



**ATOSS®**

## **Quarterly Report Q3.2006**



**MEYER WERFT: ATOSS Customer since 1992**

## Dear shareholders, Ladies and gentlemen,



**Andreas F.J. Obereder**  
Chief Executive Officer



**Christof Leiber**  
Board Member

The extremely successful development of business we have witnessed so far in 2006 continued into the third quarter. Revenues, when adjusted for the AENEIS software product sold as of January 1, rose 13% in the first nine months of the business year. This growth was driven primarily by the strong increase in the software license business, which grew 24% compared with the prior-year period.

### **Record results as of September 30**

Given this pleasing revenue development, ATOSS boosted its earnings at an even faster year-on-year rate. This reflects the positive effect of the successful focusing of the business model on the core business of working time management and personnel resource planning, in combination with markedly higher revenues. All these factors together have led to the best results achieved in the company's history.

### **High cash flow and good liquidity**

Operating cash flow, a key indicator of the financing power of the company, also experienced significant growth, rising 86% compared with the first nine months of 2005, amounting to € 5.4 million as of September 30, 2006.

This had a positive effect on our liquidity position. Although a special distribution to shareholders of € 21.5 million reduced the previous year's liquidity level of € 28.8 million to € 11.7 million, when adjusted for the effects of the distribution, liquidity rose by € 4.4 million compared with the prior-year period. This means that ATOSS enjoys first-class financing ability and very comfortable reserves of liquidity that enable it to access sustainable growth opportunities. It also means that we can offer our customers first-class financial security.

### **Continued strong commitment to research and development**

Our strong commitment to research and development over the past few years is now beginning to bear fruit: the new, platform-independent and entirely Java-programmed technology, as well as our sector solutions, in particular for the retail sector, are becoming increasingly popular and are creating a high degree of technical investment security as a result of their far-reaching adaptation potential.

### **Rising demand in 2006**

Demand for ATOSS solutions has risen significantly during the current business year. This is borne out by major orders that we have won this year from important new customers such as Austrian Airlines, T-Punkte Vertriebsgesellschaft or the EDEKA Group.

In particular, renowned retailing companies such as Max Bahr Baumärkte or K+L Ruppert are now relying on ATOSS solutions for working time management and personnel resource planning.

The most obvious pointers to this rising demand are the 37% increase in orders for software licenses as well as the significant increase in the order backlog. A final, but important, consequence of these developments is that our earnings forecasts for the coming quarters are subject to a significantly improved degree of forecasting security.

### **Economic environment:**

- Favorable economic indicators

### **ATOSS:**

- Major orders characterize company's development in 2006
- Third increase in forecasts during current year
- Strong growth impulses

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#### ATOSS on record course in 2006

Since we have already achieved a record result in terms of operating earnings (EBIT) during the first nine months of the year, we have now raised our earnings forecasts for operating earnings for the whole of 2006 to € 2.7 million. This means that we are expecting to out-perform significantly the best results so far achieved in the history of the company (2003: € 2.3 million), thereby creating the basis for exploiting sustainable growth opportunities for ATOSS.

Yours sincerely



Andreas F.J. Obereder  
(Chief Executive Officer)



Christof Leiber  
(Management Board Member)

#### GROUP OVERVIEW: QUARTERLY COMPARISON AS AT SEPTEMBER 30, 2006 IN THOUSANDS OF EUROS (UNDER IFRS)

|  | 2006                              |                                 | 2005                              |                                 | Change<br>2006 / 2005 |
|--|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|-----------------------|
|  | from Jan. 1 until<br>September 30 | Proportion of<br>total revenues | from Jan. 1 until<br>September 30 | Proportion of<br>total revenues |                       |
| <b>Revenues</b>                        | <b>15,930</b>                     | <b>100%</b>                     | <b>14,566</b>                     | <b>100%</b>                     | <b>9%</b>             |
| Software                               | 9,470                             | 59%                             | 8,785                             | 60%                             | 8%                    |
| Software licenses                      | 3,360                             | 21%                             | 2,718                             | 19%                             | 24%                   |
| Software maintenance                   | 6,110                             | 38%                             | 6,067                             | 42%                             | 1%                    |
| Consulting                             | 4,069                             | 26%                             | 3,627                             | 25%                             | 12%                   |
| Hardware                               | 1,906                             | 12%                             | 1,485                             | 10%                             | 28%                   |
| Other                                  | 486                               | 3%                              | 670                               | 5%                              | -27%                  |
| EBITDA                                 | 2,412                             | 15%                             | 224                               | 2%                              | >100%                 |
| EBITCB <sup>(1)</sup>                  | 2,177                             | 14%                             | -28                               | 0%                              | >100%                 |
| <b>EBIT</b>                            | <b>2,095</b>                      | <b>13%</b>                      | <b>-267</b>                       | <b>-2%</b>                      | <b>&gt;100%</b>       |
| EBT                                    | 2,385                             | 15%                             | 132                               | 1%                              | >100%                 |
| Net Income                             | 1,396                             | 9%                              | -51                               | 0%                              | >100%                 |
| Cashflow                               | 5,358                             | 34%                             | 2,875                             | 20%                             | 86%                   |
| Financial resources <sup>(2),(5)</sup> | 11,664                            |                                 | 28,823                            |                                 | -60%                  |
| EPS (in €) <sup>(3)</sup>              | 0.36                              |                                 | -0.01                             |                                 | >100%                 |
| Employees <sup>(4)</sup>               | 171                               |                                 | 181                               |                                 | -6%                   |

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

|   | 2006         |              |              | 2005         |              |
|---|--------------|--------------|--------------|--------------|--------------|
|   | Q3           | Q2           | Q1           | Q4           | Q3           |
| <b>Revenues</b>                                     | <b>5,538</b> | <b>5,275</b> | <b>5,117</b> | <b>5,849</b> | <b>5,001</b> |
| Software  | 3,346        | 3,068        | 3,056        | 3,359        | 2,898        |
| Software licenses                                   | 1,248        | 1,038        | 1,074        | 1,283        | 871          |
| Software maintenance                                | 2,098        | 2,030        | 1,982        | 2,076        | 2,027        |
| Consulting  | 1,361        | 1,362        | 1,346        | 1,336        | 1,165        |
| Hardware  | 648          | 671          | 587          | 836          | 619          |
| Other   | 184          | 173          | 129          | 318          | 319          |
| EBITDA  | 910          | 692          | 811          | 944          | 17           |
| EBITCB <sup>(1)</sup>                               | 819          | 604          | 755          | 910          | -13          |
| <b>EBIT</b>   | <b>802</b>   | <b>587</b>   | <b>706</b>   | <b>830</b>   | <b>-93</b>   |
| <b>EBIT %</b>                                       | <b>14%</b>   | <b>11%</b>   | <b>14%</b>   | <b>14%</b>   | <b>-2%</b>   |
| EBT   | 856          | 666          | 862          | 980          | 45           |
| Net Income  | 542          | 358          | 497          | 510          | -19          |
| Cashflow  | 2,600        | 107          | 2,650        | -1,177       | 2,520        |
| Cash flow per share (in €) <sup>(3)</sup>           | 0.66         | 0.03         | 0.68         | -0.30        | 0.66         |
| Financial resources <sup>(2),(5)</sup>              | 11,664       | 9,119        | 30,543       | 27,836       | 28,823       |
| Financial resources per share (in €) <sup>(3)</sup> | 2.98         | 2.34         | 7.85         | 7.21         | 7.55         |
| EPS (in €) <sup>(3)</sup>                           | 0.14         | 0.09         | 0.13         | 0.13         | -0.01        |
| Employees <sup>(4)</sup>                            | 171          | 162          | 165          | 177          | 181          |

<sup>(1)</sup> EBIT before costs of employees' convertible bonds participation scheme; <sup>(2)</sup> Liquid assets and marketable securities; <sup>(3)</sup> EPS, cash flow per share and financial resources per share divided by the average number of shares in circulation; in Euro <sup>(4)</sup> at the end of the quarter; <sup>(5)</sup> Dividend of 0.11 per share on May 2, 2005 and 5.50 on May 3, 2006.



ARBÖ, Austria:  
ATOSS Customer since 2000

## Management Report

### Sales growth, adjusted for AENEIS; total sales 13%, software licenses 32%

ATOSS continued to develop in an extremely gratifying manner during the first nine months of the year, continuing the positive trend experienced since the fourth quarter of 2005. ATOSS Group sales in the first nine months of the 2006 financial year amounted to € 15.9 million, compared with just € 14.6 million in the first nine months of the previous year. After adjusting for the sales contributions of the previous year from the AENEIS product that has in the meantime been sold, growth amounted to 13%.

Sales from software licenses, in particular, are developing positively again and in the current quarter they are also exceeding the first nine months of 2005. In the first half of 2006, software licenses sales were up by 24% and, when adjusted for the contribution to sales from AENEIS, by as much as 32%.

Despite the separation from AENEIS and the loss of related maintenance revenues, sales from software maintenance grew by 1% to € 6.1 million.

Overall software sales at € 9.5 million were 8% above the level of the previous year. When adjusted for AENEIS, sales increased by 13%.

In the consultancy business, ATOSS achieved growth in the first nine months of the year of 12%, with sales of € 4.1 million compared with € 3.6 million in the previous year. Adjusted for AENEIS, sales growth was equivalent to 14%.

In the first six months of the year, sales from the hardware business amounted to € 1.9 million compared with € 1.5 million in the same period of the previous year.

### Best result in the history of the company

While the operating result before the effects arising from the convertible bond subscription program (EBITCB) was breakeven in the first nine months of the previous year, as of September 30, 2006 it amounted to € 2.2 million.

The earnings include a special effect of € 0.4 million resulting from the realization of the disposal of AENEIS with effect from January 1, 2006.

Earnings before interest and taxes (EBIT) in the first nine months of the year of € 2.1 million (previous year: -€ 0.3 million) represent the best nine-month result in the history of the company.

Earnings before taxes (EBT) reached € 2.4 million in the first nine months of the year (previous year: € 0.1 million). Net income amounted to € 1.4 million (previous year: -€ 0.1 million) and earnings per share were € 0.36 per share (previous year: -€ 0.01 per share).

Along with the gratifying development of revenues, cost structure improvements also made a significant contribution to the improved level of earnings.

### High level of commitment to product development driving technologies and sector solutions

ATOSS continues its high level of commitment to product development. In the first nine months of the year, expenditure on research & development totaled € 2.8 million, whereas in the previous year ATOSS had spent € 3.1 million, which included € 0.3 million of development expenses for the AENEIS software product that has since been sold.

We continue to book these research & development costs through the income statement as expenses, rather than capitalizing them.

We presented the new ATOSS Staff Efficiency Suite 3.4, which is the result of the efforts of programmers to create new functionalities for our customers and interested parties, at the „Zukunft Personal 2006“ human resources exhibition in Munich. Since it is programmed in Java, the modular and highly up-to-date standard software guarantees platform independence, investment security, and the best adaptation possibilities to individual company processes.

### Strong cash flow, cash position at € 11.7 million

In the first nine months of 2006 we generated operating cash flow of € 5.4 million, compared with € 2.9 million in the same period the previous year. The strong increase compared with the previous year is due to the significant revitalization of business activity related to a reduction in receivables and the creation of short-term provisions, tax provisions and deferred revenue items for projects that have not yet been concluded.

As a result of the seasonal effects involved in the calculation of maintenance fees, operating cash flow is comparatively high in the first and third quarters, while the second and fourth quarters tend to show lower or negative cash flows. In the third quarter of this year, we generated a positive cash flow of € 2.6 million (previous year: € 2.5 million).

Particularly through the use of provisions, as well as tax payments in the fourth quarter of the year, the very high level of cash flow so far achieved will be 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 € 11.7 million while the year is still under way. Liquidity for each share in circulation on average is therefore equivalent to € 2.98. As of December 31, 2005, this figure was still € 7.21 per share, before taking into account the distribution of € 5.50 per share.

As of September 30, 2006, total assets amounted to € 15.6 million (30.09.2006: € 33.5 million). At € 8.1 million, equity was equivalent to 52% of total assets (previous year: 80%)

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

### Employees

As of September 30, 2006, ATOSS employed 171 members of staff. This is equivalent to a year-on-year reduction in personnel of 6%.

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

### Favorable economic environment

In October 2006, the Government raised its forecast for gross domestic product growth to 2.3% and is also assuming growth of at least 1.4% for 2007 despite the increase in value added tax.

### Continuation of favorable investment climate

In line with the economic survey conducted by the sector association, the German Association for Information Technology, Telecommunications and New Media (BITKOM), the association's members are currently anticipating growth in both sales and profits.

ATOSS believes that this means that the company will continue to benefit from a readiness to invest in working time management and personnel resource planning systems that provide its customers with greater flexibility, stronger customer and employee satisfaction, and productivity increases.

However, the key factor for ATOSS is that it continues to successfully address its customers' requirements, thereby allowing them to secure commercial success. This in turn ensures a sustainable foundation for ATOSS's own future business.

In this respect, we made progressive steps during the first nine months of the year: besides Austrian Airlines it is particularly new customers from the retail sector that are depending on ATOSS solutions to boost their productivity. For instance, in 2006, Max Bahr Baumärkte, the EDEKA retail group as well as the T-Punkte sales company were persuaded of the performance qualities of ATOSS products.

### Third increase in earnings forecast

Due to the favorable course of business, in particular during the third quarter of the current year, ATOSS has once again upgraded its forecast: the company is assuming that it will achieve an operating profit (EBIT) of at least € 2.7 million. As a consequence, on a full-year view, ATOSS will match the best result in the company's history.

## Investor Relations

### Share price rally ahead of the dividend payout

The announcement of the dividend payout in January 2006 led to a very positive share price development.

A key factor for the share price was the tax treatment of the special dividend of €5.50 per share.

### Correction following the dividend payout

Whereas ATOSS shares reached very high prices in the run-up to the dividend payout, following the distribution, demand dropped significantly, leaving them to fall by an amount that exceeded the dividend.

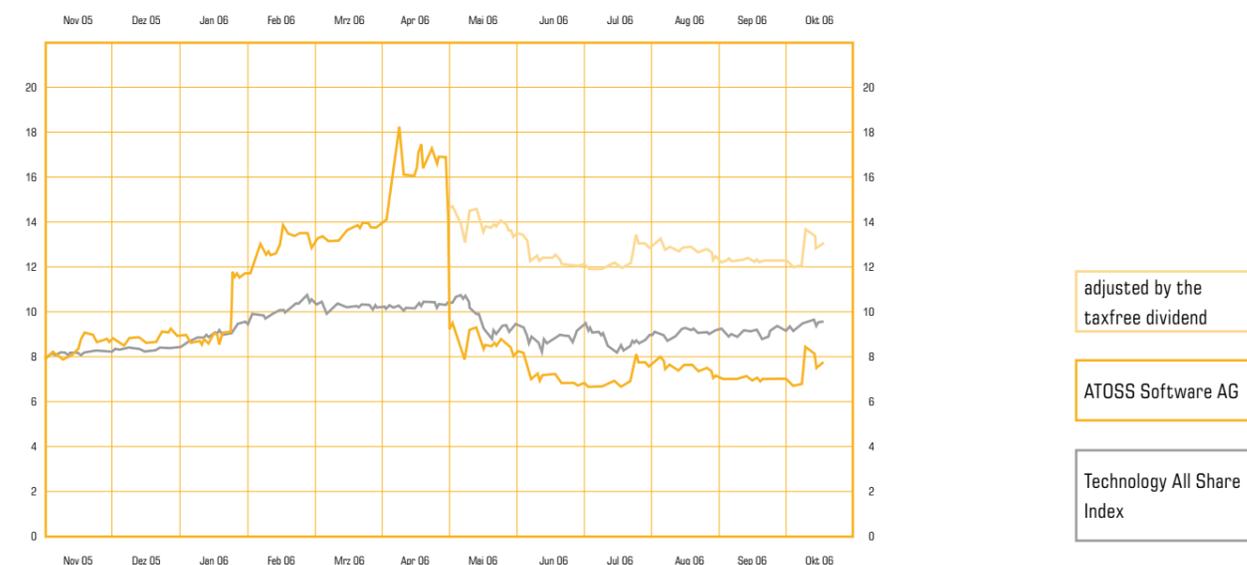
The share price has meanwhile stabilized at a level where it traded in the fourth quarter of 2005.

### Good performance when adjusted for the dividend

When adjusted for the tax-free component of the dividend of €5.26, in the last twelve months the share has performed significantly better than the comparable Deutsche Börse Technology All-Share Index. This reflects the markedly improved business development evidenced in key financial figures such as EBIT, EBIT margin, return on equity, and cash flow.

### Potential for 2006

Since the company is expecting the best result in its history for the 2006 financial year, in the view of analysts from SES Research the current share price level still offers significant potential for a favorable development until the year end, assuming that the overall mood on stock exchanges becomes somewhat brighter. On October 11, 2006, this led the analysts at SES to upgrade ATOSS shares from „Hold“ to „Buy“.



**KEY PER SHARE DATA**

|  | 2006   |         |         |         | 2005    |
|--|--------|---------|---------|---------|---------|
|  | Q3     | Q2      | Q1      | Q4      | Q3      |
| High   | 8.15   | 19.00   | 14.00   | 9.21    | 8.78    |
| Low  | 6.65   | 6.69    | 8.57    | 7.90    | 7.85    |
| Price at end of quarter                      | 7.00   | 6.85    | 13.85   | 8.95    | 8.55    |
| Number of treasury shares <sup>(1)</sup>     | 97,221 | 114,755 | 122,666 | 150,058 | 203,566 |
| Dividend per share <sup>(2)</sup>            | 0.00   | 5.50    | 0.00    | 0.00    | 0.00    |
| Cash flow per share <sup>(2)</sup>           | 0.66   | 0.03    | 0.68    | -0.30   | 0.66    |
| Financial resources per share <sup>(2)</sup> | 2.98   | 2.34    | 7.85    | 7.21    | 7.55    |
| EPS <sup>(2)</sup>                           | 0.14   | 0.09    | 0.13    | 0.13    | -0.01   |
| EPS (diluted) <sup>(2)</sup>                 | 0.13   | 0.09    | 0.12    | 0.12    | 0.00    |

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



EDEKA Minden:  
ATOSS Customer since 2004



**CONSOLIDATED BALANCE SHEET AT SEPTEMBER 30, 2006**

| <b>ASSETS</b>                           |                   |                   |
|---|-------------------|-------------------|
|   | 30.09.2006        | 31.12.2005        |
|   | in €              | in €              |
| <b>Current assets</b>                   |                   |                   |
| Cash                                    | 11,659,540        | 27,831,181        |
| Marketable securities                   | 4,812             | 4,804             |
| Trade accounts receivable (net)         | 2,646,988         | 3,788,143         |
| Inventories                             | 19,803            | 12,660            |
| Other current assets and deferred items | 349,287           | 343,994           |
| <b>Total current assets</b>             | <b>14,680,430</b> | <b>31,980,782</b> |
| <b>Non-current assets</b>               |                   |                   |
| Fixed assets (net)                      | 382,505           | 369,694           |
| Intangible assets (net)                 | 156,399           | 255,036           |
| Deferred taxes                          | 396,817           | 487,272           |
| <b>Total non-current assets</b>         | <b>935,721</b>    | <b>1,112,002</b>  |
| <b>Total assets</b>                     | <b>15,616,151</b> | <b>33,092,784</b> |

**CONSOLIDATED BALANCE SHEET AT SEPTEMBER 30, 2006**

| <b>LIABILITIES</b>                       |                   |                   |
|--|-------------------|-------------------|
|  | 30.09.2006        | 31.12.2005        |
|  | in €              | in €              |
| <b>Short-term liabilities</b>            |                   |                   |
| Trade accounts payable                   | 295,825           | 720,294           |
| Short-term provisions                    | 1,834,492         | 1,390,546         |
| Revenue adjustment items                 | 3,026,709         | 694,549           |
| Provisions for taxation                  | 617,122           | 431,736           |
| Other current liabilities                | 435,632           | 651,986           |
| <b>Total current liabilities</b>         | <b>6,209,780</b>  | <b>3,889,111</b>  |
| <b>Non-current liabilities</b>           |                   |                   |
| Convertible bonds                        | 103,669           | 155,250           |
| Pension provisions                       | 1,234,994         | 1,229,912         |
| Deferred taxes                           | 0                 | 6                 |
| <b>Total non-current liabilities</b>     | <b>1,338,663</b>  | <b>1,385,168</b>  |
| <b>Shareholders' equity</b>              |                   |                   |
| Share capital                            | 4,025,667         | 4,025,667         |
| Capital reserve                          | 390,016           | 450,013           |
| Treasury stock                           | -1,291,031        | -1,670,304        |
| Profit                                   | 4,943,022         | 25,013,111        |
| Changes in equity not impacting earnings | 34                | 18                |
| <b>Total shareholders' equity</b>        | <b>8,067,708</b>  | <b>27,818,505</b> |
| <b>Total liabilities</b>                 | <b>15,616,151</b> | <b>33,092,784</b> |

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

|   | Quarterly report |                  | 9-month report    |                   |
|---|------------------|------------------|-------------------|-------------------|
|   | 01.07.2006       | 01.07.2005       | 01.01.2006        | 01.01.2005        |
|   | 30.09.2006       | 30.09.2005       | 30.09.2006        | 30.09.2005        |
|   | in €             | in €             | in €              | in €              |
| <b>Revenues</b>                                   | <b>5,538,262</b> | <b>5,000,676</b> | <b>15,930,378</b> | <b>14,566,467</b> |
| Cost of sales                                     | -1,788,920       | -1,741,533       | -5,171,075        | -5,204,931        |
| <b>Gross profit</b>                               | <b>3,749,341</b> | <b>3,259,143</b> | <b>10,759,303</b> | <b>9,361,536</b>  |
| Marketing costs                                   | -1,369,960       | -1,470,044       | -4,477,133        | -4,063,725        |
| Administration costs                              | -651,080         | -775,624         | -1,860,193        | -2,414,038        |
| Research & development costs                      | -920,912         | -1,042,606       | -2,788,917        | -3,155,214        |
| Other operating income                            | -5,070           | -63,714          | 462,071           | 4,008             |
| <b>Operating income</b>                           | <b>802,319</b>   | <b>-92,846</b>   | <b>2,095,131</b>  | <b>-267,431</b>   |
| Interest and similar income                       | 53,547           | 137,409          | 289,434           | 399,388           |
| <b>Pre-tax income</b>                             | <b>855,866</b>   | <b>44,563</b>    | <b>2,384,565</b>  | <b>131,956</b>    |
| Income taxes                                      | -314,217         | -63,681          | -988,148          | -182,677          |
| <b>Net income</b>                                 | <b>541,648</b>   | <b>-19,118</b>   | <b>1,396,416</b>  | <b>-50,721</b>    |
| Earnings per share (undiluted)                    | 0.14             | -0.01            | 0.36              | -0.01             |
| Earnings per share (diluted)                      | 0.13             | 0.00             | 0.35              | -0.01             |
| Average undiluted number of shares in circulation | 3,924,859        | 3,821,719        | 3,907,678         | 3,815,982         |
| Average diluted number of shares in circulation   | 4,039,408        | 4,049,938        | 4,037,745         | 4,054,710         |

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

|   | 9-month report     |                  |
|---|--------------------|------------------|
|   | 01.01.2006         | 01.01.2005       |
|   | 30.09.2006         | 30.09.2005       |
|   | in €               | in €             |
| <b>Cash flow from operating activities</b>            |                    |                  |
| <b>Net income</b>                                     | <b>1,396,416</b>   | <b>-50,721</b>   |
| Depreciation on fixed assets                          | 317,213            | 511,921          |
| Loss on disposal of fixed assets                      | 16,601             | 1,882            |
| Change in deferred tax assets                         | 90,449             | 66,452           |
| Personnel costs arising from convertible bond program | 82,358             | 239,494          |
| Pension provision                                     | 5,083              | 105,580          |
| <b>Change in net current assets</b>                   |                    |                  |
| Trade accounts receivable                             | 1,141,155          | 712,017          |
| Other assets and deferred items                       | -9,167             | -303,667         |
| Trade accounts payable                                | -424,469           | -86,872          |
| Short-term provisions                                 | 443,946            | -22,261          |
| Revenue adjustment items                              | 2,332,160          | 1,803,238        |
| Provisions for taxation                               | 182,117            | 20,776           |
| Other current liabilities                             | -216,354           | -122,946         |
| <b>Net cash generated from operating activities</b>   | <b>5,357,508</b>   | <b>2,874,892</b> |
| <b>Cash flow from investment activity</b>             |                    |                  |
| Fixed assets acquired                                 | -247,987           | -322,024         |
| <b>Net cash generated from investment activities</b>  | <b>-247,987</b>    | <b>-322,024</b>  |
| <b>Cash flow from financing activity</b>              |                    |                  |
| Revenues from the sale of treasury stock              | 185,336            | 113,908          |
| Cost of convertible bond redemptions                  | 0                  | -12,184          |
| Dividend distribution                                 | -21,466,506        | -420,127         |
| Unrealized losses on financial resources              | 16                 | 204              |
| <b>Cash generated from financing activities</b>       | <b>-21,281,154</b> | <b>-318,199</b>  |

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

|  | Share<br>capital<br>in € | Capital<br>reserve<br>in € | Treasury<br>stock<br>in € | Profit<br>in €    | Changes in equity<br>not impacting<br>on earnings<br>in € | Total<br>in €     |  |
|--|--------------------------|----------------------------|---------------------------|-------------------|---|-------------------|--|
| <b>As at January 1, 2005</b>           | <b>4,025,667</b>         | <b>20,166,012</b>          | <b>-2,306,204</b>         | <b>5,133,789</b>  | <b>0</b>  | <b>27,019,264</b> | <b>As at January 1, 2005</b>           |
| Net income                             | 0                        | 0                          | 0                         | -50,721           | 0   | -50,721           | Net income                             |
| Sale of treasury stock                 | 0                        | -153,968                   | 303,623                   | 0                 | 0   | 149,655           | Sale of treasury stock                 |
| Additions from convertible bonds       | 0                        | 239,494                    | 0                         | 0                 | 0   | 239,494           | 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                 | 204   | 204               | Unrealized losses on capital resources |
| <b>As at September 30, 2006</b>        | <b>4,025,667</b>         | <b>20,251,538</b>          | <b>-2,002,581</b>         | <b>4,662,941</b>  | <b>204</b>  | <b>26,937,769</b> | <b>As at September 30, 2006</b>        |
| <b>As at January 1, 2006</b>           | <b>4,025,667</b>         | <b>450,013</b>             | <b>-1,670,304</b>         | <b>25,013,111</b> | <b>18</b>   | <b>27,818,505</b> | <b>As at January 1, 2006</b>           |
| Net income                             | 0                        | 0                          | 0                         | 1,396,416         | 0   | 1,396,416         | Net income                             |
| Sale of treasury stock                 | 0                        | -142,355                   | 379,273                   | 0                 | 0   | 236,918           | Sale of treasury stock                 |
| Additions from convertible bonds       | 0                        | 82,358                     | 0                         | 0                 | 0   | 82,358            | 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                 | 16  | 16                | Unrealized losses on capital resources |
| <b>As at September 30, 2006</b>        | <b>4,025,667</b>         | <b>390,016</b>             | <b>-1,291,031</b>         | <b>4,943,022</b>  | <b>34</b>   | <b>8,067,708</b>  | <b>As at September 30, 2006</b>        |

# Notes to the Group Accounts as of September 30, 2006



S-Bahn Berlin:  
ATOSS Customer since 1997



## 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 „Interim Financial Reporting“ guidelines of IAS 34.

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 September 30, 2006 in respect of the period commencing on January 1, 2006 and ending on September 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, St. Gallen  
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 September 30, 2006, the company held 97,221 of its own shares. Treasury stock is reported as a separate equity item at the 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        |
|-----------------------|-------------------|-------------------|
|                       | 30.09.2006        | 30.09.2005        |
|                       | in €              | in €              |
| Software licenses     | 3,359,824         | 2,717,613         |
| Software maintenance  | 6,110,271         | 6,067,319         |
| <b>Total software</b> | <b>9,470,095</b>  | <b>8,784,932</b>  |
| Consulting            | 4,068,570         | 3,626,717         |
| Hardware              | 1,905,721         | 1,485,295         |
| Other                 | 485,992           | 669,523           |
| <b>Total revenues</b> | <b>15,930,378</b> | <b>14,566,467</b> |

Revenues are distributed geographically as follows:

|  | 01.01.2006        | 01.01.2005        |
|--|-------------------|-------------------|
|  | 30.09.2006        | 30.09.2005        |
|  | in €              | in €              |
| Germany                                | 14,629,366        | 12,904,989        |
| Austria                                | 948,261           | 987,796           |
| Switzerland                            | 250,674           | 506,277           |
| <b>Total German-speaking countries</b> | <b>15,828,301</b> | <b>14,399,062</b> |
| Other countries                        | 102,077           | 167,405           |
| <b>Total</b>                           | <b>15,930,378</b> | <b>14,566,467</b> |



„Deutsche See“:  
ATOSS Customer since 2003

## 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) and ATOSS Startup Edition (ASE):

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

### ATOSS Time Control (ATC):

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

### AENEIS:

This is a software solution for business process management aimed at customers in all sectors and of all sizes. It is normally sold 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 to intellior AG that took effect from January 1, 2006.

| SOFTWARE SOLUTIONS  |                   |                   |
|---|-------------------|-------------------|
|   | 01.01.2006        | 01.01.2005        |
|   | 30.09.2006        | 30.09.2005        |
|   | in €              | in €              |
| <b>Revenues</b>   |                   |                   |
| ATOSS Staff Efficiency Suite (ASES) and ATOSS Startup Edition (ASE) | 14,817,252        | 13,159,999        |
| ATOSS Time Control (ATC)  | 1,113,126         | 971,550           |
| AENEIS  | 0                 | 434,918           |
| <b>Total</b>  | <b>15,930,378</b> | <b>14,566,467</b> |
| <b>Operating income (EBIT)</b>                                      |                   |                   |
| ATOSS Staff Efficiency Suite (ASES) and ATOSS Startup Edition (ASE) | 1,411,283         | 335,025           |
| ATOSS Time Control (ATC)  | 246,112           | 32,380            |
| AENEIS  | 437,736           | -634,836          |
| <b>Total</b>  | <b>2,095,131</b>  | <b>-267,431</b>   |

## 9. Other operating revenues

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

## 10. Cost of sales

Sales costs rose primarily as a result of the transfer of employees from other areas to the sales area. Related to this, particularly 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      |
|  | 30.09.2006       | 30.09.2005      |
|  | in €             | in €            |
| <b>Pre-taxed income under IFRS</b>                   | <b>2,384,565</b> | <b>131,956</b>  |
| Projected tax charge (2006: 40.86%, 2005: 40.86%)    | -974,333         | -53,917         |
| Non-deductible operating expenses                    | -18,642          | -24,080         |
| Permanent differences arising from convertible bonds | -33,652          | -97,857         |
| Differences in tax rates                             | 38,479           | -6,823          |
| <b>Group tax charge</b>                              | <b>-988,148</b>  | <b>-182,677</b> |

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

| PERSONNEL EXPENSES                          | 01.01.2006       | 01.01.2005       |
|---|------------------|------------------|
|   | 30.09.2006       | 30.09.2005       |
|   | in €             | in €             |
| Wages and salaries                          | 7,074,117        | 7,340,870        |
| Social security, pension and other benefits | 1,288,165        | 1,550,059        |
| Effects of convertible bond programs        | 82,358           | 239,494          |
| <b>Total</b>                                | <b>8,444,640</b> | <b>9,130,423</b> |

### 13. Employees

As of September 30, 2006, the company employs 171 staff, compared with 181 as of September 30, 2005. Of these, 51 (previous year 52) were active in product development, 48 (previous year 51) in the areas of Professional Services and Consulting and 41 (previous year 40) were active in the Sales and Marketing.

### 14. Management Board

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

|                              |                         |
|------------------------------|-------------------------|
| <b>Andreas F.J. Obereder</b> | Chief Executive Officer |
| <b>Christof Leiber</b>       | 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 September 30, 2006, the Supervisory Board of ATOSS Software AG had three members:

|  |                 |
|--|-----------------|
| <b>Peter Kirn</b>                        | Chairman        |
| <b>Bernhard Dorn</b>                     | Deputy Chairman |
| <b>Rolf Baron Vielhauer von Hohenhau</b> | Member          |

### 16. Shares held by corporate officers

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

|                       | 30.09.2006 | 30.06.2006 | 31.03.2006 | 31.12.2005 | 30.09.2005 |
|-----------------------|------------|------------|------------|------------|------------|
| Andreas F.J. Obereder | 1,976,184  | 1,976,184  | 1,971,184  | 1,971,184  | 1,946,184  |
| Peter Kirn            | 23,760     | 17,760     | 13,760     | 13,760     | 13,760     |
| Bernhard Dorn         | 19,000     | 13,000     | 13,000     | 13,000     | 7,000      |

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

|                                   | 30.09.2006 | 30.06.2006 | 31.03.2005 | 31.12.2005 | 30.09.2005 |
|-----------------------------------|------------|------------|------------|------------|------------|
| Andreas F.J. Obereder             | 5,000      | 5,000      | 5,000      | 5,000      | 15,000     |
| Christof Leiber                   | 15,500     | 18,500     | 20,667     | 22,000     | 23,668     |
| Dr. Burkhard Scherf               | 5,000      | 5,000      | 5,000      | 10,000     | 10,000     |
| Peter Kirn                        | 6,000      | 12,000     | 12,000     | 12,000     | 18,000     |
| Bernhard Dorn                     | 6,000      | 12,000     | 12,000     | 12,000     | 18,000     |
| Rolf Baron Vielhauer von Hohenhau | 12,000     | 12,000     | 12,000     | 12,000     | 18,000     |

### 17. Convertible bonds

In the first nine months of fiscal 2006, 52,837 convertible bonds were exercised. No convertible bonds were issued or redeemed. 108,340 convertible bonds were outstanding as of September 30, 2006.

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

| EXERCISE PRICES                         | Outstanding    | Contractual | Potential     |
|---|----------------|-------------|---------------|
|   | convertible    | validity    | exercise      |
|   | bonds          | in years    | rights        |
| <b>Current and former Board members</b> |                |             |               |
| 6.18                                    | 13,000         | 4.7         | 5,500         |
| 4.01                                    | 24,000         | 4.9         | 6,000         |
| 3.52                                    | 2,500          | 4.0         | 2,500         |
| 1.00                                    | 10,000         | 0.5         | 10,000        |
|   | <b>49,500</b>  |             | <b>24,000</b> |
| <b>Employees</b>                        |                |             |               |
| 6.18                                    | 29,000         | 4.7         | 13,500        |
| 3.97                                    | 3,000          | 5.1         | 0             |
| 3.52                                    | 19,500         | 4.0         | 19,500        |
| 1.00                                    | 7,340          | 0.8         | 7,340         |
|   | <b>58,840</b>  |             | <b>40,340</b> |
|   | <b>108,340</b> |             | <b>64,340</b> |

#### 18. Information on reportable securities transactions

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

AXXION S.A., Luxembourg, has since February 2, 2006 held voting rights of less than 5% of the share capital 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 € 1,396.416 by the weighted average number of outstanding shares. Between January 1, 2006 and September 30, 2006 an average of 3,907,678 ordinary shares were in circulation. Earnings per share for this period therefore amount to € 0.36 compared with minus -€ 0.01 in the first nine 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 € 2,123. 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 September 30, 2006 an average of 130,067 convertible bonds were in circulation. As a result, diluted earnings per share amounted to € 0.35 compared with -€ 0.01 in the previous year.

#### 20. Events of particular importance subsequent to the reporting date

Following the reporting date on September 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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