



ATOSS®



Quarterly Report Q2.2006

Austrian Airlines: ATOSS Customer since 2006

Dear shareholders, Ladies and gentlemen,



Andreas F.J. Obereder
Chief Executive Officer



Christof Leiber
Board Member

The pleasing business development of the last few quarters continued in the second quarter of 2006: adjusted for revenues related to the AENEIS software product that was sold as of January 1, 2006, revenues in the first six months of the current year rose 13%. As a consequence, the positive developments in the first half of the year compared with the previous year have been put on an increasingly sound footing.

The focusing of the business model on the core business of working time management and personnel resource planning carried out in the previous year has led to further evident improvements in revenues and profits, as well as in cash flow, and has also improved the prospects for the current business year.

We are now reaping the benefits from the high investments that we had committed to new technologies and sector solutions in the last few years, in particular those relating to merchandising and retailing companies. This is borne out by major orders that we have received from important new customers such as Austrian Airlines, T-Punkt Vertriebsgesellschaft or the EDEKA Group. Several renowned retailing companies such as Max Bahr Baumärkte or K+L Ruppert are now relying on our solutions for working time management and personnel resource planning. In this way we are currently expanding our already strong position in the retailing and merchandising area.

Rising demand, new orders, revenues and order books

Since the fourth quarter of 2005, we have been enjoying a detectable level of demand for our new technologies. The dynamic of this demand is evident in the continuous high level of orders placed since the end of last year, in significantly higher revenues and in a pleasingly high order book of projects in the process of realization. The order book for software licenses as of June 30, 2006 was € 1.5 million and, as a result, stood at over twice the level of the previous year.

This significantly improved order book position means that we can forecast and plan with a greater degree of security for the coming quarters. As a consequence, we are very confident in the future outlook of the business.

Strong cash flow, continued high level of liquidity even after profit distribution

The dynamic business development was evident in a significant increase in operating cash flow. In the first half year, as a result of a very good business development, cash flow amounted to € 2.8 million, compared with just € 0.4 million in the previous year. Although liquidity fell as a consequence of the distribution of € 5.50 per share, due to the high operating cash flow, it now stands at € 9.1 million. As a result, ATOSS continues to enjoy a very comfortable equity ratio and cash position.

Economic environment:

- Favorable economic indicators

ATOSS:

- Major orders from Austrian Airlines, T-Punkt Vertriebsgesellschaft, Edeka
- Clear economic impulses
- High order book providing basis for secure budgeting

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Record figures in prospect for the 2006 financial year

With an operating profit of € 1.3 million, we are reporting the best half-year result in the history of ATOSS.

Due to the good start to the 2006 financial year, we have this year already twice raised our profits forecasts for the current 2006 financial year, on the last occasion on May 11 when we announced major new orders from the retail sector. So far we have been working on the basis of an EBIT margin of at least 11% and an operating result (EBIT) of a least € 2.3 million (previously € 1.7 million). In doing so, we have retained our conservative forecasting policy.

After ATOSS achieved a margin on sales of 12% already in the first of the year, we are convinced that we can achieve our forecast for the current year in any eventuality. If the favorable business development continues into the coming quarters, further improvements in profits may result.

As a result, it is foreseeable that in the current 2006 financial year, ATOSS will exceed the figures of the best year in the company's history – 2003 – in terms of operating profit.

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 June 30	Proportion of Total revenues	from Jan. 1 until June 30	Proportion of Total revenues	
Revenues	10,392	100%	9,566	100%	9%
Software	6,124	59%	5,887	62%	4%
Software licenses	2,112	20%	1,847	19%	14%
Software maintenance	4,012	39%	4,040	42%	-1%
Consulting	2,708	26%	2,462	26%	10%
Hardware	1,258	12%	866	9%	45%
Other	302	3%	351	4%	-14%
EBITDA	1,503	14%	228	2%	>100%
EBITCB ⁽¹⁾	1,358	13%	-15	0%	>100%
EBIT	1,293	12%	-175	-2%	>100%
EBT	1,529	15%	87	1%	>100%
Net Income	855	8%	-32	0%	>100%
Cashflow	2,757	27%	355	4%	>100%
Financial resources ^{(2),(5)}	9,119		26,393		-65%
EPS (in €) ⁽³⁾	0.22		-0.01		>100%
Employees ⁽⁴⁾	162		188		-14%

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

	2006		2005		2005 Q2
	Q2	Q1	Q4	Q3	
Revenues	5,275	5,117	5,849	5,001	4,536
Software	3,068	3,056	3,359	2,898	2,770
Software licenses	1,038	1,074	1,283	871	784
Software maintenance	2,030	1,982	2,076	2,027	1,986
Consulting	1,362	1,346	1,336	1,165	1,247
Hardware	671	587	836	619	344
Other	173	129	318	319	176
EBITDA	692	811	944	17	55
EBITCB ⁽¹⁾	604	755	910	-13	-52
EBIT	587	706	830	-93	-132
EBIT %	11%	14%	14%	-2%	-3%
EBT	666	862	980	45	3
Net Income	358	497	510	-19	-40
Cashflow	107	2,650	-1,177	2,520	-993
Cashflow per share (in €) ⁽³⁾	0.03	0.68	-0.30	0.66	-0.26
Financial resources ^{(2),(5)}	9,119	30,543	27,836	28,823	26,393
Financial resources per share (in €) ⁽³⁾	2.34	7.85	7.21	7.55	6.92
EPS (in €) ⁽³⁾	0.09	0.13	0.13	-0.01	-0.01
Employees ⁽⁴⁾	162	165	177	181	188

⁽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 and of 5.50 on May 3, 2006



K&L Ruppert: ATOSS Customer since 2006

Management Report

Sales growth adjusted for AENEIS 13%, for software licenses 24%

The company developed in an extremely gratifying manner during the first half of the year and is continuing the positive trend of the fourth quarter of the last business year. ATOSS Group sales in the period January to June 2006 amounted to € 10.4 million, compared with just € 9.6 million in the first half of the previous year. After adjusting for the sales contributions of the previous year from the AENEIS product that has been sold in the meantime, growth amounted to 13%.

Sales from software licenses, in particular, are also developing positively again and, as in the last two quarters, they are exceeding the comparable periods of the previous year. In the first half of 2006 software licenses sales were up by 14% and, when adjusted for the contribution to sales from AENEIS, by as much as 24%.

As a result of the separation from AENEIS, sales from software maintenance fell slightly to € 4.0 million. Overall software sales at € 6.1 million were 4% above the level of the previous year at € 5.9 million. Adjusted for AENEIS, sales grew by 9%.

In the consultancy business, ATOSS achieved growth in the first of the year of 10%, with sales of € 2.7 million compared with € 2.5 million in the previous year. Adjusted for AENEIS, sales growth was equivalent to 12%.

In the first six months of the year, sales from the hardware business amounted to € 1.3 million compared with € 0.9 million in the same period of the previous year.

Significant improvement in earnings

While the operating result before the effects arising from the convertible bond subscription program (EBITCB) was at break-even in the first half of the previous year, as of June 30, 2006 it amounted to € 1.4 million.

There is a special effect of € 0.4 million resulting from the realization of the disposal of AENEIS with effect from January 1, 2006.

As a consequence, earnings before interest and taxes (EBIT) of € 1.3 million also clearly exceed the result of the previous year, which amounted to -€ 0.2 million in the first half of 2005.

Earnings before taxes (EBT) rose to € 1.5 million, compared with € 0.1 million in the previous year.

Net income at € 0.9 million or 0.22 cents per share also represents a very good outcome for the first six months, compared with the break-even result of the previous year.

Continued high level of commitment to product development

ATOSS continues to pursue the further development of its products at a very high level. As a result, we are able to offer customers very innovative and technically mature solutions that deliver measurable improvements in efficiency.

In the first half-year, the expenditure on research & development totaled € 1.9 million, whereas in the previous year, ATOSS had spent € 2.1 million, which included development work on AENEIS. The decline is attributable primarily to the elimination of product development costs associated with AENEIS.

In the product development area, the number of employees fell from 55 to 49 on a half-year comparison basis.

The share of sales absorbed by research and development costs fell from 22% to 18%, last but not least due to the higher level of sales.

Higher cash flow, cash position exceeds € 9 million

In the first six months we generated operating cash flow of almost € 2.8 million, compared with € 0.4 million in the same period of the previous year. The strong increase compared with the previous year is due to the significant revitalization of business activity related to a marked reduction in receivables and the creation of short-term provisions and tax provisions.

As a result of the seasonal effects involved in the calculation of maintenance fees, operating cash flow is comparatively higher in the first and third quarters, while the second and fourth quarters tend to show lower or negative cash flows. In the second quarter of this year, we generated a positive cash flow of € 0.1 million.

Particularly through the use of provisions and tax payments in the second half of the year, the very high level of cash flow in the first half of the year is relativized during the course of the year.

Despite a cash outflow of € 21.5 million to pay the dividend, high operating cash flows have boosted liquidity back to € 9.1 million while the year is still under way. As a consequence, the change in cash and cash equivalents for the first half of the year stands at € 18.7 million. Liquidity for each share in circulation on average is therefore equivalent to € 2.34. As of December 31, 2005, this figure was still € 7.21 per share.

As of June 30, 2006, total assets amounted to € 13.6 million (30.06.2005: € 31.6 million). At € 7.4 million, equity was equivalent to 55% of total assets (previous year: 85%).

The decline is attributable to the distribution of a dividend of € 5.50 per share.

Employees

As of June 30, 2006, the company employed 162 members of staff. Consequently, compared with the end of the first half of 2005, the total number of personnel engaged fell by 13%. The key factor in this respect is the discontinuation of activities associated with the AENEIS software product.

At its Munich location, ATOSS Software AG is currently training three employees as company officers (previous year: five trainees). Following their final examinations in the first quarter, three trainees were granted employment contracts.

Security in earnings forecasts

According to the Hamburg Institute of International Economics (HWWA), strong exports and rising domestic demand are currently accelerating the German economic recovery.

This should also lead to companies being more prepared to invest in IT systems. This expectation is underscored by the results of surveys carried out by the sector association, the German Association for Information Technology, Telecommunications and New Media (BITKOM).

However, the key factor for the durable commercial success of ATOSS remains the fact that we are successful in the way we address our customers.

In this respect, we made progressive steps during the first half of the year: besides Austrian Airlines and Max Bahr Baumärkte, new customers that are depending on ATOSS solutions include further major companies such as the EDEKA retail group and the T-Punkte sales company.

Besides increased demand for ATOSS products, the positive business development of the current year is supported by the company's dependable cost structure.

For this reason, ATOSS is convinced that it will in all cases be able to meet its forecast for 2006, in other words, an EBIT margin of at least 11% and an operating result (EBIT) of a least € 2.3 million. As a consequence, it is foreseeable that in the current 2006 financial year, ATOSS will exceed the figures of the best year in the company's history -2003 - in terms of operating profit.

Investor Relations

Share price rally into the year-end – strong demand in the first quarter

Following the summer of 2005, during which the price of the ATOSS share was weighed down by corporate results that gave little cause for satisfaction, the shares rallied towards the end of the year. Higher levels of new orders and good results in the fourth quarter led to renewed interest in the shares and, after the announcement of the dividend, the shares encountered strong demand with share prices reaching in some cases over € 17.

This development was attributable only to a limited extent to the significantly improved business development since the fourth quarter of 2005. A key factor for the development of the share price in particular was the special dividend of € 5.50 per share that was paid out on May 3, 2006, and the way in which this dividend was treated from a tax perspective.

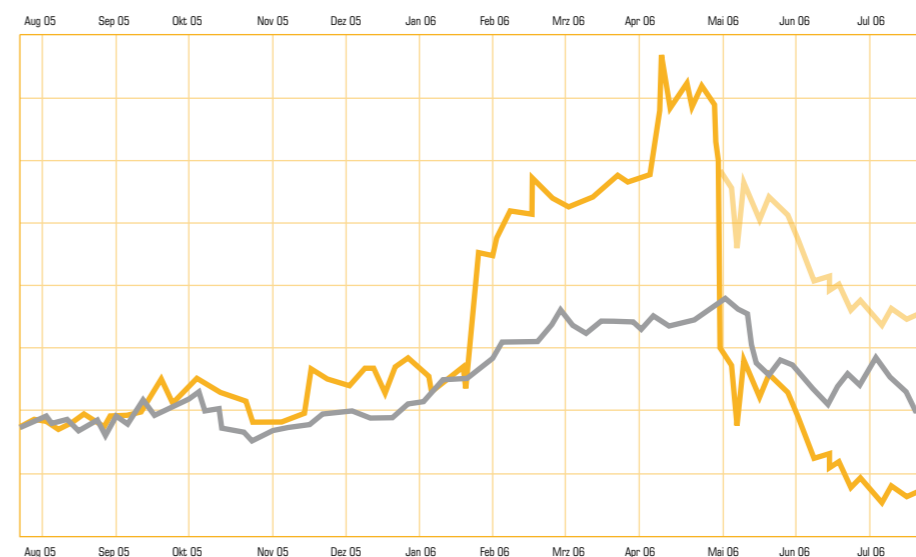
Correction following the dividend payout

Following the payment of the dividend of € 5.50 per share, the high level of demand in the run-up to the distribution led to the shares falling by more than the value of the dividend paid.

Adjusted for the nominal value of the distribution of € 5.50 per share, a comparison with the Technology All Share Index demonstrates the favorable development of ATOSS shares on a long-term basis.

Potential for 2006

Since for the 2006 financial year the company is expecting the best results in its history, the current share price level, in the view of analysts from SES Research, still offers significant potential for a favorable development until the year end assuming that the overall mood on stock exchanges becomes somewhat brighter.



adjusted by the tax-free dividend

ATOSS Software AG

Technology All Share Index

KEY PER SHARE DATA IN EURO

	2006				2005
	Q2	Q1	Q4	Q3	Q2
High	19.00	14.00	9.21	8.78	10.10
Low	6.69	8.57	7.90	7.85	8.35
Price at end of quarter	6.85	13.85	8.95	8.55	8.49
Number of treasury shares ⁽¹⁾	114,755	122,666	150,058	203,566	206,101
Dividend per share ⁽²⁾	5.50	0.00	0.00	0.00	0.11
Cash flow per share ⁽²⁾	0.03	0.68	-0.30	0.66	-0.26
Financial resources per share ⁽²⁾	2.34	7.85	7.21	7.55	6.92
EPS ⁽²⁾	0.09	0.13	0.13	-0.01	-0.01
EPS (diluted) ⁽²⁾	0.09	0.12	0.12	0.00	-0.01

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



Kassenärztliche Vereinigung (Association of Compulsory Health Insurance Physicians) Nordrhein:
Customer since 1999; migrated to the new ATOSS Staff Efficiency Suite 3 in 2005



CONSOLIDATED BALANCE SHEET AT JUNE 30, 2006

ASSETS		
	30.06.2006	31.12.2005
	in €	in €
Current Assets		
Cash	9,113,902	27,831,181
Marketable securities	4,652	4,804
Trade accounts receivable (net)	3,089,076	3,788,143
Inventories	10,151	12,660
Other current assets and deferred items	436,822	343,994
Total current assets	12,654,603	31,980,782
Non-Current Assets		
Fixed assets (net)	343,639	369,694
Intangible assets (net)	189,112	255,036
Deferred taxes	451,447	487,272
Total long-term assets	984,198	1,112,002
Total assets	13,638,801	33,092,784

CONSOLIDATED BALANCE SHEET AT JUNE 30, 2006

LIABILITIES		
	30.06.2006	31.12.2005
	in €	in €
Short-term liabilities		
Trade accounts payable	317,064	720,294
Short-term provisions	1,389,158	1,390,546
Revenue adjustment items	1,570,338	694,549
Provisions for taxation	939,689	431,736
Other short-term liabilities	636,321	651,986
Total short-term liabilities	4,852,570	3,889,111
Long-term liabilities		
Convertible bonds	120,784	155,250
Pension provisions	1,233,301	1,229,912
Deferred taxes	0	6
Total long-term liabilities	1,354,085	1,385,168
Shareholders' equity		
Share capital	4,025,667	4,025,667
Capital reserve	414,557	450,013
Treasury stock	-1,409,286	-1,670,304
Profit	4,401,373	25,013,111
Changes in equity not impacting earnings	-165	18
Total shareholders' equity	7,432,146	27,818,505
Total liabilities	13,638,801	33,092,784

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM JANUARY 1 TO JUNE 30, 2006

	Quarterly report		6-month report	
	01.04.2006 30.06.2006 in €	01.04.2005 30.06.2005 in €	01.01.2006 30.06.2006 in €	01.01.2005 30.06.2005 in €
Revenues	5,275,085	4,536,094	10,392,117	9,565,791
Cost of sales	-1,694,932	-1,644,462	-3,382,155	-3,463,397
Gross profit	3,580,153	2,891,632	7,009,962	6,102,394
Marketing costs	-1,420,384	-1,176,899	-3,107,173	-2,593,681
Administration costs	-633,737	-876,405	-1,209,113	-1,638,413
Research & development costs	-948,334	-1,026,523	-1,868,004	-2,112,607
Other operating income	9,133	56,413	467,141	67,722
Operating income	586,832	-131,783	1,292,812	-174,586
Interest and similar income	79,566	134,953	235,887	261,979
Pre-tax income	666,398	3,170	1,528,699	87,393
Income taxes	-308,542	-43,301	-673,931	-118,996
Net income	357,856	-40,131	854,768	-31,603
Earnings per share (undiluted)	0.09	-0.01	0.22	-0.01
Earnings per share (diluted)	0.09	-0.01	0.21	-0.01
Average undiluted number of shares in circulation	3,907,597	3,819,464	3,898,945	3,813,129
Average diluted number of shares in circulation	4,037,221	4,054,636	4,036,899	4,057,228

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD FROM JANUARY 1 TO JUNE 30, 2006

	6-month report	
	01.01.2006 30.06.2006 in €	01.01.2005 30.06.2005 in €
Cash flow from operating activities		
Net income	854,768	-31,603
Depreciation on fixed assets	209,952	402,224
Loss on disposal of fixed assets	15,595	1,627
Change in deferred tax assets	35,819	43,856
Personnel costs arising from convertible bond program	65,539	159,662
Pension provision	3,389	70,387
Change in net current assets		
Trade accounts receivable	699,066	408,312
Other assets and deferred items	-90,320	-516,760
Trade accounts payable	-403,229	-246,204
Short-term provisions	-1,388	-404,530
Revenue adjustment items	875,789	613,604
Tax provisions	507,953	3,510
Other short-term liabilities	-15,665	-149,198
Net cash generated from operating activities	2,757,268	354,887
Cash flow from investment activity		
Fixed assets acquired	-133,568	-236,290
Net cash generated from investment activities	-133,568	-236,290
Cash flow from financial activity		
Revenues from the sale of treasury stock	125,557	110,602
Cost of convertible bond redemptions	0	-4,850
Dividend distribution	-21,466,506	-420,127
Unrealized losses on financial resources	-183	186
Cash generated from financing activities	-21,341,132	-314,189

CHANGES IN CONSOLIDATED EQUITY CAPITAL FOR THE PERIOD FROM JANUARY 1 TO JUNE 30

	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	-31,603	0	-31,603	Net income
Sale of treasury stock	0	-146,062	280,829	0	0	134,767	Sale of treasury stock
Additions from convertible bonds	0	159,662	0	0	0	159,662	Additions from convertible bonds
Dividend distribution	0	0	0	-420,127	0	-420,127	Dividend distribution
Unrealized losses on capital resources	0	0	0	0	186	186	Unrealized losses on capital resources
As at June 30, 2005	4,025,667	20,179,612	-2,025,375	4,682,059	186	26,862,149	As at June 30, 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	854,768	0	854,768	Net income
Sale of treasury stock	0	-100,995	261,018	0	0	160,023	Sale of treasury stock
Additions from convertible bonds	0	65,539	0	0	0	65,539	Additions from convertible bonds
Dividend distribution	0	0	0	-21,466,506	0	-21,466,506	Dividend distribution
Unrealized losses on capital resources	0	0	0	0	-183	-183	Unrealized losses on capital resources
As at June 30, 2006	4,025,667	414,557	-1,409,286	4,401,373	-165	7,432,146	As at June 30, 2006

Notes to the Group Accounts as of June 30, 2006



T-Punkt Vertriebsgesellschaft (Distribution Company):
ATOSS Customer since 2004



1. General

These quarterly financial statements have been prepared in accordance with the guidelines of the International Financial Reporting Standards (IFRS) and in harmony with IAS 1.14. In particular, they correspond to the guidelines of IAS 34 „Interim Financial Reporting“.

In accordance with IAS 34.20, these financial statements include a consolidated balance sheet, a consolidated income statement, a consolidated statement of cash flows, a consolidated statement of changes in equity as well as notes to the accounts.

They also comply with the German accounting standard (DRS) No. 6 on interim reporting.

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

The Management Board is satisfied that 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 June 30, 2006 in respect of the period commencing on January 1, 2006 and ending on June 30, 2006.

3. Currency

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

4. Scope of consolidation

Besides the parent company, ATOSS Software AG, Munich, the consolidated financial statements include the financial statements of all subsidiaries:

ATOSS CSD Software GmbH, Cham
ATOSS Software Ges.mbh, Vienna
ATOSS Software AG, Zürich
ATOSS Software S.R.L., Timisoara

The companies are consolidated on a full consolidation basis..

5. Changes in shareholders' equity

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

6. Treasury shares

As of June 30, 2006, the Company held 114,755 of its own shares. Treasury stock is reported as a separate equity item at cost of acquisition.

7. Revenues

In the financial year reported, the Company's revenues were composed as follows:

REVENUES	01.01.2006	01.01.2005
	30.06.2006	30.06.2005
	in €	in €
Software licenses	2,111,567	1,846,957
Software maintenance	4,012,482	4,040,094
Total software	6,124,049	5,887,051
Consulting	2,707,891	2,462,091
Hardware	1,258,013	865,859
Other	302,164	350,789
Total revenues	10,392,117	9,565,791

Revenues are distributed geographically as follows:

	01.01.2006	01.01.2005
	30.06.2006	30.06.2005
	in €	in €
Germany	9,532,292	8,483,090
Austria	627,417	638,056
Switzerland	152,536	323,558
Total German speaking countries	10,312,245	9,444,704
Other countries	79,872	121,087
Total	10,392,117	9,565,791



Fricker Schuhe, Switzerland:
ATOSS Customer since 2002

8. Segmental 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) und 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
	30.06.2006	30.06.2005
	in €	in €
Revenues		
ATOSS Staff Efficiency Suite (ASES) and ATOSS Startup Edition (ASE)	9,698,399	8,634,533
ATOSS Time Control (ATC)	693,718	602,680
AENEIS	0	328,578
Total	10,392,117	9,565,791
Operating Income (EBIT)		
ATOSS Staff Efficiency Suite (ASES) and ATOSS Startup Edition (ASE)	718,165	115,158
ATOSS Time Control (ATC)	135,369	-23,656
AENEIS	439,278	-266,088
Total	1,292,812	-174,586

9. Other operating revenues

In the 2006 financial year, other operating revenues comprised primarily revenues from the sale of the AENEIS software product.

10. Marketing costs

Costs for sales and marketing activities rose primarily due to the transfer of employees from other areas to the sales area. Related to this, particularly manufacturing costs and administration costs fell compared with the previous year.

11. Tax expense

As of June 30, 2006, Group tax expenditure is as follows:

TAX EXPENSE		
	01.01.2006	01.01.2005
	30.06.2006	30.06.2005
	in €	in €
Pre-tax income under IFRS	1.528.699	87.393
Projected tax charge (2006: 40.86%, 2005: 40.86%)	-624.626	-35.709
Non-deductible operating expenses	-13.118	-15.682
Permanent differences arising from convertible bonds	-26.779	-65.238
Differences in tax rates	-9.408	-2.367
Group tax charge	-673.931	-118.996

12. Personnel expenses

As of June 30, 2006, Group personnel expenditure is as follows:

PERSONNEL COSTS	01.01.2006	01.01.2005
	30.06.2006	30.06.2005
	in €	in €
Wages and salaries	4,692,569	4,864,533
Social security, pension and other benefits	881,908	1,042,204
Effects of convertible bond program	65,539	159,662
Total	5,640,016	6,066,399

13. Employees

As of June 30, 2006, the Company employs 162 staff, compared with 188 as of June 30, 2005. Of these, 49 (previous year 55) were active in product development, 42 (previous year 51) in the areas of Professional Services and Consulting and 40 (previous year 44) were active in the Sales and Marketing.

14. Management Board

As of June 30, 2006, the Management Board of ATOSS Software AG had two members:

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

On the basis of a resolution of the Supervisory Board of April 2006, the Management Board contract of Mr. Leiber was extended for a further five years from the time when it expires on March 31, 2007.

15. Supervisory Board

As of June 30, 2006, the Supervisory Board of ATOSS Software AG had three members:

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

16. Shares held by corporate officers

As of the June 30, 2006 reporting date, corporate officers held the following holdings of shares in ATOSS:

	30.06.2006	31.03.2006	31.12.2005	30.09.2005	30.06.2005
Andreas F.J. Obereder	1,976,184	1,971,184	1,971,184	1,946,184	1,946,184
Peter Kirn	17,760	13,760	13,760	13,760	13,760
Bernhard Dorn	13,000	13,000	13,000	7,000	7,000

Current and former corporate officers held the following options on ATOSS's shares by way of convertible bond subscriptions as of June 30, 2006:

	30.06.2006	31.03.2006	31.12.2005	30.09.2005	30.06.2005
Andreas F.J. Obereder	5,000	5,000	5,000	15,000	15,000
Christof Leiber	18,500	20,667	22,000	23,668	23,668
Dr. Burkhard Scherf	5,000	5,000	10,000	10,000	10,000
Peter Kirn	12,000	12,000	12,000	18,000	18,000
Bernhard Dorn	12,000	12,000	12,000	18,000	18,000
Rolf Baron Vielhauer von Hohenhau	12,000	12,000	12,000	18,000	18,000

17. Convertible bonds

In the first six months of fiscal 2006, 35,303 convertible bonds were exercised. No convertible bonds were issued or redeemed. 125,874 convertible bonds were outstanding as of June 30, 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			
6.18	15,000	5.0	7,500
4.01	36,000	5.1	0
3.52	3,500	4.2	1,000
1.00	10,000	0.8	10,000
	64,500		18,500
Employees			
6.18	31,000	5.0	15,500
3.97	3,000	5.4	0
3.52	19,500	4.2	9,000
1.00	7,874	0.8	7,874
	61,374		32,374
	125,874		50,874

18. Information on reportable securities transactions

In the six 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 € 854,768 by the weighted average number of outstanding shares. Between January 1, 2006 and June 30, 2006 an average of 3,898,945 ordinary shares were in circulation. Earnings per share for this period therefore amount to € 0.22 compared with minus € -0.01 in the first six 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 € 1,318. 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 June 30, 2006 an average of 137,954 convertible bonds were in circulation. As a result, diluted earnings per share amounted to € 0.21 compared with € -0.01 in the previous year.

20. Events of particular importance subsequent to the reporting date

Following the reporting date on June 30, 2006, there have been no events of particular significance.

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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