on the agenda were likewise approved by the General Meeting by a large majority.

Transparent financial market communications

We attach great importance to transparency in our relationship with our shareholders. For this reason we continue to make great efforts in reporting to investors, analysts and journalists. Transparency engenders trust, and trust is not only the cornerstone of our business but also the foundation for a successful stock market listing. We are after all concerned to ensure a long-term partnership. Therefore we maintain regular contacts with journalists, private and institutional investors, as well as asset managers and investment consultants. In order to heighten the profile of ATOSS Software AG elsewhere in Europe, in February of this year we again held a road show in London. At the end of March we also for the first time visited institutional investors in Austria.



ASSETS	31.03.2004	31.12.2003
	(€)	(€)
Current assets		
Cash and cash equivalents	6,480,757	4,664,238
Short-term investments/marketable securities	27,093,460	27,190,860
Trade accounts receivable	3,536,538	3,504,975
Inventories	19,150	16,090
Deferred tax assets		62,594
Prepaid expenses and other current assets	1,127,073	869,439
Total current assets	38,256,978	36,308,195
Non current assets		
Property, plant and equipment	529,987	552,300
Intangible assets	516,040	622,513
Deferred taxes	675,308	595,599
Total non current assets	1,721,334	1,770,412
Total assets	39,978,312	38,078,608

LIABILITIES AND SHAREHOLDER'S EQUITY	31.03.2004	31.12.2003
	(€)	(€)
Current liabilities		
Short term debt and current portion of long-term debt	0	639
Trade accounts payable	558,949	442,879
Accrued expenses	1,433,799	2,106,732
Deferred revenues	2,569,493	489,108
Income tax payable	1,056,682	960,706
Other current liabilities	741,966	604,795
Total current liabilities	6,360,889	4,604,859
Non-current liabilities		
Long-term debt, less current portion	227,759	262,777
Pension accrual	1,278,067	1,244,374
Deferred taxes		
Total non-current liabilities	1,505,826	1,527,151
Shareholder's equity		
Share capital	3,821,032	3,797,014
Additional paid-in capital	20,051,784	19,990,611
Treasury stock	-1,742,244	-1,707,747
Retained earnings / accumulated deficit	10,142,787	9,935,930
Accumulated other comprehensive income / loss	-161,762	-69,211
Total shareholder's equity	32,111,598	31,946,597
Total liabilities and shareholder's equity	39,978,312	38,078,608

CONSOLIDATED INCOME STATEMENT FOR THE FIRST QUARTER 2004 AND 2003		
	Quarterly Report	
	I/2004	I/2003
	01.01.2004	01.01.2003
	31.03.2004	31.03.2003
	€	€
Revenues	5,171,688	5,788,189
Cost of revenues	-2,052,215	-2,118,620
Gross profit	3,119,473	3,669,569
Selling and marketing expenses	-1,492,478	-1,493,977
General and administrative expenses	-752,003	-902,286
Research and development	-1,015,464	-995,073
Other operation income and expenses	225,354	-5,895
Operation income/loss	84,882	272,338
Interest income and expenditure	271,190	-302,573
Other income/expense	0	347,575
Result before income taxes	356,072	317,340
Income tax	-149,196	-165,317
Net income/loss	206,876	152,023
Net income per share (basic)	0.05	0.04
Net income per share(diluted)	0.05	0.04
Weighted average shares outstanding (basic)	3,800,411	3,792,007
Weighted average shares outstanding (diluted)	4,068,288	4,088,020

CONSOLIDATED CASH FLOW STATEMENTS FOR THE FIRST QUARTER 2004 AND 2003		
	31.3.2004	31.3.2003
	€	€
Cash flow from business operations		
Result for the year	206,876	152,023
Adjustments for		
depreciation and amortization	216,202	275,114
Loss incurred on the disposal of fixed assets	628	3,094
Profit on the sale of marketable securities	0	-347,897
Increase / decrease in deferred taxes	-26,360	342,271
Expenses resulting from the share options program	6,145	
Change in net current assets		
Trade receivables	-31,563	-213,820
Other current assets, prepayments and deferrals	-260,694	54,239
Trade accounts payable	116,070	-56,649
Provisions for taxes	95,969	-92,903
Miscellaneous liabilities	137,171	171,187
Deferred income	2,080,385	1,748,580
Miscellaneous reserves	-672,933	-794,171
Increase in provisioning for pension commitments	56,250	20,400
Cash flow generated through business operations	1,924,146	1,261,468
Cash flow resulting from investment activities		
Fixed asset purchases	-88,587	-82,138
Income from the sale of fixed assets	543	0
Disbursements on short-term cash investments	-2,119	0
Increase in securities	0	0
Disposal of securities	86,368	-2,051,630
Cash flow applied to investments	-3,795	-2,133,768
Cash flow resulting from financing activities		
Income from the sale of treasury stock	814,394	1,622
Disbursements for the purchase of treasury stock	-459,641	0
Other cash flow-effective changes in equity	0	481,174
Disbursements for the repayment of loans	-639	-639
Cash flow applied to financing activities	354,114	482,157
Reduction in financial resources	-2,293,910	377,867
Cash and cash equivalents and the start of the period	4,186,836	7,584,610
Cash and cash equivalents and the end of the period	6,480,757	7,206,743

CHANGE IN CONSOLIDATED EQUITY TO 31.03.2004 AND 2003							
	Individual shares	Subscribed capital	Purchase of treasury stock	Capital reverse	Unapp. ret. earnings	Changes in equity wich do not affect op. result	Total equity
	€	€	€	€	€	€	€
Status 01.01.2003	3,791,907	3,791,907	-1,657,570	31,722,581	2,097,426	-177,064	35,777,281
Net income	0	0	0	0	152,023	0	152,023
Conversion rights exercised	200	200	1,800	0	0	0	2,000
Transfer resulting from the issue of convertible bonds	0	0	0	7,604	0	0	7,604
Increase in capital from company funds	0	31,601,486	0	0	0	0	31,601,486
Reduction in capital	0	-31,601,486	0	0	0	0	-31,601,486
Withdrawal from capital reserve	0	0	0	0	0	363,479	363,479
Realized losses included in net income	0	0	0	0	0	-235,730	-235,730
Status 31.03.2003	3,792,107	3,972,107	-1,655,770	31,730,185	2,249,449	-49,316	36,066,655
Status 01.01.2004	3,797,014	3,797,014	-1,707,747	19,990,630	9,935,911	-69,211	31,946,597
Net income	0	0	0	0	206,876	0	206,876
Purchase of treasury stock	-12,000	-12,000	-447,641	0	0	0	-459,641
Conversion rights exercised	36,018	36,018	413,144	22,222	0	0	471,384
Transfer resulting from the issue of convertible bonds	0	0	0	38,932	0	0	38,932
Withdrawal from capital reserve	0	0	0	0	0	-156,600	-156,600
Unrealized losses, current year	0	0	0	0	0	69,211	69,211
Realized losses included in net income	0	0	0	0	0	-5,162	-5,162
Status 31.03.2004	3,821,032	3,821,032	-1,742,244	20,051,784	10,142,787	-161,762	32,111,598

1. General

The present quarterly financial statements have for the first time been prepared in accordance with International Financial Reporting Standards (IFRS), and in particular in compliance with IAS 1. Thus the current standards and interpretations have been applied retrospectively. The comparative data for preceding periods have likewise been presented in accordance with IFRS. The present financial statements have been drawn up in such manner as if the current standards had always applied.

Pursuant to IAS 34 "Interim Financial Reporting", the present statements include a consolidated balance sheet, consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity and selected notes to the consolidated statements. The requirements contained in German Accounting Standard (DRS) No. 6 regarding interim reporting have likewise been fulfilled.

Differing from the annual financial statements according to US GAAP, convertible bonds have been valued in accordance with IFRS 2, pension accruals have been valued in accordance with IAS 19. The effect on the net income from convertible bonds was T€ 39 and from the allocation to pension accruals T€ 82. Considering the effect in taxation of T€ 34, the net income effect on December 31 was T€ 88. These implications are shown in the quarterly results in 2003. The effect on the shareholder's capital was T€ 545 on December 31, 2004.

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

2. Currency

All figures are stated in euro.

3. Group of Consolidated Companies

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

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

These companies are fully consolidated.

4. Changes in equity

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

5. Treasury stock

On March 31, 2004, the company held 204,635 shares in treasury. Treasury stock is reported as a separate equity item.

6. Personnel costs

PERSONNEL COSTS	01.01.2004	01.01.2003
	31.03.2004	31.03.2003
	(T€)	(T€)
Wages and salaries	2,509	2,529
Social security contributions and expenditure on retirement pensions and welfare	555	466
Effects resulting from convertible bonds programs	33	0
Total	3,097	2,995

7. Segmental information

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

Changes have been made to the preceding year as a result of adjustments in line with internal performance measurement.

SALES RESULTS	01.01.2004	01.01.2003
	31.03.2004	31.03.2003
	(T€)	(T€)
Products, maintenance		
Sales	2,963	3,164
EBIT	-54	22
Depreciation and amortization	-151	-229
Services		
Sales	2,209	2,624
EBIT	139	250
Depreciation and amortization	-65	-46
Domestic sales	4,394	4,906
International sales	778	882
Total sales	5,172	5,788

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

Sales are divided into the following categories:

SALES CATEGORIES	31.03.2004	31.03.2003
	(T€)	(T€)
Software licenses	1,030	1,296
Software maintenance	1,854	1,780
Software, total	2,884	3,076
IT services	1,130	1,221
Consulting	238	526
Services, total	1,368	1,747
Hardware	767	746
Others	153	219
Total sales	5,172	5,788

8. Employees

On March 31, 2004, the company had a workforce of 176, in comparison with 169 on 31.03.2003. Of these, 41 (44) were engaged in product development, 53 (51) in the fields of IT services and consulting and 41 (39) in sales and marketing.

9. Supervisory Board

On March 31, 2004, the Supervisory Board of ATOSS Software AG was composed of three members:

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

10. Executive Board

The Executive Board of ATOSS Software AG on March 31, 2004, was composed of two members:

Andreas F.J. Obereder, Chairman
 Dr. Burkhard Scherf

Dr. Burkhard Scherf informed the Supervisory Board during the first quarter that he will not be available for an extension of his contract and will leave the company with effect from July 31, 2004.

Christof Leiber has been appointed to the Executive Board with effect from April 01, 2004.

11. Board member shareholdings

On the reporting date of March 31, 2004, board members held the following numbers of ATOSS shares:

BOARD MEMBER SHAREHOLDERS	31.03.2004	31.12.2003	30.09.2003	30.06.2003	31.03.2003
	Andreas F.J. Obereder	1,946,184	1,946,184	1,967,905	1,967,905
Dr. Burkhard Scherf	78,108	78,108	78,108	78,108	78,108
Peter Kirn	11,260	11,260	11,260	11,260	11,260
Bernhard Dorn	1,000	1,000	1,000	1,000	1,000
Rolf Baron Vielhauer von Hohenhau	0	0	0	0	0

On the reporting date of March 31, 2004, as a result of subscriptions to convertible bonds, present and former board members held the following options on ATOSS shares:

CONVERTIBLE BONDS	31.03.2004	31.12.2003	30.09.2003	30.06.2003	31.03.2003
	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
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



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

EXERCISE PRICE			
	Outstanding convertible bonds	Contractual validity in years	Possible rights to be exercised
	in €		in €
Board member			
28.50	1,728	0.9	1,728
6.71	30,000	3.0	0
6.59	36,000	5.3	0
Employees			
28.50	3,039	0.9	3,039
7.61	38,654	1.7	11,855
7.06	12,167	2.2	1,056
9.56	1,334	1.8	666
4.01	2,334	2.5	0
6.71	50,503	3.0	0
10.52	52,000	6.4	0
	227,759		18,344

12. Details of reportable securities transactions

In the first three months of the 2004 financial year no reportable securities transactions were conducted.

13. Convertible bonds

In the first three months of the 2004 financial year some 55,018 convertible bonds were exercised. On March 31, 2004, there were 227,759 convertible bonds outstanding.

14. Earnings per share

The figure for earnings per share is arrived at by dividing the result for the year by the weighted average number of shares outstanding. From January 01 to March 31, 2004, there were an average of 3,800,411 shares in circulation. Thus earnings per share for this period amounted to € 0.05, in comparison with € 0.04 in the preceding year.

In order to calculate the diluted earnings per share, the average number of outstanding shares was increased by the addition of the potential shares to be issued as a result of convertible bonds. From January 01 to March 31, 2004, there were an average of 267,877 convertible bonds in circulation. Thus the diluted earnings per share for this period amounted to € 0.05, in comparison with € 0.04 in the preceding year.

Disclaimer

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

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

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