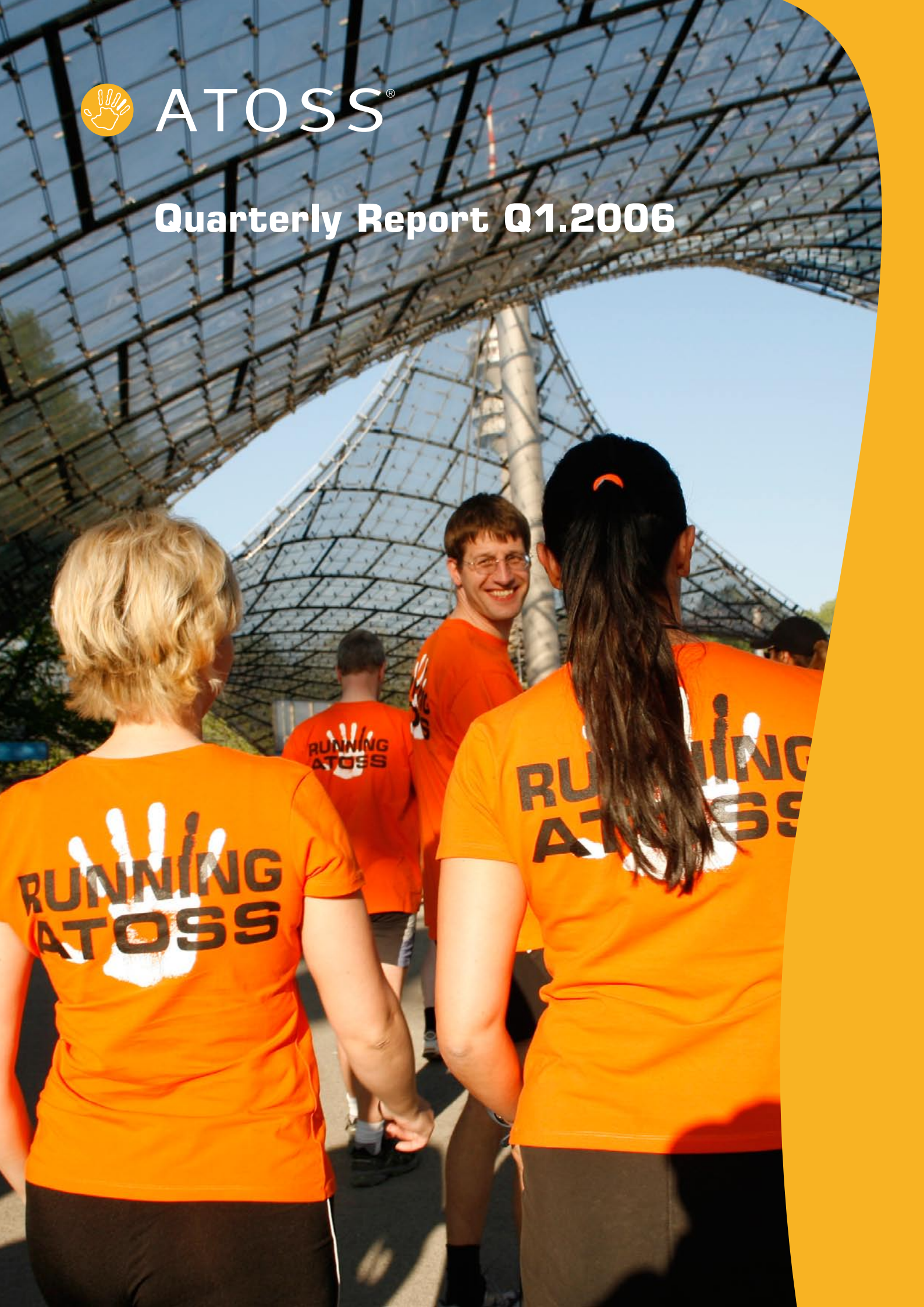




ATOSS®

Quarterly Report Q1.2006



Dear Shareholders, Ladies and Gentlemen:



Andreas F.J. Obereder
Chief Executive Officer



Christof Leiber
Board Member

The satisfactory course of business experienced in the fourth quarter of 2005 continued into 2006.

Focusing the business model in the past year on the core businesses of working time management and personnel resource planning led to considerable improvements in terms of both sales and income, and also considerably improved the outlook for the rest of the year.

As a consequence we raised total sales revenues by 5% over the quarter, when adjusted to reflect the divestment of the AENEIS product. We achieved quite remarkable growth of 8% in software license revenues and growth of 14% in the consultancy business, in both cases adjusted for the effect of divesting the AENEIS product.

A strong momentum for the good levels of business came from the clear differentiation of our solution in the

fields of working time management and personnel resource planning. In the past quarter we were able to emphasize this, not least as a result of the satisfactory conclusion of projects with commercial companies, and more specifically, with the placing of our new ATOSS Staff Efficiency Suite ASES 3.3 JAVA/J2EE-based technology with Austrian Airlines.

The high level of investment in recent years in our many working time management and personnel resource planning solutions opens up completely new possibilities for our customers, in combination with the skills and experience acquired during our many projects with large and medium-sized customers.

Investment in research and development leads to product innovations

ATOSS introduced many new product innovations at Cebit 2006 and sparked interest in our solutions among the broadest range of industries and customer groups.

An essential factor here is to secure maximum flexibility with minimum outlay. In addition to the new ATOSS Mobile module, which is a mobile telephone-based time measurement system, we exhibited the ATOSS Dialog-

designer. The ATOSS Dialogdesigner allows the user to adjust dialogues to user requirements and wishes in a simple fashion. The area of operation and the input and output fields can be freely defined and organized with a simple click of a mouse.

Besides this, the topic of analysis and evaluation is rising in importance as a result of the AtoSS Decision Support management information system, along with the topic of Employee Self Service that is designed to considerably raise employee process efficiency and satisfaction in a modern labor market.

An essential aspect of the high degree of differentiation of ATOSS Software AG's solutions is, in particular, our expertise in demand-driven personnel resource management, which has been acquired across a significant

Economic environment:

- Improved economic climate, favorable backdrop

ATOSS:

- Sales revenues and income exceed forecasts
- Effect of the disposal of AENEIS
- Forecasts upgraded
- AGM decides to make special distribution

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number of projects and which is a reflection of our employees' many years of know-how. It is precisely in this area that ATOSS serves the needs of its customers and interested parties in an exceptional way and differentiates itself as a specialist solutions-provider.

Last but not least, our high level of interest in qualitative and high-value conceptual solutions makes us feel confident in this environment with respect to the outlook for further growth in the current year.

Outlook for 2006 considerably improved

Spurred on by the positive development in the fourth quarter of 2005 and in the first quarter of 2006, and supported by important contracts at the beginning of the current quarter we expect to considerably exceed the results achieved in the previous year and in 2004. For this year we expect an EBIT margin of least 11% and an EBT of at least €2.3 million, while maintaining our cautious approach to forecasting. It will be possible to achieve further improvements if the satisfactory growth of business in the last two quarters continues and also as a result of the end of the personnel costs connected with the convertible bond programs.

At this point we would like to extend our sincere thanks to our customers and employees for their outstanding

cooperation and for joint successes. We would also like to thank our shareholders for the confidence they expressed in the Supervisory Board and the Management Board at the Annual General meeting on 2 May 2006.

Yours sincerely,



Andreas F.J. Obereder
(Chief Executive Officer)



Christof Leiber
(Board Member)

GROUP OVERVIEW: QUARTERLY COMPARISON AS AT MARCH 31, 2006 IN THOUSANDS OF EUROS (UNDER IFRS)

	2006		2005		Change 2006 / 2005
	from Jan. 1 until Mar. 31	Proportion of Total revenues	from Jan. 1 until Mar. 31	Proportion of Total revenues	
Revenues	5,117	100%	5,030	100%	2%
Software	3,056	60%	3,118	62%	-2%
Software licenses	1,074	21%	1,063	21%	1%
Software maintenance	1,982	39%	2,055	41%	-4%
Consulting	1,346	26%	1,215	24%	11%
Hardware	587	11%	522	10%	12%
Other	129	3%	175	3%	-26%
EBITDA	811	16%	172	3%	>100%
EBITCB ⁽¹⁾	755	15%	37	1%	>100%
EBIT	706	14%	-43	-1%	
EBT	862	17%	84	2%	>100%
Net income	497	10%	9	0%	>100%
Cash flow	2,650	52%	1,348	27%	97%
Financial resources ^{(2),(5)}	30,543		27,916		9%
EPS (in €) ⁽³⁾	0.13		0.00		>100%
Employees ⁽⁴⁾	165		180		-8%

GROUP OVERVIEW: QUARTERLY COMPARISON IN THOUSANDS OF EUROS (UNDER IFRS)

	2006	2005	2005	2005	2005
	Q1	Q4	Q3	Q2	Q1
Revenues	5,117	5,849	5,001	4,536	5,030
Software	3,056	3,359	2,898	2,770	3,118
Software licenses	1,074	1,283	871	784	1,063
Software maintenance	1,982	2,076	2,027	1,986	2,055
Consulting	1,346	1,336	1,165	1,247	1,215
Hardware	587	836	619	344	522
Other	129	318	319	176	175
EBITDA	811	944	17	55	172
EBITCB ⁽¹⁾	755	910	-13	-52	37
EBIT	706	830	-93	-132	-43
EBIT %	14%	14%	-2%	-3%	-1%
EBT	862	980	45	3	84
Net Income	497	510	-19	-40	9
Cashflow	2,650	-1,177	2,520	-993	1,348
Cashflow per share (in €) ⁽³⁾	0.68	-0.30	0.66	-0.26	0.35
Financial resources ^{(2),(5)}	30,543	27,836	28,823	26,393	27,916
Financial resources per share (in €) ⁽³⁾	7.85	7.21	7.55	6.92	7.33
EPS (in €) ⁽³⁾	0.13	0.13	-0.01	-0.01	0.00
Employees ⁽⁴⁾	165	177	181	188	180

⁽¹⁾ EBIT before costs of employee convertible bonds participation scheme; ⁽²⁾ Liquid assets and marketable securities; ⁽³⁾ EPS, cash flow per share and financial resources per share divided by the average number of shares in circulation; in euros ⁽⁴⁾ at the end of the quarter; ⁽⁵⁾ Dividend of €0.11 per share on May 2, 2005.

Book trade: Personnel deployment contributing value

Thalia is the number one name in the Swiss bookselling sector. All together, the three companies Thalia Bücher AG, in Basel, Stauffacher Buchhandlungen AG, based in Bern, and ZAP* Zur alten Post AG, in Brig, have almost one million books on their shelves. The book group's sales concept is based on first class customer service and the pleasant atmosphere in the shops encouraging customers to relax and leaf through books at their leisure. Customers are served by some 570 competent sales staff at 17 branches situated at top locations. The number of sales personnel on site varies according to store size – and ranges from five to 180 members of staff. The company group belongs to the German Douglas corporation and generates annual sales in the region of CHF 100 million.

Challenges consisted of

- Reducing administration
- Insourcing of accounting
- Unifying processes
- Optimizing personnel deployment
- Preparing for expansion
- Maximum transparency in spite of decentral structure

“Our project could be entitled “From also-ran to top management level project”. All of the parties involved – from sales, to the human resources department and on to company management – were keenly aware of the fact that personnel management would have to be an integral part of the value creation chain in future. And this awareness defined the next step: personnel related data would have to be recorded and maintained in such a manner as to make a value contribution on an operational and strategic level. Our integrated time & attendance and work force scheduling system accomplishes this, and wage accounting itself is just a side product as a result.”

Reinhard Zuber, corporate development, Thalia Bücher AG, Basel

Results

- Service oriented working hours
- Online availability of personnel data
- 75% less overtime within seven months
- Better information for management



Management Report

Higher sales, 5% increase when adjusted for AENEIS divestiture

The positive course of business in the fourth quarter of 2005 continued in the current year. ATOSS consolidated revenues in the January to March 2006 period amounted to €5.1 million compared with a figure of €5.0 million in the first quarter of the previous year. Adjusted for the contributions to sales in the previous year from the AENEIS product, which has now been divested, growth amounted to 5%.

Revenues from software licenses again continued to grow, which, as in the fourth quarter, exceeded sales in the same quarter of the previous year. In comparison with the previous year they rose 1% and when adjusted for the AENEIS disposal growth was 8%.

Software maintenance, at €2.0 million, showed a slight fall as a result of the separation from AENEIS. Total software revenues at €3.1 million were slightly below (-2%) the previous year's figure of €3.1 million. Adjusted for AENEIS, however, this represents growth of 3%.

In the consulting business, in the first quarter Atoss achieved 11% growth to €1.3 million compared with €1.2 million in the previous year, but the same figure was 14% adjusted for AENEIS.

Hardware revenues in the first three months amounted to €0.6 million compared with €0.5 million in the previous year's period.

Significant improvements in income

Whilst EBITCB (operating profit before convertible bonds) in the first quarter was at break-even point, as at 31 March 2006 the figure amounted to €0.8 million.

The impact of the disposal of AENEIS with effect from January 1, 2006 amounted to €0.4 million.

EBIT, at €0.7 million, also showed a significant improvement on the previous year, which in the first quarter of 2005 was still a slightly negative figure.

We increased EBT to €0.9 million compared with €0.1 million in the previous year.

Net Income, at €0.5 million or €0.13 per share, was also a very good outcome for the first three months compared with the break-even figure in the previous year.

Continued high commitment to product development

Atoss continues to further develop its products at a very high level. As a consequence, customers are offered highly innovative and technically mature solutions which provide measurable improvements in efficiency.

In the first quarter, ATOSS R&D spending amounted to €0.9 million compared with €1.1 million in the previous year. The reduction was mainly due to the absence of product development in AENEIS.

The number of employees in product development fell from 55 to 49.

R&D expenditure as a percentage of its revenues fell, particularly due to the higher sales revenues, from 22% to 18%.

Higher cash flow, financial resources exceed €30 million

In the first three months, we achieved an operating cash flow of €2.7 million after a figure of €1.3 million in the comparative period of 2005. The sharp rise compared with the previous year is based on the clear upturn in business with only a slight rise in receivables and the creation of short-term provisions and tax provisions.

Due to seasonal factors, operating cash flow is comparatively higher due to the inclusion of maintenance fees in the first and third quarter whilst in the second and fourth quarter there is a trend of lower or even negative cash flows.

Particularly as a result of the use of provisions and tax provisions in the current year, the very high level of cash flow in the first quarter is relativized during the course of the year.

The higher level of operating cash flow in the first quarter raised financial resources to €30.5 million as at March 31, 2006 compared with €27.9 million in the previous year. As a result, cash flow per share, based on the average number of outstanding shares, amounted to €7.85, whereas the figure was €7.33 as at March 31, 2005.

Total assets amounted to €36.2 million at March 31, 2006 compared with €33.9 million at March 31, 2005.

At €28.5 million, equity capital amounted to 78% of the balance sheet total compared with 80% in the previous year.

Employees

At the end of the quarter we employed 165 people. The workforce therefore fell by 8% in comparison with the end of the first quarter of 2005.

ATOSS Software AG currently has three office administrator trainees (previous year: four). Three trainees were offered positions after the completion of their training period in the first quarter.

Risks of the future development

The company holds the view that risk structure has not changed against December 31, 2005.

Earnings forecasts raised

The leading research institutes raised their economic growth forecasts for 2006 to 1.8% in their spring reports at the end of April. The German government, however, is maintaining its growth forecast of 1.6%.

Successful targeting of major customers is more important to Atoss's revenue growth than overall economic growth.

During the quarter we made progress in this area. Max Bahr Baumärkte and Austrian Airlines are among the new customers who are placing their trust in Atoss's solutions.

Spurred on by the positive development in business over the past two quarters and by important orders in the current quarter as well as, and strengthened by the solid cost structure of the company, the Company has raised its predictions significantly for the year.

We now expect an EBIT margin of least 11% for 2006 and an EBIT of at least €2.3 million. However, there is no change in our cautious forecasting policy. It will be possible to achieve further improvements if the satisfactory growth of business in the last two quarters continues and also as a consequence of the ending of personnel costs connected with the convertible bond programs.

Investor Relations

Summer recess in 2005 - price rises at year end

Over the past 12 months, the Atoss Software AG stock has developed in line with the Company's course of business. Since the figures in the second and third quarter were not satisfactory, we saw a low level of interest in the company's stock price.

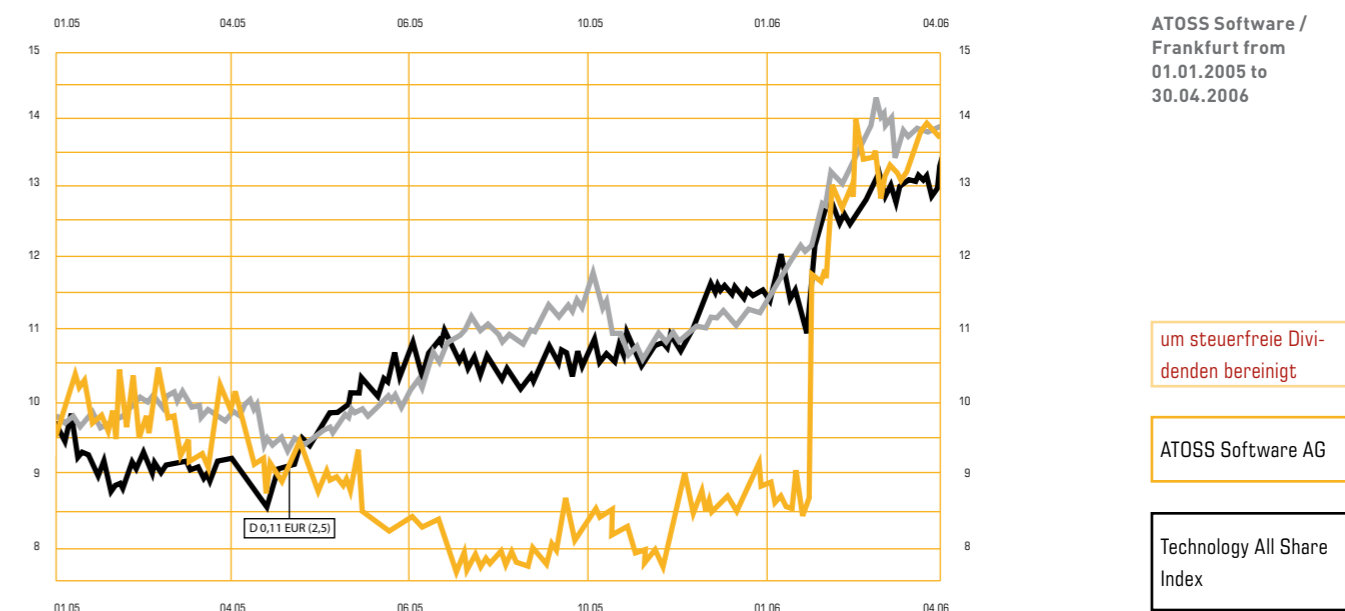
With the positive outlook at the year end, this changed and the stock fared better.

Lively interest in distribution

The profit distribution announcement in January 2006 was enthusiastically received by investors and analysts alike, and this was reflected in a sharp price increase with large trading volumes.

During the first quarter, the share price developed very well, not least due to the tax treatment of the distribution. The stock price peaked at €17.50.

After the profit distribution decision at the Annual General Meeting, as well as the distribution on May 3, the price leveled off at around €9.



Analysts express satisfaction

Analysts at SES Research were pleased with the good results in the first quarter and anticipate that the company will exceed the higher forecasts for the 2006 financial year.

In parallel with our own expectations, SES Research remains cautious on the outlook for sales for 2006 and

expects an almost unchanged figure compared with the previous year. Due to the already very good course of business in 2006, the stock is classified as „hold“.

KEY PER SHARE DATA IN EURO

	2006				2005
	Q1	Q4	Q3	Q2	Q1
High	14.00	9.21	8.78	10.10	10.60
Low	8.57	7.90	7.85	8.35	9.12
Price at end of quarter	13.85	8.95	8.55	8.49	9.90
Number of treasury shares ⁽¹⁾	122,666	150,058	203,566	206,101	206,334
Dividend per share ⁽²⁾	0.00	0.00	0.00	0.11	0.00
Cash flow per share ⁽²⁾	0.68	-0.30	0.66	-0.26	0.35
Financial resources per share ⁽²⁾	7.85	7.21	7.55	6.92	7.33
EPS ⁽²⁾	0.13	0.13	-0.01	-0.01	0.00
EPS (diluted) ⁽²⁾	0.12	0.12	0.00	-0.01	0.00

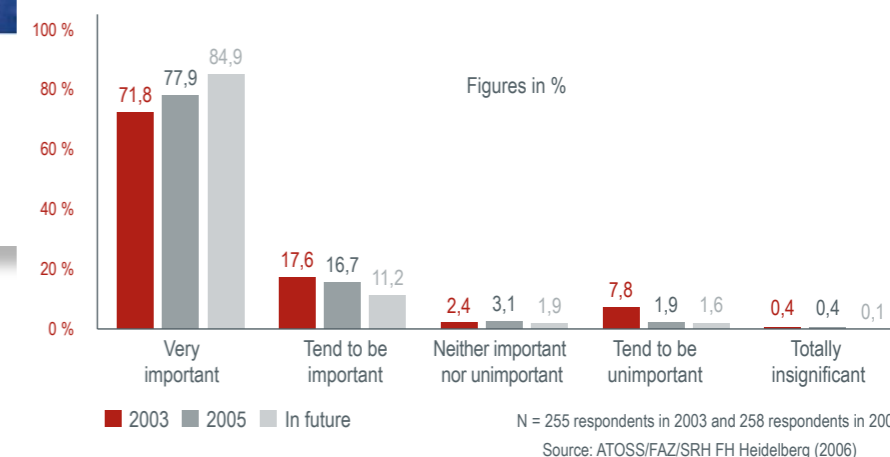
⁽¹⁾ shares at the end of the quarter; ⁽²⁾ on average member of shares in circulation

A joint survey conducted by ATOSS, FAZ and SRH



How important are working time models for your company today and in future?
Diagram from the joint study »Location Germany 2006: Securing the future by HR management«

Relevance of flexible working time models today and in future



CONSOLIDATED BALANCE SHEET AT MARCH 31, 2006

ASSETS		
	03.31.2006	12.31.2005
	in €	in €
Current Assets		
Cash	30,537,998	27,831,181
Marketable securities	4,708	4,804
Trade accounts receivable (net)	3,807,878	3,788,143
Inventories	15,181	12,660
Other current assets and deferred items	799,899	343,994
Total current assets	35,165,664	31,980,782
Non-Current Assets		
Fixed assets (net)	356,116	369,694
Intangible assets (net)	211,846	255,036
Deferred taxes	457,609	487,272
Total long-term assets	1,025,571	1,112,002
Total assets	36,191,235	33,092,784

CONSOLIDATED BALANCE SHEET AT MARCH 31, 2006

LIABILITIES		
	03.31.2006	12.31.2005
	in €	in €
Short-term liabilities		
Trade accounts payable	284,231	720,294
Short-term provisions	1,381,227	1,390,546
Revenue adjustment items	3,263,721	694,549
Provisions for taxation	715,381	431,736
Other short-term liabilities	675,697	651,986
Total short-term liabilities	6,320,257	3,889,111
Long-term liabilities		
Convertible bonds	128,277	155,250
Pension provisions	1,231,607	1,229,912
Deferred taxes	0	6
Total long-term liabilities	1,359,884	1,385,168
Stockholders' equity		
Share capital	4,025,667	4,025,667
Capital reserve	439,431	450,013
Treasury stock	-1,463,931	-1,670,304
Profit	25,510,022	25,013,111
Changes in equity not impacting earnings	-95	18
Total stockholders' equity	28,511,094	27,818,505
Total liabilities	36,191,235	33,092,784

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM JANUARY 1 TO MARCH 31, 2006

	Quarterly report	
	01.01.2006	01.01.2005
	03.31.2006	03.31.2005
	in €	in €
Revenues	5,117,031	5,029,697
Cost of sales	-1,687,223	-1,818,935
Gross profit	3,429,808	3,210,762
Marketing costs	-1,686,789	-1,416,781
Administration costs	-575,377	-762,008
Research & development costs	-919,671	-1,086,084
Other operating income	458,008	11,309
Operating income	705,980	-42,803
Interest and similar income	156,321	127,026
Pre-tax income	862,301	84,223
Income taxes	-365,389	-75,695
Net income	496,912	8,528
Earnings per share (undiluted)	0,13	0,00
Earnings per share (diluted)	0,12	0,00
Average undiluted number of shares in circulation	3,890,198	3,806,724
Average diluted number of shares in circulation	4,036,574	4,058,852

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD FROM JANUARY 1 TO MARCH 31, 2006

	Quarterly report	
	01.01.2006	01.01.2005
	03.31.2006	03.31.2005
	in €	in €
Cash flow from operating activities		
Net income	496,912	8,528
Depreciation on fixed assets	104,835	215,199
Loss on disposal of fixed assets	15,253	1,606
Change in deferred tax assets	29,656	23,263
Personnel costs arising from convertible bond program	48,719	79,831
Pension provision	1,695	35,193
Change in net current assets		
Trade accounts receivable	-19,735	-455,671
Other assets and deferred items	-458,426	-290,753
Trade accounts payable	-436,062	-117,477
Short-term provisions	128,786	-401,611
Revenue adjustment items	2,569,172	2,314,691
Tax provisions	283,644	-9,791
Other short-term liabilities	-114,393	-54,685
Net cash generated from operating activities	2,650,056	1,348,324
Cash flow from investment activity		
Fixed assets acquired	-63,320	-124,655
Net cash generated from investment activities	-63,320	-124,655
Cash flow from financial activity		
Revenues from the sale of treasury stock	120,099	108,993
Cost of convertible bond redemptions	0	-4,850
Unrealized losses on financial resources	-114	0
Cash generated from financing activities	119,985	104,143

CHANGES IN CONSOLIDATED EQUITY CAPITAL FOR THE PERIOD FROM JANUARY 1 TO MARCH 31

	Share capital in €	Capital reserve in €	Treasury stock in €	Profit in €	Changes in equity not impacting on earnings in €	Total in €	
As at January 1, 2005	4,025,667	20,166,012	-2,306,204	5,133,789	0	27,019,264	As at January 1, 2005
Net income	0	0	0	8,528	0	8,528	Net income
Sale of treasury stock	0	-145,391	278,734	0	0	133,343	Sale of treasury stock
Additions from convertible bonds	0	79,831	0	0	0	79,831	Additions from convertible bonds
As at March 31, 2005	4,025,667	20,100,452	-2,027,470	5,142,317	0	27,240,966	As at March 31, 2005
As at January 1, 2006	4,025,667	450,013	-1,670,304	25,013,111	18	27,818,505	As at January 1, 2006
Net income	0	0	0	496,912	0	496,912	Net income
Sale of treasury stock	0	-59,300	206,373	0	0	147,073	Sale of treasury stock
Additions from convertible bonds	0	48,719	0	0	0	48,719	Additions from convertible bonds
Unrealized capital losses	0	0	0	0	-114	-114	Unrealized capital losses
As at March 31, 2006	4,025,667	439,431	-1,463,931	25,510,022	-95	28,511,094	As at March 31, 2006



Notes to the consolidated financial statements as at March 31, 2006

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. They correspond especially to IAS 34 „Interim Financial Reporting“.

In accordance with IAS 34.20 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 (DRS) No. 6 on interim reporting.

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

The Management Board is satisfied that the presentation of the assets base, the financial and operating positions as well as the cash flow statements contained in this quarterly report provides a fair picture of the commercial position of the Company.

2. Reporting period

The accounts were drawn up on March 31, 2006 in respect of the period commencing on January 1, 2006 and ending on March 31, 2006.

3. Currency

All figures are shown in euros. Amounts are rounded to the nearest euro.

4. Consolidated companies

The consolidated financial statement includes the parent company, Atoss Software AG, Munich and the financial statements of all its subsidiary companies.

Atoss CSD Software GmbH, Cham
Atoss Software Ges.mBH, Vienna
Atoss Software AG, St. Gallen
Atoss Software S.R.L., Timisoara

The companies are consolidated on a full consolidation basis.

5. Changes in stockholders' equity

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

6. Treasury shares

The company held 122,666 of its own shares as at March 31, 2006. Treasury stock is reported as a separate equity item at cost of acquisition.

7. Revenues

The Company's revenues were broken down as follows:

REVENUES	01.01.2006	01.01.2005
	03.31.2006	03.31.2005
	in €	in €
Software licenses	1,073,538	1,062,929
Software maintenance	1,982,216	2,054,525
Total software	3,055,754	3,117,454
Consulting	1,345,645	1,215,223
Hardware	586,952	522,056
Other	128,680	174,965
Total revenues	5,117,031	5,029,697

Revenues are distributed geographically as follows:

	01.01.2006	01.01.2005
	03.31.2006	03.31.2005
	in €	in €
Germany	4,680,069	4,267,635
Austria	316,978	465,228
Switzerland	77,747	240,246
Total German speaking countries	5,074,794	4,973,109
Other countries	42,237	56,588
Total	5,117,031	5,029,697

Fit for change



"In the last years there has been a lot of change in the working hours of physicians, care and nursing personnel and in future we will have to cope with new collectively bargained and operational regulations. With the help of our system we can easily map and adjust to changes dictated by instances outside of our facility. On the other hand, we have an instrument that enables us to allocate the working hours at our disposal without compromising on the quality of care we provide. In this way, we can remain true to our original philosophy and understanding of our vocational mission."

Franz Dussmann, head of care services, Klinikum Rosenheim

The "Klinikum Rosenheim" is a hospital looking back on a long tradition. In 1873, a hospital with 60 beds had already been established on the same location in Rosenheim. Today's modern complex with 640 beds was built in 1968 and extended in 1996. As a hospital representing a locational focus facility it serves the city of Rosenheim as well as the entire administrative district of Rosenheim with some 300,000 inhabitants. Operating 12 specialized stations, the facility employs some 1,300 professionals providing medical care for around 58,000 in-patients and outpatients. The Klinikum Rosenheim is also a teaching facility affiliated with the Ludwig-Maximilians-University of Munich, and maintains its own vocational training school for nursing.

Aims and objectives

- Integration of time management and work planning
- Shorter wage accounting process
- Optimized utilization of working hours
- Better nursing care quality
- Preparation for upcoming changes in connection with collective wage agreements and ECJ rulings

Results:

- More balanced work planning
- Enhanced fairness in work load distribution
- 50 percent lower administration input
- Greater transparency and better steering and monitoring of working hours

8. Segment reporting

The Company only has one activity segment as defined in IAS 14. It consists of the provision, marketing and implementation of software solutions for efficient employee resource deployment. Also in geographical terms, German-speaking countries represented a single segment within the meaning of IAS 14.

The individual software solutions consist of:

Atoss Staff Efficiency Suite (ASES) and Atoss Startup Edition (ASE):

ASES and ASE are time management and personnel resource planning software solutions for customers in all sectors and for all company dimensions. User services and training are normally provided with these software solutions. Furthermore, consultancy services are also provided, both within the operational environment as well as with respect to corporate or collective agreements aiming to develop optimum solutions for the efficient deployment of personnel resources and to make meaningful use of the existing scope. The Company also markets hardware components for time measurement as well as recording media as resale goods. The ASES/ASE software solution is used on all the major market-accessible system platforms and databases and as a result of its extensive customization functions fulfills the very high demands of customers irrespective of the size of the company and the sector of activity.

Atoss Time Control (ATC):

ATC offers time management and personnel deployment planning for smaller and medium-sized customer groups as well as for large decentralized organizations. Atoss also offers the corresponding user services and training as well as consultancy services for ATC. The Company sells hardware and recording media. The ATC software solution runs on Microsoft Windows system platforms using the market-normal SQL databases and its particularly high degree of user friendliness and ease of use is well-known among smaller and medium-sized customers as well as large decentralized organizations.

AENEIS:

This is a software solution for business process management aimed at customers in all sectors and of all sizes. It is sold normally with implementation, training and consulting services for business process optimization. Until the third quarter of 2005, the AENEIS software solution was in principle covered from construction to marketing via implementation consultancy into the whole organizational structure. The final restructuring was completed with the disposal of the AENIS software solution under an agreement dated December 21, 2005 and its transfer with effect from January 1, 2006 to intellior AG.

SOFTWARE SOLUTIONS		
	01.01.2006	01.01.2005
	03.31.2006	03.31.2005
	in €	in €
Revenues		
ATOSS Staff Efficiency Suite (ASES) and ATOSS Startup Edition (ASE)	4,813,042	4,585,339
ATOSS Time Control (ATC)	303,989	274,918
AENEIS	0	169,441
Total	5,117,031	5,029,697
EBIT		
ATOSS Staff Efficiency Suite (ASES) and ATOSS Startup Edition (ASE)	239,801	250,840
ATOSS Time Control (ATC)	24,120	-30,151
AENEIS	442,059	-177,886
Total	705,980	-42,803

9. Other operating income

Other operating income consists mainly of income from the disposal of AENEIS.

10. Expenditure

Marketing costs rose mainly as a result of the movement of employees from other departments into the marketing division. With respect to this, production and administration costs fell in particular.

11. Tax expense

The consolidated tax expense as at March 31, 2006 was broken down as follows:

TAX EXPENSE		
	01.01.2006	01.01.2005
	03.31.2006	03.31.2005
	in €	in €
Pre-tax income under IFRS	862,301	84,223
Projected tax charge (2006: 40.86%, 2005: 40.86%)	-352,336	-34,414
Non-deductible operating expenses	-6,063	-5,815
Permanent differences arising from convertible bonds	-19,907	-32,619
Differences in tax rates	12,917	-2,848
Group tax charge	-365,389	-75,695

12. Personnel costs

Personnel costs as at March 31, 2006 were broken down as follows:

PERSONNEL COSTS	01.01.2006	01.01.2005
	03.31.2006	03.31.2005
	in €	in €
Wages and salaries	2,457,799	2,583,426
Social security, pension and other benefits	445,480	555,379
Effects of convertible bond program	48,719	79,813
Total	2,951,998	3,218,618

13. Employees

The company employed 165 people as at March 31, 2006 compared with 180 as at March 31, 2005. A total of 49 (previous year: 55) of these employees are active in product development, 43 (previous year: 51) in the professional services and consulting areas and 41 (previous year: 37) in sales and marketing.

14. Management Board

The Management Board of ATOSS Software AG had two members as at March 31, 2006:

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

Pursuant to a decision of the Supervisory Board in April 2006, Mr. Leiber's management contract, which was due to expire on March 31, 2007, was extended by a further five years.

15. Supervisory Board

The Supervisory Board of ATOSS Software AG had three members as of March 31, 2006.

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

16. Shares held by corporate officers

The corporate officers held the following ATOSS shares as at March 31, 2006:

	03.31.2006	12.31.2005	30.09.2005	30.06.2005	03.31.2005
Andreas F.J. Obereder	1,971,184	1,971,184	1,946,184	1,946,184	1,946,184
Peter Kirn	13,760	13,760	13,760	13,760	11,260
Bernhard Dorn	13,000	13,000	7,000	7,000	7,000

Current and former corporate officers held the following options on ATOSS's shares by way of convertible bond subscriptions as at March 31, 2006:

	03.31.2006	12.31.2005	30.09.2005	30.06.2005	03.31.2005
Andreas F.J. Obereder	5,000	5,000	15,000	15,000	15,000
Board Member	20,667	22,000	23,668	23,668	23,668
Dr. Burkhard Scherf	5,000	10,000	10,000	10,000	10,000
Peter Kirn	12,000	12,000	18,000	18,000	18,000
Bernhard Dorn	12,000	12,000	18,000	18,000	18,000
Rolf Baron Vielhauer von Hohenhau	12,000	12,000	18,000	18,000	18,000

17. Convertible bonds

In the first three months of fiscal 2006, 27,392 convertible bonds were exercised. No convertible bonds were issued or redeemed. 133,785 convertible bonds were outstanding as of March 31, 2006.

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

EXERCISE PRICE	Outstanding	Contractual	potential
	convertible bonds	validity in years	exercise rights
Current and former Board members			
11,68	15,000	5,2	0
9,51	36,000	5,4	0
9,02	5,000	4,5	2,500
5,21	10,667	1,0	0
	66,667		2,500
Employees			
11,68	31,000	5,2	0
9,47	3,000	5,6	0
9,02	20,000	4,5	9,500
5,21	13,118	1,0	12
	67,118		9,512
	133,785		12,012

18. Information on reportable securities transactions

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

AXXION S.A., Luxembourg, has held voting rights of less than 5% of the share capital since February 2, 2006 and according to information in the Company's possession these total 2.7989%.

19. Earnings per share

The earnings per share figure is calculated by dividing the earnings for the period of €496,912 by the weighted average number of outstanding shares. Between January 1, 2006 and March 31, 2006 an average of 3,890,198 convertible bonds were in circulation. Earnings per share for this period therefore amount to €0.13 compared with €0.00 in the first three months of 2005.

In order to calculate the diluted profit per share, the profit for the period requires adjustment for interest expenses on convertible bonds in an amount of €1,282. In addition, the average number of outstanding shares was increased by the additional shares arising from the conversion of bonds. Between January 1, 2006 and March 31, 2006 there was an average of 146,376 convertible bonds in circulation. As a result, diluted earnings per share amounted to €0.12 compared with €0.00 in the previous year.

20. Post balance sheet events

After the end of the quarter there were no reportable post balance sheet events.

Disclaimer

This report contains forward-looking statements that are based on the conviction of the Management Board of Atoss Software AG and reflect current assumptions and estimations. The forward-looking statements are subject to risks and uncertainties. Many facts that cannot currently be predicted may mean that the actual performance and the earnings of Atoss Software AG develop a different manner. This could include the following: the non-acceptance of newly introduced products or services, changes in the general economic and business climate, the failure to achieve efficiency and 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 expectations will materialize as outlined.

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