

Atoss AG

Change of recommendation

IT Software – Germany

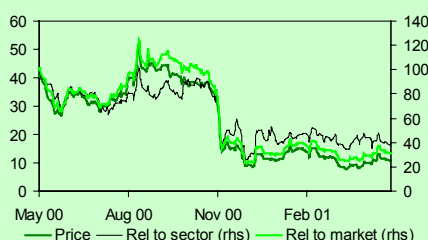
Outperform

Upgraded from Neutral

Price: **€10.81**

Target price: **€17.00**

Price and price relative



Investment summary

✓ Fundamentals

Atoss has a track record of profitable growth and enjoys a blue-chip customer base.

✓ Thematics

Atoss offers a compelling value proposition in a market niche that promises stable long-term growth.

✓ Earnings Dynamics

Following a year of almost flat earnings, Atoss should be able to return to an EBIT margin of 9% in 2001.

✗ Price Dynamics

The share has not yet substantially recovered from its lows after the negative news flow in 3Q00.

✓ Valuation

We see Atoss as undervalued both on a DCF basis and relative to its peers. Our share price target is €17.

Recovery time

- Following its profit warning in 3Q00, Atoss seems to be getting back on track. 1Q01 results were above consensus expectations, with especially strong software sales; CeBit proved a considerable success, generating 440 qualified customer contacts; and Atoss has gained KPMG as a strategic partner, strengthening its network of distribution relationships.
- To regain investors' confidence Atoss must deliver strong operating results. This may prove difficult to achieve in 2Q01 due to a high base effect in 2Q00, which included a large Deutsche Telekom order. Nevertheless, we expect Atoss to exceed lowered guidance for the full year.
- The market should look through any near-term uncertainties, and focus instead on the benefits of positive changes to the business model. In the past twelve months, Atoss has expanded its product suite and restructured its sales processes. These moves should allow Atoss to win new clients in the SME area and generate further business from its existing blue-chip clientele.
- The 3Q00 difficulties led management to adopt a much more cautious growth strategy. As capacity growth was reduced, we have cut our forecasts accordingly. We now expect a sustainable sales CAGR of 23%, and accordingly a strong EBIT CAGR of 84% for the period of 2001–2003.
- With clear signs of improvement and the disappointment behind us Atoss still trades 78% below its 2000 peak of €50. Based on an EV/Sales 2002e of 0.36 and an EV/EBIT 2002e of 3.2, the stock is undervalued. Our DCF model and peer-group comparison assigns a fair value of €17 for the shares. Consequently, we have upgraded our recommendation to Outperform.

Equity performance (DEM)

Year to December	1999	2000	2001e	2002e	2003e
Net att. income (DEM m)	1.51	-0.12	3.57	5.62	9.81
Normalised EPS	0.38	-0.03	0.89	1.40	2.45
Reported EPS	0.38	-0.03	0.89	1.40	2.45
Normalised CFPS	1.10	-3.04	1.97	2.42	3.21
DPS	0.00	0.00	0.00	0.00	0.00
Normalised PER	55.8	nm	23.7	15.1	8.6
Reported PER rel.	179.8	nm	91.1	77.6	39.5
Normalised PCF	19.3	nm	10.8	8.7	6.6
Normalised PCF rel	320.8	nm	190.0	144.6	75.5
Dividend yield	0.0	0.0	0.0	0.0	0.0

Source – BNP Paribas

Bloomberg: AOF GR

Reuters: AOFG.DE

Sedol: 5927353

Datastream: D:AOF

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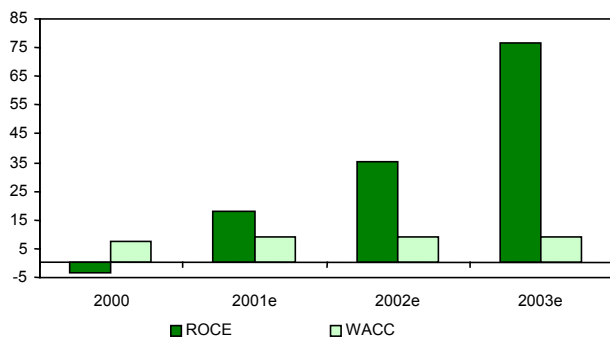
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Business valuation

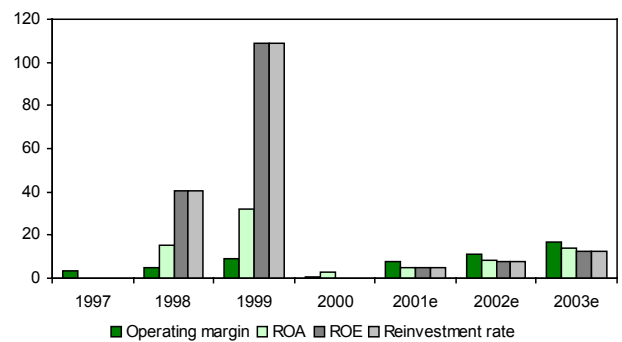
	1997	1998	1999	2000	2001e	2002e	2003e
NOPLAT ROCE	59.9	48.4	176.4	nm	17.9	35.5	76.7
NOPLAT ROCE/WACC				nm	1.9	3.9	8.4
EV/EBITDA	62.9	45.4	18.3	11.0	3.8	1.8	0.6
EV/sales	4.1	3.6	2.2	0.6	0.4	0.3	0.1
Gearing	nm	nm	nm	nm	nm	nm	nm
Dupont Analysis:							
Operating margin (%)	3.3	4.5	8.8	1.0	7.7	11.2	17.1
Asset turnover (%) (DEMP)	300.2	226.6	220.7	49.1	59.9	67.0	73.8
Gross op. ROA (%)	–	15.3	32.0	2.6	4.8	8.3	14.1
Net ROA		6.1	14.9	nm	4.2	6.3	10.0
ROE (%)		40.7	nm	nm	4.9	7.7	12.6
Reinvestment rate (%)	–	40.7	108.6	–	4.9	7.7	12.6

Source – BNP Paribas

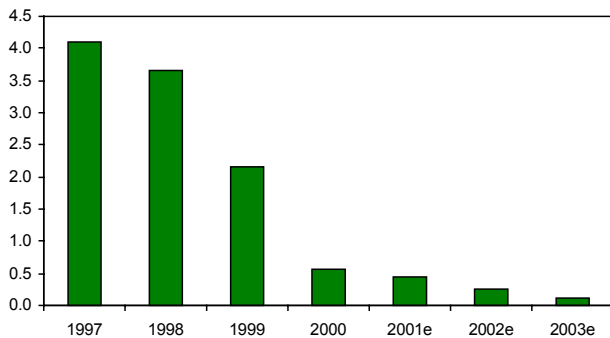
ROCE/WACC



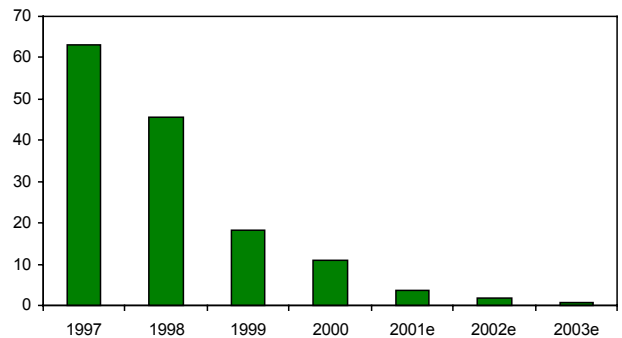
Dupont Analysis



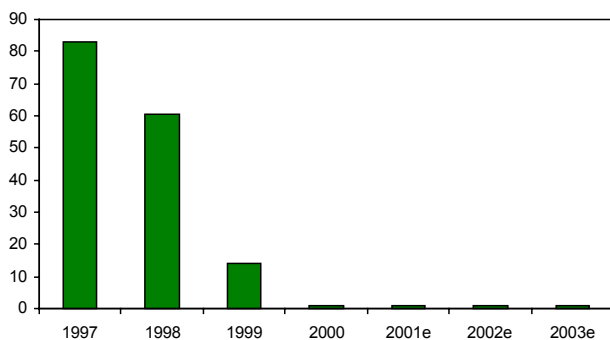
EV/sales



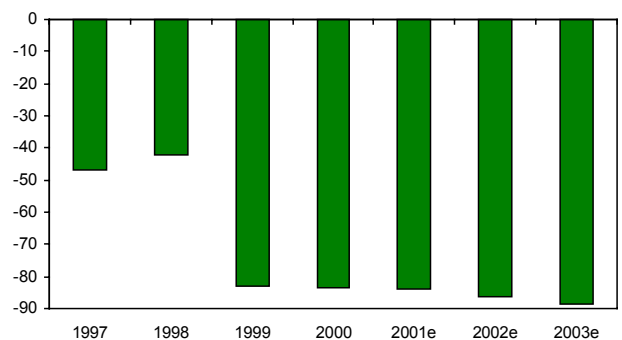
EV/EBITDA



Price/book



Gearing (%)



Source – BNP Paribas

Executive summary

Stable growth and profitability

✓ Fundamentals

Although still a relatively small company, Atoss has achieved strong growth for the past fourteen years and has been profitable from 1997 onwards. The company has a state-of-the-art product suite and a blue-chip customer base which includes clients such as Lufthansa, Deutsche Telekom and AOL.

Strong value proposition

✓ Themes/Macro context

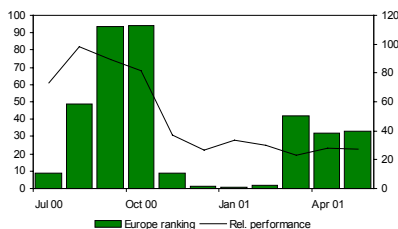
Atoss has a strong value proposition for its customers. The software helps to increase efficiency in the allocation of human resources and promises a short amortisation period and a high return on investments. Although themes like customer relationship management (CRM) and supply chain management (SCM) currently attract more attention, human capital management will increasingly shift into focus. Growth rates in the enterprise resource planning (ERP) software sector appear to remain stable in spite of the general IT slowdown.

EBIT CAGR 2001–2003 of 84%

✓ Earnings Dynamics

Following almost flat results in FY00, we expect the company to be able to show strong profitability growth. We forecast an EBIT of €2.1m for 2001 and €3.8m for 2002. In the long term, EBIT margins of 20% appear realistic.

Price Dynamics



✗ Price Dynamics

The Atoss share price was performing well until the profit warning released in November. Following a sharp decline, the share has been trading within a range of €8 to €16 for some time, recovering from lows in recent weeks.

✓ Valuation

With a market capitalisation of €45m and a net cash position of €31.2m at the end of FY00, Atoss is clearly not expensive. The company trades at an EV/Sales 2002e of 0.36 and an EV/EBIT 2002e of 3.2, clearly below the sector average even in the current market environment.

✓ Recommendation and price target

We have upgraded our recommendation on Atoss from neutral to Outperform with a price target of €17.

Investment appraisal

Following a disappointing 3Q00, Atoss currently struggles to regain investors' confidence. Although some points of criticism remain, Atoss has, in our view, found the right strategic responses to its core challenges. The company has delivered two strong quarters in a row and we are confident on the company's ability to achieve its ambitions. Recent improvements have not yet been reflected in the share price. Even based on lowered forecasts, we believe the company is attractively valued. Consequently we have upgraded our recommendation on Atoss to Outperform, with a share price target of €17.

Key positives

Strong 1Q results

- 1Q results showed a 30% y/y growth rate and especially strong software sales (up 92% y/y). Although these results are partly due to an overhang from the strong 4Q00, they underline the company's fundamental strength.

Partnership with KPMG

- The new partnership with KPMG should help Atoss to establish its indirect sales channel. The amount of revenues generated from such a partnership generally varies considerably, so we have not included these in our forecasts. However, KPMG is one of the major players in the consulting segment and should endorse Atoss' market penetration.

Unique product portfolio

- Atoss has a unique product portfolio. Individual modules of the Atoss staff efficiency suite (SES) compete against other products in the market, but we do not see any player offering a similar level of integration and functionality from one source.

Extended product portfolio

- Atoss has expanded its product portfolio with the acquisitions of CSD and the software Aeneis from ipro, as well as its own in-house developments. The company now provides an offer for smaller companies (Time control) and has extended its value proposition for larger companies.

Key account management introduced

- Atoss has modified its sales strategy. The company now targets the large accounts with key account managers and wants to penetrate the SME market via an indirect sales channel that is currently being developed. This strategy should open up new growth perspectives for Atoss.

The niche remains intact

- While themes such as CRM, BI or e-business software have attracted the big software players and competition is becoming increasingly tough, the market for Atoss' 'staff efficiency management' so far remains a relatively calm niche, providing Atoss with a comfortable advance on potential competitors.

Strong software sales growth

- Atoss achieved mediocre organic sales growth of 14% in 2000. Yet the company managed to compensate for sharply decreasing hardware revenues (-30%) with an increase in the strategically important software sales of 40%. This underlines that the potential profitability of the software is actually higher than figures might suggest at a first glance.

Strong cash position

- According to our forecasts, Atoss will generate positive free cash flows from 2001 onwards. Net cash amounted to €31.2m on 31 December. Thus cash covers about 65% of the company's market capitalisation.

Strong CeBit

- Our confidence on the future performance of Atoss is endorsed by a strong license business in December that brought a number of high profile deals and a very strong CeBit with more than 440 qualified customer contacts, almost twice as much as last year.

Tighter cost control

- Atoss has modified its cost structure, reducing administration expenses and increasing the variable portion of salaries. With a greater portion of total costs related to actual sales, the risk of a potential slowdown in sales to the profitability of the company is reduced.

Improved planning process

- Modifications in the planning process allow a more precise and more reliable forecasting. Therefore the quality of the company's guidance as well as its ability to anticipate changes in the market environment should be improved.

Up to four-year lock-in

- We consider the lock-in agreement and period for the existing shareholders will last for up to four more years, thereby endorsing the credibility of the company.

Moderately valued

- With an EV/sales 2002e of 0.36 and an EV/EBIT 2002e of 3.2, the company appears very moderately valued. Compared to software vendors of similar size and growth rates, we see Atoss currently trading at a discount of 50%.

Considerations

Investors are still sceptical...

- Despite the fact that the share price has recovered from its recent lows, the company still suffers from a lack of confidence on the part of investors. This is a consequence of the 3Q00 profit warning, the departure of the CTO and the apparent lowering of growth expectations for the current year.

...and 2Q01 may look poor

- 1Q01 results were generally positive, but these results (as well as 2Q00) were positively affected by extraordinary effects. The big contract with Deutsche Telekom boosted software sales in 2Q00 and an order overhang from 4Q00 made 1Q01 look very strong. We believe it will be difficult for Atoss to improve upon the €5.7m of last year's 2Q.

Atoss has reduced its growth targets

- Atoss has revised its growth forecasts substantially and now targets much lower growth rates of 20% rather than the 60% announced at the time of the IPO. As a result, we have downgraded our forecasts. This leads not only to negative effects on the DCF valuation and the target price, but also to a significant impact on the equity story. Atoss has shifted from a high-growth (and high-risk) company towards a moderately growing IT company with limited risk.
- Atoss has so far not succeeded in selling its entire product range to one major customer. As Atoss' competitive advantages are strongly based on its integrated staff efficiency management 'temple' (which is an integral part of the company's marketing strategy), questions on the marketability of the software suite as a whole arise. Yet, with its key account management in place, Atoss should find it easier to grow business with existing customers in future.

- The company will have to deal with the loss of its CTO in December. However, we do not see this as a major issue. The existing product range has a modern architecture and the acquired products have been integrated, so in our opinion there is no urgent need for a full-time CTO at present. For the time being the current constellation should be adequate. In our view, Atoss' core challenge for FY01 lies more in marketing than in product development.

Decreasing hardware sales

- Hardware sales declined by 30% over the last year. Although the hardware business is certainly not of strategic importance for Atoss, it was a source of revenue and comfortable margins over the last year. As the negative trend for hardware is expected to continue, Atoss must achieve a disproportionate growth in software and consulting revenues to compensate for this.

As a result of the observations above, we are now more optimistic on the company's prospects and, in our view, all risks are already reflected in the share price. Our forecasts are conservative; we believe in the potential of the product range; and we see that Atoss is well positioned with its blue chip customer base and its (marginal) profitability even in a difficult year.

It's a growth company, but not a high-growth company

We would like to point out, however, that we see an important change in the equity story of Atoss. More than anything, Atoss wants to avoid disappointing the market again. Therefore, plans are less aggressive than at the time of the IPO. Atoss now sets its focus rather on cost control than on high growth. As a consequence, the company now targets growth rates of about 20% instead of 60%.

Outperform recommendation

We believe in the quality and potential of the company's software. Even based on substantially reduced forecasts, we see Atoss as an interesting investment opportunity. We therefore assign the shares an Outperform recommendation with a price target of €17.

Valuation

Peer-group comparison and DCF valuation

Our valuation is based on two conventional approaches: a peer-group comparison focusing on competitors (of which actually only one is listed) and software companies of similar size and growth prospects on Neuer Markt and a DCF model, which reflects Atoss' long-term prospects.

Peer-group comparison

Four peers with a similar focus...

Although Atoss faces a number of competitors, especially in the time management sector, most of these are not listed. We have therefore only included US market leader Kronos, which is considerably larger, but operates in the same segment; P&I, a German player that specialises in consulting in the human resource area; and Meta4 and Ultimate Software, two smaller US players.

...and ERP vendors as competitors in the HR segment

To provide a broader basis for comparison, we have included ERP vendors SAP, Oracle, JD Edwards, Peoplesoft and infor, which offers human resource modules in its software solutions.

These nine companies form a peer group of software companies in the HR and time management segment. The various multiples imply a range of €14.4 to €23.9. PER 2002 is in our view the most meaningful ratio, as it is based on the broadest database, EBITDA, and omits the cash position, which makes EV valuations look favourable for Atoss. The PER 2002 implies a value of €21.7 per share. In order to account for the discrepancy in size and visibility between Atoss and these peers, we apply a discount of 20% on this result, which leads to a share price of €17.4.

Peer group comparison: competitors

Companies	Price	Market cap	EV actual	EV/sales 2001e	EV/sales 2002e	EV/EBITDA 2001e	EV/EBITDA 2002e	EV/EBIT 2001e	EV/EBIT 2002e	PER 2001e	PER 2002e
Kronos (\$)	32.3	395.2	388.2	1.6	1.3	n.a.	n.a.	n.a.	n.a.	44.9	27.6
SAP (€)	169.0	30927.0	29927.0	3.9	3.2	17.1	13.1	15.7	13.5	57.9	43.3
Oracle (\$)	17.0	95655.2	92555.2	8.3	7.3	n.a.	n.a.	n.a.	n.a.	38.7	32.8
JD Edwards (\$)	10.9	1216.5	1171.5	1.1	1.1	n.a.	n.a.	n.a.	n.a.	67.8	31.9
Peoplesoft (\$)	37.3	10844.8	9924.8	4.8	4.2	n.a.	n.a.	n.a.	n.a.	66.6	44.9
Infor (€)	4.4	39.5	23.5	0.3	0.3	3.1	2.3	n.m.	n.m.	n.m.	36.6
P&I (€)	3.1	24.2	24.8	0.6	n.m.	n.m.	n.m.	9.2	12.4	15.0	11.2
Meta4 (€)	1.3	30.0	31.6	0.4	0.3	n.m.	2.2	n.m.	n.m.	n.m.	n.m.
Ultimate Software (\$)	4.4	70.7	63.1	n.m.	n.m.	n.a.	n.a.	n.a.	n.a.	88.0	13.8
Average				2.6	2.5	10.1	5.9	12.4	12.9	54.1	30.3
Implied EV (€m)				71.9	84.5	31.5	28.2	26.1	49.0		
Net cash (€m)				31.2	31.2	31.2	31.2	31.2	31.2		
Implied MC (€m)				103.1	115.7	62.7	59.4	57.3	80.2	98.5	86.6
Implied share price (€)				25.8	28.9	15.7	14.9	14.3	20.0	24.6	21.7

Source – IBES and BNP Paribas

Arguably, this peer group is not totally meaningful. The big software players Oracle, SAP or JD Edwards certainly deserve a premium on Atoss. Furthermore, the bulk of their revenues do not stem from the time management or HR sector, therefore they are subject to different market environments.

In order to provide a second basis for the comparison valuation, we have therefore included a second peer group. This group consists of software companies listed on Neuer Markt, which we feel are comparable in size and growth prospects to Atoss.

A second peer group with software companies of similar size and growth prospects

This group reflects the general perception of smaller software stocks under current market conditions.

The group thus includes IBS AG (quality management software), Poet (content management software), Fabasoft (CRM software), MIS (business intelligence software), Varetis (call-centre software) and FJA (e-finance software). The comparison implies a range of €14.4 to €20.3 for the fair value of the Atoss share. In the context of this peer group, we see EV/EBITDA as the most meaningful ratio, as it reflects the operating profitability of the companies and the current valuation of the companies' activities. The 2002 EBITDA forecasts should better reflect the companies' long-term profitability. The EV/EBITDA 2002 ratio implies a share price of €16.3 for the Atoss share.

Peer group comparison: comparable companies

Companies	Price	MC	EV	EV/sales 2001e	EV/sales 2002e	EV/EBITDA 2001e	EV/EBITDA 2002e	EV/EBIT 2001e	EV/EBIT 2002e	PER 2001e	PER 2002e
IBS (€)	17.4	99.2	72.2	1.9	1.3	n.m.	n.m.	n.a.	n.m.	32.2	21.0
Poet (\$)	3.7	37.2	19.2	1.1	0.8	n.m.	3.8	n.m.	3.8	n.m.	41.5
Fabasoft (€)	2.8	25.0	16.5	1.6	1.0	n.m.	3.5	n.m.	6.1	56.0	12.7
MIS (€)	12.0	39.3	25.3	0.4	0.3	n.m.	n.m.	n.a.	n.m.	30.0	13.8
Varetis (€)	13.0	49.4	50.0	1.1	0.8	9.8	6.3	14.7	6.0	21.3	9.0
FJA (€)	68.5	524.0	525.6	4.9	3.9	21.1	14.7	25.5	17.0	39.8	27.7
Average				1.8	1.3	15.5	7.1	20.1	8.2	35.9	20.9
Implied EV (€m)				50.4	44.7	48.2	34.0	42.2	31.1		
Net cash (€m)				31.2	31.2	31.2	31.2	31.2	31.2		
Implied MC (€m)				81.6	75.9	79.4	65.2	73.4	62.3	65.3	60.0
Implied share price (€)				20.4	19.0	19.9	16.3	18.3	15.6	16.3	15.0

Source – IBES and BNP Paribas

A company with a track record and a history of steady growth
DCF model

Discounted cash flow remains our preferred method of reflecting growth. In terms of risk Atoss differs greatly from the business models of many companies on the Neuer Markt as it has a longer track record. Moreover, it has grown steadily on the sales side over this period and should post an operating profit in 2001. Nevertheless, some of the assumptions are somewhat subjective (e.g. risk-adjusted discount factor and terminal growth rate). However, the uncertainty of long-term forecasts can be shown clearly by a sensitivity analysis. The main assumptions used in our DCF model are as follows:

- The risk-free rate of interest corresponds to the current yield on ten-year German government bonds, which is at 5.26%.
- We assume a beta factor of 1.2. This is derived from the weighted six-month beta factor for the company.
- We use a risk premium for equity capital of 5.0% including a special risk premium of 2.5% for Neuer Markt stocks.
- Six-months of 2001 were included in the DCF valuation.
- We assume a tax rate of 38.6%. International expansion might lead to some volatility in the tax rates and the possibility of a lower overall tax rate in the long term.
- The resultant weighted average cost of capital (WACC) is at 11.01% (after taxes).

Taxed WACC of 11.01%

Our long-term assumptions for the company are based on the following parameters:

- We expect growth rates to decrease from 19% in 2003 to 9% in 2010.
- We expect EBIT margins to peak in 2004 at 21.4% and decrease slightly afterwards with the market becoming more mature.
- We assume that Atoss will improve its cash control in the next two years, leading to only a slight increase in working capital in the years 2002 and 2003. Afterwards we expect a stable working capital ratio of 11%.

Terminal growth rate of 3%

- We use a perpetual terminal growth rate of 3%, which we feel is a relatively conservative reflection of business growth. However, our aim is to ensure that the terminal growth rate takes account of the risks we identify in relation to the plans for international expansion.
- As the perpetual growth rate and the WACC are the most important factors in the DCF calculation, we have included a sensitivity analysis over these two variables.

Fair value of €22.3 per share

As the following table shows, our DCF model values Atoss at €89.2m or €22.3 per share.

DCF valuation

(DEMm)	2000	2001e	2002e	2003e	2004e	2005e	2006e	2007e	2008e	2009e	2010e
Sales	42.10	53.50	66.00	81.28	96.88	113.35	130.35	147.30	162.03	176.61	192.50
Growth (%)	14	27	23	23	19	17	15	13	10	9	9
EBIT	0.43	4.10	7.40	13.88	20.78	23.80	26.07	27.99	29.16	31.79	34.65
Growth (%)	-87	853	80	88	50	15	10	7	4	9	9
EBIT margin (%)	1.0	7.7	11.2	17.1	21.4	21.0	20.0	19.0	18.0	18.0	18.0
NOPLAT	-0.23	2.10	4.00	7.98	12.28	14.76	16.16	17.35	18.08	19.71	21.48
Growth (%)	-33	458	77	83	48	20	10	7	4	9	9
NOPLAT margin (%)	-0.6	3.9	6.1	9.8	12.7	13.0	12.4	11.8	11.2	11.2	11.2
Depreciation	1.74	2.00	2.00	2.00	2.00	10.00	11.00	12.00	13.00	14.00	14.00
Working capital	2.62	1.50	0.05	1.20	2.30	7.00	8.00	9.00	9.00	9.00	9.00
Capex	2.39	3.00	3.00	3.00	3.00	11.00	12.00	12.00	12.00	12.00	12.00
Operating free cash flow	-3.50	-0.40	2.95	5.78	8.98	6.76	7.16	8.35	10.08	12.71	14.48
WACC (%)	11.01										
NPV of discounted cash flows	41.86										
Perpetual growth (%)	3										
NPV of terminal value	71.53										
Enterprise value	113.39										
Cash/net debt	61.02										
Equity value (DEMm)	174.41										
Equity value (€m)	89.17										
Per share value (€)	22.29										

Source - BNP Paribas

Sensitivity analysis implies a range of €20.4 to €24.9 per share

The sensitivity analysis provides a share price range of €20.4 to €24.9.

Sensitivity analysis

	WACC (%)					
	9	10	11.01	12	13	
Perpetual growth rate	Share price (€)					
	2%	26.2	23.4	21.3	19.6	19.0
	3%	28.3	24.9	22.3	20.4	19.6
	4%	31.2	26.8	23.6	21.3	20.4

Source – BNPParibas

The results of the DCF valuation imply a considerable upside of up to 100% for the Atoss share. However, we would be cautious on immediately adopting these results as the fair value for Atoss.

20% discount on DCF

The company has yet to prove its ability to realise its plans and show its willingness to use its liquid funds in favour of the shareholder value. We therefore apply a discount of 20% on the result of the DCF valuation.

Applying this discount on the DCF result of €22.3 leads to a fair value of €17.8 for the Atoss share.

Share price target of €17

Price target and recommendation

The three indications for a fair share price of Atoss range from €16.3 (based on the second peer group) to €17.8 (based on the DCF with a 20% discount) with €17.4, the result of the first peer group discounted by 20% in the middle. In spite of some criticism of Atoss, we thus see the fair value of the company higher than its current market capitalisation. We set our share price target at €17. Given the current share price of €10.81, the share price target implies an upside potential approaching 60%. We therefore rate the stock an Outperform.

Market outlook

In our view the market for time management solutions remains intact. We predict stable long-term growth rates of 10–15%. However, companies are becoming more cautious on extensive IT investments. Consequently major license deals may still be delayed. However, CeBit feedback indicated that interest in these kinds of solutions is high and the market is far from being saturated.

Atoss operates in a niche...

With its concept of 'staff efficiency management', Atoss defines a market niche in which its offering is unique. As a consequence, reliable forecasts for this market are not available.

...at the overlap of ERP and time management solutions

We see Atoss operating at the overlap of ERP systems and time management solutions. Therefore, our growth assumptions for Atoss rely on forecasts for these two markets.

ERP market is dominated by big players...

ERP software

The market for ERP systems has been undergoing significant changes in the last few years. Whereas the market appeared clearly defined in the early nineties, with companies such as SAP, Oracle, JD Edwards, Peoplesoft or baan covering a similar range of functionality with their products, the Internet hype brought significant changes. SAP will generate the bulk of its revenues this year with its recent platform mySAP.com, which is basically an integration of SAP R3 functionality with Internet technologies such as marketplace support and browser-based access.

...but these have to open up for new components

The frontiers between ERP vendors and e-business vendors such as Ariba or Commerce one are beginning to fade, and ERP systems have to open up for other components or modules to be included. The success of CRM vendor Siebel endorsed a shift towards a more open software architecture in the sector. Recent announcements by SAP underline this development.

Atoss SES competes in some areas, but adds value in most

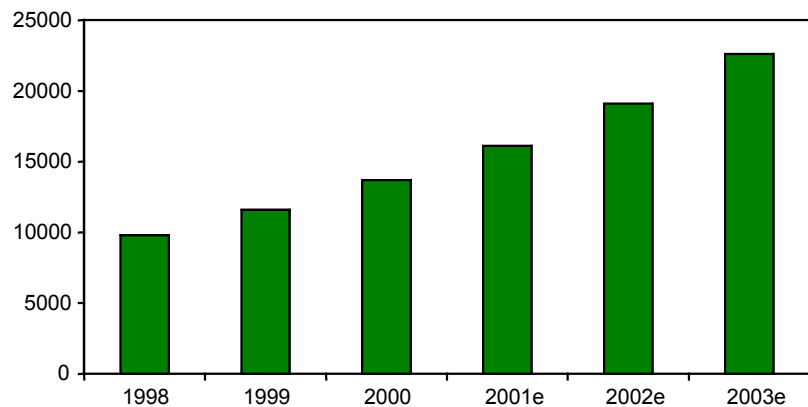
With its staff efficiency suite, Atoss does not provide a solution to organise the entire resources of a company, but to plan one resource (and the most important one for many companies) in very great detail. The competitive position of Atoss towards the ERP vendors is thus ambivalent. On the one hand, the overlapping functionality of Atoss SES with the human resource modules of many ERP systems leads to competition in some projects. On the other hand, Atoss' SES integrates with the leading European ERP systems and thus can be seen as complementary software. In any case, the Atoss suite has to be integrated with these systems and clearly profits from the trend towards open interfaces.

Atoss SES is a specialised ERP application

In general, we see Atoss' SES as a specialised ERP product. The IT budgets relevant for Atoss should thus be located in this environment. Therefore we tend to see the attainable growth rates strongly correlated with the growth of the ERP software market.

HR software should show higher growth rates than the general ERP market

Market forecast as provided by AMR and Forrester indicate growth rates of about 20% for the ERP sector. According to an IDC study, about 6% of the total volume is spent on human resource software and solutions, the most relevant sector for Atoss. Gartner group expects that 'through 2005, 40% of large enterprises will conduct internal re-evaluations of their HR systems'.

The German market for ERP software and IT services


Source – PAC

SAP, Oracle and Peoplesoft are the most active in the HR segment

SAP, Oracle and Peoplesoft, in particular, should be considered as competitors, as these companies are leaders in human resource management software (HRMS). Within a so-called human capital management (HCM) strategy, these vendors are starting to offer systems that focus mostly on skill management, skill allocation and employee life-cycle strategies. However, the focus might turn towards the integration of process data and time management data. In the meantime, the big software players appear to be focusing their current efforts on CRM and SCM, where they have to catch up with players such as Siebel and i2. This situation may change, by which time Atoss should have established a comfortable head-start on potential competitors in its niche.

Atoss' roots lie in time management
Time management

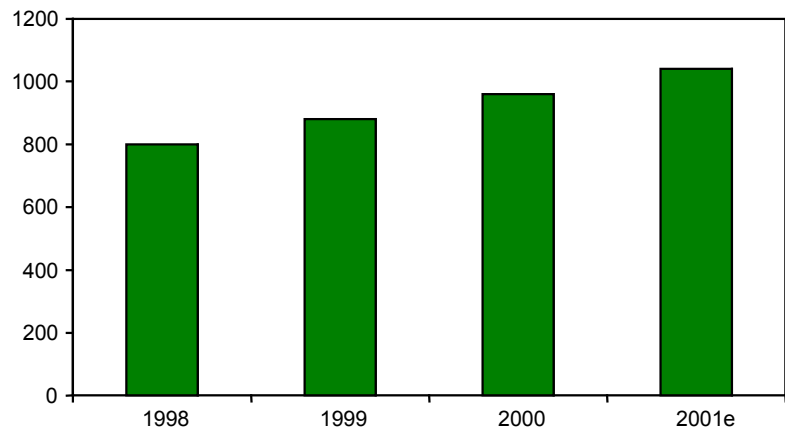
One of the ancient core modules of Atoss' SES and which remains an important revenue generator, is 'time and attendance', a classical time management product. Therefore, Atoss' most direct competitors can be found in this sector.

Decreasing demand for hardware limits overall growth rates

Growth rate prospects for the sector might be misleading in the way that many companies already have a time management solution of some sort. Most solutions, however, are hardware driven and not very sophisticated from a business software point of view. Growth perspectives thus arise from the replacement of existing solutions, rather than from completely new installations.

We have to point out, however, that this assumption implies a risk. In times of stagnating IT budgets, it will probably be harder for any time management provider to convince its counterparts in the IT departments that the replacement of an existing solution must take place now. A delay of contracts is thus more likely than in areas where there is no existing solution. This is in our view an important differentiation to the CRM market. Therefore, the market for time management solutions is expected to show moderate growth rates of about 10% p.a. in the next few years.

German market for time management solutions



Source – diebold

Kronos is the biggest player in the segment

Theoretically, the largest competitor from the time management side is US-based company Kronos, which claims market leadership in the sector and a 50% market share in North America. However, its European presence is limited. Consequently the limited geographical overlap leads to a situation of coexistence than of intense competition. However, in the long run we see Kronos as the main competitor for Atoss, although it is worth noting that Kronos has to come up with a hardware-independent solution to penetrate the European market successfully. Currently, Kronos' software only works with proprietary Kronos hardware.

German players have a different positioning

There are no listed German competitors from the time management side. Competitors include Interflex, Isgus, Astrum and AZS, but none of them appears to have a similar product range as Atoss. The biggest one, Interflex, appears particularly focused on the Windows platform and should be affected by the decrease in hardware expenditure that is to be expected. Interflex' sales decreased by 20% to €50m in 2000.

Back on track?

Following the 3Q disappointment, Atoss has delivered figures for two reasonably strong quarters. However, the weak share price implies that investors' confidence is still fragile. The key question is whether the recent development is sustainable, or whether a similar shock to the profit warning is still possible. This section highlights Atoss' responses to the strategic challenges which led to the poor 3Q results and the negative perception of Atoss in the last few months.

Strong 1Q...

First quarter results

Atoss released preliminary results for 1Q01 on 20 April. The results were slightly above the reduced expectations, which were implied in the company's statements at the last analysts' presentations. Software sales, which are strategically important, were up 92% on a particularly weak 1Q00. Two extraordinary effects endorsed the strong performance in 1Q: firstly, an order overhang of the particularly strong 4Q00 led to revenues which would normally not occur in a typical 1Q. Secondly, Deutsche Telekom extended its license with Atoss.

..but 2Q may look poor

On the negative side, Atoss did not win any major contracts in the quarter, consequently the order backlog looks to be not particularly strong. As last year's second quarter was affected by the big Telekom deal and thus was the strongest quarter in Atoss' history, the results of a 'normal' second quarter might look poor both in comparison to 1Q01 and in comparison to 2Q00. We expect sales of €6m in 2Q01, 4% less than in 2Q00.

New contracts in December, but recently slower order income

New contracts

Atoss was able to win a number of new contracts in December, including a first contract in the Netherlands and a major Swiss airline. Further contracts were won in January. Atoss' products are now well known, a factor which helps the company hold a strong position in a market which is growing. The lack of major deals in recent months is not unusual for this time of year, but the order backlog is not particularly strong.

The restructured sales policy should help to target prospective new clients appropriately and more efficiently. The forthcoming quarters should also permit an insight on the success of the indirect sales channel.

87% of revenues stem from the 'old' modules...

Selling the entire product range

The marketability of the product range as a whole is a core issue in our view. The value proposition of Atoss and thus the basis of Atoss' equity story will depend on the company's ability to sell its entire suite to clients. Yet most of the company's revenues still stem from the time measurement module 'time and attendance' and the staff organisation module 'resource allocation' (87% of revenues in 2000). These are modules, which are clearly competitive, but should be subject to increasing competition and margin pressure in the medium term. In themselves, they are rather an extension to existing ERP systems than a stand-alone product suite. New products contributed 13% of the company's 2000 revenues and 18% of 1Q revenues.

...but new products are catching up

In our view Atoss can only improve its margins sustainably if the company is able to win references for its entire suite and establish itself as the leading provider of staff efficiency management solutions. We believe that Atoss has the right products in place. Nevertheless, Atoss has not yet shown a major contract in this direction, although this has been an issue since the IPO.

The problem we see is that Atoss has to address a chain of people within the client companies. Whereas the decision upon the 'Time and Attendance' module or the 'Resource Allocation' module is mostly an issue for the HR department, the new modules require support from operating departments and top management. To establish these contacts may take time. Key account management is certainly the right approach. Since we consider this issue to be crucial, we are watching closely for positive news flow in this area. Generally it should be easier to generate business with existing clients than attract new ones. Consequently we are optimistic that this is an opportunity for Atoss to grow its business efficiently.

The major part of the big contracts seems to be lost

Postponed contracts

For a company as small as Atoss, but which targets a blue-chip customer base with a complex product offering, one major deal can make all the difference. To illustrate, we estimate that the deal with Deutsche Telekom generated between 10–15% of the company's 2000 revenues.

Atoss blamed the weak 3Q results on four major deals that were in the pipeline, but which could not be signed in time. It appears uncertain in our view whether these contracts will be signed in the near future. So far, only one of these contracts has been won (and only in part), with Deutsche Bahn. The Deutsche Post contract appears to be lost for the time being, as the company has installed a low-end solution to serve its most urgent needs. Atoss is still in contact with them, but we do not expect a major deal within the next 12–18 months.

To be fair, Atoss was not the only software company that had to face lost or postponed contracts in 2H00. Oracle or Siebel are just the most prominent examples of a sector that was one of the first to feel the impact of an economic slowdown. Currently it does not appear very likely in our view that Atoss will win more than one of those major contracts within the current fiscal year. However, we would not blame this on weaknesses of the product suite, but rather on difficult market conditions combined with a naïve sales policy in 2000.

With its key account management and intensified control mechanisms in place, Atoss should now have a better insight on the probability of such deals in future. Although the risk of losing large contracts will always exist, we believe that Atoss is now in a considerably better position to anticipate these risks and avoid disappointments such as the 3Q results.

New head of investor relations

Communication policy

Negative sentiment on Atoss also stems from the fact that 3Q results came as a complete surprise to many investors after an extraordinarily strong 2Q and optimistic statements from the company. The high volume of share trading that preceded some announcements signal additional concerns as to the integrity of information handling within the company. In response, Atoss appointed a new head of investor relations and has committed itself to a more transparent policy.

The long lock-in endorses confidence

A key consideration in our view is the fact that CEO Obereder is locked-in for another four years and is not willing to sell the company. As his interest in the performance of the share price is long term, he should be spearheading efforts to prevent irregularities in the trading of Atoss' shares.

Departure of Mr. Barth not crucial

Compensating for the loss of the CTO

The loss of the CTO, Mr. Barth, in December 2000 was an additional blow to the company. Although we do not reflect on the reasons, the timing clearly indicated that it was not a harmonious separation.

Following the departure of Mr Barth, Mr. Scherf took over his responsibilities. As he heads the services unit of Atoss, he knows the product well enough. Given the size that Atoss has now reached, it could be argued that the technology department should be headed by a manager, rather than a technician. In addition, with the product suite integrated and in place, we see that the core challenges for Atoss lie in marketing and controlling and not in the development of new products. In this respect, the departure of Mr. Barth is a significant loss, but not a crucial one, in our view.

Due to a better planning process...

Planning process and growth targets

As mentioned above, the 3Q results came as a surprise to the market. Apparently, they were also to some extent a surprise to the company itself. It appears that the planning process depended to a large extent on the subjective estimates of the sales force and showed a number of discrepancies, not only concerning the amount of revenues, but also the timing of revenues. Atoss has undertaken a number of measures to improve the process. The variable part of salaries has been increased, and a timing component has been included. Generally, Atoss now appears to manage the planning process more thoroughly and more conservatively than in the past.

...and very cautious growth targets...

Atoss now plans with growth rates of about 20% per annum. Arguably these are not suitable to market Atoss as a high-growth stock. However, in terms of planning reliability, we are confident that Atoss will be able to meet its projections.

...we think plans will be met...

All in all, we feel the company has found appropriate strategic responses to the main concerns. Atoss is no longer a high-growth company in our view, being no longer willing to take the risks involved. This clearly makes it difficult to imagine Atoss as a long-term leader in its segment. However, given the relative immaturity of the company and the difficult market conditions, this route may provide a less hazardous path to success.

...but Atoss is no longer a high growth company

As a result, we see Atoss for what it currently is, a small but solid software company with a sound product and strong client base which provides a solid investment opportunity at a cheap price.

Developing the business plan

Since the IPO, Atoss has expanded its software suite and introduced two modules. Furthermore, the company has reorganised its sales force and won its first contracts in France and the Netherlands.

Product

Compared to the Atoss product suite as it was presented at the time of the IPO, the so-called 'SEM' (staff efficiency management) temple has won two additional pillars, while two others have been merged into one. New products contributed 13% to the company's software sales in 2000. We expect this percentage to rise to about 18% in 2001 and 22% in 2002.



Source – Atoss

The integration of process management tool Aeneis...

Aeneis (process management)

The most important addition came through the acquisition of the process reengineering tool Aeneis, which was acquired in 2Q00 for a price of €2m.

The most recent test ranking that we could obtain dates from 1998, so its actual relevance is rather limited. Basically, the report ranks Aeneis number two out of six software tools, better than market-leading products, ARIS and Bonapart. A recent report from the Fraunhofer Institute, published in 2001, does not include a ranking, but characterises Aeneis as a mature and comprehensive software tool. We take this as an indication that Aeneis is at least a competitive product in the segment. Aeneis has a strong customer base of almost 2000 installations, including IBM, HypoVereinsbank, Alcatel and Opel AG.

...improves the value proposition of the product range

Arguably, the concept of business process redesign was at its peak in the nineties. The market now appears to be increasingly competitive, as there are a number of vendors with reasonable solutions that cover most needs. Although Atoss states that demand for the individual Aeneis solution has been recovering since the last CeBit, we see only limited potential for Aeneis as a stand-alone solution.

Yet, in combination with the existing product suite, Aeneis can offer a number of advantages that should provide the product with a highly competitive edge. The integration of Atoss' SES and Aeneis allows the use of captured information of work and process time. This information can be used online, allowing the software to visualise the immediate effects of a change in the process. It is thus possible to design a process based on real time data. Other process optimisation tools normally have to use static information on the time requirements of a certain process.

We see Aeneis as a reasonable extension of Atoss' SES. Again, the crucial issue is whether Atoss will be able to sell these products as a bundle and thus bring its concept of an integrated staff efficiency management solution into the market. On a stand-alone basis, growth potential and margins of the module are limited in our view.

KM seems a reasonable extension..**Knowledge management**

A similar argumentation can be applied to the second new module, the knowledge management tool of Atoss' SES. The idea is once again to use the information provided by the time management module of SES for more than control purposes. SES allows an intimate knowledge of time requirements and their dynamic development, which can be used as a basis for future process optimisation.

...but is not included in the forecasts

First versions were presented at CeBit, but the complete product is yet to be finished. The knowledge management module should become a reasonable extension to Atoss' SES. Until the product is completed and some installations are up and running, we find it hard to judge the market prospects of the product. Therefore potential revenues of the knowledge management module are not included in our forecasts for this report.

In addition to these new modules, Atoss has presented a browser-based solution and won an initial number of contracts for Linux-based installations. Altogether, Atoss currently has eight clients working with a Linux-based implementation of SES and six clients using the web browser functionalities, of which the most prominent client in this area is AOL Germany.

High ROI potential underlined by a value analysis**Value analysis by Professor Nagell**

A recent study conducted by Professor Nagel of the University of Würzburg underlines the value proposition of the Atoss software suite. He calculates that a SES installation for a hospital of 2000 beds should bring an average value of €8m within a period of five years on an initial investment of about €0.2m and maintenance costs of €0.03m p.a. One might argue that the study was financed by Atoss and therefore may be slightly biased. Yet the reputation of Prof. Nagel and the thoroughness with which the research was apparently conducted weigh against these considerations. In any case the study represents a strong marketing argument for Atoss that should endorse market penetration in the healthcare market and elsewhere.

The sales channel has been reorganised...

Key account management

With the appointment of Mr. Auer as Chief Sales Officer in June 2000, Atoss started to restructure its sales processes. Most importantly, a key account management was introduced for major clients. Generally, the sales force is to focus on larger clients, while smaller clients shall be serviced via the indirect sales channel. Atoss Systems Consulting and Atoss Software AG will be merged in order to allow a regional client focus instead of a product driven focus.

...a clear improvement in our view

Generally, we see these measures as a clear improvement for Atoss. The existing sales channel has not been as organised or client-oriented as it could be, a fact that may partly explain the weak results of 3Q. Atoss needs a strong sales force to sell its new products into existing accounts and win new customers. Furthermore, the new structure should provide a basis for international expansion.

International expansion proves harder than expected.

International expansion

International expansion of Atoss has been advancing at a slower pace than we might have expected last year. The key reason for this (and a good one in our view) is the fact that Atoss did not find an appropriate target for an acquisition. Atoss focussed on the French market and was apparently in close negotiations with two players. However, Atoss found the apparent risks too high and withdrew from the negotiations.

First contracts could be won...

Nevertheless, Atoss managed to win its first contracts in non-German speaking countries: Lufthansa CDG Paris in France and De Boer Hensbroek in the Netherlands. Atoss hopes to win more international partners for its indirect sales channel such as the SBI deal, which was closed in September.

...but a breakthrough is not yet achieved

Atoss increased its portion of revenues generated outside Germany from 6% to 9%. This figure is misleading in our view, as the bulk of these revenues are generated in Austria, where the company already has strong connections. Sales outside the German-speaking countries amounted to only €50,000. Expansion into other markets thus remains a core challenge for Atoss in the next few years.

Partnership with KPMG

In April, Atoss announced a partnership with KPMG, who will include the Atoss solution in its consulting portfolio. Atoss is very optimistic about this partnership. Clearly, a strong partnership with one of the leading consultants could trigger acceptance and market penetration of Atoss' products. However, the value of such a partnership has to be judged by the revenues generated through the co-operation. Conservatively, we have not included any revenue contribution out of the partnership, but take it as a further indication of the marketability of Atoss' software solutions.

Outlook

Atoss' core challenge in the coming months is to successfully market its products and fulfil its projections. International expansion and expansion of the product portfolio are important long-term goals, but we currently see it as more important to improve the day-to-day business and get back on a sustainable path of profitable growth.

KM module and sector solutions

We expect no major news from the product side this year except for the completion of the knowledge management tool and possible developments in one of the solutions for the industry sectors, e.g. for the healthcare sector.

An acquisition appears likely

Given the strong cash position of Atoss and the decline in market valuations for growth companies, an acquisition appears likely this year. However, Atoss has so far been quite cautious on the acquisition side. We expect the company to retain this policy.

Profit and loss account

Our forecasts are based on a conservative scenario concerning the ability of Atoss to generate business out of its lead contacts and sell its other modules into existing accounts.

1Q appears to be going well in spite of the more difficult IT market, and CeBit was very successful, therefore we are quite confident on the company's own forecasts.

Sales growth of 27% in 2001

We expect sales to increase by 27% in 2001 and 23% in 2002 driven mainly by increased software and software maintenance fees, but also by increased activity in the consulting business. Hardware sales should continue to decline over time, but at a slightly reduced rate compared to the 30% decrease in 2000.

Profitability should increase due to the following: As software sales and software license sales are expected to grow at a higher rate than total revenue, the high gross margin of software (approximately 80%) should help to increase overall margins. Furthermore we expect the billable time of the Atoss consultants to increase from an estimated 68% in 2000 to 73% in 2001 with direct effects on the profitability.

We find it slightly awkward to book the profits out of its short-term financial investments as part of the operating profit. Other operating income thus amounted to €1.2m in FY00. This makes operating profits look more favourable, but we would have preferred these revenues included in the financial result.

(DEMM)	1997	1998	1999	2000	2001e	2002e	2003e	2004e	CAGR 99–04e (%)
Software	5.89	8.81	12.11	16.91	22.00	29.00	37.00	45.00	30
Hardware	6.93	5.04	9.88	6.88	6.10	5.10	4.88	4.88	-13
Services	3.64	4.64	7.23	7.79	11.40	14.50	18.00	21.00	24
Maintenance	2.83	3.93	5.61	8.26	12.00	15.00	18.00	21.00	30
Programming	1.20	0.60	1.99	2.26	2.00	2.40	3.40	5.00	20
Total sales	20.49	23.03	36.82	42.10	53.50	66.00	81.28	96.88	21
Cost of sales	8.53	8.91	14.48	16.02	17.50	21.50	25.50	30.50	
Gross profit	11.96	14.12	22.34	26.08	36.00	44.50	55.78	66.38	24
(%)			61						
Development costs	1.82	1.78	3.06	4.05	5.50	7.50	9.00	11.00	29
Sales and marketing costs	5.24	6.75	10.35	14.17	16.50	18.50	20.50	20.50	15
General admin costs	4.22	4.54	6.03	9.46	10.00	11.20	12.50	14.20	19
Other income			0.35	2.38	0.30	0.30	0.30	0.30	
Other costs			0.00	0.36	0.20	0.20	0.20	0.20	
EBIT	0.67	1.05	3.25	0.43	4.10	7.40	13.88	20.78	45
(%)					8	11	17	21	
Interest costs	0.00	-0.06	-0.07	-0.19	-0.10	-0.10	-0.10	-0.10	
Interest income	0.03	0.00	0.05	0.30	1.57	1.72	1.93	2.23	
Interest result	0.03	-0.06	0.00	0.12	1.47	1.62	1.83	2.13	
Dividends/investment	-0.02	0.01	-0.10	0.00	0.00	0.00	0.00	0.00	
Other items	-0.03	0.12	0.00	0.00	0.00	0.00	0.00	0.00	
EBT	0.65	1.11	3.14	0.55	5.57	9.02	15.71	22.91	49
Taxes	0.33	0.70	1.61	-0.66	-2.00	-3.40	-5.90	-8.50	
(%)	50	63	51		0	-38	-38	-37	
Net profit	0.32	0.41	1.53	-0.12	3.57	5.62	9.81	14.41	57
Number of shares				3.76	4.00	4.00	4.00	4.00	
EPS				-0.03	0.89	1.40	2.45	3.60	

Source – BNP Paribas

Balance sheet

Strong balance sheet...

The balance sheet of Atoss is strong. The net cash position of €31.2m provides a strong basis for future expansion. Atoss does not capitalise its R&D expenses, so that risks of extraordinary write-downs are limited. The acquisition of the Aeneis software led to an increase of the intangible assets position by €1.7m.

	1997	1998	1999	2000	2001e	2002e	2003e	2004e
Current assets	5.25	7.61	13.37	76.35	77.99	85.36	95.21	108.88
Cash	1.24	1.21	5.71	52.00	52.64	58.75	67.21	79.38
Securities				9.98	9.98	9.98	9.98	9.98
Inventories			0.05	0.09	0.10	0.10	0.10	0.10
Receivables	3.50	5.51	7.36	12.76	14.26	15.26	16.26	17.26
Other current assets	0.52	0.89	0.26	1.51	1.01	1.26	1.66	2.16
Fixed assets	1.57	2.37	3.11	7.20	8.86	10.52	12.18	13.84
Net tangible assets	1.52	2.17	2.57	3.25	4.25	5.25	6.25	7.25
Intangible assets	0.05	0.20	0.55	3.96	4.62	5.28	5.94	6.60
Deferred items		0.18	0.19	2.22	2.48	2.58	2.80	3.08
Total assets	6.83	10.16	16.68	85.77	89.33	98.46	110.19	125.80
Current liabilities	4.66	7.27	7.98	12.12	12.30	14.50	15.70	15.90
Payables	2.03	2.48	2.61	5.79	5.29	6.29	6.29	5.29
Other liabilities	0.95	2.21	1.65	2.51	2.51	2.71	2.91	3.11
Bank loans	0.16	0.27	0.31	0.97	0.65	0.65	0.65	0.65
Accrued compensation benefits + other	1.52	2.32	3.40	2.86	3.86	4.86	5.86	6.86
Long-term liabilities	1.08	1.43	2.67	1.20	4.05	5.80	8.95	15.00
Deferred income taxes	0.51	1.10	2.29	0.77	3.40	5.00	8.00	13.00
Pension provisions	0.56	0.33	0.38	0.42	0.65	0.80	0.95	2.00
Company equity	1.09	1.46	6.04	72.45	72.97	78.15	85.54	94.89
Minorities	0.07	0.06	0.00	0.00				
Shareholder's equity	1.02	1.39	6.04	72.45	72.97	78.15	85.54	94.89
Subscribed capital	0.20	0.20	1.31	7.34	7.66	7.66	7.66	7.66
Capital reserves	0.00	0.00	3.28	64.93	59.20	59.20	59.20	59.20
Earnings reserves	0.77	1.18	1.35	0.12	3.11	7.42	14.95	26.01
Other	0.05	0.02	0.10	0.07	3.00	3.87	3.73	2.02
Total liabilities	6.83	10.16	16.68	85.77	89.32	98.46	110.20	125.80

Source – BNP Paribas

Cash flow

...and positive free cash flows from 2001 onwards

We expect Atoss to generate positive free cash flows from 2001 onwards. The strong increase of the free cash flow in 2002 is basically a result of the improved control of working capital requirements.

	1997	1998	1999	2000	2001e	2002e	2003e	2004e
Net profits	0.32	0.41	1.53	-0.12	3.57	5.62	9.81	14.41
Depreciation	0.66	0.80	1.11	1.74	2.00	2.00	2.00	2.00
Disposal adjustments	0.01	0.03	0.01	0.07	0.00	0.00	0.00	0.00
Deferred taxes	-0.04	0.54	-0.14	-1.85	-0.25	0.00	0.00	0.00
Minorities	0.02	-0.01	0.10	0.00	0.00	0.00	0.00	0.00
Pension provisions	0.09	-0.23	0.06	0.05	0.05	0.05	0.05	0.05
Net cash flow	1.06	1.54	2.67	-0.10	5.36	7.67	11.86	16.46
Receivables	-0.77	-2.01	-1.85	-5.41	-1.50	-1.00	-1.00	-1.00
Other current assets	-0.12	-0.45	0.51	-1.52	-0.50	0.25	0.40	0.50
Payables	0.61	0.45	0.04	-0.01	-0.50	1.00	0.00	-1.00
Accrued income taxes	0.03	0.55	1.16	-1.52	1.50	1.00	0.00	0.00
Accrued compensation	0.62	0.80	0.81	-0.28	1.00	1.00	1.00	1.00
Other liabilities	-0.57	1.16	-0.59	-0.33	0.00	0.20	0.20	0.20
Deferred income	0.31	-0.10	0.30	0.40	0.00	0.00	0.00	0.00
Net operating cash flow	1.17	1.93	3.06	-8.77	5.36	10.12	12.46	16.16
Tangible assets	-1.01	-1.51	-1.47	-2.39	-3.00	-3.00	-3.00	-3.00
Intangible assets	-0.04	-0.22	-0.41	-0.59	-1.00	-1.00	-1.00	-1.00
Purchase of remaining minority			-0.25					
Sale of assets	0.02	0.07		0.27	0.00	0.00	0.00	0.00
Net securities transactions	-0.09	0.07		-9.79	0.00	0.00	0.00	0.00
Net cash flow after investment	0.05	0.34	0.93	-21.26	1.36	6.12	8.46	12.16
Increase/decrease in debt	0.14	0.10	-0.25	0.66	-0.32			
Capital increase	0.00	0.00	3.20	67.10	0.00	0.00	0.00	0.00
Dividends	-0.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net cash flow	-0.11	0.45	3.88	46.50	1.04	6.12	8.46	12.16
Cash beginning			1.21	5.10	51.59	52.64	58.75	67.21
Cash end			5.10	51.59	52.64	58.75	67.21	79.38
Free cash flow	-0.19	0.21	1.18	-11.75	1.36	6.12	8.46	12.16
CFPS				-0.03	1.34	1.92	2.96	4.12

Source – BNP Paribas

Summary data (DEMm)

P&L account	1997	1998	1999	2000	2001e	2002e	2003e
Sales	20.5	23.0	36.8	42.1	53.5	66.0	81.3
Other income	0.0	0.0	0.0	0.0	0.0	–	–
Operating expenses	-19.8	-22.0	-33.6	-41.7	-49.4	-58.6	-67.4
Operating profit	0.7	1.0	3.2	0.4	4.1	7.4	13.9
Net financing costs	0.0	0.1	-0.1	0.1	1.5	1.6	1.8
Other recurring income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Recurring profit before goodwill	0.6	1.1	3.1	0.5	5.6	9.0	15.7
Goodwill amortised	0.0	0.0	0.0	0.0	0.0	–	–
Other provisions	0.0	0.0	0.0	0.0	0.0	–	–
Non-recurring items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit before tax	0.6	1.1	3.1	0.5	5.6	9.0	15.7
Total tax charge	-0.3	-0.7	-1.6	-0.7	-2.0	-3.4	-5.9
Profit after tax	0.3	0.4	1.5	-0.1	3.6	5.6	9.8
Minorities etc.	0.0	0.0	0.0	0.0	0.0	–	–
Associates (net of tax)	0.0	0.0	0.0	0.0	0.0	–	–
Amortisation of goodwill (net)	0.0	0.0	0.0	0.0	0.0	–	–
Net profit	0.3	0.4	1.5	-0.1	3.6	5.6	9.8
Extraordinary items	0.0	0.0	0.0	0.0	0.0	–	–
Dividends	0.0	0.0	0.0	0.0	0.0	–	–
Retained profit	0.3	0.4	1.5	-0.1	3.6	5.6	9.8

Balance sheet	1997	1998	1999	2000	2001e	2002e	2003e
Intangibles	0.0	0.2	0.5	4.0	4.6	5.3	5.9
Fixed assets	1.5	2.2	2.6	3.2	4.3	5.3	6.3
Other assets	0.0	0.0	0.0	0.0	0.0	–	–
Debtors and stock	4.0	6.6	7.9	16.6	17.9	19.2	20.8
Creditors	-3.0	-4.7	-4.3	-8.3	-7.8	-9.0	-9.2
Other liabilities	-2.0	-3.4	-5.7	-3.6	-7.3	-9.9	-13.9
Cap. employed	0.6	0.8	1.0	11.9	11.7	10.9	10.0
Net debt/cash (-) (DEMC)	-0.5	-0.6	-5.0	-60.6	-61.3	-67.3	-75.6
Net assets	1.1	1.5	6.0	72.5	73.0	78.2	85.5
Cap. employed	0.6	0.8	1.0	11.9	11.7	10.9	9.9

Cash flow statement	1997	1998	1999	2000	2001e	2002e	2003e
Net income	0.3	0.4	1.5	-0.1	3.6	5.6	9.8
Depreciation	0.7	0.8	1.1	1.7	2.0	2.0	2.0
Other non cash items	0.7	1.7	2.0	-3.5	2.3	2.0	1.0
Rec. trading cash flow	1.7	2.9	4.6	-1.9	7.9	9.7	12.9
Mvmnt in working capital	-0.5	-1.0	-1.6	-6.9	-2.5	0.5	-0.4
Capital expenditure (DEMR)	-1.1	-1.7	-1.9	-3.0	-4.0	-4.0	-4.0
Dividends paid	-0.3	0.0	0.0	0.0	0.0	0.0	0.0
Free cash flow	-0.2	0.2	1.2	-11.7	1.4	6.1	8.5
Net acq./disposals	–	0.0	0.0	0.0	0.0	–	–
Non recurring cash flows	-0.1	0.1	-0.3	-9.5	0.0	0.0	0.0
Net cash flow	-0.3	0.3	0.9	-21.3	1.4	6.1	8.5
Equity finance	0.0	0.0	3.2	67.1	0.0	0.0	0.0
Debt finance	0.1	0.1	-0.2	0.7	-0.3	0.0	0.0
Movement in cash	-0.1	0.4	3.9	46.5	1.0	6.1	8.5

Source – BNP Paribas

Price & market data

Price	€10.81
12m High/Low	€50.0–7.9
Shares in issue	4.00m
Market cap	€43m
Price/book	1.16
PEG	0.40
Beta	1.09

Benchmark index	FAZ Aktien	1,844.91
Headline index	DAX	6,122.62

Performance (%)	Absolute		Relative to	
	Europe	Market	Sector	
1m	27.9	20.1	22.7	-6.1
3m	-25.9	-22.2	-19.1	-18.8
12m	-71.8	-67.9	-65.7	-55.4

Avg daily volume (3m)	€0.1m
Free float (%)	31.92

Company web address:	www.atoss.de
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Major shareholders (%)	Founders Management and employees	57.6 13.5
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Next results	July 2001
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