



ATOSS®



Quarterly Report Q2.2005

Dear Stockholder, Ladies and Gentlemen,



Andreas F.J. Obereder
Chief Executive Officer



Christof Leiber
Management Board

Economic environment:

- Slight downturn in markets with varied positions in our sector of industry

ATOSS:

- Sales and earnings trend in line with downgraded expectations
- After a good start, order intake for software licenses below previous year's level
- Outlook for Q3 and full-year very restrained
- Investments now focused on accessing markets following on technology advances

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The economic signals once again give no cause for optimism. Industrial production rose considerably in April only to fall again slightly in May, while domestic demand is not rising. There are increasing signs that economic growth in the second quarter as a whole was slightly lower.

In our sector of industry, the branch association Bitkom remains optimistic, although domestic demand for software apparently fell in the second quarter. Customers' apparent reluctance to invest in domestic markets affected both large companies such as SAP, as well as specialized niche market companies like ATOSS.

ATOSS: sales suffered from lower order intake

The very positive growth in order intake, particularly in March, did not continue into the second quarter. When unexpectedly a large order did not materialize in June, we adjusted our forecasts. We had in fact already frequently pointed out that sales and earnings growth would be dependent on the ability to generate bigger individual orders from the increased number of promising leads.

With lower incoming orders, ATOSS posted sales of € 9.6 million in the first half-year compared with € 10.8 million in same period of the previous year.

Software maintenance revenues rose by 7% to € 4.0 million, while the lower order intake for software licenses led

to a considerable drop of 25% to € 1.8 million. Total software sales in the first half amounted to € 5.9 million compared with € 6.3 million last year.

ATOSS generated sales of € 2.5 million from consultancy services (previous year: € 2.9 million) and hardware supplies € 0.9 million (previous year: € 1.3 million).

Lower profit than previous year but investment maintained at high levels

While the EBIT was stable in the first quarter of 2005, lower sales in connection with maintaining the high investment levels led to a slightly negative EBIT in the second quarter. In the first half we reported an operating loss of € -0.2 million (previous year: € 0.5 million) with once again a high R&D investment ratio equal to 22% of sales. These investments are shown under current R&D expenditure and therefore impact on margins. Cash flow at € 0.4 million was also considerably below the previous year's level of € 1.9 million as a result of the lower sales and changes in current assets.

Liquid funds (financial resources) amounted to € 26.4 million as at June 30, 2005 compared with € 27.7 million in the previous year after a dividend distribution of € 0.11. With an equity

ratio of 85% our corporation continues to enjoy a very solid financial footing.

Strategy: Investments now focused on accessing markets following technology advances

The high levels of investment have upgraded ATOSS to a leading technological position and will be continued accordingly. Following on the technology advances, the focus is now on a targeted strengthening of market access and marketing structure. In this respect, it continues to apply that ATOSS will not generate merely short-term improvements in income by reducing investment levels. Instead of this we will stick to our long-term corporate goals. We are therefore continuing to strengthen branch and sector expertise and integrate consulting into marketing activities.

Ladies and Gentlemen, against a background of high financial resources and capital investments, which have been largely financed from our cash flow, we are often asked whether further special distributions are planned. We can, as we said at the general meeting of shareholders, completely envisage making further distributions from our existing cash flow of € 26.4 million. A decision on this subject will, however, be made when drawing up the annual accounts for fiscal 2005. Before this we need to assess and wait and see to what extent financial resources requirements exceed cash flow.

Cautious outlook for second half

Based on the results to date, we are only able to give a cautious outlook concerning the future course of business. We think it will in fact be a major challenge to match the previous year's sales and income levels but at present we anticipate that we will at least report a positive income figure. We have indeed achieved a solid position in the SME segment, but we still have to improve in the premium segment of the larger medium-sized and big companies.

A decisive part of the company's success is therefore for us to be able to create demand in the premium segment as a highly specialized niche market company solely through our broad-ranging expertise. The challenge from now on is to achieve this and for this reason it is also very important for us to invest in improving our market access.

The ATOSS marketing pipeline has begun a positive trend with regard to large-scale potential clients. As stated in the past, however, it sometimes takes a very long time until enquiries and even named contacts lead to actual orders and impact on sales. Accordingly, at this stage it is not possible for us to express any specific expectations of the marketing pipeline. Certainly our experience does show that bigger orders from the premium segment would not for the most part create tangible contributions to sales and income until fiscal 2006.

Dear readers,
The course of during this year has not been satisfactory to date. We are very well aware of this.
We would, however, like to reassure you that we are concentrating all our energies on making a success of our growth strategy both in your and also our interest.

Yours sincerely,



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



Christof Leiber
(Management board)

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

	2005		2004		Increase/decrease 2005 v. 2004
	from 01.01. to 30.06.	Proportion of total sales	from 01.01. to 30.06.	Proportion of total sales	
Sales	9,566	100%	10,779	100%	-11%
Software	5,887	62%	6,265	58%	-6%
of which software licenses	1,847	19%	2,474	23%	-25%
of which software maintenance	4,040	42%	3,791	35%	7%
Services	2,462	26%	2,898	27%	-15%
Hardware	866	9%	1,279	12%	-32%
Other	351	4%	337	3%	4%
EBITDA	228	2%	1,053	10%	-78%
EBITCB⁽¹⁾	-15	0%	633	6%	>100%
EBIT	-175	-2%	535	5%	>100%
EBT	87	1%	778	7%	-89%
Net Income	-32	0%	445	4%	>100%
Cashflow	355	4%	1,905	18%	-81%
Financial resources^{(2),(5)}	26,393		27,669		-5%
EPS (in €)⁽³⁾	-0.01		0.12		>100%
Employees⁽⁴⁾	188		174		8%

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

	2005				2004
	Q2	Q1	Q4	Q3	Q2
Sales	4,536	5,030	5,558	5,489	5,607
Software	2,770	3,117	3,225	3,134	3,381
of which software licenses	784	1,063	1,266	1,187	1,444
of which software maintenance	1,986	2,055	1,959	1,947	1,937
Services	1,247	1,215	1,512	1,388	1,530
Hardware	344	522	600	715	513
Other	176	175	221	253	184
EBITDA	55	172	504	559	751
EBITCB⁽¹⁾	-52	37	335	520	515
EBIT	-132	-43	262	434	450
EBIT %	-3%	-1%	5%	8%	8%
EBT	3	84	387	580	422
Net Income	-40	9	195	237	238
Cashflow	-993	1,348	-758	493	-20
Cash flow per share⁽³⁾	-0.26	0.35	-0.26	0.13	-0.01
Financial resources^{(2),(5)}	26,393	27,916	26,589	27,911	27,669
Financial resources per share⁽³⁾	6.92	7.33	7.00	7.39	7.27
EPS⁽³⁾	-0.01	0.00	0.05	0.06	0.06
Employees⁽⁴⁾	188	180	179	183	174

⁽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 euros; ⁽⁴⁾ at the end of the quarter; ⁽⁵⁾ Distributions of 1.50 per share on 23.04.2004 and 0.11 on 05.02.2005.



Operations Report

Growth confined to software maintenance segment

In the period from January to June 2005, ATOSS recorded consolidated sales of € 9.6 million (previous year: € 10.8 million). Software sales accounted for € 5.9 million (previous year: € 6.3 million), consultancy services for € 2.5 million (previous year: € 2.9 million), and hardware € 0.9 million (previous year: € 1.3 million). Software maintenance sales rose by 7% to € 4.0 million compared with last year whilst software license sales fell by 25% to € 1.8 million as a result of lower incoming orders. Consultancy sales were split between Professional Services of € 2.2 million, a fall of 4%, and Consulting at € 0.3 million, 54% down. We are continuing to increasingly integrate the broad expertise of our consulting personnel into the marketing processes and provision of services in order to improve efficiency by presenting a consistent, uniform profile. As a result of this, in the tables we have refrained from showing Professional Services and Consulting sales separately and have included these under Services.

In the first quarter new software license orders at € 1.3 million showed very positive growth. With just € 1.0 million in orders in the second quarter this momentum was not maintained.

Operating income influenced by sales

Operating income (EBIT) again fell slightly in the second quarter as a result of the sales position. The half-year comparative EBIT figure was a minus figure of € -0.2 compared with € 0.5 million). Income before interest, tax and the cost of the convertible bonds program (convertible bonds, EBITCB) was even As at June 30, 2005 (previous year: € 0.6 million). Earnings before tax (EBT) amounted to € 0.1 million (previous year: € 0.8 million), while the net income for the period was only balanced due also to the higher tax rate under IFRS (previous year: € 0.4 million).

Investment policy as regards liquid funds remained very conservative and focused on maintaining capital. For this reason we continued to invest in fixed-term deposits.

IFRS earnings offer limited comparability

EBITCB is again our key internal control and monitoring benchmark figure, in other words, operating earnings adjusted for the effects of the employee participation model, and thereby adjusted for non-cash relevant personnel expenditures attributable to the adoption of IFRS.

However, there were noticeable impacts as a result of our early adoption of International Financial Reporting Standards (IFRS) particularly with regard to the employee participation program, which did not appear in the previous years' financial statements under US-GAAP. We anticipate that the cost of this switchover with regard to the reporting of the convertible bond program will amount to around 15 cents per share in fiscal 2005, compared with 11 cents per share in the previous year. As the costs of the

convertible bond program are not tax-deductible, the tax rate also appears considerably higher in the consolidated accounts. For this reason, since the report for the first quarter report we have been showing a transition presentation of taxation in order to transparently depict the effects. However, it should be noted that the legal requirement to switch from US-GAAP in previous years to IFRS made a considerable impact on the comparability of the figures.

Investments: Proportion of R&D investment continues at very high level of it 22%

Investment in Research & Development in the first half amounted to € 2.1 million compared with € 2.1 million last year. This was therefore unchanged on the previous year's level and remained at the very high level of 22% of the net sales for the period and is reported under current R&D expenses. As of June 30, 2005, 55 programmers were employed in the R&D division as in the first quarter of 2005 compared with 46 in the previous year.

As previously, the company did not capitalize any intangible assets. ATOSS therefore reports investments in product development directly in the form of current expenditure.

Solid figures again

In the first half of 2005, ATOSS posted a total cash flow from operating activities of € 0.4 million (previous year: € 1.9 million). Operating cash flow in the first quarter amounted to € 1.3 million whilst for the April to June period a negative figure of € 1.0 million was recorded. In the second quarter the course of business, along with changes in current assets, had a negative effect compared with the previous year. For the rest of the year in Q3 we expect a positive cash flow due to the issue of the half-year bills for maintenance services – like the first half – and a negative cash flow in Q4 if the unsatisfactory business climate continues.

Cash flow from investment activities amounted to a negative figure of € -0.2 million (previous year: € -0.2 million), while cash flow from financing activities came to a negative figure of € 0.3 million (previous year: € -5.9 million). Financial resources include cash, cash equivalents and marketable securities. As at June 30, 2005, this figure stood at € 26.4 million after € 27.7 million on June 30, 2004). Based on the average number of outstanding shares, cash flow was therefore € 6.92 per share. As at June 30, 2005, ATOSS Software AG's equity capital was € 26.9 million, while the equity ratio rose from 80% in the previous year to 85%.

Corporate strategy continues to tar-

get substantial organic growth

Considerable sums have been invested in new solutions and products over the past two years. The high investment rate in R&D of 22% is being maintained despite the successful conclusion of many important technical innovations. However, investment is now particularly focused on providing the ATOSS marketing division with better access to the markets. In the medium-term, however, we are continuing to target investment on considerable organic growth.

Our attention to trade fairs this year has demonstrated to us that we are in a position to assist customers to achieve more efficient personnel deployment at companies of all sizes and from all sectors using every conceivable application. The developments based on new technologies and enabling our solutions to be deployed in the most varied system environments and at a high degree of compatibility, were therefore totally correct. Now we need to successfully bring these strengths into play in our dealings with customers.

Our company has a large number of

interesting customers including many groups with international activities. In the recent past we were able to achieve an EBIT margin of 10% even though we were less technologically developed in our sector. In addition we have a very high level of expertise in promising sectors such as wholesale/retail and health. All the foundations are therefore in place to again achieve early successes after taking the necessary measures to access markets.

Reserved outlook for 2005

It appears that foreign trade is continuing to hold up the German economy, while domestic demand remains weak. There are still no signs of a positive upturn in domestic demand in the second half of 2005. On the whole the anticipated GDP growth of 0.5-1.0% for the whole year is very small, after Germany had already brought up the rear in Europe in 2004 with a growth rate of 1.6%. This pattern is continuing in the current year, Europe is expected to grow by 1.5% on average, while the world economy should gain about 4%.

In our market, the optimistic view expressed by the Bundesverband Informationswirtschaft, Telekommunikation und neue Medien (Bitkom) trade association in its publications in June envisaged that the current year will again show positive growth. It therefore expects sales to grow by 3.4%

to € 135.2 billion in the ICT sector. As yet we are unable to confirm these predictions for the domestic software market, since many companies in the sector reported a drop in demand at least in the first half of the year.

ATOSS Software AG was fortunately able to win many new customers in the SME segment in the first quarter of 2005 and record a considerable rise in new orders, as well as a pleasing level of interest on the part of large-scale customers. This gratifying development did not continue during the rest of the year. Consequently, we revised our predictions to the new position at the beginning of June.

In view of the course of business in the first half, we are currently of the opinion that it will be a challenge to match last year's sales and earnings figures. This view may improve if larger in-

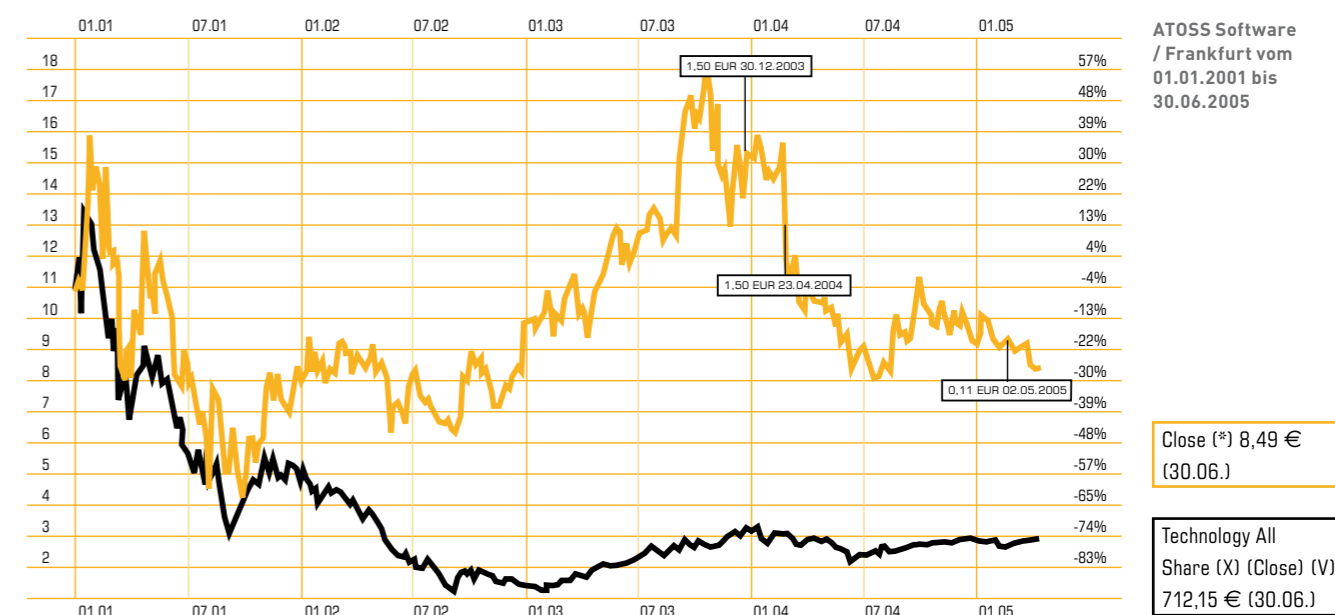
dividual orders are booked from the marketing pipeline, which in principle is possible. Certainly our experience does show that large-scale orders would, for the most part, not create noticeable contributions to sales and earnings until fiscal 2006.

Consequently, the outlook for 2005 therefore remains very reserved. On the basis of existing premises we do, however, expect to record a small profit. In the medium-term our aim remains to tap considerable growth potential through the ATOSS growth strategy and by committing the investments required to gain greater market access.

ATOSS stock performance in the

second quarter reflects business climate

In the first half, the ATOSS stock initially outperformed the Prime Software benchmark index and generally developed in line with German technology stocks. However, in the second quarter the adjustment of the forecast at ATOSS finally resulted in the stock underperforming the market. Both the Prime Software Index and the Technology All Share Index have fallen considerably since the end of April. This was followed by a change in trend, which led to a rise in both indexes of 10% and 6% respectively in the first half. At the beginning of the year the ATOSS share was listed at € 9.80, with the highest recorded price of € 10.60 on January 14, 2005 and the lowest price of € 8.35 on June 24, 2005. Over the reporting period the stock lost 13% between January 1 and June 30, 2005, while it must be considered that a



dividend of € 11 per share was paid on May 2, 2005. The long-term chart shows the movements in the ATOSS share in comparison with the market before adjustment for the two major dividend payments (as is unfortunately customary in German chart presentations), along with the adjusted figure (dotted line from the end of 2003).

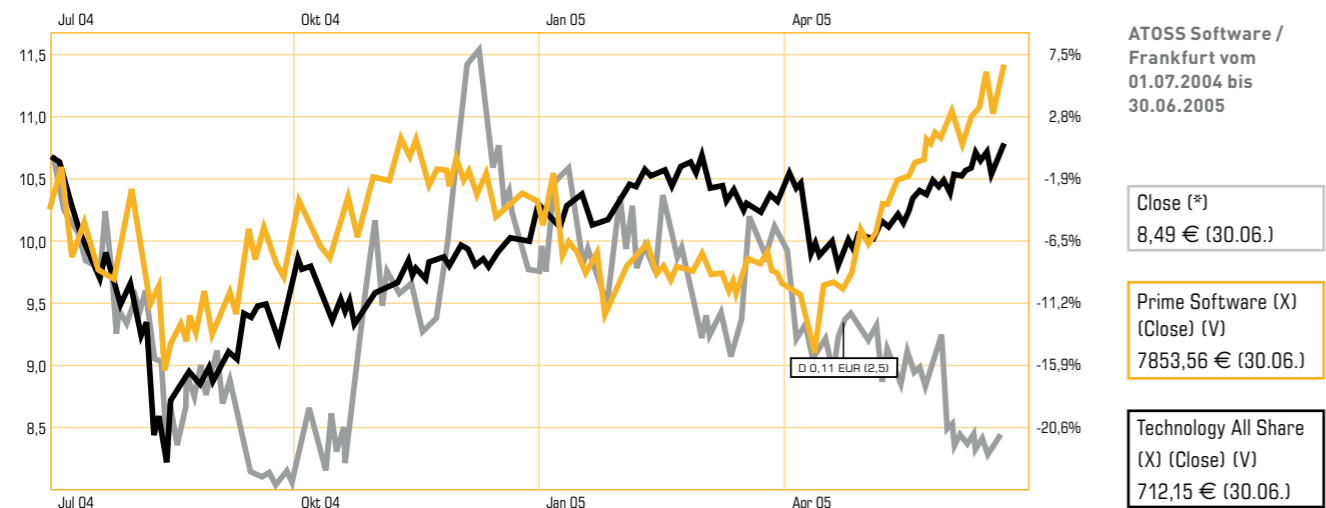
Analysts revise rating: from outper-

former to market performer

At the end of April, analysts rated our stock as an outperformer. Accordingly this attributes the share with a higher potential than the market. As a result of the adjustment of our forecasts on June 7, the rating was immediately changed to market performer. SES Research GmbH pointed out at this point that the ATOSS stock could still be considered to be substantially undervalued, as the financial position was very comfortable and since EBIT margins in the past had reached 10%. SES said that it would review the position after this quarterly report was issued.

In the second quarter the Management

Board once again endeavored to make contact with potential investors, shareholders and analysts and clarified the corporate strategy in intensive discussions. With a stock price close to cash flow per share, our contacts saw only a small price risk and a major opportunity in the medium-term on announcement of more positive figures.



KEY FIGURES PER SHARE

	2005				2004
	Q2	Q1	Q4	Q3	Q2
Highest price	10.10	10.60	11.55	10.70	15.75
Lowest price	8.35	9.12	8.10	8.10	10.20
Price at end of quarter	8.49	9.90	9.80	8.11	10.31
Number of shares held in treasury ⁽¹⁾	206,101	206,334	231,102	231,102	204,635
Distributions/dividends per share	0.11	0.00	0.00	0.00	1.50
Cash flow per share ⁽²⁾	-0.26	0.35	-0.26	0.13	-0.01
Financial resources per share ⁽²⁾	6.92	7.33	7.00	7.39	7.27
EPS ⁽²⁾	-0.01	0.00	0.05	0.06	0.06
EPS (diluted) ⁽²⁾	-0.01	0.00	0.05	0.06	0.06

⁽¹⁾ at end of quarter; ⁽²⁾ Cash flow, financial resources and EPS: based on the average number of shares in circulation in first half (3,813,129 shares)

In the second quarter the Management Board once again endeavored to make contact with potential investors, shareholders and analysts and clarified the corporate strategy in intensive discussions. With a stock price close to cash flow per share, our contacts saw only a small price risk and a major opportunity in the medium-term on announcement of more positive figures.

Reference example



»We have become considerably more flexible in our personnel deployment planning. In this way we are able to react quickly to sharp variations in material levels, and employee satisfaction has also increased. As a result we are able to achieve savings of around € 1 million per year. This equals a return on investment of nine to ten months.«

Erwin Chladek,
Manager Letter Centers East,
Österreichische Post AG

Nation-wide, Österreichische Post AG ranks as the largest provider of postal services. The year 1999 marked the transition to a legally independent entity, which is structured into five business operating areas: Letters, Branch network, Infomail, KEP (Courier-Express-Package) and the Media post. As a logistics services provider, the provision of package and postal delivery services is one of the main areas of activities. In the 2003 business year Österreichische Post AG recorded sales of € 1,532 million. Some 4,700 members of staff are currently employed throughout the country at six logistics centers.

CONSOLIDATED FINANCIAL STATEMENTS TO JUNE 30, 2005

ASSETS

	30.06.2005	31.12.2004
	in €	in €
Current assets		
Cash and cash equivalents	26,387,948	26,583,788
Marketable securities	5,003	4,756
Trade accounts receivable (net)	2,973,512	3,381,824
Inventories	19,928	14,143
Other current assets and deferred items	981,254	470,278
Total current assets	30,367,646	30,454,789
Long-term assets		
Fixed assets (net)	429,895	454,129
Intangible assets (net)	286,722	430,050
Deferred taxes	527,996	571,790
Total long-term assets	1,244,613	1,455,969
Total assets	31,612,259	31,910,758

CONSOLIDATED FINANCIAL STATEMENTS TO JUNE 30, 2005

LIABILITIES

	30.06.2005	31.12.2004
	in €	in €
Short-term liabilities		
Trade accounts payable	178,317	424,521
Short-term provisions	1,149,957	1,554,487
Revenue adjustment items	1,224,179	610,575
Tax provisions	107,225	103,715
Other short-term liabilities	412,533	561,730
Total short-term liabilities	3,072,210	3,255,028
Long-term liabilities		
Convertible bonds	228,307	257,321
Pension provisions	1,449,532	1,379,145
Deferred taxes	62	0
Total long-term liabilities	1,677,900	1,636,466
Equity capital		
Subscribed capital	4,025,667	4,025,667
Capital reserves	20,179,612	20,166,012
Treasury stock	-2,025,375	-2,306,204
Changes in equity not impacting earnings	186	0
Retained earnings / Accumulated deficit	4,682,059	5,133,789
Total stockholders' equity	26,862,149	27,019,264
Total liabilities	31,612,259	31,910,758

INCOME STATEMENT TO JUNE 30, 2005

	Quarterly report		Half-yearly report	
	II/2005	II/2004	01.01.2005	01.01.2004
	01.04.2005	01.04.2004	01.01.2005	01.01.2004
	30.06.2005	30.06.2004	30.06.2005	30.06.2004
	in €	in €	in €	in €
Revenues	4,536,094	5,606,910	9,565,791	10,778,598
Cost of revenues	-1,644,462	-1,866,999	-3,463,397	-3,919,214
Gross profit	2,891,631	3,739,911	6,102,394	6,859,384
Marketing costs	-1,176,899	-1,513,540	-2,593,681	-3,006,018
General and administrative costs	-876,405	-867,302	-1,638,413	-1,619,305
Research & development costs	-1,026,523	-1,088,434	-2,112,607	-2,103,898
Other operating income	56,413	179,042	67,722	404,395
Operating income	-131,783	449,676	-174,586	534,558
Interest income	134,953	156,313	261,979	427,503
Other expenditure	0	-183,975	0	-183,975
Income before taxes	3,170	422,014	87,393	778,087
Income taxes	-43,301	-184,320	-118,996	-333,516
Net income/loss	-40,131	237,694	-31,603	444,571
Earnings per share (undiluted)	-0.01	0.06	-0.01	0.12
Earnings per share (diluted)	-0.01	0.06	-0.01	0.11
Weighted average shares outstanding (basic)	3,819,464	3,803,445	3,813,129	3,801,831
Weighted average shares outstanding (diluted)	4,054,636	4,062,417	4,057,228	4,065,231

CONSOLIDATED CASH FLOW STATEMENT TO JUNE 30, 2005

	01.01.2005	01.01.2004
	30.06.2005	30.06.2004
	in €	in €
Cash flow from business operations		
Net income for year	-31,603	444,571
Depreciation on fixed assets	402,224	419,736
Costs resulting from the disposal of fixed assets	1,627	12,054
Less proceeds from the disposal of marketable securities	0	-183,975
Decrease in deferred taxes	43,856	26,789
Cost of stock option program	159,662	98,270
Pension provision	70,387	67,385
Change in net current assets		
Trade accounts receivable	408,312	814,115
Inventories	-5,785	-3,908
Prepaid expenses and other short-term assets	-510,975	387,419
Trade accounts payable	-246,204	-46,928
Short-term provisions	-404,530	-433,610
Revenue adjustment items	613,604	363,183
Tax provisions	3,510	-10,899
Other short-term liabilities	-149,198	-49,585
Net cash generated from operating activities	354,887	1,904,618
Cash flow from investment activities		
Acquisition of fixed assets	-236,290	-196,559
Net cash generated from investment activities	-236,290	-196,559
Cash flow from financing activities		
Changes in purchase/sales of treasury stock	110,602	-351,974
Change in capital reserves	0	22,222
Proceeds from the disposal of marketable securities	0	183,975
Unrealized losses on financial resources	186	-5,184
Changes in convertible bonds	-4,850	-10,622
Dividend payments	-420,127	-5,731,548
Cost of loan repayments	0	-639
Cash generated from financing activities	-314,189	-5,893,769

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

	Subscribed Capital in €	Capital reserves in €	Treasury Stock in €	Unappropriated earnings in €	Consolidated changes in equity in €	Total Equity capital in €	
Position as at January 1, 2004	4,025,667	19,990,630	-1,936,400	9,988,200	-69,211	31,998,886	Position as at January 1, 2004
Income for the period	0	0	0	444,571	0	444,571	Income for the period
Dividend	0	0	0	-5,731,548	0	-5,731,548	Dividend
Treasury stock	0	-13,842	-351,974	0	0	-365,816	Treasury stock
Convertible bonds	0	137,033	0	0	0	137,033	Convertible bonds
Other	0	-2,699	0	0	-5,183	-7,882	Other
Position as at June 30, 2004	4,025,667	20,111,122	-2,288,374	4,701,223	-74,394	26,475,244	Position as at June 30, 2004
Position as at January 1, 2005	4,025,667	20,166,012	-2,306,204	5,133,789	0	27,019,264	Position as at January 1, 2005
Income for the period	0	0	0	-31,603	0	-31,603	Income for the period
Treasury stock	0	-146,062	280,829	0	0	134,767	Treasury stock
Convertible bonds	0	159,662	0	0	0	159,662	Convertible bonds
Dividend	0	0	-420,127	0	0	-420,127	Dividend
Unrealised Changes in equity	0	0	0	0	186	186	Unrealised Changes in equity
Position as at June 30, 2005	4,025,667	20,179,612	-2,025,375	4,682,059	186	26,862,149	Position as at June 30, 2005



Notes to the Consolidated Financial Statements as at June 30, 2005

1. General

The 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 Standard (DRS) Number 6 regarding interim reporting have also been fulfilled.

Pursuant to IAS 34 "Interim Financial Reporting" the financial 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 position of the company that accords with the true circumstances.

2. Currency

All figures are shown in euros.

3. 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 consolidated on a line-by-line basis.

4. Changes in equity

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

5. Treasury stock

On June 30, 2005 the company held 206,101 shares in treasury. Treasury stock is reported as a separate equity item at cost of acquisition.

6. Revenues

In the current fiscal year, company sales were divided as follows:

REVENUES		
	01.01.2005	01.01.2004
	30.06.2005	30.06.2004
	in €	in €
Software licenses	1,846,957	2,473,962
Software maintenance	4,040,094	3,790,982
Total software	5,887,051	6,264,944
Services	2,462,091	2,897,659
Hardware	865,859	1,279,420
Other	350,789	336,575
Total revenues	9,565,791	10,778,598

The geographical sales split is as follows:

	01.01.2005	01.01.2004
	30.06.2005	30.06.2004
	in €	in €
Germany	8,483,090	9,752,816
Austria	638,005	706,434
Switzerland	323,558	275,707
German speaking regions, total	9,444,704	10,734,958
Other countries	121,087	43,640
Total	9,565,791	10,778,598

7. Tax charge

The consolidated tax charge is broken down as follows:

TAX CHARGE		
	01.01.2005	01.01.2004
	30.06.2005	30.06.2004
	in €	in €
Income before taxes	87,393	778,087
Projected group tax charge (2005: 40.86%, 2004: 40.86%)	-35,709	-317,926
Non-deductible operating expenses	-15,682	-15,630
Permanent differences arising from convertible bonds	-65,238	-40,153
Other	-2,367	40,193
Group tax charge	-118,996	-333,516

8. Personnel costs

PERSONNEL COSTS		
	01.01.2005	01.01.2004
	30.06.2005	30.06.2004
	in €	in €
Wages and salaries	4,864,533	5,229,944
Social security, pension and other benefits	1,042,204	999,382
Effects resulting from convertible bonds programs	159,662	98,270
Total	6,066,399	6,327,596

9. Employees

As at June 30, 2005 the company had 188 employees compared with 178 on June 30, 2004. A total of 55 people (previous year: 46) are active in product development, 51 (previous year: 53) in the areas of Professional Services and Consulting, while another 44 (previous year: 40) are engaged in sales and marketing.

10. Management Board

As at June 30, 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

The Supervisory Board of ATOSS Software AG comprised three members as at June 30, 2005:

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

12. Board member shareholdings

On the reporting date June 30, 2005, board members held the following numbers of ATOSS shares:

	30.06.2005	31.03.2005	31.12.2004	30.09.2004	30.06.2004
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	11,260	11,260	11,260	11,260
Bernhard Dorn	7,000	7,000	7,000	7,000	1,000
Rolf Baron Vielhauer von Hohenhau	0	0	0	0	0

On the reporting date of June 30, 2005, as a result of subscriptions to convertible bonds, present and former board members held the following options on ATOSS shares:

	30.06.2005	31.03.2005	31.12.2004	30.09.2004	30.06.2004
Andreas F.J. Obereder	15,000	15,000	15,864	15,864	15,864
Christof Leiber	23,668	23,668	23,668	23,668	23,668
Dr. Burkhard Scherf	10,000	10,000	15,864	15,864	15,864
Peter Kirn	18,000	18,000	24,000	24,000	12,000
Bernhard Dorn	18,000	18,000	18,000	18,000	12,000
Rolf Baron Vielhauer von Hohenhau	18,000	18,000	24,000	24,000	12,000

13. Convertible bonds

In the first six months of fiscal 2005, 25,001 convertible bonds were exercised, 4,767 convertible bonds repurchased and 83 convertible bonds were returned. As at June 30, 2005, a total of 235,070 convertible bonds were outstanding.

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

Exercise price	Outstanding options	Contractual validity in years	Possible exercise rights
Board members and former board members			
11,68	15,000	6.0	0
9,51	36,000	6.1	0
9,02	5,000	5.2	0
6,11	1,668	0.5	1,668
5,21	27,000	1.8	11,332
5,09	18,000	4.1	0
	102,668		13,000
Employees			
11,68	34,000	6.0	0
9,47	5,000	6.4	0
9,02	28,000	5.2	0
6,11	24,966	0.5	24,966
5,21	38,102	1.8	29,399
2,51	2,334	1.3	1,167
	132,402		55,532
Total	235,070		68,532

14. Earnings per share

The figure for earnings per share is calculated by dividing the € -31,603 loss for the period by the weighted average number of outstanding shares. The average number of shares in circulation during the period from January 1, 2005 to June 30, 2005 was 3,813,129. The loss per share for this period therefore amounted to € -0.01 compared with earnings per share of € 0.12 for the first half of 2004.

To calculate the diluted earnings per share the net income needs to be adjusted for the costs arising from the underpayment of convertible bonds in an amount of € 2,564. In addition the average number of outstanding shares is increased by the additional shares arising from the conversion of bonds. Between January 1, 2005 and June 30, 2005, an average of 244,099 convertible bonds were in circulation. The diluted loss per share therefore amounts to € -0.01 compared with an earnings figure of € 0.11 in the previous year.



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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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