



ATOSS[®]
Software AG

r:evolution in time!

Annual Report 2000

ATOSS SOFTWARE AG

GROUP FIGURES ACCORDING TO US-GAAP

Figures in TDM

	1999	2000	Difference 99/00 in %
I. Sales			
Sales	36,818	42,099	14%
Software	12,114	16,906	40%
Maintenance	5,606	8,264	47%
Services	7,234	7,791	8%
Hardware	9,875	6,883	-30%
Other	1,989	2,255	13%
II. Results			
Profit on ordinary activities	3,129	543	-83%
Net profit (loss) for the year	1,518	-121	> 100%
Earnings per share	2,41 DM	-0,03 DM	> 100%
III. Payroll			
average number of staff	124	175	41%
Personell costs	16,562	22,391	35%
per capita sales	297	241	-19%
IV. Asset structure			
Fixed Assets	3,114	7,200	> 100%
Current Assets	13,561	78,569	> 100%
Total Assets	16,675	85,769	> 100%
V. Liability Structure			
Stockholders equity	6,030	72,450	> 100%
Provisions	6,072	4,056	-33%
Liabilities	4,573	9,263	> 100%
Total liabilities	16,675	85,769	> 100%
VI. Cashflow/Investments			
Cash flow from operating activities	3,354	-8,775	> 100%
depreciation (on tangible assets)	981	1,370	40%
Investments (exct. securities)	1,843	6,182	> 100%
VII. Financial Ratios			
Equity ratio	36%	85%	> 100%

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Foreword by the Executive Board

Dear Shareholders, Ladies and Gentlemen,



Andreas F.J. Obereder
Dr. Burkhard Scherf
Bernhard Auer

The past financial year produced some incisive changes for ATOSS Software AG. We acquired numerous well-known new customers and successfully implemented some important stages in our internationalisation strategy. In addition, as part of our consistent refinement of the Strategic Management of Work and Time and in the interests of marketing our products more rapidly to a worldwide clientele, we have retitled this expanded area of our activities as "Staff Efficiency Management" .

With DM 42.1 million, sales at ATOSS Software AG once again reached a new record level. We achieved this success against the background of a difficult market environment and despite delays in negotiating contracts for a variety of client projects.

Worldwide, the IT sector recorded one of the most difficult years in its history. A significant erosion was evident in corporate IT investment budgets, given that businesses had survived the Year 2000 problem and were beginning to register the first signs of an economic slowdown spreading outwards from the US markets.

In this difficult market we succeeded in increasing sales by 14% over the previous year, thus continuing a pattern of corporate development which has featured double-digit growth rates since the company was first established 13 years ago. Furthermore, despite substantial investments in research and development and a 41% increase in personnel, bringing average staff numbers to 175, we achieved a pre-tax result of DM 0.54 million. Our high level of investments will safeguard our market position and our ability to expand in years to come.

Thanks both to the investments made in the year 2000 and to our successful stock market flotation, ATOSS Software AG can look forward to an excellent future. On the one hand, we have an expanded product portfolio and an

appropriate staffing level at our disposal which will allow us to shoulder the burden of future growth; whilst on the other hand we enjoy a sound financial situation with an equity ratio of 85% and a cash position of DM 62 million.

We've come a long way

With sales of DM 42.1 million and a pre-tax result of DM 0.54 million, we ended the year on a far more positive note than had been expected in November. Gratifying sales successes at the end of the year resulted in December 2000 becoming one of the most successful months in the company's history.

Not all our goals have been achieved, but your company has developed considerably and has secured its position in a market which holds an exceptional potential for growth.

Indeed this huge potential is there for all to perceive in their daily working environment. Deficiencies in the planning and control of human resources present significant barriers to productivity. Businesses are becoming ever more aware of the financial value of unproductive working hours.

ATOSS Software AG with its services and its software has acquired a leading position in this broad international market. Our innovative software tools enable companies – ranging from local SMEs to international corporate concerns – to target the deployment of their human resources and so gain a competitive advantage and achieve a considerable increase in productivity.

Clients such as Deutsche Lufthansa AG and Deutsche Bahn AG have been putting their faith in our products for many years now. Additional substantial follow-up orders from these companies during the reporting period are the best proof of customer confidence we could imagine. This is clearly underscored by the solid proportion of repeat business conducted with existing customers (repurchase business) which amounted to approx. 36% of our software licensing business in the years 1999 and 2000.

In addition, we received large orders from such internationally renowned companies as SIXT AG, AOL Deutschland and Deutsche Telekom AG. The order from Deutsche Telekom in fact represents the largest single project yet awarded to ATOSS. Our software now manages the working hours of 140,000 employees at Telekom and its affiliated companies.

In October ATOSS received another important order, this time from SIXT

AG. Once our system has been implemented at the company's head office in Pullach and at its branches throughout Germany, all of the foreign branches are to follow suit. The ATOSS product to be employed is our Java-programmed Web client, the ATOSS Time Solution. With this version users worldwide, independently of the platform they are using, can access the software by Internet/Intranet in order to control and analyse their personnel resources online and optimize staff deployments.

First successful steps taken in Europe

The SIXT order not only provides impressive proof of the future-oriented technological possibilities offered by our products. It also signposts an important direction in which our company can expand. By accompanying our clients abroad we can further advance the internationalisation which we have been endeavouring to achieve.

We also received orders from major foreign companies such as Europe's leading regional airline, Swiss-based Crossair AG, the Österreichische Lotteriegesellschaft [the Austrian Lottery Company] and De Boer Hensbroek Holding of the Netherlands.

We are pursuing a two-fold strategy of internationalisation. On the one hand we are constantly growing by accompanying international clients and are using this as a means of building up our foreign subsidiaries. In January ATOSS Software AG, Zurich, was established and ATOSS Software Ges.mBH was set up in Vienna, and in June ATOSS Software S.A.R.L. was founded in Paris.

On the other hand, we are also creating multipliers by entering into sales and marketing partnerships with cooperation partners abroad. France in particular, Europe's second-largest market for software and IT services, represents an interesting foreign opportunity for ATOSS. Following the introduction in that country of a law requiring all companies with more than 20 employees to reduce staff working hours, a huge additional demand has arisen for technical solutions which will enable human resources to be deployed more efficiently and more flexibly.

Our stock market flotation was an event of particular importance.

The stock market flotation of ATOSS Software AG in the financial year 2000 was an event of particular significance in the continued development of the company. It is important for us to note that the shares placed came exclusively from an increase in capital, that is expressly to say, no shares were

replaced by existing shareholders. Furthermore, all previous shareholders have committed themselves to hold their shares for extremely long periods of up to 5 years. In doing so we vigorously emphasise our firm intention of accompanying your and our company for the long-term on its journey into the future.

As part of the flotation, we not only generated liquid funds amounting to DM 70.4 million: we now also have a second, attractive currency at our disposal – our own shares. We shall use this currency within the framework of cooperation agreements and acquisitions after exercising due care in examining such transactions.

We market more than just our products

Following the flotation, we have begun to implement a comprehensive investor relations program. Numerous individual discussions have been held in Germany and abroad and we have introduced ourselves at specialist exhibitions, shareholder fairs and investor events in various German cities. In addition to these varied IR activities, we have also greatly expanded our work with the press. The object of these endeavours is to present not only our products and services but also our shares as an attractive investment prospect and to greatly enhance our profile.

The ever-increasing pace of technological change

Only the ceaseless process of change remains the same. Such is the environment in which we live. Our constant aim is to be faster than the rest. We monitor our markets, keeping a watchful eye open for foreseeable technological changes, possible cooperation partners and participating interests.

In the financial year 2000, we completed two acquisitions; in other cases the first stages of due diligence resulted in talks being broken off. The reasons were various, but in no case could our essential criteria be fulfilled. The acquisitions we made were csd Systemhaus GmbH in Cham and the software product AENEIS. Thus external growth during the reporting period had only a minimal effect on business development and we shall continue in every individual case to carefully consider whether the expected synergies might not be outweighed by the potential cost of integration.

Increased use of software-based technologies

As expected, technological advances and especially the opportunities opened up by the Internet have led to the increased use of modern, software-based data acquisition technologies. In line with this, ATOSS has sold correspondingly less hardware to its clients. Since, however, we have no production of

special time and operating data acquisition equipment of our own to maintain and this development is in any case allowed for in our medium-term planning, it is not detrimental to ATOSS. Rather, we are focusing our efforts on our core competences in the field of software and we anticipate that the significance of hardware will continue to decline. It is of decisive importance that we should accelerate the sale of our software and services. And in this we have achieved sustained success. The order intake for hardware in the financial year 2000 declined, sales in this area were down by 30%, whilst in our core area of business, namely software sales, and also in the area of maintenance revenues, we recorded some considerable increases. Sales in these areas were up by 40 and 47 percent respectively.

In line with the consistent implementation of our holistic approach to the efficient design of work processes and effective staff deployment, during the reporting period we have also expanded our consultancy activities. The combination of years of experience and new technologies, coupled with the correct methodologies, guarantees that our clients will attain sustained increases in efficiency along their entire value chain.

Changes at executive board level

Two changes to the composition of the executive board of ATOSS Software AG took place during the reporting period. On 1 July Bernhard M. Auer took over responsibility for sales and marketing from executive board chairman Andreas F.J. Obereder. Mr Auer's previous career has included international management positions at IBM, Compaq Computers, Digital Equipment and Olivetti.

In recruiting Bernhard M. Auer, ATOSS has gained a manager with international experience. We are all delighted at this important step forward.

Sadly, however, we had also to accept that in December for personal reasons Dr. Thomas Barth wished to step down from his executive board position. He will however continue to serve the company in a consultant capacity. We wish him every success in his future professional career.

In a restrained economic climate we remain optimistic

In recent months there have been increasing signs emanating from the USA of a distinct economic slowdown. Investments in IT in the USA have taken a sharp downturn. Against this background, companies in Europe too are holding back on investments.

On the other hand, numerous studies by well-known research institutes covering various important software markets and especially ERP software provide evidence of clear continuing growth. And the pressure to rationalise exerted by international competition is steadily increasing. Expanding businesses will have an ever greater need for computer-aided applications to enable them to more effectively manage their human resources.

High double-digit growth rates are also forecast for the current year in the field of consulting. Above all, it will be those companies offering a holistic approach to consultancy which take the lead in the face of intensifying competition. This financial year will see a supra-proportional rise in the demand for strategy-related consultancy services which combine the skills required to put the advice into practice and the software required to do so. It is therefore reasonable to expect rising investments in the field of Staff Efficiency Management in the year 2001. ATOSS ranks among those service providers who are not only the technological leaders in their field, but are able to supplement this advantage with a holistic consultancy service. We thus meet all of the conditions required in order in future to derive an above-average benefit from the trend towards the introduction of systems designed to optimise the deployment of personnel resources.

Some sectors are particular promising

Especially in areas concerned with industrial manufacturing, in the banking and insurance sector and in service sectors such as transport and in-patient health-care, a field which will be of steadily growing importance in the future, we have amassed a comprehensive fund of know-how. In future we intend to build on these foundations with the goal of producing sector-specific solutions.

A study carried out by the University of Würzburg proves that by introducing ATOSS software, hospitals, care centres and authorities are able to significantly increase their productivity. ATOSS will therefore continue to focus on the hospitals market and expects to conclude some important new orders in the year 2001.

Further sector-specific solutions such as a human resources demand planning facility designed specifically for commercial organisations and a hand-held computer-based performance acquisition system for service providers are at the planning stage. The market potential is also being tested for pre-configured software packages for transport operators and call centres.

In order to more successfully reach out to a broad spectrum of potential clients, we began in the year 2000 to restructure our sales organisation. We also plan to merge ATOSS Systems-Consulting GmbH of Meerbusch with the parent company ATOSS Software AG, Munich, in order to concentrate the regional organisation structure on sales and consultancy activities. The smaller company which previously operated as an independent entity will then be run as a branch operation.

Highly positive development in sales and results

In 2001 marketing will commence of the new ATOSS Start-Up Edition products and of the new ATOSS Staff Efficiency Suite for the high-end business market, as a result of which we expect sales to increase by approx. 21% to around DM 51 million. We further expect the return on sales to rise to 8%, leading to a profit on normal business activities of around DM 4 million.

Likewise in the medium term, the outlook remains positive: the national and international growth market constituted by Staff Efficiency Management offers distinct opportunities for ATOSS Software AG. Thanks to our years of experience, our technologically advanced products and the expanded strategy we have introduced coupled with our ongoing internationalisation, we are already very well positioned.

Further corporate growth will benefit our shareholders in particular. We are confident that in future we shall continue to develop ATOSS Software AG with sustained success and we would invite you to share in this development.

May we also take this opportunity of thanking you, our shareholders and all of our staff for your loyalty in the financial year 2000.

Yours truly,



Andreas F.J. Obereder
President and Chief
Executive Officer



Dr. Burkhard Scherf
Vice President
Consulting and Development



Bernhard M. Auer
Vice President
Sales and Marketing

Investor Relations

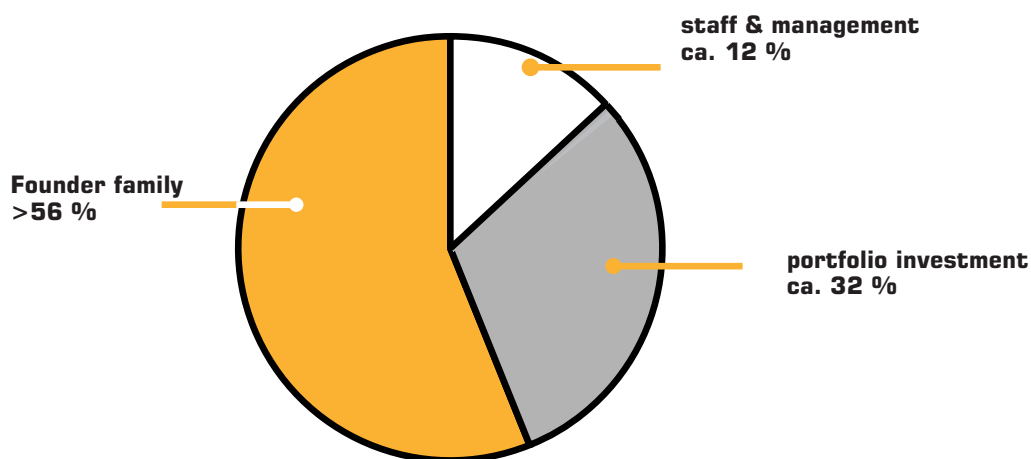


The Share

▷ Security identification number:	510 440
▷ Category:	No-par-value bearer shares
▷ Capital stock:	EUR 4,025,667
▷ Number of shares:	4,025,667
▷ Shareholder structure:	Founder family 56%, staff & management 12%, portfolio investment 32%

▷ Quotations:	Neuer Markt, FWB
▷ Designated Sponsors:	Bayerische Landesbank, BNP Paribas
▷ Financial year:	31 December
▷ Initial listing:	21 March 2000
▷ Stock market code:	AOF
▷ Dividend:	-
▷ Market capitalisation as at 31 Dec 2000:	EUR 48,3m
▷ Annual share price high/low:	EUR 51,50 / EUR 8,70
▷ Earnings per share:	DEM -0.03

Shareholder structure ATOSS AG



Going public

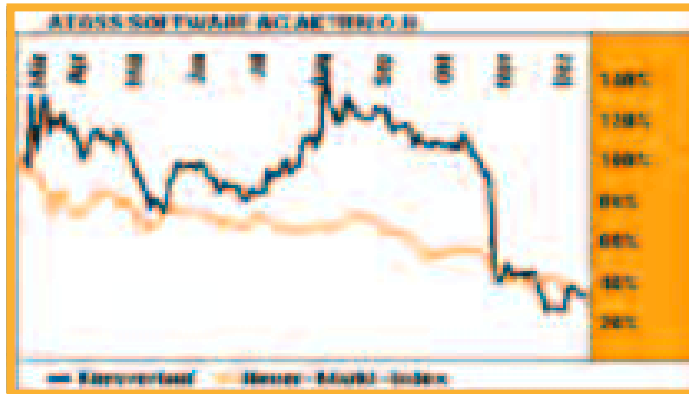
Under the lead management of BNP Paribas and the consortium banks Bayerische Landesbank and Bankhaus Julius Bär & Co. AG, ATOSS Software AG issued 30% of its present capital stock amounting to a total of 1.2 million individual shares (including greenshoe) on the Neuer Markt of the Frankfurt Stock Exchange. The shares originated exclusively from a capital increase, with no shares being disposed of by existing shareholders. As a result of high demand the shares offered were oversubscribed 47-fold and the issuing price of EUR 30 was fixed at the top margin of the book-building spread of EUR 27-30. On 21 March 2000, trading in ATOSS shares began on the Frankfurt Stock Exchange under security identification number 510 440 at a price of EUR 31.50.

The proceeds from the stock issue accrued entirely to the company, less the costs of stock market flotation which amounted to DM 7.0m. The executive board and management at ATOSS Software AG committed themselves to holding periods of up to five years.

The share price trend

The start for the ATOSS share was a complete success. After the original listing of EUR 31.50, ATOSS took the EUR 40 mark on the fourth day of trading, and even closed on the same day at EUR 47.80. In the course of the months of April and May the ATOSS share gave way slightly — following the overall market — but, as of June, it was able to break away from the negative development of the NEMAX and NEMAX software index and stage a clear recovery. Starting in mid-July the share made a terrific spurt up to EUR 51.50 to the end of the month of August and, in the course of this upward movement, was even able to clearly outperform C-Dax software as well as the DAX 100 software and technology indices. Then a slow counter-reaction followed in autumn. After publication of the revised target figures on 10 November 2000, the ATOSS share lost nearly half of its value in a single day and fell to a low of EUR 8.70 in the month that followed. However, as a leader in technology and having a strong market position in the area of Staff Efficiency Management, ATOSS Software AG continues to enjoy attractive future prospects, as was evidenced by the strong end-of-year business recorded in the financial year just ended. The price once again recovered to EUR 12 by the end of the year under review.

Share development from 21 March to 29 December 2000



Investor relations measures

In the financial year under review, ATOSS Software AG has held numerous discussions with institutional investors and financial analysts. Above all, the aim of our efforts was to provide participants in the capital market with as transparent and comprehensive a picture as possible of our company and of the potential which the share price holds. We will intensify this dialogue in the course of the current financial year.

At analyst conferences, investor meetings as well as trade and shareholder fairs, ATOSS presented itself to interested portfolio managers, investment consultants, journalists and private shareholders. In this context, many opportunities arose for private investors to address questions to the executive board and thus acquire information about the company from management personally. Shareholders and interested investors frequently took advantage of the various offers and visited the conferences for investors in Hamburg, Berlin and Frankfurt as well as the shareholder fairs in Hamburg and Munich — not to mention that large numbers

relevant to the shareholder under <http://www.atoss.com>. Take the opportunity to have your name included on our mailing list for shareholder information and we will dispatch our press releases directly to you at home via e-mail!

Research

Apart from the issue studies prepared by BNP Paribas and Bayerische Landesbank, the independent institution ICE Securities of London has compiled a detailed analysis on ATOSS Software AG. In a recent study dated 1 March 2001, ICE Securities using the discounted cash flow method calculated a fair value for the ATOSS share of EUR 27. The Bayerische Landesbank also produces regular reports on ATOSS Software AG.

Motivation through staff participation: the ATOSS convertible bond programme

In order to enhance the motivation of staff and members of the board and further strengthen their loyalty to the company, the ATOSS Employee Share Scheme was established prior to the company going public. The executive board was authorised up to 31 January 2005 to issue registered 2% interest-bearing convertible bonds in the overall amount of up to EUR 280,000 with a maturity period of up to January 2010. Two years after acquisition of the convertible bonds, eligible staff shall be entitled to convert each EUR 1 of the nominal value of their convertible bond into a company share. The exercise price is the average of the stock exchange prices over the last five days of trading prior to the adoption of the resolution on issuing the convertible bonds, less EUR 1 which is to be paid up front when subscribing for the convertible bonds. In this fashion, eligible staff will have the option of paying the lower price of the share when subscribing the convertible bond in spite of an increase in the share price. Thus staff and members of the board are provided with an additional incentive for helping to increase the value of the company. Moreover, they are tied more closely to the company as only staff or members of the board at the company or affiliated companies are entitled to this conversion privilege.

Huge potential for the ATOSS share

ATOSS Software AG operates in a growth market which will increase to a volume of EUR 12bn in Europe alone by 2004. The reason behind this is the urgent necessity to employ highly-qualified and well-paid staff in an optimum fashion in order to withstand competition from low-wage countries and western industrialised states. Companies in every branch of trade and industry as well as public organisations and official agencies require the right tool in order to do so. With the ATOSS Staff Efficiency Suite and the company's innovative consulting approach, ATOSS satisfies the needs of these companies for cutting-edge software and integrated consulting.

In the financial year 2000, we were forced to make a slight downward revision in our ambitious sales targets and, by making significant investments in the future, interrupt the growth in our result which has been constantly increasing since establishment of the company 13 years ago. In a very weak stock market setting, this triggered a clearly exaggerated fall in the share price. However, these investments will pay off as early as in the current financial year and contribute to the successful continuation of the ATOSS growth story.

Report of the Supervisory Board



Dear Shareholders,

The year under review was shaped by the fact that your ATOSS Software AG went public in March 2000. The basis for future growth and thus business success was created with the successful placement of the company's shares.

In a total of twelve extensive Supervisory Board meetings, which in conformity with the Articles of Incorporation were partly carried out in the form of telephone conferences, we have thoroughly considered all important business transactions, the trend in sales and the results, matters relating to participating interests, investments and the strategic orientation of the company. The Supervisory Board performed its legal and statutory duties; it constantly monitored the Management Board and provided support in an advisory capacity. The verbal and written reports of the Management Board at the respective meetings provided a detailed overview of personnel, investment and financial planning in the company. In addition, all of the members of the Supervisory Board were in constant, direct contact with the Management Board, while meetings took place between the Management Board and the Supervisory Board in person and on the telephone on several occasions in the period under review.

A Supervisory Board meeting was held on 24 January 2000 to adopt the annual accounts for the financial year 1999. The annual financial statements for 1999 were reviewed in the presence of the competent auditor and unanimously approved by the Supervisory Board. In addition, a report on business policy, corporate planning and the profitability of the company was presented by the Management Board within the scope of this Supervisory Board meeting. Furthermore, a resolution was unanimously adopted by the Supervisory Board with regard to signing a declaration of intent for participation in CSD Systemhaus GmbH.

On 2 March the Supervisory Board elected Mr Winfried Wolf as deputy chairman of the Supervisory Board at ATOSS Software AG. Mr Winfried Wolf joined the Supervisory Board on 1 March 2000 and replaced Dr. Frank Zillich as deputy chairman, who resigned from the Supervisory Board on 29 February.

On 15 March, the Supervisory Board passed a resolution to increase the company's capital stock by EUR 1,090,909 to a total of EUR 3,916,576 in accordance with the authorisation given by the general meeting of shareholders on 16 February 2000. At the same time, Section 4 Paragraph 1 of the Articles of Incorporation for ATOSS Software AG was revised. On 4 May the Supervisory Board adopted a resolution for a further capital increase of EUR 109,091 to a new total of EUR 4,025,667 in accordance with a proposal made by the Management Board.

During the meeting on 10 May, the Supervisory Board appointed Mr Bernhard Auer to the Management Board of ATOSS Software AG.

A meeting on 25 May took place because of a purchase and co-operation agreement between ATOSS Software AG and ipro consulting GmbH. The Supervisory Board authorised the Management Board to purchase and license the software product "AENEIS" and received prior detailed information with regard to the opportunities and risks associated with the contracts. The quarterly report prepared by the Management Board for the first quarter of the year was discussed within the context of this meeting.

During the meeting on August 23 the Supervisory Board unanimously approved relocation of the registered place of business for ATOSS Software Ges. m. b. H. from Kitzbühel to Vienna. In addition, the founding of ATOSS Software AG, Zurich, and ATOSS Software S.A.R.L., Paris, were approved and it was agreed to change the name of CSD Systemhaus GmbH to ATOSS CSD Software GmbH. And, finally, the quarterly and half-year reports prepared by the Management Board on the course of business were both presented and discussed.

The Management Board report on planned business policy, the course of business and transactions of substantial importance was submitted to the Supervisory Board and discussed at the meeting on 13 November. The revision of anticipated results which was published in the form of an ad hoc report on 10 November 2000 was taken into consideration and discussed. This report became necessary after planned large-scale projects — the yields of which were fundamental for planning in 2000 — had been cancelled and other projects delayed.

A further meeting took place on 7 December. In the course of this meeting the Supervisory Board passed a resolution allowing Dr. Thomas Barth, at his own request, to be relieved of his post as a Management Board director of ATOSS Software AG. At the same time, the chairman of the Supervisory Board was authorised to conclude a corresponding rescission agreement with Dr. Barth.

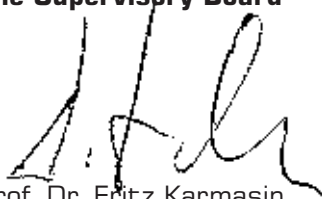
The last meeting of the year 2000 took place on 20 December. At this meeting the Management Board of ATOSS Software AG submitted, among other things, the rough planning for financial year 2001. This was approved and adopted by the Supervisory Board.

The meeting to determine the balance for financial year 2000 took place on 16 March 2001. The annual financial statements, Group financial statement and situation reports prepared by the Management Board for the financial year from 1 January 2000 to 31 December 2000 were given an unqualified auditor's certificate by the competent auditor, Deloitte & Touche GmbH, Wirtschaftsprüfungsgesellschaft, Munich. The auditor's reports were sent in advance to each member of the Supervisory Board and discussed in detail at this meeting. The auditor reported to the Supervisory Board on the results of the examination of the system for the early detection of risks.

The Supervisory Board approved the result of the audit and accepted the annual financial statement and Group financial statement to 31.12.2000. The annual financial statement is thereby adopted.

Although ATOSS Software AG was not able to fulfil its own expectations in 2000, it nevertheless was able to lay the foundation for profitable growth in the future. For this we would like to thank all of the staff and the Management Board of ATOSS Software AG.

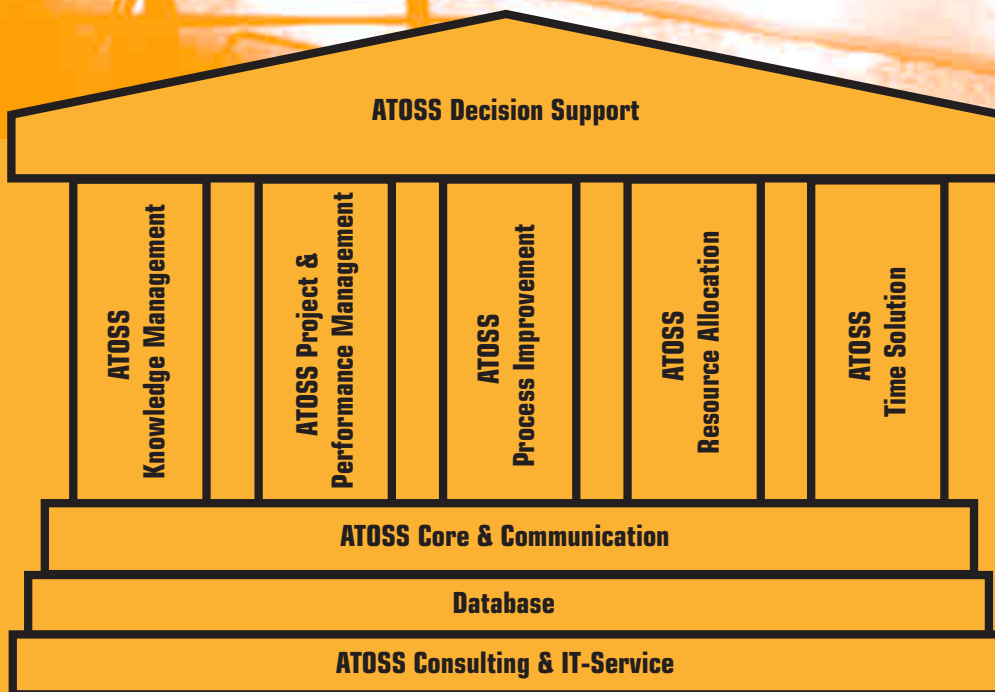
The Supervisory Board



Prof. Dr. Fritz Karmasin
(Chairman of the Supervisory Board)

Management Report

ATOSS®
Süßwälder AG



General

For ATOSS the financial year 2000 was marked primarily by the company's flotation and by a targeted development which will enable the Group to grasp market opportunities in the future as they arise and achieved sustained success. The flotation exclusively entailed the issue of shares in the context of an increase in capital. No shares were replaced by the existing shareholders, with the result that the proceeds accrued in full to the company.

Despite a difficult economic environment in the second half-year, ATOSS Software AG achieved further growth in sales and was successful in recruiting urgently needed, highly qualified personnel. The products of the individual divisions are leaders in their technological fields and the development of new products and services is reinforcing the position which the company has already achieved.

However, the difficult circumstances affecting the sector in the financial year 2000 and the postponement of some important orders resulted in sales falling slightly short of the planned target.

General setting, macroeconomic situation

During the reporting period, economic development internationally was at first highly positive. However as the year progressed, growth declined and there were increasing signs of an economic slowdown. Against the background of this temperate economic climate, a continuing need exists for the company to deploy its resources with an efficient hand.

Situation in this sector

Following an unusually sharp increase in corporate IT investment budgets in the exceptional year 1999 as a result of the anticipated Year 2000 problem, the majority of companies had their feet back on the ground in the financial year 2000 and budgets fell. Worldwide, the year 2000 was one of the most difficult in the history of the IT sector.

This moderation made itself felt particularly in the introduction of new software applications; ERP solutions were equally hard-hit. Moreover, the market for ERP software is a part of the capital investment market which recorded a downturn in demand during the reporting period, not only as a result of the overall economic situation.

Direct market environment surrounding ATOSS Software AG

Deficiencies in the planning and control of human resources impose significant restrictions and are among the main causes of low productivity. With its innovative software tools, ATOSS Software AG enables businesses to avoid such losses and achieve a competitive advantage through the targeted deployment of personnel.

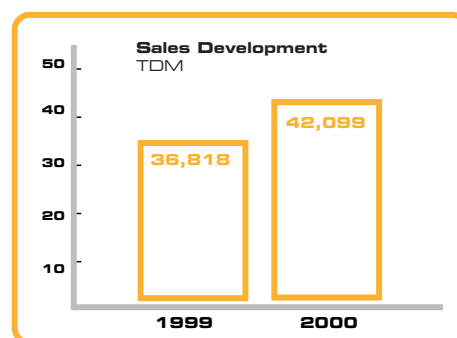
ATOSS with its services and software solutions has acquired a leading position in this broad market. ATOSS offers a holistic range of organizational tools with which to plan, analyze and control work processes and human resources, enabling personnel to be more efficiently deployed. Particularly in sectors in which payroll constitutes a very high proportion of costs, there are excellent results to be achieved with ATOSS products.

Corporate development

In the course of the financial year 2000 despite a difficult market environment, ATOSS Software AG has once more succeeded in increasing sales.

The development in demand in the second half of the financial year 2000 was less dynamic than expected and it was not until the year was drawing to a close that a distinct revival was detectable. The month of December was in fact one of the best months in the company's history.

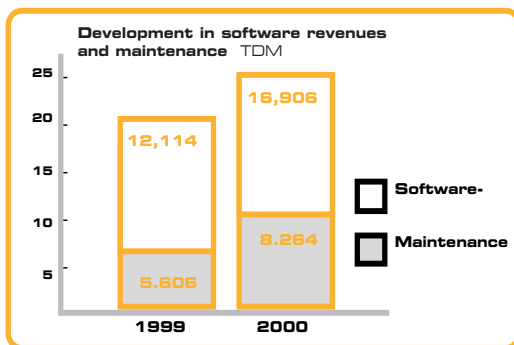
For the year 2000, ATOSS had planned to increase sales to DM 45.2 million. Even though these high expectations were not met, nevertheless once again double-digit growth was achieved: consolidated sales by the ATOSS Group rose in the financial year 2000 by 14% to DM 42.1 million. We thus fell 7% short of our original target, however sales were greater than anticipated at the time revised corporate targets (below DM 40 million) were announced in November 2000.



The principal reason for failing to meet the planned sales target lies in the fact that since the millennium, investments in IT projects have been somewhat reticent. Since on the other hand we ourselves have maintained our policy of heavy, targeted investment in research and development and in personnel in order to safeguard and expand our market position, an effect on the earnings situation was inevitable.

As a result of this development with effect from Autumn 2000 ATOSS has been taking corrective action. As at 31.12.2000 a profit on ordinary business activities of some DM 0.5 million had been achieved. The success enjoyed by ATOSS Software AG in December 2000 had an especially positive impact.

Excellent development in software revenues and maintenance



In the company's most important area of business, ATOSS recorded high levels of growth in software sales. An increase of 40% was achieved, taking sales to DM 16.9 million. With regard to maintenance, revenues of DM 8.3 million were recorded, representing an increase of 47%.

Among the most important client projects during the reporting period were orders from AOL Deutschland, Deutsche Telekom AG and SIXT AG, as well as follow-up orders from Lufthansa AG and Deutsche Bahn AG. Outside of Germany, contracts were concluded with Swiss airline Crossair and Lufthansa AG, CDG Paris.

We were commissioned by AOL to implement our software in all of the company's German call centers with a total of around 1,000 employees. Then in August, ATOSS Software AG revealed the largest individual project in its history. In future, ATOSS software will be managing the working hours of 140,000 employees at Deutsche Telekom AG and its affiliated companies.

In October, ATOSS was awarded a further important order. SIXT AG is now using our software to manage around 5,000 employees. First to benefit will be the company's headquarters in Pullach and branch offices throughout Germany, to be followed successively by all branches in Austria, Switzerland, France and Great Britain. Using this program version, users worldwide independently of the platform they are using can access the software by Internet/Intranet in order to control and analyze their personnel resources online and optimize staff deployments. The order from SIXT AG also involves the use of ATOSS personnel deployment planning products at a call center employing 200 staff in Germany.

Downturn in hardware sales

Sales of hardware (special equipment for the acquisition of time and operating data) in the financial year 2000 amounted to DM 6.9 million, and were thus 30% lower than in the previous year.

Although we had anticipated reduced sales in the hardware field, the extent of the downturn exceeded our expectations. As a result of the increasing use of modern software-based technologies such as on-screen time data acquisition, our plans anticipate a further decrease in the significance of hardware.

Turnover from hardware is generated exclusively in association with the implementation of our software. Therefore hardware is deployed on a project-specific basis in all cases.

Developments in the area of services

With services in the financial year 2000 ATOSS Software AG achieved an 8% increase in turnover, which rose from DM 7.2 million to DM 7.8 million.

As part of the consistent implementation of our holistic approach as a specialist in Staff Efficiency Management, during the reporting period we have expanded our consultancy activities. By doing so, we are able to safeguard the smooth implementation of ATOSS products for our clients to a greater extent than ever before. We also attach special importance to the close contacts which are formed through our comprehensive, solution-oriented consultancy work, allowing us to integrate the maximum number of ideas and suggestions emanating from the client into existing and planned projects.

The combination of years of experience and new technologies in the field of IT and organization management, coupled with the correct methodologies, guarantees that our clients will attain sustained increases in efficiency all along the value chain.

In September 2000 ATOSS Software AG received the largest consultancy contract in its history when it was commissioned to advise on the optimization and reorganization of personnel accounting processes at the Deutsche Bahn AG. The primary objective is to develop and implement a nationwide uniform process sequence for the "Personnel Service Center" (PSC). The PSC functions as an independent internal service provider to the Deutsche Bahn AG.

Deutsche Bahn 

Additional consultancy contracts were subsequently agreed with clients such as Viag Intercom and Austria's Airest.

Foreign business

We are pursuing a two-fold strategy of internationalization: on the one hand by accompanying international clients such as Lufthansa, SIXT and DeBoer, our presence outside of Germany is constantly growing in line with the requirements of our customers. In addition to which we are expanding our foreign subsidiaries.

In parallel with this, we are also entering into cooperation agreements with suppliers and systems houses outside of Germany in order to establish indirect distribution channels.

As part of this strategy in January we founded ATOSS Software AG, Zurich. The head office of the development company ATOSS Software Ges.mbH was transferred from the plant in Kitzbühel to Vienna, where additional sales and consultancy capacities are being developed. Meanwhile the Kitzbühel plant will continue to focus on software development. In June, ATOSS Software S.A.R.L. was established in Paris.

The development in sales at our foreign subsidiaries in the first year was not however sufficient to cover the high level of start-up costs – resulting in negative profit contributions from these subsidiaries which ran into negative equity.

Following the introduction in France of a law requiring all companies with more than 20 employees to reduce staff working hours, there is a high demand for technical solutions which will enable personnel to be deployed with greater efficiency and flexibility. France is moreover Europe's second-largest market for software and IT services.

ATOSS received its first important order from France at the beginning of July 2000, from Lufthansa AG, CDG Paris.



In December we won our first order in the Netherlands. De Boer Hensbroek Holding, Europe's leading supplier of tents with branches worldwide, appointed ATOSS as its international partner with the task of implementing the ATOSS Staff Efficiency Suite at the company's headquarters in Alkmaar and thereafter in Great Britain and Belgium.

In mid December, our Swiss subsidiary ATOSS Software AG was awarded an order by Switzerland's Crossair AG, one of Europe's leading regional airlines, to analyze, plan and manage its human resources. This order has provided ATOSS with another opportunity to demonstrate its competence in the field of transport and services, as well as to secure its position in the Swiss software market for the long term.

A short while later the Österreichische Lotteriegesellschaft [the Austrian Lottery Company] placed an order with ATOSS Software Ges.mbH, Vienna, to optimize its human resources using ATOSS software and consultancy products.

In September 2000 ATOSS Software S.A.R.L., Paris, entered into a close distribution and cooperation agreement with French company SBI Informatique. This successful provider of ERP solutions has been building up a broad client base since 1987 and has now set itself the target of developing even more strongly in the expanding market for Staff Efficiency Management. Because of the strong position enjoyed by ATOSS, the two companies complement one another very well. SBI and ATOSS products can well be marketed as complementary modules.

The proportion of total sales generated abroad rose in the year 2000 to 9% (previous year: 6%); in the medium term we plan to raise this proportion to over 20% by the year 2004.

Assets, financial and earnings situation

The expanding volume of business and in particular the inflow of funds from the flotation are reflected in the Group balance sheet. As at 31 Dec 2000 the balance sheet total was DM 85.8 million, compared with DM 16.7 million in the previous year. The DM 70.4 million proceeds of the flotation lifted equity from DM 6.0 million to DM 72.4 million. The capital ratio rose from 36% to 85%.

Liquid funds as at 31 Dec 2000 amounted to DM 52.0 million, compared with DM 5.4 million in the previous year and accounted for 61% of total assets, up from 33% the year before. ATOSS thus continues to have substantial resources at its disposal to successfully push ahead with further internal and external growth.

The cash flow from operating activities as at 31 Dec 2000 amounted to DM -8.8 million, compared with DM 3.4 million the year before. This down-

turn is essentially attributable to the increase in accounts receivable compared with the preceding year. These were boosted by a large order for which staggered payment terms of up to 12 months were agreed.

The cash flow for investing activities at DM -12.4 million (previous year DM -2.0 million) reflects a high level of investment activities, the bulk of which (DM 9.7 million) were accounted for by investments in securities. DM 2.4 million was invested in tangible fixed assets, up from DM 1.3 million the year before.

The cash flow in the amount of DM 67.8 million derived from financing activities is primarily attributable to the proceeds of the flotation of the parent company, ATOSS Software AG, Munich, during the financial year.

The development in results in the financial year 2000 lagged behind our original plans; nevertheless a profit on ordinary business activities of DM 0.5 million was achieved. As a result of a tax charge amounting to DM 0.6 million, the year ended with a net loss of DM 0.1 million.

Earnings per share were thus DM -0.03 in comparison with DM 2.41 in the previous year. As a result of several increases in capital ahead of the stock market flotation, the number of issued shares with an accounting par value of 1 Euro rose from 643,606 as at 31 Dec 1999 to 4,025,667 as at 31 Dec 2000.

The development in sales reflects the fact that decision-making cycles in the IT sector have become significantly longer. In order to be able to guarantee future growth, no reductions were made investment projects involving new technologies and products. The Group result was further burdened by investments in developing foreign subsidiaries in Zurich, Paris and Vienna. The majority of the subsidiaries have yet to succeed in generating sufficient sales of their own to cover their high product development and personnel costs. An excess of debts over assets at the subsidiary companies has been averted by declarations of subordination by the parent company. Furthermore, we are confident that on the basis of projected sales and profits, an improvement can be achieved in the as yet unsatisfactory earnings situation. For the financial year 2001, a positive profit contribution is expected from all of the subsidiary companies.

When it became apparent that earnings were lagging behind target, as early as in the Autumn restructuring measures were introduced, resulting in a streamlining of the organizational and administrative structure. Thus, ATOSS has gained a solid basis for 2001.

Research and development

Investments in research and development in the financial year 2000 amounted to DM 4.1 million. Of this, DM 3.0 million was accounted for by personnel costs for programmers and developers.

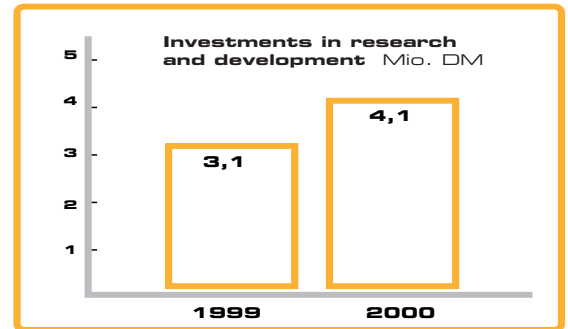
The object of our investments in research and development is to introduce new products and procedures. By doing so, we intend to continue to expand our leading technological position both nationally and internationally with innovative products and services. Our Web Client programmed in Java in particular typifies the technological leadership and power of innovation embodied in our products. With the Web Client our products are fully available via Internet and Intranet. The Web Client is launched as an applet in a browser via a predefined Internet address, but can also be run locally as an independent application. There is thus no need for desktop installation or configuration.

The first half of the year also saw the completion and delivery of the Linux version of our software products, as well as the new Release 2.3.

On schedule, the first customer has licensed an initial version of the new "ATOSS Project & Performance Management" product. This for the first time makes it possible to control projects and performance online.

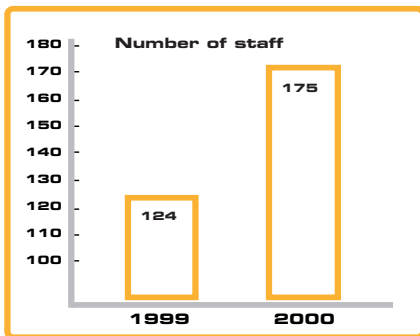
Our software products are already available for decentralized use with hand-held computers such as the Palm Organizer. ATOSS now offers software applications for these operating systems.

Following the takeover of AENEIS software, the Version 4.6 has been completed and tested. The new Release 4.6 includes significant enhancements in process cost accounting and simulation. In addition the facilities to illustrate structures and process diagrams have been expanded. Spanish is now also supported as a fifth dialog language alongside German, English, French and Italian.



Staff, human resources development

Competition for qualified and motivated staff, in particular IT experts and software developers, continues to be intense. Given this environment, our increased efforts to recruit new personnel have nevertheless been successful.



Intensive recruitment activities in the financial year 2000 resulted in the (quarterly weighted) average number of staff rising by 51 from 124 to 175. Personnel costs rose by 35% in comparison with the previous year to DM 22.4 million, the rise being attributable to a significant increase in recruitment of highly qualified software developers. With 40 developers by 31 Dec 2000, ATOSS now has 74% more development capacity at its disposal than a year ago.

As at 31 Dec 2000, 2 training places had been created. The occupants of these places are being trained as commercial office trainees.

Individual support for all members of staff lies at the heart of our human resources development policy. We believe that boosting qualification levels and the desire to achieve will impact directly on the success and thereby on the value of our company.

In advance of the stock market flotation, as early as 1999 ATOSS established an options scheme based on convertible bonds. During the year 2000, the workforce at ATOSS had the opportunity to subscribe for such convertible bonds both at the time of the flotation and at the end of the year. 93% of staff members participated in this program, which ran until 31 Jan 2001, and 98% of the bonds on offer were subscribed for. A total of 166,176 convertible bonds have now been allocated.

The success of our company is to a decisive extent dependent on the commitment and competence of the men and women in our employ. Thanks to their efforts in the financial year 2000, despite the extremely difficult circumstances which prevailed internationally, we were successfully able to bring new products to market and further increase our sales. The executive board wishes to express its sincere thanks to all members of staff for the enthusiastic efforts they have made.

Individual matters of relevance

Take-over of csd Systemhaus GmbH

In March 2000 the parent company acquired all of the shares in csd Systemhaus GmbH, Cham. The user-friendly and innovative TIME CONTROL software from csd has significantly strengthened the existing ATOSS range of products for small and medium-sized companies. The company csd Systemhaus GmbH (now ATOSS csd Software GmbH) has succeeded since 1999 in developing a client list numbering around 1,000 companies in a wide variety of sectors, thus establishing itself in a successful position. As a result of the take-over, ATOSS has at its disposal a highly flexible product which can be deployed with great simplicity at small-business level.

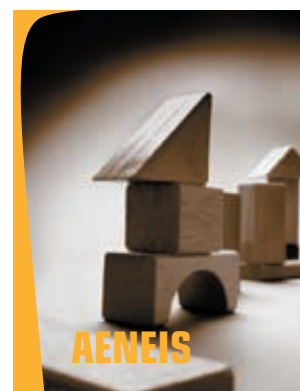
As was the case at other subsidiaries, it was not possible to achieve a positive result. Turnover generated by the company was not sufficient to cover the necessary investments in sales and consulting capacities. Because of its relatively low equity capital, ATOSS csd Software GmbH too recorded a surplus of debts over assets, the continued legal existence of the business being safeguarded by a declaration of subordination by the parent company. However, we anticipate that the development in sales and earnings in the following years will be such that an improvement will be achieved in the earnings situation, enabling ATOSS csd Software GmbH to contribute to the success of the ATOSS Group as a whole. A positive result is planned for the financial year 2001.

Flotation

As part of a book-building procedure, during the period Mar 14-17 2000 a total of 1,200,000 shares in ATOSS Software AG (inc. a greenshoe offering of 109,091) were offered in a price spread of 27 to 30 Euro. The issue was several times over-subscribed, resulting in some 30% of capital stock being placed at 30 Euro. The group of banks comprised lead manager BNP Paribas, the co-lead manager Bayerische Landesbank and selling agent bank Julius Bär & Co. AG. As a result of the cash capital increase, the capital stock rose from DM 2.8 million to DM 4.0 million Euro; the proceeds of the issue amounted to Euro 36 million.

Acquisition of AENEIS

In 2000 all license rights were acquired to the software product AENEIS from ipro Consulting GmbH, Stuttgart. AENEIS is a business process modeling software product which complements the original ATOSS products.



As part of the transaction, ATOSS was also able to recruit the development and sales team. At the time of purchase, AENEIS was already in use at over 600 companies. The client list includes well-known companies such as Adam Opel AG, Hoechst AG and Messe Frankfurt [the Frankfurt trade fair center].

Executive organs of the company

As of 1 July, Mr Bernhard M. Auer became director in charge of sales and marketing at ATOSS Software AG in Munich. Mr. Auer's previous career has included international management positions at IBM, Compaq Computers, Digital Equipment and Olivetti. In addition to his work for ATOSS, Bernhard M. Auer also holds two other supervisory board posts.

In December for personal reasons Dr. Thomas Barth was released from his position on the executive board. However, he will continue to serve the company in a consultant capacity until March 2001.

Events of special significance after the balance sheet cut-off date

No reportable events of special significance have taken place subsequent to the balance sheet cut-off date.

Risks to future development and risk management

Changes in the environment in which the company operates hold both risks and opportunities for future development. In all our activities, the objective is to optimize opportunities wherever possible and to avoid or minimize risks.

ATOSS Software AG is in the process of establishing a monitoring system devised jointly with external consultants which is aimed at enabling us to detect and exploit opportunities and risks to the fullest extent. Knowledge thus gained of risks which threaten our existence is regularly updated and a schedule of actions based on these findings is constantly adjusted. ATOSS is confident that adopting this procedure will enhance the security with which future sales and earnings can be planned.

The company endeavors to take the appropriate action to avoid, overcome or minimize risks.

The experience gained from the use of this risk management system will serve to minimize the risk of incorrect estimations of financial and market situations. This internal reporting system extends to all companies in the Group.

As in the case of many growth companies, ATOSS too remains dependent on a small number of key persons who exercise a substantial influence over the development of the company. Moreover, there is a need to adapt corporate processes and personnel development to the company's growth.

Despite its above-average growth rate and the significant improvement in awareness of the company as a result of the flotation, ATOSS remains a niche supplier. For this reason, the company continues to be under latent competitive pressure from major ERP suppliers who by developing partnerships or products of their own might succeed in enhancing their position in the market - and in particular in foreign markets - to the detriment of ATOSS. To counteract this, ATOSS is developing new products and establishing a presence in international markets.

Expanding product strategy

In the third quarter of 2000 we decided on an extension of our product strategy. In the context of the consistent, on-going development of the Strategic Management of Work and Time, we intend to integrate Knowledge Management as a logical means of supplementing and refining our product portfolio.

With the availability of a Web-based e-business solution, customers now have access to ATOSS products on a blanket, net-based scale. This includes the facility to use our products via ASP providers. To address the internationally important topic of "Staff Efficiency Management", ATOSS has created the Staff Efficiency Suite, and in doing so has taken a leading position in this future-oriented market. Of essential importance for Staff Efficiency Management applications is the integration of knowledge within projects, processes and resources.

Staff Efficiency Management for the first time creates a link between existing ATOSS products and knowledge management, opening up significant additional sales and profit potential for ATOSS.

We shall continue to expand the leading position enjoyed by ATOSS Software AG in the field of Staff Efficiency Management through the sale of our "e:fficiency product suite". New and important products which will be available in 2001 will have a positive effect on business development as early as the second half-year.

Outlook

Future situation in this sector

The slowdown in economic growth and the stated intention of numerous companies to scale down or at least not to increase their investments in information technology in the year 2001 indicate that the course of business development in this sector will be difficult. On the other hand, according to a study by Information Week over 82% of all IT decision-makers will either invest the same amount as in the last financial year or have more funds available for IT. EITO and Bitkom studies forecast an upturn in the software market in Germany, with the volume of sales rising from DM 29.5 billion to DM 33 billion and the market for ERP software growing by just under 30% in the year 2001. Moreover, strengthening international competition is increasing the pressure on companies to rationalize, as a result of which increased investments in the field of Staff Efficiency Management are to be expected in 2001.

Labor market data lead us to conclude that in the coming years the number of people in employment will continue to rise. Expanding companies will have an ever greater need for computer-aided applications in order to practically manage the deployment of human resources. Increasing wage costs will serve to reinforce the need for efficient control.

High double-digit growth rates are also forecast for the current year in the field of consulting. Above all, it will be those companies offering a holistic approach to consultancy which take the lead in the face of intensifying competition. This year will see a supra-proportional rise in the demand for strategy-related consultancy services which combine the skills required to put the advice into practice and the software required to do so. A downturn in the demand for consultancy without the associated systems competence and implementations know-how, on the other hand, was already becoming apparent in the last financial year.

Future situation of the company

Despite the subdued macro-economic situation, we expect our company to be well positioned in the market in 2001: software suppliers such as ATOSS who are the technological leaders in their field and are able to supplement this advantage with a holistic consultancy service will continue to enjoy success.

Especially in areas concerned with industrial manufacturing, in the banking and insurance sector and in service sectors such as transport and in-patient health-care, a field which will be of steadily growing importance in the future, ATOSS has amassed a comprehensive fund of know-how. In future we intend to build on these foundations with the goal of producing sector-specific solutions.

Hospital requirements for software which will facilitate the efficient deployment of staff will increase significantly: here the move to a system of performance-related lump-sum remuneration based on "Diagnosis Related Groups" (DRG's) will bring about a major change in the environment. There will be an extremely high demand for transparency of and control over the personnel resources deployed on a case-by-case basis.

A hospital study carried out by the University of Würzburg proves that by introducing ATOSS software, hospitals, care centers and authorities are able to significantly increase their productivity. ATOSS will therefore continue to focus on the hospitals market and expects to acquire some important new clients in the year 2001.

Focussing sales activities

During the financial year 2000 ATOSS Software AG began to restructure its sales activities in order to better serve its broad range of potential clients in the year 2001. By defining major clients as key accounts we are confident of establishing an even more successful relationship with present and future purchasers of our products.

With effect from 2001 our direct sales effort will be focussed on larger customers and potential clients than in preceding years. The smaller-client segment will be covered through indirect sales.

In order to concentrate regional organization structures on sales and consultancy activities, the company plans to merge ATOSS Systems Consulting GmbH of Meerbusch with the parent company ATOSS Software AG, Munich. All clients in Germany will then receive a uniform level of service direct from ATOSS Software AG. The smaller company which previously operated as an independent entity will then be run as a branch operation.

Future investments

Following the ambitious investment program of the past financial year, investments on research and development and personnel in the year 2001 will continue at the same high level.

Future development in sales and earnings

In 2001 marketing will commence of the new ATOSS Start-Up Edition products and of our new Staff Efficiency Management product strategy, as a result of which in the medium term we anticipate a sales potential of approx. DM 51.3 million. Group sales in the financial year 2001 will grow by some 21%; the profit on normal business activities will rise to a return on sales of 8%.

The national and international growth market constituted by Staff Efficiency Management offers distinct opportunities for ATOSS Software AG. Thanks to our years of experience, our technologically advanced products and the expanded strategy we have introduced coupled with our ongoing internationalization, we are already well positioned in this market which in Europe alone will grow to over 12 billion Euro by the year 2004.

Software order situation

In January, traditionally the weakest month of the year, firm software license orders for the year 2001 valued at DM 0.8 million are already to hand. In the previous year the figure was DM 0.2 million. These orders relate to new contracts concluded between ATOSS and clients not already covered by master contracts or long-term supply commitments.

Consolidated balance sheet to 31 December 2000

ASSETS

	31 Dec 2000	31 Dec 1999
A Fixed assets	DM	TDM
I Intangible fixed assets		
1 Industrial property rights and similar rights and assets	3,871,907.00	458
2 Goodwill	65,170.14	87
3 Payments on account	18,000.00	0
	3,955,077.14	545
II Tangible fixed assets		
1 Technical plant, fixtures	339,951.49	129
2 Other plant and office equipment	2,905,256.61	2,440
	3,245,208.10	2,569
	7,200,285.24	3,114
B Current assets		
I Inventories		
Finished products and merchandise	94,413.19	45
II Accounts receivable and other assets		
1 Accounts receivable	12,762,811.13	7,358
2 Other assets	1,507,235.42	259
	14,270,046.55	7,617
III Securities		
Other securities	9,984,409.61	275
IV Cheques, cash in hand, cash at banks	52,003,290.44	5,430
	76,352,159.79	13,367
C Prepaid expenses and deferred charges	306,549.06	129
D Deferred taxes	1,909,901.36	65
Total assets	85,768,895.45	16,675

EQUITY AND LIABILITIES

	31 Dec 2000	31 Dec 1999
A Capital and reserves	DM	TDM
I Capital subscribed	7,339,872.07	1,309
II Capital reserve	64,927,859.37	3,279
III Profit / loss carried forward	236,927.41	-171
IV Net profit / net loss for the year	-120,596.32	1,518
V Variation in capital and reserves with neutral effect on operating result	65,822.18	95
	72,449,884.71	6,030
B Provisions for liabilities and charges		
1 Provisions for pension and similar commitments	424,658.00	376
2 Provisions for taxes	770,279.15	2,294
3 Other provisions	2,860,987.21	3,402
	4,055,924.36	6,072
C Liabilities		
1 Bonds	88,900.30	0
2 Payments received on account	0.00	6
3 Liabilities to banks	880,578.08	311
4 Accounts payable	5,787,937.52	2,602
5 Other liabilities	1,548,528.74	1,099
	8,305,944.64	4,018
D Deferred payments and accruals	957,141.74	555
Total equity and liabilities	85,768,895.45	16,675

Consolidated income statement for the financial year 2000

INCOME STATEMENT

	31 Dec 2000	31 Dec 1999
	DM	TDM
1 Sales revenues	42,099,431.94	36,819
2 Cost of sales	-16,016,471.71	-14,475
3 Gross profit on sales	26,082,960.23	22,344
4 Sales costs	-14,167,703.65	-10,347
5 General administrative costs	-9,455,464.14	-6,032
6 Research and development costs	-4,050,413.66	-3,057
7 Other operating income	2,377,671.24	346
8 Other operating expenses	-359,178.57	-1
Operating result	427.871,57	3.253
9 Other interest receipts and similar income	302,100.00	46
10 Write-downs on long-term and short-term investments	0.00	-101
11 Interest payments and similar expenses	-186,497.58	-69
Financial result	115,602.42	-124
12 Profit on ordinary activities	543,473.87	3,129
13 Taxes on income and earnings	-653,229.96	-1,581
14 Other taxes	-10,840.23	-30
	-664,070.19	-1,611
15 Net loss for the year (previous year: net profit)	-120,596.32	1,518

Consolidated statement of cash flows for the financial year 2000

CONSOLIDATED STATEMENT OF CASH FLOWS

	31 Dec 2000 DM	31 Dec 1999 TDM
Cash flows from operating activities		
Net income for the year	-120,596.32	1,518
Depreciation and amortisation	1,743,393.71	1,139
Loss on sale of fixed assets	74,728.16	12
Deferred/prepaid taxes	-1,845,138.36	-142
Minority interest in subsidiary	0.00	101
Changes in current assets and liabilities		
Accounts receivable	-5,405,186.60	-1,684
Other current assets and prepayments	-1,517,505.09	514
Accounts payable	-13,843.64	9
Provisions for taxes (tax liabilities on income)	-1,523,735.85	1,158
Personnel provisions and liabilities	-284,252.24	829
Deferred income	402,015.74	353
Other provisions and liabilities	-333,780.11	-500
Pension provisions	48,708.00	47
Cash flow from operating activities	-8,775,192.60	3,354
Cash flow from investment activities		
Acquisition of fixed assets	-2,386,514.60	-1,339
Revenues from the disposal of fixed assets	271,255.93	0
Acquisition of intangible assets	-589,367.44	-417
Acquisition/disposal of securities	-9,708,838.10	0
Purchase of minority interest in subsidiary		-250
Cash flow from investment activities	-12,413,464.21	-2,006
Cash flow from financing activities		
Increase (decrease) in short-term borrowings	570,025.73	-227
Variation in shareholders' equity	67,103,443.97	3,204
Increase in bonds	88,900.30	0
Cash flow from financing activities	67,762,370.00	2,977
Net increase in liquid funds	46,573,713.19	4,325
Liquid funds at beginning of year	5,429,577.25	1,105
Liquid funds at end of year	52,003,290.44	5,430
Additional disclosures re cash flow:		
Income taxes paid	662,366.00	618
Interest paid	186,497.58	69

ATOSS Software AG, Munich

Annex to the Consolidated Annual Accounts 2000

I. General statements

1 General

ATOSS Software AG, Munich, is a leading supplier engaged in the development and sale of software designed to provide electronic support for all business processes in order to achieve the efficient deployment of personnel both within companies and at public institutions. ATOSS product lines comprise integrated software modules which are suitable for use by a wide variety of clients.

Taking advantage of the exemption granted by § 292a HGB [German Commercial Code], the consolidated annual accounts have been prepared in accordance with the United States Generally Accepted Accounting Principles (US GAAP).

2 Accounting, valuation and consolidation methods

All business events are fully and uniformly recorded in the present consolidated annual accounts.

2.1 Consolidation group

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

ATOSS Systems Consulting GmbH, Meerbusch
ATOSS csd Software GmbH, Cham
ATOSS Software Ges.mbH, Vienna
ATOSS Software AG, Zurich
ATOSS Software S.A.R.L., Paris

2.2 Statements concerning the integrated companies

The following companies are fully consolidated within the present annual accounts:

ATOSS Software AG, Munich

ATOSS Systems Consulting GmbH, Meerbusch

ATOSS Software Ges.mbH, Vienna

ATOSS Software AG, Zurich

ATOSS Software S.A.R.L., Paris

ATOSS csd Software GmbH, Cham

During the financial year, within the context of an increase in capital, all of the shares in ATOSS csd Software GmbH, Cham, were acquired in a non-cash transaction. For accounting purposes, the business combination was treated using the pooling of interests method. Thus the consolidated annual accounts include financial effects and results just as if ATOSS csd Software GmbH, Cham, had been a subsidiary of ATOSS in the preceding years.

2.3 Consolidation bases

The consolidation of capital has been treated by application of the purchase method of accounting by setting off the purchase costs against the Group share in the equity of the consolidated subsidiaries at the time of acquisition.

In the consolidation of debts, mutual liabilities and receivables on the part of the integrated companies have been offset.

Sales, expenses and revenues between the consolidated companies have been eliminated.

2.4 Accounting and valuation bases

It is a fundamental principle that all of the integrated annual accounts are prepared using the accounting and valuation bases applied by the parent company, ATOSS Software AG, Munich.

Deviations between US-GAAP rules and those laid down in the HGB [German Commercial Code] and AktG [Company Law] are explained under Point IV.13.

Assets are valued at purchase cost less planned linear depreciation. Low-value items within the meaning of § 6 EStG [Income Tax Law] are written down in full in the month of purchase.

Inventories are valued at cost of purchase.

Accounts receivable are based upon supplies and performances and are reported at nominal value. Individual value adjustments are made to receivables to allow for recognisable risks, and permissible lump-sum corrections are deducted to cover the general credit risk.

Other assets and liquid funds are shown at their nominal values.

Fixed-interest securities and shares forming part of the current assets are reported at market value. Insofar as changes in reported values are attributable to unrealised profits or losses, these are directly allowed for in the company's net worth.

Liquid funds are valued at face value.

Prepaid expenses/income relate to payments/receipts prior to the balance sheet cut-off date which represent expenditure/earnings falling within the following financial year.

The company balance sheet reflects the effects of deferred taxes resulting from temporary differences between the commercial and tax balance sheets and from losses carried forward for tax purposes. Deferred taxes carried as assets and liabilities are assessed on the basis of the approved tax rates and tax regulations at the time these differences are reversed. If the expected future results at a given company render the realisation of a tax reduction improbable, appropriate value adjustments are made to capitalised deferred taxes.

Pension commitments are valued in accordance with SFAS No. 87.

The tax reserves and other reserves take account of all recognisable risks and uncertain liabilities on the basis of prudent commercial judgement.

Earnings per share are calculated by dividing the annual net earnings by the weighted average number of outstanding shares.

To calculate the diluted earnings per share, to the average number of shares is added the potential number which might be issued on the basis of convertible bonds.

3 Currency conversion bases

Balance sheet items in foreign currency are valued either at the exchange rate prevailing on the balance sheet cut-off date or at a historical rate; expenses and revenues are valued at the rates applying to the respective transactions.

The annual accounts of foreign companies whose currencies are not yet among the Euro participants have been converted into DM. Their balance sheets have been converted at the exchange rate prevailing on the balance sheet cut-off date or at historical rates; for the income statements, the exchange rates at the time of the transactions have been applied.

4 Estimates employed in preparing the consolidated annual accounts

The preparation of annual accounts in conformity with the generally recognised principles of due and proper accounting (US-GAAP) necessitates estimates and assumptions which affect the figures reported under assets and liabilities, the statements made in the Annex and the figures included in the statement of income. The actual results may deviate from these estimates.

II Statements and explanations concerning the consolidated balance sheet

1 Fixed assets

The development in fixed assets is illustrated in an asset table at the end of the Annex.

2 Market values of financial instruments

Because of their short-term maturity dates, the book values of financial instruments such as liquid funds, receivables and liabilities approximately correspond to their market values. Securities and shares forming part of the company's current assets have been valued at market prices. Unrealised profits and losses based upon the market-price valuation of securities have been booked to the company's net worth without affecting the operating result.

3 Inventories

The inventories essentially relate to hardware components produced in advance in small numbers at ATOSS csd Software GmbH. In addition, IBM software licenses are held in stock prior to installation for the client.

4 Accounts receivable

The other assets essentially relate to tax refund claims.

5 Short-term investments

The short-term investments relate to fixed-interest securities and shares.

These short-term investments are composed as follows:

	31 Dec 2000	31 Dec 1999
	DM	DM
Purchase costs	9,893,089	70,463
Unrealised profits	131,995	205,109
Unrealised losses	- 40,770	0
Market value	9,984,314	275,572

6 Prepaid expenses/income

Prepaid expenses/income relate to payments/receipts prior to the balance sheet cut-off date which represent expenditure/earnings falling within the following financial year:

7 Balance sheet entries for deferred taxes

The company is subject to trade tax, corporation tax and the solidarity surcharge.

The balance sheet reflects the following capitalised deferred taxes arising from losses carried forward for tax purposes and from temporary differences between HGB and US-GAAP:

	31 Dec 2000	31 Dec 1999
	DM	DM
Trade tax on losses carried forward	732,752	0
Corporation tax on losses carried forward	977,192	0
Profit tax on losses carried forward, Switzerland	49,528	0
Prepaid taxes due to current US-GAAP differences	150,429	64,763
Total	1,909,901	64,763

Losses originating from companies resident in Germany and Austria may be carried forward for tax purposes for an unlimited period. Losses at the Swiss company are of only limited use; DM 49,528 will lapse after the year 2007.

Company profits are subject to a corporation tax rate of 40% and a solidarity surcharge of 5.5% on the amount of corporation tax due. This produces a corporation tax charge of 42.2%. The difference between computed and actual income taxes on consolidated profits essentially results from the trade tax of 14.5% due in Germany in 2000, the deviating tax rates applying to the foreign companies and changes in the rates for deferred taxes.

8 Equity development

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

9 Treasury Stock

In December 2000 the company bought back 27,285 shares at a price of EUR 10.00. This price is marginally below the then current share price of EUR 11.00.

The treasury stock has been reported as a separate equity item.

10 Pension reserves

A pension commitment exists in respect of the management board chairman of ATOSS Software AG, who is also the majority shareholder in the parent company. The pension reserve has been calculated by applying an interest rate for accounting purposes of 6 % (previous years: 5.5 %) and a wage and pension growth factor of 2.0 % (previous years: 1.5 %).

The pension expenses are composed as follows:

	2000 DM	1999 DM
Cost of additions during the financial year	29,723	29,552
Interest	18,985	17,312
Pension expenses	48,708	46,864

The development in pension commitments and the translation of pension liabilities to the company balance sheet may be illustrated as follows:

	2000 DM	1999 DM
Cash value of potential pension at 1. 1.	345,181	314,765
Cost of additions during the financial year	29,723	29,552
Interest	18,985	17,312
Actuarial yield	-22,560	-16,448
Cash value at 31. 12.	371,329	345,181
Translated amounts	53,329	30,769
Pension reserves	424,658	375,950

11 Tax reserves

This reserve covers those of the parent company's tax liabilities for previous years which are not covered by advance payments, as well as deferred tax charges. It is made up as follows:

	31 Dec 2000 DM	31 Dec 1999 DM
Current taxes	702,685	2,208,052
Deferred taxes	67,594	85,963
Total	770,279	2,294,015

12 Other reserves

Other reserves essentially include the following amounts:

	31 Dec 2000 DM	31 Dec 1999 DM
Salary and commission reserves	1,522,158	1,904,516
Vacation reserves	635,107	535,391
Guarantee reserves	233,006	314,685
Other reserves	470,716	647,530
Total reserves	2,860,987	3,402,122

13 Liabilities

The funds deriving from the issue of 45,454 convertible bonds at one Euro are reported under the heading of bonds. This liability has a residual time to maturity of between 2 and 4 years.

The liabilities primarily arise from supplies and services and other commitments.

Unsecured credit lines in the amount of DM 3.0 million exist at the house banks of the integrated companies. These agreed borrowings (drawing facilities) are required as operating capital and for other general Group purposes and attract interest at variable rates. On the balance sheet cut-off date, such borrowings amounted to DM 0.8 million; the current rate of interest was 8 %. There are no long-term bank borrowings.

14 Recent pronouncements on balance sheet accounting

In June 1998 the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" followed in June 2000 by SFAS No. 138, "Accounting for Certain Derivative Investments and Certain Hedging Activities". These publications include guidelines on balance sheet accounting and the reporting of derivatives and hedging activities, and are to be applied with effect from 1 January 2001.

These guidelines, however, have no effect on the consolidated balance sheet or income statement, as the company employs no derivative financial instruments.

III Statements and explanations concerning the consolidated income statement

1 Realisation of sales

The company generates revenues by issuing software product licenses to end users or resellers. The company also generates sales through services such as IT services and consultancy.

Following the handover of software, licensing sales are regarded as realised when there is a probability that the revenue will be collected, all license payments are due within one year, the license fees are fixed or accurately defined by contract and the licensor can assign the license fee to each contractual performance.

The company has signed reseller agreements under which the amounts to be paid to the company constitute a specific percentage of the license fee paid by the customer to the reseller. Pursuant to these agreements, the license fees are regarded as realised when the product is sold by the reseller to the customer.

Consultancy sales are linked directly to services (IT services and consultancy) performed under separate work and services contracts. These sales are realised at the time of execution.

Maintenance sales accrue over the period during which maintenance services are performed.

2 Cost of sales

In addition to the input of goods amounting to TDM 6,179 the costs of sales also includes expenses incurred in the provision of services. These expenses amount to TDM 9,837.

3 Software development costs

In due consideration of SFAS No. 86 "Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed", the obligation to capitalise software development costs commences with the achievement of technical usability and ends with the market launch of the respective latest version. The company equates technological usability with the achievement of each new release or interim release status. Since the time between achieving this and the version becoming available on the market is very short, these costs are insignificant and are charged to expenditure.

4 Personnel costs

	2000 TDM	1999 TDM
Wages and salaries	18,669	14,125
Social security contributions and expenditure on pension provisions and support	3,722	2,437
Total	22,391	16,562

5 Taxes on income and profits

The company calculates its income taxes using the liability method, by analogy with SFAS No. 109 "Accounting for Income Taxes". The liability method provides for deferred taxes to be carried in the balance sheet in order to take account of the tax effects of temporary deviations between book values as per commercial and tax accounts and of losses carried forward for tax purposes.

IV Other statements

1 Other financial commitments

The future rental and leasing payments for the next five financial years are composed as follows:

	Rental payments TDM	Leasing payments TDM
2001	1,805	673
2002	1,650	536
2003	1,620	244
2004	1,377	0
Post 2004	0	0

The total expenditure under all rental and leasing contracts amounted in the financial year to TDM 2,372 (previous year: TDM 1,824).

To the benefit of ATOSS csd Software GmbH, Cham, a guarantee in the amount of TDM 200 was issued as security for a credit obligation.

2 Employees

On a yearly average the Group employed a staff of 175 (previous year: 124).

3 Clients

The company has clients in all sectors of industry and in the public sector. In this financial year the company's largest client accounted for less than 15% of total sales. The proportions of sales accounted for by the remaining clients were each below 10 %. In previous years this was the case with all customers.

4 Management board

As at 31 December 2000, there were three members of the management board of the parent company:

Andreas F.J. Obereder Chairman, Strategy, M & A, Finance and Personnel
Dr. Burkhard Scherf Research & Development, Consultancy & IT Services
Bernhard M. Auer Sales & Marketing

Dr. Thomas Barth was released from his position on the management board in December. He will continue to be available to the company in a consultant capacity until 31 March 2001.

5 Supervisory board

As at 31 December 2000, there were three members of the supervisory board:

Prof. Dr. Fritz Karmasin (Chair.)	General Manager of the Institut für Motivforschung Österreichisches Gallup Institut
Winfried Wolf , (Dep. Chair.)	Tax Consultant
Peter Kirn	Former General Manager of IBM Deutschland GmbH, Business Consultant

6 Statements concerning management and supervisory board remuneration

In the year 2000 some DM 1.7 million was paid to the management board by way of remuneration. A pension commitment exists in favour of Management Board Chairman Andreas F.J. Obereder, for which provision has been made in the amount of DM 0.4 million.

On 1 July, Bernhard M. Auer was appointed to the board with responsibility for Sales & Marketing. In addition to his management board role at ATOSS, Bernhard M. Auer holds supervisory board positions at BetaSystems, Berlin, and at Firepond Europe, in the Netherlands.

During the financial year 2000, the sum of DM 31,666 was disbursed in supervisory board emoluments. Dr. Frank Zillich received a pro rata remuneration of DM 1,666. He withdrew from the supervisory board on 29 February 2000 and was succeeded on 1 March 2000 by Mr Winfried Wolf. As at the balance sheet cut-off date, in addition to his role at ATOSS, Supervisory Board Member Peter Kirn was also a member of the supervisory boards of AD Solutions AG, Monheim, and aonware AG, Stuttgart.

7 Share holdings of the members of the executive organs

At the time of the flotation on 21 March 2000 and subsequently on the balance sheet cut-off date on 31 December 2000 the members of the executive organs held the following share holdings in ATOSS:

Units	21 Mar 2000	Changes	31 Dec 2000
Andreas F.J. Obereder	1,958,244	+9,661	1,967,905
Dr. Burkhard Scherf	78,308	+/-0	78,308
Dr. Thomas Barth	234,860	-27,285	207,575
Bernhard Auer	0	+/-0	0
Prof. Dr. Fritz Karmasin	360	+75	435
Winfried Wolf	0	+/-0	0
Peter Kirn	10,260	+1,000	11,260

8 Business relationships with affiliated companies and persons

The company places consultancy contracts with its supervisory board members Prof. Dr. Fritz Karmasin, General Manager of the Österreichisches Gallup Institut, and Peter Kirn, Business Consultant. In addition, former supervisory board members Dr. Frank Zillich, Attorney at Law, advises the company in legal matters.

An integrated subsidiary rents office premises from the spouse of Management Board Chairman Andreas F.J. Obereder. The cost of renting these premises amounts to TDM 444 (1999 TDM 255).

The terms applying to all transactions with affiliated persons are standard market terms and comply with an arm's length trading principle.

9 Employee share options programme

In Spring 2000 the company launched an employee share options programme with the issue of convertible bonds. This afforded employees the opportunity at the time of the flotation and during the year to subscribe for convertible bonds at a face value of EUR 1. The conversion price was defined at the time of the bonds were granted. After two, three and four years, employees may on each occasion upon payment of the balance of the conversion price convert one third of their convertible bonds into company shares.

The conversion price for the convertible bonds which have been granted was defined as the average share price over the last five trading days prior to the bonds being granted.

	Number of share options	Weighted average exercise price
Outstanding as at Jan 01 2000	0	
Issued	56.750	56,93 DM
Returned	10.296	60,51 DM
Outstanding as at Dec 31 2000	45.454	56,04 DM

For balance sheet accounting purposes, the company treats the convertible bonds granted according to the intrinsic value method.

A valuation at market prices as per SFAS No. 123 "Accounting for Stock-Based Compensation" would produce a pro forma result of DM -1,461,392. The pro forma earnings per share would be DM -0.39, with diluted pro forma earnings per share likewise of DM - 0.39.

The weighted average market value of the convertible bonds issued in 2000 is DM 15.08. This market value was calculated using the Black-Scholes method, making the following assumptions:

Dividend yield	2%
Expected volatility	39%
Risk-free interest rate	4.54%
Term of the options	5 years

10 Earnings per share

	31 Dec 2000 DM	31 Dec 1999 DM
Net profit/loss for the year	-120,596.32	1,517,689.49
Weighted average number of shares outstanding	3,717,841	629,747
Earnings per share	-0.03	2.41
Dilution effect of convertible bonds	39,972	0
Weighted average number of shares outstanding assuming this dilution	3,763,295	629,747
Earnings per share (diluted)	-0.03	2.41

11 Types of sales

The company is active in a field of business which encompasses the development and sale of human resources management software. Sales are generated mainly in Germany. The proportion of total sales generated abroad in the financial year was 9% (previous year: 6%).

The breakdown of sales revenues by areas of activity is as follows:

	31 Dec 2000 DM	31 Dec 1999 DM
Software	16,906,252	12,113,867
Hardware	6,883,207	9,874,813
Services	7,790,562	7,233,865
Maintenance	8,263,901	5,606,695
Others	2,255,510	1,988,837
Total	42,099,432	36,818,077

12 Explanation of accounting, valuation and consolidation methods which deviate from German commercial law

12.1 Stock market launch costs

For US-GAAP purposes the stock market launch costs amounting to DM 7.0 million were treated as having no effect on the operating result: in deviation from the practice foreseen by the HGB [German Commercial Code] rules, under which these cost would have impacted on the current-period result. These costs, less the tax implication of DM 3.5 million, were offset against the premium resulting from the issue of shares as part of the flotation.

12.2 Deferred taxes

In deviation from the HGB rules, deferred taxes in the amount of DM 1.8 million on losses carried forward for tax purposes are carried as assets. As a result of the tax implications amounting to DM 3.5 million resulting from the neutral treatment of the stock market launch costs and a tax refund claim of DM 1.1 million, the overall tax burden amounts to DM 0.6 million.

12.3 Securities

Insofar as the market values at the balance sheet cut-off date exceeded the purchase price, the securities forming part of the current assets were reported at market values, the unrealised profits or losses being offset against the company's net worth with no effect on the operating result. Under HGB rules, it would have been necessary to show these at purchase price.

12.4 Capital reserve

In deviation from HGB rules, the capital reserve was reduced by the cost of the flotation amounting to DM 7.0 million, less the tax effect of DM 3.5 million.

12.5 Treasury Stock

The treasury stock acquired in December by ATOSS Software AG were openly deducted from the equity in the consolidated annual accounts. Under HGB rules, these shares would have to have been shown as the Group's own shares.

12.6 Pension reserves

The valuation of the pension reserves assumes a discount rate of 6.0 %, a pension adjustment of 2.0 % and a rise in wage and salary costs of 2.0 %.

Munich, 9 February 2001

ATOSS Software AG



Andreas F.J. Obereder



Dr. Burkhard Scherf



Bernhard Auer

Table of assets

DM	Gross value			Value adjustments			Book values			
	01 Jan 00	Additions	Disposals	31 Dec 00	01 Jan 00	Additions	Disposals	31 Dec 00	31 Dec 99	
I. Intangible assets										
1. Industrial property rights and similar	782,220.50	3,771,366.97	0.00	4,553,587.47	324,131.50	357,548.97	0.00	681,680.47	3,871,907.00	458,089.00
2. Goodwill	86,893.42	0.00	0.00	86,893.42	0.00	21,723.28	0.00	21,723.28	65,170.14	86,893.42
3. Payments on account	0.00	18,000.00	0.00	18,000.00	0.00	0.00	0.00	0.00	18,000.00	0.00
	869,113.92	3,789,366.97	0.00	4,658,480.89	324,131.50	379,272.25	0.00	703,403.75	3,955,077.14	544,982.42
II. Tangible fixed assets										
1. Technical plant, fixtures and office equipment	99,778.51	420,263.85	209,108.07	310,934.29	60,119.51	90,535.29	92,578.51	58,076.29	252,858.00	39,659.00
2. Other plant and office equipment	3,780,185.61	1,803,698.52	314,047.27	5,269,836.86	1,998,208.67	887,317.42	136,536.84	2,748,989.25	2,520,847.61	1,781,976.94
Transport fleet	1,376,784.76	38,624.94	316,863.30	1,098,526.40	765,058.76	214,082.94	265,017.30	714,124.40	384,402.00	611,726.00
Low-value assets	369,520.97	114,155.54	167.00	483,509.51	369,513.97	114,079.54	91.00	483,502.51	7.00	7.00
Fixtures and equipment in third-party properties	240,179.16	15,751.34	0.00	255,940.50	104,749.68	64,097.34	0.00	168,847.02	87,093.48	135,429.48
	5,866,449.01	2,392,504.19	840,205.64	7,418,747.56	3,297,650.59	1,370,112.53	494,223.65	4,173,539.47	3,245,208.09	2,568,798.42
Total	6,735,562.93	6,181,871.16	840,205.64	12,077,228.45	3,621,782.09	1,749,384.78	494,223.65	4,876,943.22	7,200,285.23	3,113,780.84

Development in Group capital and reserves

	Individual share certificates	Capital subscr. DM	Purchase of own shares	Capital subscr. Euro	Capital reserve DM	Profit reserve DM	Unappropriated surplus	Variation in capital and reserves with neutr. effect on op. result	Total capital and reserves
Status at 1 Jan 1999	127,925*	250,200	0	127,925	144,800		817,583	15,124	1,394,667
Net income for year							1,517,689		1,517,689
Increase in capital from company resources	505,320	988,319		505,320			-988,319		0
New share issue	36,028	70,465		36,028	3,134,126	0			3,204,591
Variation in capital and reserves with neutral effect on operating result									
Unrealised profits on securities						0		80,098	80,098
Status at 31 Dec 1999	669,273	1,308,984	0	669,273	3,278,926	0	1,346,953	95,222	6,030,085
Result for the year							-120,596		-120,596
Transfer to profit reserves						1,110,025	-1,110,025		0
Increase in capital from company resources	2,100,000	4,107,243		2,100,000	-2,997,217				0
Increase in capital by cash contribution	1,256,394	2,457,293		1,256,394	64,646,151				67,103,444
Purchase of own shares			-533,648						-533,648
Variation in capital and reserves with neutral effect on operating result									
Unrealised profits (losses) on securities								-41,308	-41,308
Others								11,908	11,908
Status at 31 Dec 2000	4,025,667	7,873,520	-533,648	4,025,667	64,927,859	0	116,331	65,822	72,449,885

* includes 25,667 shares issued in February 2000 which represent the stake in the Group held by the shareholders in ATOSS csd Software GmbH, Cham. This company was full consolidated following the pooling-of-interests method.

Audit certificate

We have examined the consolidated annual accounts of ATOSS Software AG, Munich, for the financial year from 1 January to 31 December 2000, comprising the balance sheet, income statement, equity variation statement, cash flow statement and annex. Responsibility for the preparation and content of the consolidated annual accounts lies with the company's management board. Our task is to assess on the basis of our audit whether the consolidated annual accounts conform to the United States Generally Accepted Accounting Principles (US-GAAP).

Our audit was conducted in accordance with the German statutory provisions relating to audits and in consideration of the principles of due and proper auditing defined by the Institut der Wirtschaftsprüfer [German Institute of Auditors]. These require that the audit be planned and carried out in such manner as to detect with adequate certainty any inaccuracies or infringements which in consideration of the principles of due and proper accounting might have a significant impact on the view of the company's assets, financial or earnings situation conveyed by the consolidated annual accounts and annual report.

In defining the audit activities to be undertaken, consideration is given to knowledge of the business activities and the economic and legal circumstances of the consolidated company and possible errors which may be anticipated. Within the framework of the audit, evidence of the assessed values and information contained in the consolidated annual accounts is judged on the basis of random sampling.

The audit encompasses an assessment of the balance sheet reporting principles applied and of the essential appraisals by the company's legal representatives as well as an evaluation of the overall presentation of the consolidated annual accounts. We are of the opinion that our audit provides a sufficiently secure basis for our assessment.

We are satisfied that the consolidated annual accounts in conformity with US-GAAP convey a picture of the assets, financial and earnings situation of the consolidated company and of the cash flows during the financial year which accords with the actual circumstances.

Our audit has caused us to raise no objections.

We are satisfied that the consolidated annual report overall provides an accurate impression of the consolidated company's situation and accurately represents the risks to future development. We further confirm that the consolidated annual accounts and annual report for the financial year from 1 January to 31 December 2000 fulfil the conditions required to exempt the company from preparing its consolidated annual accounts and annual report in accordance with German law.

Munich, 21 February 2001

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

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