



ATOSS

Quarterly Report Q3.2005



Andreas F.J. Obereder
Chief Executive Officer



Christof Leiber
Management Board Member

Economic environment:

- Slight improvement in economic climate in Q3 with varied positions in our sector of industry

ATOSS:

- Sales and earnings trend in line with downgraded expectations
- Profit improves compared with previous quarter despite restructuring charges
- Outlook for Q4 slightly more optimistic

Contact details:

ATOSS Software AG
Am Moosfeld 3
81829 Munich
Federal Republic of Germany

Fon +49. 89. 4 27 71-0
Fax +49. 89. 4 27 71-100

www.atoss.com

info@atoss.com

Dear Shareholder, Ladies and Gentlemen,

The research institutes are withdrawing their projections for the Eurozone and are now talking about a GDP rise of just 1.2%, compared with the figure of 1.6% that was expected in late summer.

The projections in our sector have also been downgraded. The sector association for the German information and telecommunications branch (BITKOM) is anticipating growth of 2.6% instead of the earlier figure of 3.4%. The national software market needs to be regarded in a more differentiated manner. International groups, such as SAP, may indeed be reporting rising sales, but their sales are slightly lower in the core software license business in Germany in the first nine months despite an improvement in the third quarter. Therefore, it is no

surprise that smaller companies too have not seen any noticeable changes in Germany's reticence to invest.

New study by Proudfoot Consulting confirms our positioning

In autumn 2005, Proudfoot Consulting once again dealt with the subject of employment productivity in a comprehensive international study. We consider our views and positioning to be fully confirmed in these results of this study.

Employment productivity is a subject that is being examined from many sides and from completely different perspectives. One thing is, however, certain – that the significance of employment and work productivity is rising in the face of increasing globalization. Proudfoot establishes that a considerable number of companies in all sectors of activity

and countries are still far below their potential. At the very least to secure the location, it is therefore imperative to minimize the productivity losses arising from inefficient processes and systems or insufficient capacity usage of corporate assets, employees and technological opportunities. Companies are still only achieving 62% of their optimum productivity on average and are therefore a long way off from the realistically achievable productivity level of 85% stated in the study.

Proudfoot is therefore documenting the fact that the market on which we have been aiming our business in a quite targeted fashion for many years is increasing in maturity.



ATOSS: Sales below previous year but positive trend compared to Q2

With sales of €5.0 (previous year, €5.5 million), we reported an EBIT of -€0.1 million (previous year, €0.4 million) in the third quarter. So the comparative figures for 2004 did not meet our expectations, but we did improve sales by 10% compared with the Q2 figure.

Due to ongoing restructuring measures, the higher sales were not reflected in the profits to the same extent. In fiscal 2006, these measures will however lead to noticeable savings and therefore to strengthening our profitability.

Operating cash flow showed a very satisfactory development in the reporting period, rising from €2.5 million (previous year, €0.5 million), and led to a further increase in liquid funds (financial resources) to €28.8 million.

Slight improvement in fourth quarter outlook

As the third quarter showed a positive trend compared with the previous quarter, we expect this development to continue given the slight rise in sales in the last months of 2005. Under this premise, we expect to report a small profit for the full year. The fact still remains that in addition to winning new clients in the SME sector, we have set ourselves the challenge of achieving a higher success rate in winning bigger orders from the premium sector.

Yours sincerely,



Andreas F.J. Obereder
(Chief Executive Officer)



Christof Leiber
(Management Board)

CONSOLIDATED OVERVIEW: COMPARATIVE FIGURES AS AT SEPTEMBER 30, 2005 IN 000 (UNDER IFRS)

	2005		2004		Diff. in % 2005 vs. 2004
	from 01.01. to 30.09.	Proportion of total sales	from 01.01. to 30.09.	Proportion of total sales	
Sales	14,566	100%	16,268	100%	-10%
Software	8,785	60%	9,399	58%	-7%
of which software licenses	2,718	19%	3,661	23%	-26%
of which software maintenance	6,067	42%	5,738	35%	6%
Services	3,627	25%	4,286	26%	-15%
Hardware	1,485	10%	1,994	12%	-26%
Other	670	5%	590	4%	14%
EBITDA	224	2%	1,612	10%	-85%
EBITCB⁽¹⁾	-28	0%	1,152	7%	<-100%
EBIT	-267	-2%	968	6%	<-100%
EBT	132	1%	1,358	8%	-90%
Net Income	-51	0%	682	4%	<-100%
Cash flow	2,875	20%	2,397	15%	20%
Financial resources^{(2),(5)}	28,823		27,911		3%
EPS (in €)⁽³⁾	-0.01		0.18		<-100%
Employees⁽⁴⁾	181		183		-1%

CONSOLIDATED OVERVIEW: COMPARISON OF QUARTERLY FIGURES IN 000 (UNDER IFRS)

	2005			2004	
	Q3	Q2	Q1	Q4	Q3
Sales	5,001	4,536	5,030	5,558	5,489
Software	2,898	2,770	3,117	3,225	3,134
of which software licenses	871	784	1,063	1,266	1,187
of which software maintenance	2,027	1,986	2,055	1,959	1,947
Services	1,165	1,247	1,215	1,512	1,388
Hardware	619	344	522	600	715
Other	319	176	175	221	253
EBITDA	17	55	172	504	559
EBITCB⁽¹⁾	-13	-52	37	335	520
EBIT	-93	-132	-43	262	434
EBIT %	-2%	-3%	-1%	5%	8%
EBT	45	3	84	387	580
Net Income	-19	-40	9	195	237
Cash flow	2,520	-993	1,348	-758	493
Cash flow per share⁽³⁾	0.66	-0.26	0.35	-0.20	0.13
Financial resources^{(2),(5)}	28,823	26,393	27,916	26,589	27,911
Financial resources per share⁽³⁾	7.55	6.92	7.33	7.00	7.39
EPS⁽³⁾	-0.01	-0.01	0.00	0.05	0.06
Employees⁽⁴⁾	181	188	180	179	183

⁽¹⁾ EBIT before costs of employee participation program arising from convertible bonds; ⁽²⁾ Cash and marketable securities; ⁽³⁾ EPS, Cash flow, liquidity per share in terms of average number of shares in circulation in euros; ⁽⁴⁾ at the end of the quarter; ⁽⁵⁾ Distributions of € 0.11 per share on 02.05.2005.



Operations Report

Apart from software maintenance, sales are below previous year - but positive trend compared to previous quarter

ATOSS consolidated revenues in the January to September 2005 period amounted to €14.6 million (previous year, €16.3 million). In the third quarter of 2005 revenues were €5.0 million compared with €5.5 million in the comparative period of the previous year. Software maintenance activities once again made a positive contribution to revenues. These grew comparatively from €5.7 million by 6% to €6.1 million in the first nine months of 2005 whilst software licenses at €2.7 million fell far short of the previous year's figure of €3.7 million. Total software revenues in the current year therefore amounted to €8.8 million (previous year, €9.4 million). ATOSS's revenues for consultancy services in the January to September period amounted to €3.6 million (previous year, €4.3 million). Hardware sales in the first nine months totaled €1.5 million compared with €2.0 million in the previous year's period.

A positive trend is apparent in comparison with the second and third quarter of 2005. Accordingly, ATOSS Software AG's revenues in Q3 at €5.0 million were approximately 10% above Q2 revenues of €4.5 million. Both software and hardware contributed to this whilst there was a decline in consultancy services.

In the first nine months of fiscal 2005, new orders for software licenses and software products totaled €3.2 million. Order entry in the third quarter at €0.9 million therefore fell only slightly below the value of the second quarter figure of €1.0 million.

Profit feels the strain of high investment and restructuring costs

Operating profit before the effects of the convertible bond program (EBITCB) was almost at break-even point (previous year, €1.2 million) and also includes, as does EBIT, current restructuring costs in an amount of €0.3 million (previous year, €1.0 million).

EBT in the reporting period amounted to €0.1 million compared with €1.4 million in the previous year. Net income for the past nine months at a minus figure €0.1 million was slightly negative and considerably below the previous year's value of €0.7 million.

Investments: Consistently high R&D investment rate demonstrates our commitment to develop

A decisive part of ATOSS Software AG's success is being able to offer customers innovative solutions that provide a quickly measurable benefit for their business processes. Targeted expansion of the solutions offerings is therefore playing a central role this year. Accordingly, the R&D rate, that is the ratio of R&D expenses to total revenues, at 22% for the first nine months of 2005 remained on a very high and comparatively aboveaverage level. The R&D rate in the same period of the previous year amounted to 19%.

In total R&D expenditure during January to September of the reporting year amounted to €3.2 million and therefore stood at the previous year's level. ATOSS

adopts a policy of treating its investments in the development of product solutions as current expenditure. Intangible assets produced in-house are not capitalized.

By committing to a long-term investment policy, ATOSS is placing the medium and long-term outlook of the company and its products in the foreground.

Very positive cash flow, financial resources of almost €29 million

In the first nine months of the year, we achieved a positive operating cash flow figure of €2.9 million after a figure of €2.4 million in the comparative period of 2004. The considerable increase compared with the previous year and also compared with the second quarter of 2005 originates from a continuation of the successful reduction of debts as well as tax payments and therefore outflows of funds in the third quarter of the previous year. For the whole year, we expect a considerably positive operating cash flow overall, which will, however, like in the previous year, show a seasonal decline.

The high operating cash flow had a correspondingly positive effect on liquidity with cash resources at September 30, 2005 rising to €28.8 million. Divided by the average number of shares in circulation, liquidity per share amounted to €7.55 compared with €7.39 per share in the previous year. Cash flow from

investment activities in the first nine months of 2005, showed net investment of -€0.3 million slightly below the previous year of -€0.4 million. Cash flow from financing activities at September 30, 2005 shows outflows of funds of -€0.3 million after -€5.9 million in the previous year which are mainly attributable to dividend payments.

The investment policy for liquid resources remains very conservative. Accordingly, we are continuing to invest resources in short-term fixed deposits.

The balance sheet total amounted to €33.5 million at September 30, 2005 compared with €33.2 million at September 30, 2004. At September 30, 2005, ATOSS Software AG's equity capital amounted to €26.9 million which is

equal to an equity ratio of 80% compared with 81% in the previous year.

Personnel

ATOSS Software AG employed a workforce of 181 as at September 30, 2005 thus representing a slight decrease in employee numbers compared with the previous year's figure of 183. At the year-end date, ATOSS Software AG had 6 trainees (previous year, 5) office administrators and IT sales specialists.

Outlook for 2005 confirmed

The research institutes are now predicting growth of 0.7-1.0% for 2005 and do not anticipate any particular dynamics to emerge in 2006. This year and next year, exports are likely to be the driving force, while private consumption on the domestic market will continue at a very low level.

According to the optimistic estimates of the sector association BITKOM, the software market for systems and applications programs will grow by 4.5% compared with previous year with almost unchanged expectations for hardware business. BITKOM is predicting a 2.4% rise in the ICT sector for 2006. ATOSS accordingly assumes that the domestic market for application software will once again be restrained.

ATOSS Software AG will pursue the strategy of organic growth closely and push ahead with the current measures for restructuring. The Management Board is confident that the slightly higher revenues experienced in the third-quarter will continue and in this context confirms its expectations of a small profit for the whole of 2005.

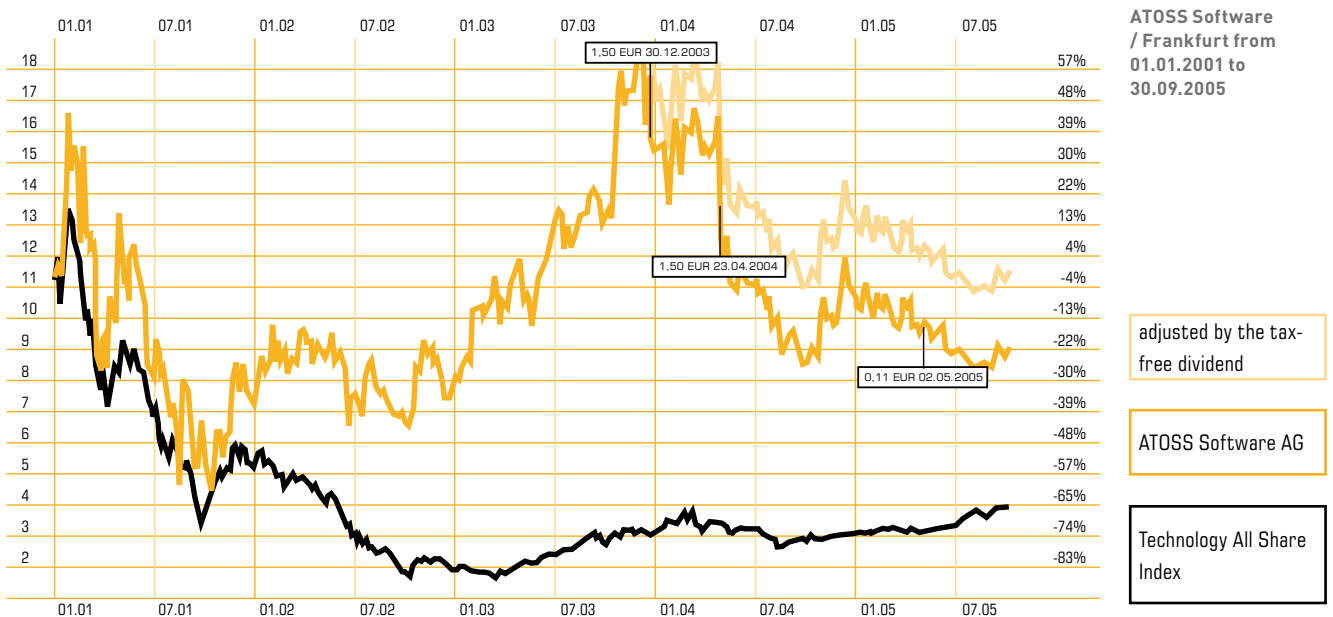
Investor Relations

ATOSS share underperforms sector index

The ATOSS share was quoted at the start of the third quarter at €8.66 and closed on the period end date of September 30, 2005 at €8.55. The share therefore lost around 1% between July and September 2005 and had a similar performance

to the Prime IG Software index in the three-month period. In contrast, the Technology All Share Index, which measures the value of all technology stocks on the Prime Standard, gained 13%. The ATOSS share peaked at €8.78 on August 16, 2005 whilst its lowest price was €7.85 recorded several times between July 25, 2005 and August 1, 2005. The share price on October 31, 2005 was €8.00.

Medium and long-term development is particularly critical when investing in shares. The price movement in comparison with the index since the beginning of the consolidation strategy in 2001 demonstrates that the ATOSS share is an interesting investment.



Stock upgraded by analysts from market performer to outperformer

Following the downgrade of the ATOSS share at the end of April to a "market performer", analysts at SES Research in their September 15 core analysis of opportunities and risk profile took the view that a return to the rating of outperformer was justified. The basic opinion expressed in the analysis was the view that at its prevailing price level, the share was considered to be substantially undervalued and that it was anticipated that the company would return to two-figure margin. Against this background analysts at

SES Research see the company's position as an investment opportunity and expect the ATOSS share with its outperformer rating to grow faster than the overall market.

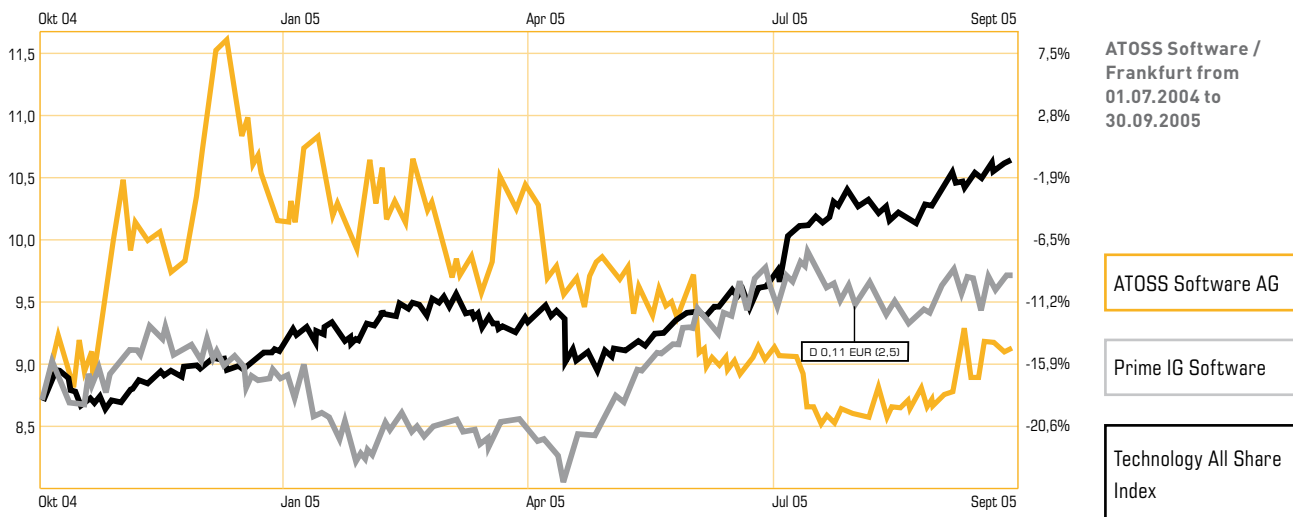
Continuous contact between the Management Board and investors, shareholders and analysts is an integral part of company policy. Detailed descriptions of the company's strategy were given during the course of meetings also in the third quarter of 2005.

Shareholder structure

There were no substantial changes in the shareholder structure during the July-September 2005 reporting period.

Since the end of the third quarter, ATOSS received notification from AX- XION S.A., Luxembourg that its voting rights in ATOSS Software AG had exceeded the 5% threshold on October 7 and now amount to just over 6%.

At the end of October the number of shares held in treasury at ATOSS Software AG as a result of the exercise of convertible bonds fell slightly to 4.95%. This relates to the program launched in 2000 with a conversion price of € 6.11 whereby conversion options may be exercised between October 26 and November 6 2005 at the latest.



KEY FIGURES PER SHARE

	2005			2004	
	Q3	Q2	Q1	Q4	Q3
Highest price	8.78	10.10	10.60	11.55	10.70
Lowest price	7.85	8.35	9.12	8.10	8.10
Price at end of quarter	8.55	8.49	9.90	9.80	8.11
Number of shares held in treasury ⁽¹⁾	203,566	206,101	206,334	231,102	231,102
Distributions/dividends per share	0.00	0.11	0.00	0.00	0.00
Cash flow per share ⁽²⁾	0.66	-0.26	-0.35	-0.26	0.13
Financial resources per share ⁽²⁾	7.55	6.92	7.33	7.00	7.39
EPS ⁽²⁾	-0.01	-0.01	0.00	0.05	0.06
EPS (diluted) ⁽²⁾	0.00	-0.01	0.00	0.05	0.06

⁽¹⁾ at end of quarter; ⁽²⁾ Cash flow, financial resources and EPS: based on the average number of shares in circulation between January and September (3,815,982 shares).

Reference example in the steel industry



Lech-Stahlwerke (LSW), Bavaria's biggest recycling business was set up in Meitingen in 1972. The company, which belongs to the Aicher Group, is a 1A-supplier to the international car industry with certified customer and environmental status. The recycling company produces around 1 million tonnes of reinforcing steel a year. With annual sales of over €400 million and around 800 employees, LSW is a major economic player in the Swabia region.

"We opted for the ATOSS Staff Efficiency Suite. Thanks to working time management by ASP (Application Service Providing), we are able to save costs and time that are caused by the implementation and maintenance of the software and the internal data. We also have more time for the core business and each month we can see in black and white how much our system is costing us."

Claus Ruckenbrod, Head of Personnel, Lech-Stahlwerke GmbH

Targets:

- Tighter administration
- Unification of working time regulations
- More flexible working times

Results of ATOSS ASP time management:

- Homogenous working time and vacation regulations
- Cost transparency through ASP
- Easier works' committee authorization process
- Optimization of statement procedures
- Higher productivity in salaries department

CONSOLIDATED FINANCIAL STATEMENTS TO SEPTEMBER 30, 2005

ASSETS		
	30.09.2005	31.12.2004
	in €	in €
Current assets		
Cash and cash equivalents	28,818,185	26,583,788
Marketable securities	5,027	4,756
Trade accounts receivable (net)	2,669,808	3,381,824
Inventories	14,809	14,143
Other current assets and deferred items	773,279	470,278
Total current assets	32,281,109	30,454,789
Long-term assets		
Fixed assets (net)	405,904	454,129
Intangible assets (net)	286,496	430,050
Deferred taxes	505,406	571,790
Total long-term assets	1,197,806	1,455,969
Total assets	33,478,915	31,910,758

CONSOLIDATED FINANCIAL STATEMENTS TO SEPTEMBER 30, 2005

LIABILITIES

	30.09.2005	31.12.2004
	in €	in €
Short-term liabilities		
Trade accounts payable	337,649	424,521
Short-term provisions	1,532,227	1,554,487
Revenue adjustment items	2,413,812	610,575
Tax provisions	124,491	103,715
Other short-term liabilities	438,784	561,730
Total short-term liabilities	4,846,963	3,255,028
Long-term liabilities		
Convertible bonds	209,390	257,321
Pension provisions	1,484,7245	1,379,145
Deferred taxes	68	0
Total long-term liabilities	1,694,183	1,636,466
Equity capital		
Subscribed capital	4,025,667	4,025,667
Capital reserves	20,251,538	20,166,012
Treasury stock	-2,002,581	-2,306,204
Changes in equity not impacting earnings	204	0
Retained earnings/Accumulated deficit	4,662,941	5,133,789
Total stockholders' equity	26,937,769	27,019,264
Total liabilities	33,478,915	31,910,758

INCOME STATEMENT TO SEPTEMBER 30, 2005

	Quarterly report		9 month report	
	III/2005	III/2004		
	01.07.2005	01.07.2004	01.01.2005	01.01.2004
	30.09.2005	30.09.2004	30.09.2005	30.09.2004
	in €	in €	in €	in €
Revenues	5,000,676	5,489,406	14,566,467	16,268,004
Cost of production	-1,741,533	-1,883,767	-5,204,931	-5,802,980
Gross profit	3,259,143	3,605,639	9,361,536	10,465,023
Marketing costs	-1,470,044	-1,289,448	-4,063,725	-4,295,467
General and administrative costs	-775,624	-915,802	-2,414,038	-2,535,106
Research & development costs	-1,042,606	-1,030,639	-3,155,214	-3,134,537
Other operating income and expenses	-63,714	63,830	4,008	468,225
Operating income	-92,846	433,580	-267,431	968,138
Interest income	137,409	146,515	399,388	574,018
Other expenditure	0	0	0	-183,975
Income before taxes	44,563	580,095	131,956	1,358,182
Income taxes	-63,681	-342,729	-182,677	-676,245
Net profit	-19,118	237,366	-50,721	681,937
Earnings per share (undiluted)	-0.01	0.06	-0.01	0.18
Earnings per share (diluted)	0.00	0.06	-0.01	0.17
Weighted average shares outstanding (basic)	3,821,719	3,794,044	3,815,982	3,799,217
Weighted average shares outstanding (diluted)	4,049,938	4,069,808	4,054,710	4,029,739

CONSOLIDATED CASH FLOW STATEMENT TO SEPTEMBER 30, 2005

	01.01.2005	01.01.2004
	30.09.2005	30.09.2004
	in €	in €
Cash flow from business operations		
Net profit	-50,721	681,937
Depreciation on fixed assets	511,921	643,500
Costs resulting from the disposal of fixed assets	1,882	12,661
Less realized losses from the disposal of marketable securities	0	-183,975
Change in deferred tax	66,452	180,731
Share option program expenses	239,494	184,352
Pension provision	105,580	101,078
Change in net current assets		
Trade accounts receivable	712,017	339,247
Inventories	-666	2,174
Prepaid expenses and other short-term assets	-303,001	272,386
Trade accounts payable	-86,872	-167,912
Short-term provisions	-22,261	-669,805
Revenue adjustment items	1,803,238	1,678,309
Tax provisions	20,776	-697,936
Other short-term liabilities	-122,946	20,518
Net cash generated from operating activities	2,874,892	2,397,265
Cash flow from investment activities		
Acquisition of fixed assets	-322,024	-440,442
Net cash generated from investment activities	-322,024	-440,442
Cash flow from financing activities		
Change - purchase/sale of treasury stock	113,908	-412,028
Proceeds from the disposal of marketable securities	0	183,975
Unrealized losses on financial resources	204	69,211
Revenues from the issue of convertible bonds	0	88,000
Cost of convertible bond redemptions	-12,184	-97,410
Dividend payments	-420,127	-5,731,548
Cost of loan repayments	0	-639
Cash generated from financing activities	-318,199	-5,900,440

CONSOLIDATED CHANGES IN EQUITY AS AT SEPTEMBER 30, 2005 AND SEPTEMBER 30, 2004

	Subscribed capital in €	Capital reserves in €	Treasury stock in €
Position as at January 1, 2004	4,025,667	19,990,630	-1,936,400
Net profit	0	0	0
Dividends	0	0	0
Treasury stock	0	0	-54,567
Convertible bonds	0	184,352	0
Other	0	12,341	-57,768
Position as at September 30, 2004	4,025,667	20,132,757	-2,306,204
Position as at January 1, 2005	4,025,667	20,166,012	-2,306,204
Net profit	0	0	0
Dividends	0	0	0
Treasury stock	0	-153,967	303,623
Convertible bonds	0	239,494	0
Other	0	0	0
Position as at September 30, 2005	4,025,667	20,251,538	-2,002,581

Unappropriated earnings in €	Consolidated equity changes in equity earnings in €	Total equity capital in €	
9,988,200	-69,211	31,998,886	Position as at January 1, 2004
681,937	0	681,937	Net profit
-5,731,548	0	-5,731,548	Dividends
-312,036	0	-336,603	Treasury stock
0	0	184,352	Convertible bonds
0	69,211	23,784	Other
4,938,588	0	26,790,809	Position as at September 30, 2004
5,133,789	0	27,019,264	Position as at January 1, 2005
-50,721	0	50,721	Net profit
-420,127	0	-420,127	Dividends
0	0	149,656	Treasury stock
0	0	239,494	Convertible bonds
0	204	204	Other
4,662,941	204	26,937,769	Position as at September 30, 2005



Notes to the consolidated financial statements as at September 30, 2005

1. General

These quarterly financial statements were drawn up in accordance with the provisions of International Financial Reporting Standards (IFRS) and in particular comply with IAS 1.14.

In accordance with IAS 34 "Interim Financial Reporting" these financial statements include a consolidated balance sheet, consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity capital and notes to the accounts.

They also comply with the German Accounting Standard "GAI" 6 on interim reporting.

The same accounting and valuation methods have been applied as in the annual financial statements.

The Management Board is satisfied that all of the assets, the financial and earnings position as well as the cash flow statements contained in this quarterly report provide a true picture of the commercial position of the Company.

2. Currency

All figures are shown in euros.

3. Consolidated companies

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

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

The companies are consolidated on a line-by-line basis.

4. Changes in stockholders' equity

The movements in stockholders' equity are shown in the statement of changes in stockholders' equity.

5. Treasury shares

The company held 203,566 of its own shares as at September 30, 2005. Treasury stock is reported as a separate equity item at cost of acquisition.

6. Revenues

The Company's revenues were broken down as follows:

REVENUES	01.01.2005	01.01.2004
	30.09.2005	30.09.2004
	in €	in €
Software licenses	2,717,613	3,660,962
Software maintenance	6,067,319	5,736,085
Total software	8,784,932	9,397,047
Professional services	3,219,032	3,395,572
Consulting	407,685	891,629
Total consulting	3,626,717	4,287,201
Hardware	1,485,295	1,993,949
Other	669,523	589,807
Total revenues	14,566,467	16,268,004

The geographical sales split is as follows:

	01.01.2005	01.01.2004
	30.09.2005	30.09.2004
	in €	in €
Germany	12,904,989	14,566,458
Austria	987,796	1,071,692
Switzerland	506,277	521,271
German speaking countries, total	14,399,062	16,159,421
Other countries	167,405	108,583
Total	14,566,467	16,268,004

7. Restructuring measures

In the third quarter, as a result of restructuring measures, five positions were terminated with effect from December 31, 2005.

Corresponding provisions were made on September 30, 2005 in respect of the future expenses that arise from this.

8. Tax charge

The consolidated tax charge as at September 30, 2005 was broken down as follows:

TAX CHARGE		
	01.01.2005	01.01.2004
	30.09.2005	30.09.2004
	in €	in €
Income before taxes	131,956	1,358,182
Projected group tax charge (2005: 40.86%, 2004: 40.86%)	-53,917	-554,953
Non-deductible operating expenses	-24,080	-22,245
Permanent differences arising from convertible bonds	-97,857	-75,326
Other	-6,823	-23,721
Group tax charge	-182,677	-676,245

9. Personnel costs

Personnel costs as at September 30, 2005 were broken down as follows:

PERSONNEL COSTS		
	01.01.2005	01.01.2004
	30.09.2005	30.09.2004
	in €	in €
Wages and salaries	7,340,870	7,460,010
Social security, pension and other benefits	1,550,059	1,558,156
Effects resulting from convertible bonds programs	239,494	184,352
Total	9,130,423	9,202,518

10. Employees

The company employed 181 people as at September 30, 2005 compared with 183 as at September 30, 2004. A total of 52 (previous year, 51) of these employees are active in product development, 51 (previous year, 54) in the professional services and consulting areas and 40 (previous year, 39) in sales and marketing.

11. Management Board

The Management Board of ATOSS Software AG had two members as at September 30, 2003:

Andreas F.J. Obereder	Chief Executive Officer
Christof Leiber	Management Board member

12. Supervisory Board

The Supervisory Board of ATOSS Software AG had three members as of September 30, 2005:

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

13. Board member shareholdings

The board members held the following ATOSS shares as at September 30, 2005

	30.09.2005	30.06.2005	31.03.2005	31.12.2004	30.09.2004
Andreas F.J. Obereder	1,946,184	1,946,184	1,946,184	1,946,184	1,946,184
Christof Leiber	0	0	0	0	0
Peter Kirn	13,760	13,760	11,260	11,260	11,260
Bernhard Dorn	7,000	7,000	7,000	7,000	7,000
Rolf Baron Vielhauer von Hohenhau	0	0	0	0	0

The existing and former board members held options on ATOSS shares by way of convertible bond subscriptions as at September 30, 2005

	30.09.2005	30.06.2005	31.03.2005	31.12.2004	30.09.2004
Andreas F.J. Obereder	15,000	15,000	15,000	15,864	15,864
Christof Leiber	23,668	23,668	23,668	23,668	23,668
Dr. Burkhard Scherf	10,000	10,000	10,000	15,864	15,864
Peter Kirn	18,000	18,000	18,000	24,000	24,000
Bernhard Dorn	18,000	18,000	18,000	18,000	18,000
Rolf Baron Vielhauer von Hohenhau	18,000	18,000	18,000	24,000	24,000

14. Convertible bonds

In the first nine months of fiscal 2005, 27,536 convertible bonds were exercised and 21,650 convertible bonds repurchased. 215,735 convertible bonds were outstanding as of September 30, 2005.

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

EXERCISE PRICE			
	Outstanding convertible bonds	Contractual validity in years	potential exercise rights
Board members and former board members			
11.68	15,000	5.7	0
9.51	36,000	5.9	0
9.02	5,000	5.0	2,500
6.11	1,668	0.2	1,668
5.21	27,000	1.5	16,333
5.09	18,000	3.9	18,000
	102,668		38,501
Employees			
11.68	31,000	5.7	0
9.47	3,000	6.1	0
9.02	21,000	5.0	10,500
6.11	21,764	0.2	21,764
5.21	33,969	1.5	20,863
2.51	2,334	1.0	1,167
	113,067		54,294
Total	215,735		92,795

15. Information on reportable securities transactions

In the first nine months of fiscal 2005, the following transactions were reported:

AXXION S.A., Luxembourg, has held voting rights exceeding 5% of the share capital since October 7, 2005 and according to information in the Company's possession these amount to 6%.

16. Earnings per share

The earnings per share figure is calculated by dividing the earnings for the period of -€50,721,000 by the weighted average number of outstanding shares. Between January 1, 2005 and June 30, 2005 an average of 3,815,982 convertible bonds were in circulation. Earnings per share for this period therefore amount to -€0.01 compared with €0.18 in the first nine months of 2004.

In order to calculate the diluted profit per share, the profit for the period needs to be adjusted for expenses arising from the underpayment on convertible bonds in an amount of €3,937. In addition, the average number of outstanding shares was increased by the additional shares arising from the conversion of bonds. Between January 1, 2005 and September 30, 2005 there was an average of 238,728 convertible bonds in circulation. Diluted earnings per share therefore amounted to -€0.01 compared with €0.17 in the previous year.

Disclaimer

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

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

ATOSS Software AG

Am Moosfeld 3
D-81829 München
Fon +49.89.42771-0
Fax +49.89.42771-100

info@atoss.com
www.atoss.com