European Research Alert

29 August 2001

Atoss AG

Change of forecasts

IT Software – Germany

Outperform

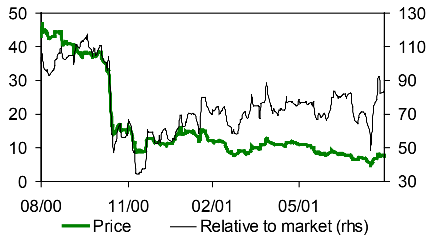
Unchanged

Price:	**€7.60**
Target price:	**€12.00**

Key price data

12m high/low		€47.00–4.59
Market cap.		€30m
Float (%)		
Neuer Market		1,123.40
Reuters/Bloomberg		AOFG.DE/ AOF GR
Shareholder(s)		Founders: 57.6% Managaement and employees: 13.5%
% chg abs.:	1d	-1.3
	1m	13.3
	3m	-33.0
	12m	-82.0

Price & price rel. to Neuer Market



Financial data (DEM)

Y/end December	2000	2001e	2002e	2003e
Net income (DEMm)	0	3	6	15
Normalised EPS	-0.03	0.75	1.60	3.73
Reported EPS	-0.03	0.75	1.60	3.73
Normalised CFPS	-3.04	1.82	2.61	4.49
DPS	0.00	0.00	0.00	0.00
Normalised PE	nm	19.9	9.3	4.0
Reported PER rel.	nm	91.7	46.8	22.4
Normalised PCF	nm	8.2	5.7	3.3
Normalised PCF rel	nm	165.9	103.9	53.4
Dividend yield	0.0	0.0	0.0	0.0

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Forecasts downgraded, rating maintained

- In the light of the weak Q2 results, we downgrade our forecasts on Atoss. We now expect FY01 sales of DM49.1 (previously DM53.5m and an EBIT of DM1.5m (previously DM 5.6m).
- Accordingly, we downgrade our share price target from €17 to €12.
- In spite of the harsh downgrade in earnings, we stick to our Outperform stance on the stock due to a low valuation, good cost control and good long-term prospects. A major contract could trigger a substantial share price increase.

Forecasts downgraded

In the light of the weak results and the bad market environment, we downgraded our forecasts in Atoss. We now expect sales to reach DM49.1m, an increase of no more than 15% y/y, and EBIT to reach DM1.5m, an increase of 250% y/y. These forecasts should be achievable even without any major contracts (which the company says are in the pipeline but have not materialised yet).

No negative surprises ahead

Unlike many young software companies, a collapse of sales is very unlikely. Atoss has a ten-year track record of profitable growth and a sound client base. The company had prepared itself for the weakening market environment, so that costs are in line with poor sales development. Business is weak, but intact, so that we are confident that our lowered estimates will be met.

We are still convinced think the product is leading edge and sales growth should catch up in a more favourable environment.

Even based on our lowered forecasts, we see a fair value of €12 per share, an upside of 35%, and maintain our Outperform rating.

New forecasts:

MDM	2000	2001e	2002e	2003e
Sales	42.10	49.10	61.90	77.70
EBITDA	2.17	3.50	7.00	10.80
EBIT	0.43	1.50	5.00	8.80
EPS (DM)	-0.03	0.75	1.60	3.73