

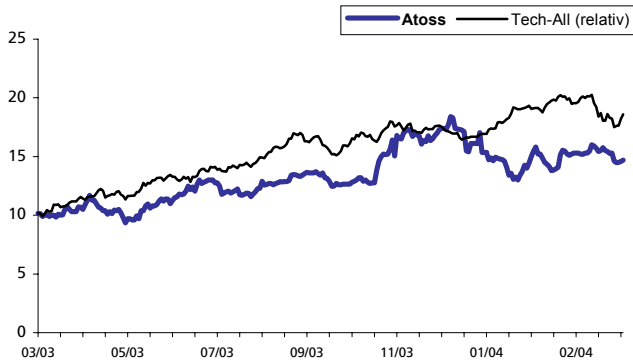
Background

Valuation

Key Figures

Rating: Marketperformer (unchanged)
EquiRisk: A+ **Fair Value :** 14,20 €

ISIN: DE0005104400 Price: 14,50 €
 Reuters: AOFG.F Tech-AS: 713,80
 Bloomberg: AOF
 Internet: www.atoss.com
 Segment: Prime Standard
 Sector: Software/IT



Market capitalisation: 59,02 m €
 High / Low 52 weeks: 18,50 € / 9,20 €
 No. of shares: 4,07 m

Shareholders: Free Float 33,5 %
 Founder's family 54,8 %
 MA and management 6,1 %
 Own shares 5,6 %

Calendar: AGM / preliminary Q1-figures 22.04.04
 Q1- figures 14.05.04

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Strategy

| | | | | |
|----|---|---|---|----|
| -- | - | 0 | + | ++ |
|----|---|---|---|----|

Valuation

| | | | | |
|----|---|---|---|----|
| -- | - | 0 | + | ++ |
|----|---|---|---|----|

Performance within sector

| | | |
|-------|--------|-----|
| Under | Market | Out |
|-------|--------|-----|

Performance to Index

| | | |
|-------|--------|-----|
| Under | Market | Out |
|-------|--------|-----|

(new) ■ (old) ■

Strategic consolidation

Highlights

- The ATOSS AG reported a very good fiscal year 2003, which does in effect cause the company to suggest a special dividend payment of 1,50 per share now.
- The first quarter should come out below the level of last year but on annual level we expect a growth of approximately 5% plus a further increase of profit.
- The target of the introduced strategic measures is mainly to bring all operative areas closer together in order to achieve more value creation. These measures will provide for a stronger growth in the coming years.
- We believe that the share is appropriately priced on its current level. The DCF-value is around 14,20 €.

Stock Assessment

At ATOSS the year 2004 will mean a consolidation on a very high level. A number of strategic measures are taken in order to achieve a solid orientation towards the next years.

For the year 2004 we expect a slight growth of around 5% and a further increase of the margin. Overall we believe that ATOSS does have a good market position and the share has reached its fair value on the current price level.

| End of fiscal year | 12/03 | 12/04e | 12/05e | 12/06e | CAGR |
|----------------------------|--------|--------|--------|--------|-------|
| Sales | 23,4 | 24,5 | 26,8 | 28,6 | 6,9% |
| EBITDA | 3,4 | 3,7 | 4,4 | 4,8 | 11,9% |
| Margin | 14,56% | 15,24% | 16,45% | 16,68% | |
| EBIT | 2,4 | 2,7 | 3,3 | 3,6 | 14,3% |
| Margin | 10,21% | 11,04% | 12,25% | 12,48% | |
| Net result | 1,9 | 2,2 | 2,6 | 2,8 | 13,6% |
| Margin | 8,07% | 8,81% | 9,60% | 9,69% | |
| EpS | 0,46 | 0,52 | 0,60 | 0,63 | 10,6% |
| EpS in €, all other in m € | | | | | |
| Price/Sales | 2,52 | 2,45 | 2,31 | 2,24 | |
| P/E | 31,26 | 27,85 | 24,09 | 23,13 | |

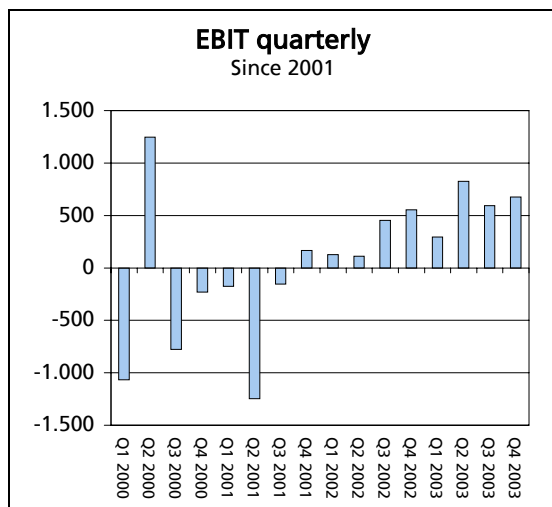


Chart 1; source: ATOSS

2003 very strong

ATOSS Software AG presented very strong figures for the fiscal year 2003. In a difficult economic environment the company did increase sales by only 1% - but at the same time the EBIT was yet advanced by 85%. A very positive factor is that the company did continuously report strong results at a relatively low fluctuation of earnings. On this background ATOSS does again pay a special dividend in an amount of 1,50 per share (still subject to consent by the AGM on 22nd April, payment per 23rd April). As originally scheduled, the company will yet keep to a more careful dividend policy upon the longer-term view. This means: outpayment of 30-50% of the annual net profit (also compare News-Flash dated 17.02.04).

The main reason for the positive development in the year 2003 was the cut of marketing and administration costs. A negative factor is yet that sales at Consulting did go down. In the future it is yet planned to bring the Consulting segment closer into the value-added-chain. The percentage of sales generated with the consulting business did falter from 11% in 2002 to only 7% in 2004 – even though this is a very attractive field of business and it could have a more prominent position in the ATOSS business activities. The implementation of the ATOSS working-time-management solutions does not only mean the selling software because often it is possible to improve a company by changing its structure. The concluded strategic measures described in the following are mainly taken in order bring the Consulting projects closer to the sales activities at ATOSS. Upon mid-term view this could create considerable growth impulses.

2004 to be less dynamic

ATOSS's target is to grow more strongly in 2004 than it did in 2003. This should not be any problem on the background of a growth of 1% in 2003. The company's targets for the margins are yet a bit more ambitious. Already in 2003 the company did generate an EBIT-margin of good 10% and further growth is scheduled.

For 2004 we expect a growth of just below 5%, but longer-term the company plans a stronger growth again. Growth will be achieved mainly on ground of the following four measures:

1. „Improved Lead Generation“

This point does primarily mean that ATOSS will realize the maximum number of addressable projects. Besides modifications in selling, this will take place also via enforced partner business and with projects in the fields of public sectors, trading, logistics and production. This measure will be combined with the two following points.

Consulting will become more intensively integrated in the value-added-chain.

Background

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Solutions for a large variety of different customer demands**2. Integrated Sales- and Performance process**

ATOSS plans to bring the three segments Sales, Services, and Consulting closer together. The main issue is to integrate the company's competence in solutions into sales processes and also to loosen up the so far separated profit-centre organisation of the single segments. This leads to a new organisation of the board in two segments. Mr. Obereder will be responsible for the operative business, while Christof Leiber will be head of the personnel and administrative units.

3. Provision of solutions for any customer requirement

At present ATOSS does offer two main solutions. One is the ATOSS Staff Efficiency Suite (ASES) with many functions for a large variety of applications; the other is ATOSS Time Control, designed for smaller solutions. In special fields it is principally yet also possible to use ATOSS Time Control relatively easy in larger projects. On the other hand, there are also smaller projects in which it makes sense to use ASES. The main target of this initiative is the development of these potentials.

4. Addressing the market for optimisation of business processes

The business process management solutions with the ATOSS product AENEIS provides for an intelligent modelling of company processes. In this segment ATOSS has only very limited sales considering the very high-standard quality of the product (300 thousand € licenses p.a.). This does also supply a further growth potential.

Focussing sectors as a point of sale

Besides this catalogue of measures ATOSS does still continue to focuss on special sectors: especially on the sectors Medical and Retail, any producing business and the field of Logistics. ATOSS has become known for winning major accounts in these fields and has meanwhile built up a considerable expertise.

Conclusion**Q1 will be slow**

Apart from the mentioned strategic measures we still expect Q1 to stay behind the level of the last fiscal year in the meantime. For 2004 we predict yet again a strong margin of 11% on EBIT-basis. The stronger integration of the Consulting business and a bundling of the operative management tasks at Mr. Obereder is a sensible strategy in our opinion. Any strong impact on earnings from these measures can in our belief yet only be expected from the second half of the fiscal year 2004 on.

Background

Valuation

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| Vvaluation: ATOSS | Kurs in €: | | | 14,50 € |
|-------------------|------------|-------|-------|---------|
| | 2003 | 2004e | 2005e | 2006e |
| P/E | 31,26 | 27,85 | 24,09 | 23,13 |
| Dynamic P/E | 2,29 | 2,04 | 1,77 | 1,70 |
| P/CF | 16,87 | 18,86 | 16,76 | 16,14 |
| Market cap/Sales | 2,52 | 2,45 | 2,31 | 2,24 |

Table 1; source: SES Research

With a P/E of 28 for this current fiscal year the ATOSS share seems to have an ambitious price upon first look. On the background of the company's excellent financial equipping this valuation is yet put into more relative terms. The following comparison of Enterprise Value and our DCF-model pay account to this factor and are more appropriate than any analysis of single, unadjusted multiples.

Multiple Comparison

The comparison of multiples is based on the following data:

| Basic data on Peer-Group-companies | | | | | | | | | | | | |
|------------------------------------|------------|-----------------------|-----------------|---------|---------|---------|-------------|-----------------------|-------|-------|-------|-------------|
| | Price (CC) | Market cap. in m (CC) | Sales in m (LW) | | | | CAGR: 01-04 | Result per share (CC) | | | | CAGR: 01-04 |
| | | | 2002 | 2003e | 2004e | 2005e | | 2002 | 2003e | 2004e | 2005e | |
| FJH | 18,26 | 139,69 | 127,33 | 119,85 | 124,52 | 135,508 | 2,10% | 2,15 | 1,17 | 1,72 | 1,76 | -6,36% |
| IDS Scheer | 18,00 | 571,50 | 181,4 | 221,795 | 286,376 | 323,74 | 21,30% | 0,43 | 0,555 | 0,741 | 0,913 | 28,53% |
| Nexus | 2,32 | 23,88 | 15,85 | 15,00 | N.A. | N.A. | n.a. | -0,04 | -0,03 | 0,06 | N.A. | n.a. |
| P&I | 6,00 | 46,20 | 40,22 | 39,30 | 40,56 | 42,18 | 1,60% | 0,14 | 0,32 | 0,35 | 0,38 | 40,50% |
| ATOSS | 14,50 | 59,03 | 23,25 | 23,41 | 24,54 | 26,77 | 4,82% | 0,31 | 0,46 | 0,52 | 0,60 | 25,24% |

| EV Basic data on Peer-Group-companies (EV-analysis) | | | | | | | | | | |
|---|------------|-----------------------|----------------|--------|--------|--------|-------------|---------------|-------|--|
| | Price (CC) | Market cap. in m (CC) | EBIT in m (CC) | | | | CAGR: 01-04 | EV-Basic data | | |
| | | | 2002 | 2003e | 2004e | 2005e | | Net Cash* | EV | |
| FJH | 18,26 | 139,69 | 25,20 | 12,965 | 18,93 | 22,29 | -4,01% | -18,0 | 157,7 | |
| IDS Scheer | 18,00 | 571,50 | 23,7 | 28,858 | 39,489 | 48,165 | 26,67% | 55,4 | 516,1 | |
| Nexus | 2,32 | 23,88 | -2,45 | 0,10 | N.A. | N.A. | n.a. | 14,7 | 9,2 | |
| P&I | 6,00 | 46,20 | 3,63 | 3,97 | 4,22 | 4,39 | 6,59% | 6,2 | 40,0 | |
| ATOSS | 14,50 | 59,03 | 1,29 | 2,39 | 2,71 | 3,28 | 36,50% | 29,0 | 30,0 | |

Table 2; source: Bloomberg, SES Research *Net position partially also adjusted by provisions etcetera

This supplies the following multiples:

Background

Valuation

Key Figures

| Peer-Group ATOSS | | | | | | |
|---------------------------|---------------|-----------|-------|-------|------------------------|-------|
| Company | Price / Sales | | | P/E | | |
| | 03e | 04e | 05e | 03e | 04e | 05e |
| FJH | 1,17 | 1,12 | 1,03 | 15,58 | 10,63 | 10,36 |
| IDS Scheer | 2,58 | 2,00 | 1,77 | 32,43 | 24,29 | 19,72 |
| Nexus | 1,59 | - | - | Neg. | 38,67 | - |
| P&I | 1,18 | 1,14 | 1,10 | 18,75 | 17,14 | 15,79 |
| Average | 1,63 | 1,42 | 1,30 | 22,25 | 22,68 | 15,29 |
| ATOSS | 2,52 | 2,45 | 2,31 | 31,26 | 27,85 | 24,09 |
| Enterprise Value Analysis | | | | | | |
| Company | EV (m €) | EV / EBIT | | | Net Cash / Market cap. | |
| | | 03e | 04e | 05e | 04e | |
| FJH | 157,69 | 12,16 | 8,33 | 7,07 | -12,9% | |
| IDS Scheer | 516,10 | 17,88 | 13,07 | 10,72 | 9,7% | |
| Nexus | 9,18 | 91,77 | - | - | 61,6% | |
| P&I | 40,00 | 10,08 | 9,48 | 9,11 | 13,4% | |
| Average | | 32,97 | 10,29 | 8,97 | 17,9% | |
| ATOSS | 30,03 | 12,57 | 11,09 | 9,15 | 49,1% | |

Table 3; source: SES Research

DCF-model is the most expressive approach for valuation

The evaluative comparison shows that ATOSS is quite expensive when looking at the P/E only. On basis of the EV-multiples this impression is yet a bit modified. The EV-analysis does overall indicate that the ATOSS share is at fair value. The following DCF-model does show a similar picture.

Discounted-Cash-Flow Model

For our valuation we have used the equity cost ratio in order to receive the capitalization interest rate (longer-term we do yet not expect any considerable outside capital. The basic propositions are shown in the next table.

Background

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ATOSS Basis data of the Discounted Cash Flow Model

| Propositions discounting factor | | Growth rates Sales | |
|---------------------------------|--------|-----------------------------|--------|
| Non-risk interest rate | 4,05% | CAGR: 2002-2007 | 7,06% |
| Exp. yield of portfolio | 10,28% | CAGR: 2007-2017 | 5,23% |
| Outside capital-cost ratio | | Growth rates Free Cash Flow | |
| Target quota outside capital | 0,00% | CAGR: 2002-2007 | 5,77% |
| Equity capital cost ratio | 12,15% | CAGR: 2007-2017 | 4,51% |
| Systematic risk level BETA | 1,30 | Ewige Wachstumsrate | 3,00% |
| WACC | 12,15% | EBIT-Margins | |
| | | 2002 | 5,55% |
| | | 2006 | 12,19% |
| | | Zielmarge ab 2010 | 13,50% |

Table 4; source: SES Research

DCF-model is the most significant evaluative approach

With 1,3 we have chosen a quite conservative approach for the Beta factor because we see ATOSS as fundamentally less risky.

The anticipated growth assumptions are relatively defensive. The achievement of a longer term EBIT margin of 13,5% seems possible, as this will presumably be above 11% already in 2004. Especially the fact that an established software company does generally achieve higher margins via the strong leverage of its license business is only part of our prognoses in a very restricted extend.

On the fair value we have to say that this does naturally also include the positive effect of the company assets in an amount of 29 m € (rated as non-required for operational business). Any major liabilities are not existent at ATOSS.

The two central assumptions supply the following sensitivity analysis:

| Sensitivity analysis | | | | | | | |
|----------------------|---------------------|-------|-------|--------------|-------|-------|-------|
| Discounting-factor | Eternal growth rate | | | | | | |
| | 1,50% | 2,25% | 2,75% | 3,00% | 3,25% | 3,75% | 4,50% |
| 14,65% | 12,69 | 12,75 | 12,80 | 12,82 | 12,85 | 12,90 | 12,99 |
| 13,65% | 13,13 | 13,21 | 13,27 | 13,30 | 13,33 | 13,41 | 13,53 |
| 12,65% | 13,64 | 13,75 | 13,84 | 13,88 | 13,93 | 14,03 | 14,20 |
| 12,15% | 13,94 | 14,07 | 14,16 | 14,22 | 14,27 | 14,39 | 14,60 |
| 11,65% | 14,27 | 14,42 | 14,53 | 14,59 | 14,66 | 14,80 | 15,05 |
| 10,65% | 15,03 | 15,24 | 15,40 | 15,49 | 15,59 | 15,80 | 16,18 |
| 9,65% | 15,98 | 16,28 | 16,52 | 16,66 | 16,80 | 17,13 | 17,73 |

Table 5; source: SES Research

Overall we see the fair value for the ATOSS share at 14,20 €.

Background

Valuation

Key Figures

| Key Figures | 2003 | 2004e | 2005e | 2006e |
|---------------------------------|--------|--------|--------|--------|
| Sales (US-GAAP) in m € | 23,41 | 24,54 | 26,77 | 28,59 |
| Increase in % to previous year | 0,69% | 4,83% | 9,12% | 6,78% |
| per share in € | 5,75 | 5,91 | 6,27 | 6,47 |
| Price/Sales | 2,52 | 2,45 | 2,31 | 2,24 |
| EBITDA in m € | 3,41 | 3,74 | 4,41 | 4,77 |
| in % of sales | 14,56% | 15,24% | 16,45% | 16,68% |
| Depreciations in m € | -1,02 | -1,03 | -1,12 | -1,20 |
| Depreciations in % | -4,35% | -4,20% | -4,20% | -4,20% |
| EBIT in m € | 2,39 | 2,71 | 3,28 | 3,57 |
| in % of sales | 10,21% | 11,04% | 12,25% | 12,48% |
| Financial result in m € | 0,77 | 0,89 | 1,00 | 1,05 |
| in % of sales | 3,29% | 3,64% | 3,75% | 3,68% |
| EBT in m € | 3,16 | 3,60 | 4,28 | 4,62 |
| in % of sales | 13,50% | 14,68% | 16,00% | 16,15% |
| Tax rate (current taxes) | 40,23% | 40,00% | 40,00% | 40,00% |
| Net income in m € | 1,89 | 2,16 | 2,57 | 2,77 |
| in % of sales | 8,07% | 8,81% | 9,60% | 9,69% |
| per share in €* | 0,46 | 0,52 | 0,60 | 0,63 |
| P/E | 31,26 | 27,85 | 24,09 | 23,13 |
| Op. cash flow (US-GAAP) in € | 3,50 | 3,19 | 3,69 | 3,97 |
| per share in €* | 0,87 | 0,77 | 0,87 | 0,90 |
| P/CF | 16,87 | 18,86 | 16,76 | 16,14 |
| Dividend per share in €* | 1,50 | 1,50 | 0,21 | 0,22 |
| Yield in % | 10,34% | 10,34% | 1,45% | 1,51% |
| No. of shares in million units* | 4,07 | 4,15 | 4,27 | 4,42 |

* Basis: fully diluted number of shares

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SES RESEARCH

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| Strategy | | | | |
|----------|---|---|---|----|
| -- | - | 0 | + | ++ |

| Valuation | | | | |
|-----------|---|---|---|----|
| -- | - | 0 | + | ++ |

| Performance within sector | | |
|---------------------------|---------|-----|
| Under | Neutral | Out |

| Performance to Index | | |
|----------------------|--------|-----|
| Under | Market | Out |

(new) ■ (old) ■

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