

ATOSS



Quarterly Report Q1.2005



ATOSS®

Dear Shareholders, Dear ladies and gentlemen,



Andreas F.J. Obereder
Management board chairman



Christof Leiber
Management board member

Economic environment:

- Markets diverging, branch environment negative

ATOSS:

- sales and earnings trend in line with expectations
- notable increase in interest shown by larger companies, incoming orders for software licenses considerably ahead of previous year
- outlook on Q2 and overall year positive

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In the first quarter of the ongoing business year a consistent market or business trend has failed to emerge. While exports continue on a high level, domestic demand has apparently not picked up. Individual sectors such as the construction industry have even suffered drastic declines.

The branch environment in which ATOSS operates is also showing widely diverging developments. While the statements issued by the branch association Bitkom indicate increasing optimism, the quarterly reports issued by technology corporations mostly reflect a very negative picture. A considerable number of companies based in the USA such as Siebel or IBM, in addition to an increasing number of Far East companies have surprised with negative news. Some players have announced declines in earnings from licenses of up to 40% over the previous year. In view of the fact that the US IT market, which is the world's largest IT market, finds itself in such a difficult situation, it can hardly be possible to derive positive conclusions for the further developments in Europe – at least at the present point in time.

The respective associations have currently not issued any figures for the German software market. While Bitkom anticipates sales gains of 5.5% for 2005, according to the company reports issued for the first quarter a decline in the region of 2 to 4% would appear to be emerging.

ATOSS: Growth in the core software business, declines recorded in other business areas

While our sector of the industry presented a more negative picture ATOSS, in the first quarter of 2005, succeeded in its core business area of software in achieving higher sales and booking a considerable increase in incoming orders. Sales in the software division moved up by 8 % to € 3.1 million. In this context, software maintenance also showed very positive developments with sales gaining by 11% to € 2.1 million. The increase was lower in the area of software licenses at 3% to € 1.1 million, whereby the negative branch environment must be considered in addition to the fact that the noticeable rise in incoming orders was only recorded at the end of March. Consequently, these orders have not impacted earnings in the first quarter of the ongoing year, but represent a very good foundation for further developments.

In the other operating areas, we recorded sales declines of 11% in consulting to € 1.2 million, and a drop of 32% in hardware to € 0.5 million.

All in all, our sales of € 5.0 million are within the bandwidth previously outlined.

Considerably more positive presentation of result would have been possible

Against the backdrop of slightly lower sales in connection with the continuation of high investments, our result is lower. In the first quarter of 2005 the operating result was balanced, following on a slight surplus of € 0.1 million the year before. At € 1.3 million, the cash flow was lower than the previous year's figure of € 1.9 million. With this performance, however, ATOSS continues to generate an above average cash flow of 27% of sales.

As per March 31, 2005, liquid means (financial resources) amounted to € 27.9 million (previous year: € 33.6 million), whereby it must be considered that ATOSS made a dividend outpayment of € 5.7 million at the end of 2004. With an equity ratio of 80.4 % our corporation continues to enjoy a very solid financial footing.

With a look to the very high investment rate that is currently in the region of 22 % it would certainly have been possible in the past as well as in the ongoing business year to have presented a considerably better result by reducing the volume of investments. Against the backdrop of our corporate strategy, a very short-term oriented profit maximization at the expense of our long-term development is out of the question is not regarded as a viable option.

ATOSS: Increasing indications of growth strategy gaining traction

In addition to a rising volume of incoming orders, especially in software licenses, the gratifying developments of the past year in the acquisition of new customers in the SME area (small and medium-size enterprises) have continued. Decisive for our corporate success and for the genuine success of our growth strategy will be to record considerably increasing interest on the part of potential large-scale customers, and that this rising pipeline volume of concrete project enquiries also results in orders in the further course of the year.

Unfortunately, it has always required a great deal of patience before actual orders have been generated from project enquiries. While in the two past years we have been able to realize one major order out of a lower number of negotiations, we are now operating on a somewhat broader basis. This gives rise to optimism for the further course of the year.

All in all, rising sales and earnings anticipated for second quarter as well as the year 2005

Based on the increased order intake we expect the ongoing second quarter to show higher sales and enhanced earnings over the first quarter.

Whether we will be able to exceed the very good figures of the same period last year, in which a major order placed by Edeka boosted developments considerably, would appear uncertain at the present point in time.

For the 2005 business year as a whole we continue to anticipate higher sales and enhanced performance. The attainment of these targets, however, depends to a considerable extent on whether we are able to generate concrete order placements based on the increased number of larger projects compared to the last year that are reflected in the pipeline.

Dear ladies and gentlemen, our strategy is beginning to bear fruit. We will continue to advance our strategy accordingly. ATOSS is pursuing the clearly defined objective of further developing the business model in a scalable manner. In this context, we will also continuously examine throughout the year as to whether there are investment requirements that extend beyond the positive cash flow.

If, in the further course of the year, we determine in connection with medium-term liquidity planning that the needs for financial resources does not extend beyond the anticipated positive operative cash flow, we could well consider making additional special outpayments from our current liquidity position of around € 28 million. A decision on these matters will be made at the latest in preparing the annual accounts for the year 2005.

Thanks to our high investments we have taken a tremendous step forward. We have achieved a position in which the ATOSS solutions and products can be integrated into a wide range of different system environments. In

terms of technology, we are open for close cooperation activities with other system providers and a very wide range of customer and industry requirements.

Against the backdrop of the many positive signs we hope that our growth strategy will run a successful course and would be pleased if you would continue to accompany us as shareholders and business partners.

Sincerely yours,



Andreas F.J. Obereder
(Chairman of the management board)



Christof Leiber, LL. M.
(Management board)

CONSOLIDATED OVERVIEW: THREE MONTH COMPARISON TO MARCH 31, 2005 IN T€ (AS PER IFRS)

	2005		2004		Change 2005 v. 2004
	from 01.01. to 31.03.	Proportion of Total sales	From 01.01. to 31.03.	Proportion of Total sales	
Sales	5,030	100%	5,172	100%	-3%
Software	3,117	62%	2,884	56%	8%
of wich software licenses	1,063	21%	1,030	20%	3%
of wich software maintenance	2,055	41%	1,854	36%	11%
Consulting	1,215	24%	1,368	26%	-11%
of wich Professional Services	1,079	21%	1,130	22%	-4%
of wich Consulting	136	3%	238	5%	-43%
Hardware	522	10%	767	15%	-32%
Miscellaneous	175	3%	153	3%	15%
EBITDA	172	3%	301	6%	-43%
EBITCB⁽¹⁾	37	1%	118	2%	-69%
EBIT	-43	-1%	85	2%	-150%
EBIT %	-1%		2%		
EBT	84	2%	356	7%	-76%
Net Income	9	0%	207	4%	-96%
Cash flow	1,348	27%	1,924	37%	-30%
Financial resources⁽²⁾	27,916		33,574		-17%
EPS (in €)⁽³⁾	0.00		0.05		-96%
Employees⁽⁴⁾	180		176		2%

CONSOLIDATED OVERVIEW: QUARTERLY COMPARISON IN T€ (AS PER IFRS)

	2005				2004
	Q1	Q4	Q3	Q2	Q1
Sales	5,030	5,558	5,489	5,607	5,172
Software	3,117	3,225	3,134	3,381	2,884
of wich software licenses	1,063	1,266	1,187	1,444	1,030
of wich software maintenance	2,055	1,959	1,947	1,937	1,854
Consulting	1,215	1,512	1,388	1,530	1,368
of wich Professional Services	1,079	1,275	1,125	1,143	1,130
of wich Consulting	136	237	263	387	238
Hardware	522	600	715	513	767
Miscellaneous	175	221	253	184	153
EBITDA	172	504	559	751	301
EBITCB⁽¹⁾	37	335	520	515	118
EBIT	-43	262	434	450	85
EBIT %	-1%	5%	8%	8%	2%
EBT	84	387	580	422	356
Net Income	9	195	237	238	207
Cash flow	1,348	-758	493	-20	1,924
Cashflow per share⁽³⁾	0.35	-0.26	0.13	-0.01	0.51
Financial resources⁽²⁾	27,916	26,589	27,911	27,669	33,574
Financial resources per share⁽³⁾	7.33	7.00	7.39	7.27	8.83
EPS⁽³⁾	0.00	0.05	0.06	0.06	0.05
Employees⁽⁴⁾	180	179	183	174	176

⁽¹⁾ EBIT before cost 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 euro; ⁽⁴⁾ At the end of the quarter



Management report

Software activities continue to develop positively

In the period from January to March 2005, ATOSS consolidated sales amounted to € 5.0 million (previous year: € 5.2 million). The software division showed positive developments and contributed sales of € 3.1 million (previous year: € 2.9 million). Software maintenance generated sales gains of € 1.8 million to € 2.1 million, while software licenses recorded sales of € 1.1 million, representing slight growth. In the consulting area ATOSS reported sales of € 1.2 million (previous year: 1.4 million), while hardware returned € 0.5 million (previous year: € 0.8 million).

In the first three months of the ongoing business year incoming orders in software licenses rose markedly from the prior year figure of € 0.9 million to € 1.3 million as per March 31, 2005. As a result, we have a sound foundation for the following quarters.

First quarter operating result impacted by lower sales

In the first quarter the operating result (EBIT) was within the bandwidth to be anticipated and was balanced, following on € 0.1 million the year before. Earnings before interest, tax and costs of the convertible bonds employee participation program (EBITCB) was slightly positive as of March 31, 2005 (previous year: € 0.1 million). Pre-tax earnings (EBT) stood at € 0.1 million (previous year: € 0.4 million), while the result for the period (net income), also due to the higher tax ratio according to IFRS was only slightly positive (previous year: € 0.2 million).

We have continued to pursue our very conservative investment policy geared to retaining and securing capital. As before, the only investments permissible are time deposit investments or federal bonds with short maturity terms.

Restricted comparability of result according to IFRS

EBITCB is our key internal control and monitoring benchmark figure, in other words, our operating result adjusted by the effects resulting from the employee participation model, and thereby adjusted by non cash relevant personnel expenditures attributable to the switchover of accounting to IFRS.

As previously reported, ATOSS had decided at an early stage, one year before the legally mandated date set for the conversion to IFRS (International Financial Reporting Standards) to make the change. This has resulted in certain effects, especially with regard to the employee participation program, that had not arisen in the previous years of reporting according to US GAAP. The expenditure from this conversion with regard to the reporting of the employee participation program amounted to around 11 cents per share in the year 2004, and is expected to come to around 15 cents per share in 2005.

Against this backdrop, the corporation's tax ratio also appears to be considerably increased, as the expenditure resulting from the convertible bonds is not tax deductible. ATOSS has therefore decided as of the first quarter of 2005 to show transitional presentation of taxation

in the quarterly reports that renders these effects transparent for our shareholders.

This legally mandated conversion of accounting standards has considerably impaired the comparability of the results of the previous years that were reported according to US-GAAP.

Investments: Ratio once again increased slightly to 22%

As previously, there is no capitalization of intangible assets produced by the company. Therefore, ATOSS reports investments in the further development of products directly in the form of current expenditure. At € 1.1 million (previous year: € 1.0 million), the share of investment volume in research and development was stepped up once again by 7%. As of March 31, 2005, there are 55 software programmers (previous year: 41) active in the research and development area in the further development of existing products as well as the creation of new functionalities. Within the context of our growth strategy, personnel resources were boosted considerably in the year 2004.

The key aim: Substantial organic growth

The investments committed are targeting substantial, organic growth. To this end, considerable funds were invested in new products and solutions, organization and towards gaining enhanced market access. Following on an investment rate (in terms of sales) in 2004 of around 20%, the volume of investments was stepped up once again in the first quarter to 22%.

At key trade fairs this year such as CeBit in Hanover or EuroShop in Dusseldorf a host of product novelties have already been presented and very well received. Based on new technologies, ATOSS solutions can now be deployed in and are compatible with a wide range of different system environments. The products and solutions are available as Java versions, or on the basis of a framework technology, and area therefore also open for cooperation ventures with other system providers. Thanks to these developments ATOSS is now in a position to assist customers of every size and every branch and industry in achieving a more efficient deployment of personnel resources and fully exploiting the entire market potential with the company's products.

Apart from investments in products and solutions, considerable funds were also committed to enhancing market access and organization. In this context, branch competence was strengthened and the integration of consulting into sales activities was advanced. Especially in the wholesale/retail sector ATOSS formed a team of branch specialists to deal with increasing markets demand, while considerable consulting resources were made available to support sales in the area of large-scale clients.

Especially notable in the investments committed to the organization are the building up of the development location in Romania and the continuation of the "Young Professional Program" initiated in 2004 for the recruiting and involvement of new staff with excellent college and university education. In the course of a two-year development

plan, these junior members of staff are prepared and trained to take over responsibility in a technical or executive position.

In building up the development location in Romania, an important step was taken towards securing the capabilities on the product side to meet future challenges at reasonable costs and within short response periods.

Company continues to show very positive cash flow and high liquidity

In the first quarter of 2005, in the period from January to March, ATOSS posted a total cash flow from operative business activities of € 1.3 million (previous year: € 1.9 million), or € 0.35 per share.

Cash flow from investment activities amounted to € -0.1 million (previous year: € -4 thousand), while cash flow from financing activities as in the previous year came to € 0.1 million (previous year: € 0.4 million).

Liquidity, reported under the term of "financial resources" includes cash, cash equivalents and marketable securities. As of March 31, 2005 this figure stood at € 27.8 million (following on € 33.5 million on March 31, 2004).

In terms of the average volume of traded shares, financial resources are recorded at € 7.33 per share.

As of March 31, 2005 equity capital of ATOSS Software AG stood at € 27.2 million, while the equity ratio was at 80% as in the year before.

Outlook on 2005 positive

In the first months of the year 2005 the domestic markets have showed only modest growth rates. While export business continues to proceed on a high level, the impulses that would generate domestic investment are lacking. Against this backdrop, the outlook for the further course of the year is modest. The domestic market will apparently remain weak, and the high crude oil prices represent an increasing risk for the performance of the German economy. This is also reflected in forecasts that accord Germany gains in gross national product of a mere 0.6 to 0.9 %, while growth for the euro-zone is anticipated at 1.6% and even at 4.1% for the USA.

Contrary to growing optimism most recently perceived by the Bundesverband Informationswirtschaft, Telekommunikation und neue Medien e.V. (BITKOM), an increase in investment propensity is not in evidence in our direct market environment. This marks the continuation of the corporate investment backlog we have been witnessing since a number of years. With a look to the developments in the USA and the Far East, declining demand would appear more likely at least over the coming months.

In the first quarter of 2005 ATOSS Software AG continued to acquire a gratifying number of new customers in the SME area, and recorded a rise in incoming orders, as well as a perceptible increase in interest shown by potential large scale customers.

Consequently, our growth strategy is increasingly generating positive signals and we are confident that we will be able boost sales and earnings in the ongoing second quarter over the first quarter. Moreover, we are also looking with optimism to the overall year and anticipate posting better earnings in connection with higher sales. As before, the success of our company depends on more strongly addressing our business with existing customers, as well as expanding our position with large-scale customers, in other words, our position in the premium segment.

Over the medium term, the growth strategy is expected to significantly increase our market shares and generate marked growth potential; in connection with higher sales and an EBIT margin of well over 10%, we will also arrive at higher performance in absolute terms.

Over the long-term, the adjusted share continues to reflect positive developments

In the long-term chart we have presented the development of the ATOSS share by market comparison without adjustment by the two major

outpayments (as is unfortunately customary in German chart presentations), as well as adjusted (dotted line as of the end of 2003).

In the ongoing year 2005 the ATOSS share has outperformed the Prime Software reference index, while its performance matches that of German technology stocks all in all. The Prime Software Index lost 4%, the Tec Dax just under 1%, while the ATOSS share posted a slight gain of 1%. At the beginning of the year our share was listed at € 9.80, whereas the top listing was on January 14, 2005 at € 10.60 and the lowest price was noted on March 17, 2005 at € 9.12..



Analysts continue to rate us as an “outperformer”

In view of the above, our company is still only accorded a slightly enhanced rating based on our high liquidity. Therefore, we continue to perceive investments in ATOSS as holding more opportunities than risks.

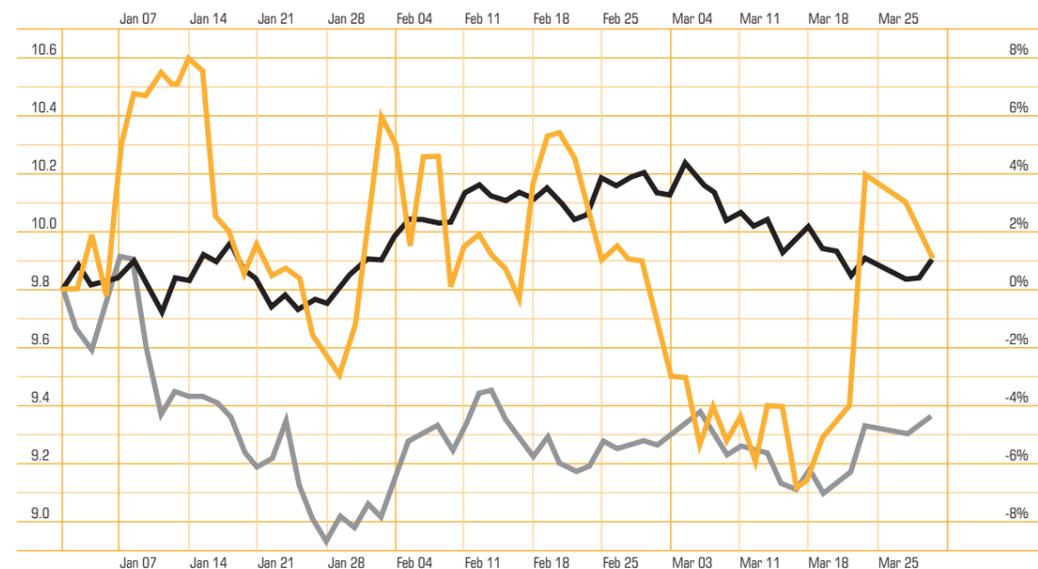
In the ongoing year the management board has already conducted a number of very interesting talks with potential investors, shareholders and analysts. SES is the most recent research firm to issue an evaluation of our corporation. SES continues to uphold the rating of “outperformer” and the firm cited € 12 as an appropriate share price level.

Shareholders’ meeting adopts all resolutions unanimously

At the General Meeting held on April 29, 2005 in Munich the management board reported on the corporate strategy in detail. After all questions had been answered in the context of the general round of discussions, the shareholders cast their votes on the individual items on the agenda. The proposals submitted by company administration were adopted unanimously. Among other items, the shareholders approved of the proposal to make a dividend outpayment of 11 cents per share. Within the context of the ATOSS dividend policy, the

outpayment ratio of 50% places the company at the upper end of the outpayment bandwidth of 30 to 50% planned for the medium term. Based on the anticipated increases in earnings, the management board plans to increase the dividend in future.

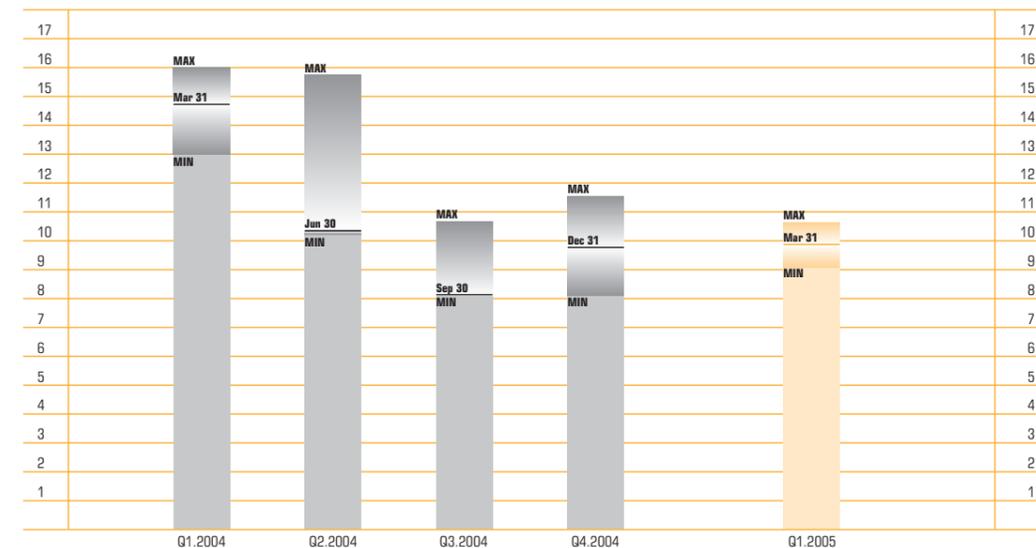
In this way, in addition to the opportunities associated with investments in the market in which ATOSS is active, our shareholders are provided with the high measure of reliability ensuing from the respective dividend yield.



Short-term development of the ATOSS share

ATOSS AG
Technology All Share
Prime Software

ATOSS Share price
Maximum and
Minimum share price
Price at end of the
quarter



KEY FIGURES PER SHARE

	2005				2004
	Q1	Q4	Q3	Q2	Q1
Maximum share price	10.60	11.55	10.70	15.75	16.00
Minimum share price	9.12	8.10	8.10	10.20	13.00
Price at end of quarter	9.90	9.80	8.11	10.31	14.77
Number of shares held in treasury ⁽¹⁾	206,334	231,102	231,102	204,635	204,635
Outpayment per share	0.00	0.00	0.00	1.50	0.00
Cash flow per share ⁽²⁾	0.35	-0.26	0.13	-0.01	0.51
Financial resources per share ⁽²⁾	7.33	7.00	7.39	7.27	8.83
EPS ⁽²⁾	0.00	0.05	0.06	0.06	0.05
EPS (diluted) ⁽²⁾	0.00	0.05	0.06	0.06	0.05

⁽¹⁾ at end of quarter; ⁽²⁾ Cash flow, financial resources and EPS: based on the average number of shares in circulation (3,806,724 shares)

CONSOLIDATED FINANCIAL STATEMENT TO MARCH 31, 2005

ASSETS

	Mar. 31, 2005	Dec. 31, 2004
	in €	in €
Current assets		
Cash and cash equivalents	27,911,544	26,583,788
Marketable securities	4,812	4,756
Trade accounts receivable	3,837,495	3,381,825
Inventories	18,327	14,143
Prepaid expenses and other current assets	756,848	470,278
Total current assets	32,529,026	30,454,789
Non current assets		
Property, plant and equipment	442,814	454,129
Intangible assets	349,214	430,050
Deferred taxes	548,541	571,790
Total non current assets	1,340,569	1,455,969
Total assets	33,869,596	31,910,758

CONSOLIDATED FINANCIAL STATEMENT TO MARCH 31, 2005

LIABILITIES AND SHAREHOLDERS' EQUITY

	Mar. 31, 2005	Dec. 31, 2004
	in €	in €
Current liabilities		
Trade accounts payable	307,044	424,521
Accrued expenses	1,152,877	1,554,487
Deferred revenues	2,925,266	610,575
Income tax payable	93,924	103,715
Other current liabilities	507,046	561,730
Total current liabilities	4,986,156	3,255,028
Non-current liabilities		
Long-term debt, less current position	228,121	257,321
Pension accrual	1,414,338	1,379,145
Deferred taxes	14	0
Total non-current liabilities	1,642,473	1,636,466
Shareholder's equity		
Share capital	4,025,667	4,025,667
Additional paid-in capital	20,100,453	20,166,012
Treasury stock	-2,027,470	-2,306,204
Retained earnings	5,42,317	5,133,789
Total shareholder's equity	27,240,966	27,019,264
Total liabilities and Shareholder's equity	33,869,596	31,910,758

INCOME STATEMENT TO MARCH 31, 2005

	Quarterly report	
	Jan. 01, 2005 Mar. 31, 2005 in €	Jan. 01, 2004 Mar. 31, 2005 in €
Revenues	5,029,697	5,171,688
Cost of revenues	-1,818,935	-2,052,215
Gross profit	3,210,762	3,119,473
Selling and Marketing expenses	-1,416,781	-1,492,478
General and administrative expenses	-762,008	-752,003
Research and development	-1,086,084	-1,015,464
Other operation income	11,309	225,354
Operating income / loss	-42,803	84,882
Interest income	127,026	271,190
Result before income taxes	84,223	356,072
Income tax	-75,695	-149,196
Net income / loss	8,528	206,876
Net income per share (basic)	0.00	0.05
Net income per share (diluted)	0,00	0.05
Weighted average shares outstanding (basic)	3,806,724	3,800,411
Weighted average shares outstanding (diluted)	4,058,852	4,068,288

CONSOLIDATED CASH FLOW STATEMENT TO MARCH 31, 2005

	Quarterly report	
	Jan. 01, 2005 Mar. 31, 2005 in €	Jan. 01, 2004 Mar. 31, 2005 in €
Cash flow from business operations		
Net income for the year	8,528	206,876
Depreciation of fixed assets	215,199	216,202
Costs resulting from the disposal of fixed assets	1,606	628
Increase / decrease in deferred taxes	23,263	-26,360
Expenses resulting from share options program	79,831	6,145
Provisions for pension commitments	35,193	56,250
Changes in net current assets		
Trade receivables	-455,671	-31,563
Inventories	-4,184	0
Prepaid expenses and other short-term assets	-286,570	-260,694
Trade accounts payable	-117,477	116,070
Short-term provisions	-401,611	-672,933
Deferred revenues	2,314,691	2,080,385
Tax accruals	-9,791	95,969
Other short-term liabilities	-54,685	137,171
Cash generated through business operations	1,348,324	1,924,146
Cash flow from investment activities		
Fixed assets purchases	-124,655	-88,587
Revenue from disposals of tangible fixed assets	0	543
Disbursements resulting from purchase of short-term investments	0	-2,119
Net disposals of securities	0	86,368
Cash generated through investment activities	-124,655	-3,795
Cash flow from financing activities		
Disbursements from the disposal of treasury stock	0	-459,641
Income from the disposal of treasury stock	108,993	814,394
Disbursements resulting from the repurchase of convertible bonds	-4,850	0
Disbursements for the repayment of loans	0	-639
Cash generated through financing activities	104,143	354,114

CONSOLIDATED CHANGES IN EQUITY AS PER MARCH 31, 2005 AND MARCH 31, 2004

	Subscribed capital in €	Capital reserves in €	Less treasury stock in €	Unappropriated earnings in €	Consolidated changes in equity in €	Total in €	
Status Jan. 01, 2004	4,025,667	19,990,630	-1,936,400	9,935,911	-69,211	31,946,597	Status Jan. 01, 2004
Result for the period	0	0	0	206,876	0	206,876	Result for the period
Purchase of treasury stock	0	0	-459,641	0	0	-459,641	Purchase of treasury stock
Sale of treasury stock	0	61,154	449,162	0	0	510,316	Sale of treasury stock
Withdrawal from capital reserve	0	0	0	0	-156,600	-156,600	Withdrawal from capital reserve
Unrealized losses in the ongoing year	0	0	0	0	69,211	69,211	Unrealized losses in the ongoing year
Realized losses	0	0	0	0	-5,162	-5,162	Realized losses
Status Mar. 31, 2004	4,025,667	20,051,784	-1,946,879	10,142,787	-161,762	32,111,598	Status Mar. 31, 2004
Status Jan. 01, 2005	4,025,667	20,166,012	-2,306,204	5,133,789	0	27,019,264	Status Jan. 01, 2005
Result for the period	0	0	0	8,528	0	8,528	Result for the period
Sale of treasury stock	0	-145,391	278,734	0	0	133,343	Sale of treasury stock
Income from convertible bonds	0	79,831	0	0	0	79,831	Income from convertible bonds
Status Mar. 31, 2005	4,025,667	20,100,452	-2,027,470	5,142,317	0	27,240,966	Status Mar. 31, 2005



Notes to the Consolidated Financial Statements as of March 31, 2005

1. General

The present quarterly financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), and in particular in compliance with IAS 1.14. The requirements contained in the German Accounting Standards (DRS) No. 6 regarding interim reporting have likewise been fulfilled.

Pursuant to IAS 34 "Interim Financial Reporting" the present statements include a consolidated balance sheet, a consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity and explanatory notes to the consolidated statements.

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

The management board is satisfied that the information provided on the asset, financial and earnings situation, as well as the cash flow, conveys an impression of the economic situation of the company that accords with the true circumstances.

2. Currency

All of the figures are in euro.

3. Group of consolidated companies

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

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

These companies are fully consolidated.

4. Changes in equity

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

5. Treasury stock

On March 31, 2005 the company held 206,334 shares in treasury. Treasury stock is reported as a separate equity item at cost of acquisition.

6. Sales

In the ongoing business year company sales were distributed as follows:

SALES, RESULTS	Jan. 01, 2005	Jan. 01, 2004
	Mar. 31, 2005	Mar. 31, 2004
	in €	in €
Software licenses	1,062,929	1,030,169
Software maintenance	2,054,525	1,853,902
Software, total	3,117,454	2,884,071
Professional Services	1,079,156	1,129,626
Consulting	136,067	238,323
Consulting, total	1,215,223	1,367,950
Hardware	522,056	766,600
Miscellaneous	174,965	153,067
Total sales	5,029,697	5,171,688

The geographic distribution of sales is as follows:

SALES, RESULTS	Jan. 01, 2005	Jan. 01, 2004
	Mar. 31, 2005	Mar. 31, 2004
	in €	in €
Germany	4,267,635	4,393,930
Austria	465,228	266,441
Switzerland	240,246	351,526
German speaking regions, total	4,973,109	5,011,897
Other countries	56,588	159,791
Total	5,029,697	5,171,688

7. Tax expenses

The consolidated tax expenses are shown in the following:

TAX EXPENSES	Jan. 01, 2005	Jan. 01, 2004
	Mar. 31, 2005	Mar. 31, 2004
	in €	in €
Pre-tax result	84,223	356,072
Anticipated group tax expenses (2005: 40,86%, 2004: 40,86%)	-34,414	-145,491
Non-deductible operating expenses	-5,815	-609
Permanent differences resulting from convertible bonds	-32,619	-2,511
Other taxes	-2,848	-585
Group tax expenses	-75,695	-149,196

8. Personnel costs

PERSONNEL COSTS	Jan. 01, 2005	Jan. 01, 2004
	Mar. 31, 2005	Mar. 31, 2004
	in €	in €
Wages and salaries	2,583,426	2,509,102
Social security contributions and expenditure on retirement pensions and welfare	555,379	554,770
Effects resulting from convertible bonds programs	79,813	32,787
Total	3,218,618	3,096,659

9. Employees

As of March 31, 2005 the company employed 180 members of staff, while this figure stood at 176 on March 31, 2004. A total of 55 employees (previous year: 41) are active in product development, 51 (previous year: 53) in the areas of Professional Services and Consulting, while another 37 (previous year: 39) are engaged in sales and marketing.

10. Management board

As of March 31, 2005, the ATOSS Software AG management board consisted of two members:

Andreas F.J. Obereder	Chairman of the management board
Christof Leiber	Management board member

11. Supervisory board

As of March 31, 2005 the ATOSS Software AG supervisory board comprised three members:

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

12. Board member shareholdings

On the reporting date March 31, 2005, board members held the following numbers of ATOSS shares:

	Mar. 31, 2005	Dec. 31, 2004	Sep. 30, 2004	Jun. 30, 2004	Mar. 31, 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	11,260	11,260	11,260	11,260	11,260
Bernhard Dorn	7,000	7,000*	7,000	1,000	1,000
Rolf Baron Vielhauer von Hohenhau	0	0	0	0	0

* Per Dec. 31, 2004 due to a mistake 1,000 have been reported.

On the reporting date of March 31, 2005, as a result of subscriptions to convertible bonds, present and former board members held the following options on ATOSS shares:

	Mar. 31, 2005	Dec. 31, 2004	Sep. 30, 2004	Jun. 30, 2004	Mar. 31, 2004
Andreas F.J. Obereder	15,000	15,864	15,864	15,864	15,864
Christof Leiber	23,668	23,668	23,668	23,668	23,668
Dr. Burkhard Scherf	10,000	15,864	15,864	15,864	15,864
Peter Kirn	18,000	24,000	24,000	12,000	12,000
Bernhard Dorn	18,000	18,000	18,000	12,000	12,000
Rolf Baron Vielhauer von Hohenhau	18,000	24,000	24,000	12,000	12,000

13. Convertible bonds

In the first three months of the 2005 business year, 24,768 convertible bonds were exercised, 4,767 convertible bonds were paid back and 83 convertible bonds were returned. As of March 31, 2005, a total of 235,303 convertible bonds were outstanding.

Details of outstanding convertible bonds held by board members, former board members and employees area summarized as follows:

Exercise price in €	Outstanding options	Contractual validity in years	Possible rights to be exercised
Board members			
11.68	15,000	4.2	0
9.51	36,000	4.4	0
9.02	5,000	5.5	0
6.11	1,668	2.7	1,668
5.21	27,000	4.0	5,666
5.09	18,000	2.4	0
	102,668		7,334
Employees			
11.68	34,000	4.2	0
9.47	5,000	4.6	0
9.02	28,000	5.5	0
6.11	25,199	2.7	25,199
5.21	38,102	4.0	10,033
2.51	2,334	3.5	1,167
	132,635		36,399
Total	235,303		43,733

14. Details on reportable security transactions

In the first three months of the 2005 business year no reportable securities transactions were conducted.

15. Earnings per share

The figure for earnings per share is arrived at by dividing the result for the quarter of € 8.528 by the weighted average number of shares outstanding. From January 1, to March 31, 2005 there were an average of 3,806,724 shares in circulation. Thus earnings per share for this period amounted to € 0.00, by comparison with € 0.05 for the first quarter of 2004.

In order to calculate the diluted earnings, the result for the period is adjusted by the expenditures incurred by the interest rate shortfall in connection with the convertible bonds amounting to € 1.282. In addition, the average number of outstanding shares was increased by the addition of the potential shares to be issued as a result of convertible bonds. From January 1, 2005 to March 31, 2005 there were an average of 252,128 convertible bonds in circulation. Thus the diluted earnings per share amounted to € 0.00, in comparison with € 0.05 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.

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