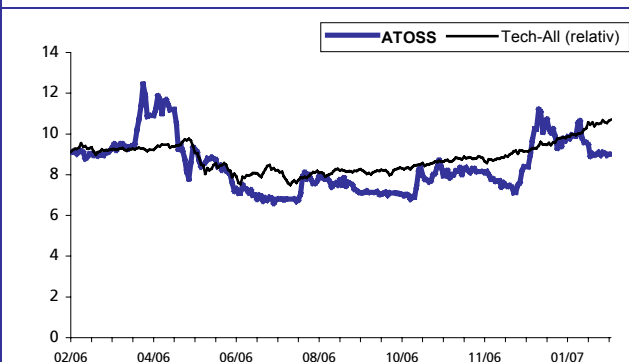


**Hold** Risk: **Price Target: EUR 11.00**  
(old: Hold) high

## Running ATOSS

Bloomberg: AOF Price: EUR 9.00  
Reuters: AOFG.DE Tech-AS: 1,071.09  
ISIN: DE0005104400  
Internet: www.ATOSS.com  
Segment: Prime Standard  
Sector: Software/IT



Price data: Bloomberg 20.02.2007/closing price

High / Low 52 W: EUR 12.89 / EUR 6.60  
Market capitalisation: EUR 36.27  
Enterprise Value: EUR 24.79  
No. of shares out: 4.03 m

Shareholders: Free float 41.5%  
Founders family 55.5%  
Own shares 3.0%

Calendar:

### Analysis: SES Research

Published: Feb 22, 2007  
Felix Ellmann (Analyst) +49-(0)40 309537-12

### Institutional Client Contact: M.M.Warburg & CO

Barbara C. Effler (Head of Equities) +49-(0)40 3282-2636

#### Institutional Equity Sales

Christian Alisch +49-(0)40 3282-2667  
Matthias Fritsch +49-(0)40 3282-2696  
Dr. James F. Jackson +49-(0)40 3282-2664  
Oliver Jürgens +49-(0)40 3282-2666  
Marina Konzog +49-(0)40 3282-2669  
Dirk Rosenfelder +49-(0)40 3282-2692  
Marco Schumann +49-(0)40 3282-2665  
Andreas Wessel +49-(0)40 3282-2663

#### Sales Trading

Oliver Merckel +49-(0)40 3282-2634  
Thekla Struve +49-(0)40 3282-2668  
Gudrun Bolsen +49-(0)40 3282-2679  
Nils Carstens +49-(0)40 3282-2701

#### Sales Assistance

Wiebke Möller +49-(0)40 3282-2703  
Kerstin Muthig +49-(0)40 3282-2632

ATOSS is the **leading vendor of software solutions** in the field of working time management (WTM) and human resource planning (HRP). Founded in 1987, the company has established a large customer base (**more than 3,500 customers and more than 2 million users**). The combination of very mature software and a well-established brand makes ATOSS stand out in competition and such basis is one of the most important criteria in the decision making of new customers. A strong demand for the new Java-based (J2EE) technology proves that ATOSS will be able to cement this status. **Continuously high R&D spending of around 20%** of sales is an impressive proof of ATOSS intensive ongoing enhancements of the product range. The company's ability of persistent product advancement is supported by the quality of the balance sheet, which is also a major factor for customers' decisions against the smaller vendors who represent a considerable part of this market.

Over the last years the company growth was influenced by good business with software licenses and by the return to an appropriate sales share from software license sales (20%+). In previous years ATOSS had suffered by slow marketing and distribution, this came to an end in late 2005 after major restructuring had been carried out. ATOSS was able to exceed its own guidance several times throughout FY 2006 and still reported outstanding business for the financial year. For 2007 we expect a **moderate growth on a strong margin level**. We assume the forthcoming quarterly reports will provide proof of such positive development.

Our analysis is based on several evaluative approaches (DCF, FCF-Yield) and we believe that the ATOSS share is on a fair price level at EUR 11.00. Approximately EUR 11 m – respectively **EUR 2.70 per share are net liquidity**. The peer group indicates a fair price on the current share price level.

**Overall we reiterate our rating at "Hold".**

End financial year	12/04	12/05	12/06e	12/07e	12/08e
Key figures per share in EUR, all other in EUR m, Price: EUR 9.00					
Sales	21.8	20.4	22.0	23.5	25.1
Gross earnings margin	65.6%	65.5%	67.9%	68.1%	66.0%
EBITDA	2.1	1.2	3.2	3.5	3.9
EBITDA margin	9.7%	5.8%	14.6%	14.9%	15.5%
EBIT	1.2	0.6	2.8	3.0	3.4
EBIT margin	5.6%	2.8%	12.6%	12.9%	13.5%
Net income	0.9	0.5	1.9	2.0	2.4
Earnings per share	0.22	0.11	0.46	0.48	0.58
Cash Flow per share	0.42	0.42	1.06	0.60	0.70
Dividend per share	0.11	5.50	0.24	0.24	0.29
Dividend yield	1.2%	61.1%	2.7%	2.7%	3.2%
EV/Sales	1.14	1.21	1.13	1.06	0.99
EV/EBITDA	11.74	20.84	7.72	7.09	6.38
EV/EBIT	20.19	43.88	8.92	8.18	7.32
PER	40.91	81.82	19.57	18.75	15.52
ROCE	4.1%	1.8%	13.0%	24.6%	25.3%
Adj. Free Cash Flow Yield	16.9%	33.6%	9.3%	13.0%	14.5%



Equity Story

Competitive Quality

Finance

Valuation

Newsflow

Company & Products

Key Figures

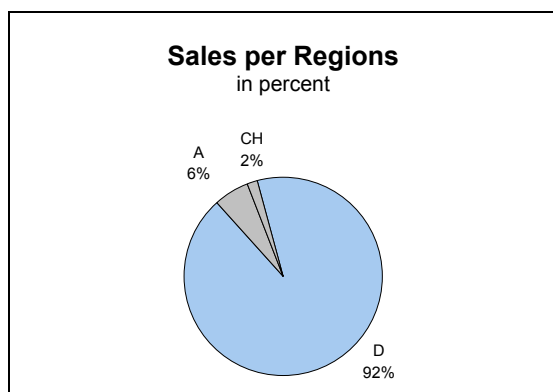


Chart 1; source: ATOSS

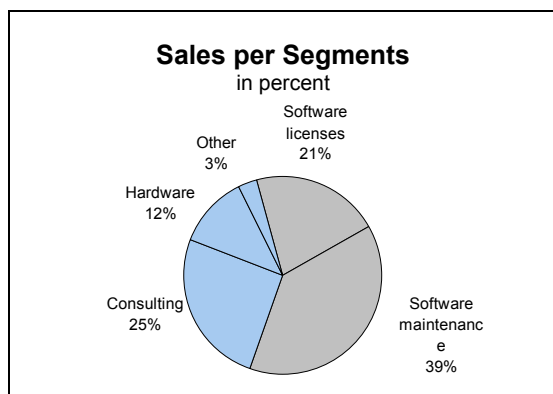


Chart 2; source: ATOSS

### Efficient Solutions

The ATOSS Software AG is a leading vendor of workforce management (software). The heart of the product range is the ATOSS Staff Efficiency Suite (ASES). This solution is supplemented by industry specific solutions (ATOSS Medical Solution, ATOSS Retail Solution, ATOSS Call Center Solution) and by solutions tailored for mid-size companies (ATOSS Startup Edition and ATOSS Time Control). The sales share achieved by licenses is around 21%. A strong share of maintenance sales gives an impression of ATOSS broad customer basis. The solutions are used by around 3,500 customers to manage the workforce of more than 2 million employees.

The management consists of the founder Mr. Andreas Obereder and Mr. Christof Leiber. The founder's family is the company's major shareholder with a stake of 55%.

### Strong Position

ATOSS is a medium-sized software vendor and mainly operates in the German speaking regions. This market ceased to be a growth market and now requires a clear assignment of products and activities. ATOSS' market position clearly concentrates on the core issues of working time management and human resource planning. Besides the fact that solutions are of course delivered within time and budget, ATOSS has several competitive advantages that make the company significantly different to its competitors. Especially the smaller software vendors, who still represent a considerable part of this market, are not able to prove the following factors:

- A track record of twenty years and a strong customer basis of more than 3,500 customers and more than 2 million users. **The installed basis and the references in key industry are a significant criterion in the decision process of customers.**
- High maintenance revenues (40% of the sales total or approximately EUR 8 m per annum) to secure ongoing product developments and investments. **A guarantee of ongoing advancement of the software products is also a main decision criterion for new customers**, because investments into such software solutions require long-lasting and continuously renewable software solutions. In this regard, the company's persistence and its long standing also play an indirect role and ATOSS is able to benefit from its outstanding balance sheet situation.
- **A maker-independent positioning in regard to the hardware in time recording** or the like (as opposed to almost all major competitors). This is also a crucial factor, as **customers do not like to be tied to a single manufacturer of access technology when purchasing their software.**
- ATOSS owns a leading technology (J2EE; according to own statements the only maker of an integrated solution). In business proposals **the fact that J2EE solutions are easy to use represents a strong competitive advantage.**

These points combined establish a boarder between ATOSS and its competitors and are also the basis for the company's longer-term growth. In its niche of the market for workforce management solutions (software) ATOSS should be able to profit of the moderate growth within the German software market.



Equity Story	Competitive Quality	Finance	Valuation	Newsflow	Company & Products	Key Figures
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### Many Growth Drivers

The future top-line growth of ATOSS will mainly be driven by the following general factors:

- Growth driver **target markets**: Especially the premium market, which includes companies with more than 500 employees, still bears potential for human resource planning.
- Growth driver **target industries**: This mainly refers to companies in the field of retail.
- Growth driver **sales channel structures** (indirect distribution and marketing): At present approx. 20% of software sales are achieved via indirect sales channels. This percentage will be expanded.
- Growth driver **international growth**: ATOSS is especially able to grow in the Germany-Austria-Switzerland region, but there will also be international growth via German customers.

On the basis of these growth drivers we assume that ATOSS should manage a continuous moderate growth over the next years (**top-line-growth**). The strong focus on Germany will not allow any exponential growth.

The **bottom-line-growth** is provided by the mentioned effects combined with the typical structure of the business: ATOSS's business is a pure people business. The EBITDA margin of almost 100% is explainable alone from the utilisation of the company's staff members. On the basis of a slight sales growth we expect margins to increase slightly over the next years due to minor economies-of-scale and intensified indirect marketing.

### Moderate Price

All employed evaluative models supply relatively consistent results.

- The DCF value is at EUR 11.01.
- On basis of the free cash flow yield (2007e) we receive a value per share of EUR 10.53
- Both approaches are supported and underlined by the peer group comparison. A share price on the level of EUR 11.00 looks appropriate.
- **Our price target is EUR 11.00.**

### Newsflow

The short-term newsflow at ATOSS is determined by the following events:

- 14.03.2007: Annual report 2006 and press conference
- 24.04.2007: Press announcement on Q1 2007
- 26.04.2007: AGM

After the excellent reporting for FY 2006, we believe that the short-term potential of good news is meanwhile a bit exhausted.



Equity Story	Competitive Quality	Finance	Valuation	Newsflow	Company & Products	Key Figures
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### Conclusion

The ATOSS Software AG obtains a leading position in the market for working time management (WTM) and human resource planning (HRP) solutions. The company showed an impressive return to strong figures last year. Throughout the year ATOSS had upped its guidance repeatedly and was still able to exceed its own estimates at the end of the year. On such basis we expect a moderate growth at sales and earnings over the following years.

Following the share's positive price performance over the last months, we now consider the share to have arrived at a fair price level and we can only detect a minor upward potential to the fair value of EUR 11.00. Our rating for the ATOSS share is Hold.



Equity Story	<b>Competitive Quality</b>	Finance	Valuation	Newsflow	Company & Products	Key Figures
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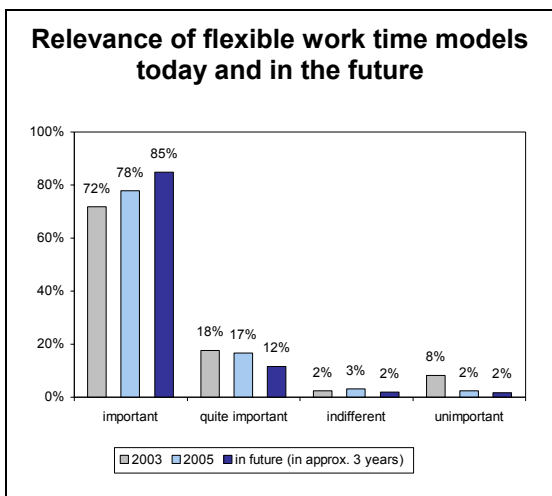


Chart 3; source: ATOSS/FAZ/FH Heidelberg (2006)

The market for working time management (WTM) and human resource planning (HRP) solutions is strongly influenced by the specific working conditions in each country-specific market. A workforce management solution is only competitive when it is able to cover the given specific circumstances in each country as completely as possible (labour laws, typical employment contracts, working-time models and schedules, seasonal distinctions, tariff structures etcetera). ATOSS has almost all its customers in the German speaking region and supports only the international activities of the customers within this area. The fact that customers demand only highly-specified software also means that there are high market entry barriers for outside competitors such as foreign or newly founded companies. On the other hand, this limits the growth to German-speaking companies. ATOSS depends very strongly on demand for solutions from companies in Germany but its highly specific software and process expertise also makes ATOSS extremely competitive inside its own niche market. This would involve three main implications:

- A moderate, persistent growth in the German market for working time management solutions.
- A steadily rising number of maintenance customers with a strong commitment to ATOSS.
- Competitive pressures from new competitors can hardly be expected inasmuch as the product will be continuously advanced.

ATOSS is the only listed vendor of workforce management solutions in Germany with such a special focus. ATOSS estimates its own market share in the core issues to be 7% - 10%. The main competitors are Interflex/ASTRUM, ISGUS, and the UK based Torexretail (retail). These vendors are each able to present large amounts of installations that consist to a major degree of hardware installations. This is not the core segment of ATOSS. An independence of hardware manufacturers is ATOSS's special feature and customers usually prefer not to become exclusively tied to a hardware supplier. On the other side of the coin this means that ATOSS is not able to subsidise ongoing software developments by the otherwise typical high gross margins of hardware sales.

The product does have some overlaps with the products of the major ERP vendors who also cover the field of human resources. ATOSS is yet again able to make a difference to potential competitors because their solutions normally exceed the functionality of the HR module of the big ERP players. Many of ATOSS' customers use for example SAP for the core process and ATOSS for working time management. This shows that ATOSS is able to coexist – or even compete – with a company such as SAP.

ATOSS solutions are complementary with the SAP HR solution. ATOSS especially targets those customers who require a high degree of flexibility in the design of their working time models and who have to plan human resources according to a specific customer demand. ATOSS-solutions are based on the same technological standard (Java J2EE) used by SAP, and it continues were SAP HR actually ends. For customers who see a strategic advantage in intelligent staff allocation, the overlaps are only of minor importance.

A high number of competitors are smaller, non-listed software houses, who often only offer partial solutions but who are able to acquire prominent customers in their niche corners. Such company often suffer under slow balance sheets and in regard to investment security ATOSS is able to score as the smaller vendors often may not be able to guarantee that their products will be available and up to date after a number of years.

Besides P&I, whose product portfolio does partially overlap with ATOSS solutions, outsourcers (e.g. TDS or AC-Services), or vendors of access control systems (e.g. Primion) also offer solutions that may conflict with the fringe of the ATOSS spectrum.



Equity Story	<b>Competitive Quality</b>	Finance	Valuation	Newsflow	Company & Products	Key Figures
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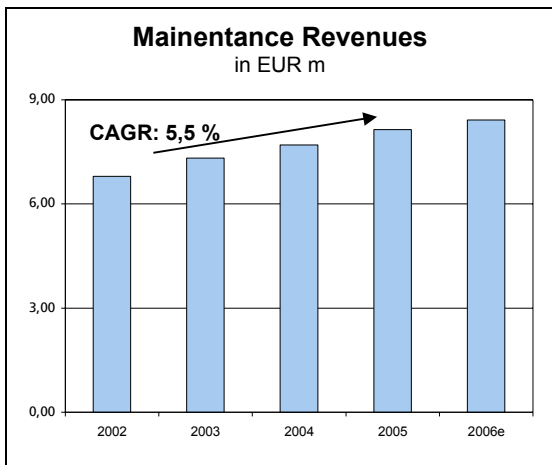


Chart 4; source: ATOSS

ATOSS also stands in competition for the allocation of the available IT-budget. Other software companies from the field of CRM, SCM, HR, and from niche topics are also trying to get their share of the available budgets. In this regard ATOSS profits of the increasing complexity required for modern HR processes and also benefits from high labour costs, which make an efficient working time management mandatory.

### Competitive Edge Regular Clientele

ATOSS software solutions are used by more than 3,500 users. This immense figure leads to a considerable flow of maintenance revenues. The customer basis represents a reference that other competitors find difficult to achieve. Vendors who are not established will find it a near impossible task to penetrate this market. Maintenance revenues represent around 40% of the sales total at ATOSS and are naturally high-margin sales. A considerable part of these revenues is used for ongoing product advancements and is therefore indirectly returned to the customer. For ATOSS, the steady development and improvement of technology also means an ongoing consolidation of its market position. Chart 4 on the left shows the trend of maintenance revenues over the last years. A 20-year track record in successful realisation of most complex projects for major customers proves ATOSS' competence (Deutsche Bahn, Lufthansa, Aldi Süd, EDEKA, and Austrian Airlines in 2006).

### Competitive Edge Technology

A continuous high R&D spending in a size of approximately 20% of sales is quite impressive and indicates the intensity of ATOSS endeavours in all ongoing developments of the product range. ATOSS is for example the only one of the best of breed vendors in the field of work time management (WTM) and human resource planning (HRP), who is able to offer a solution on the basis of Java J2EE (within the German language region).

Another significant aspect is the company's professional depths for industries such as retail or medical. ATOSS also covers a broad range and variety for most different requirements from all sorts of industry lines.

The technological basis is a major competitive advantage for ATOSS and this should create high demand for ATOSS solutions upon a long-term view.



Equity Story	Competitive Quality	Finance	Valuation	Newsflow	Company & Products	Key Figures
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### Growth Drivers

ATOSS future top line growth will mainly be driven by:

- Growth in the target markets:** Premium market – Currently the companies with more than 500 employees do human resource planning only to a minor extent (approximately 30% according to an SZ report). For these companies human resource planning could mean:

- A chance to optimise costs
- Improved services and customer satisfaction
- Improved contentment of staff

- Growth in target industries:** This concerns mainly companies in the retailing industry. Longer opening hours in Germany and a growing number of competitors have created stronger demand to develop the mentioned optimisation processes.

- Mid-term growth via expansion of the sales channel structures (indirect marketing).** At present the share of software license sales coming from indirect marketing represent approximately 20% of the sales total. The company is currently looking for further partners with competent product offers and well established customer bases. ATOSS solutions require a high degree of explanation, this applies especially when going beyond the mere issue of time management and when human resource planning software has to be sold, and implemented at the customers. For marketing partners this means a considerable extent of investments into developing know-how. There have been initial successes in 2006 and some new partners have already been won over. Growth from such cooperations should come in 2008 and possibly already in 2007. At present ATOSS' main partners are:

- Bosch
- TDS
- ACCURAT

There are also a large number of smaller partners.

**There will also be international growth at ATOSS.** The company will grow especially in Germany-Austria-Switzerland, but also internationally (via German customers). The foundation has been laid out. Even though ATOSS generates all sales with customers in the German-speaking region, the software is used in 10 countries and 8 languages (German, Swiss-German, English, French, Dutch, Hungarian, Czech and Polish). At present, sales in the countries outside Germany only represent 8%, but the fact that multilingual applications are successively expanded, shows again that more could be possible.

On the basis of these growth drivers we believe that ATOSS should master to continue its sales growth over the next years (6% p.a. for 2006-2009e). Recent years have shown that the company's strong dependence on the German IT-market and the high volatility of license business could also involve some slower years. The average sales growth over the past 5 years was not more than a mere 1% per annum and even adjusted by the AENEIS transaction this rate did not go up to 5%. ATOSS has therefore not been able to unhitch from the general trend of the IT-industry in Germany. In regard to sales growth we therefore believe conservative long-term estimates to be appropriate. Our estimates for the sales growth are 7% from FY 2006 on and 5% upon longer-term view.

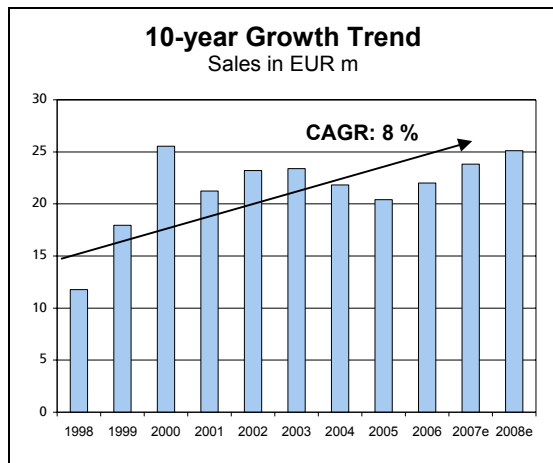


Chart 5; source: ATOSS, SES-Research



Equity Story	Competitive Quality	<b>Finance</b>	Valuation	Newsflow	Company & Products	Key Figures
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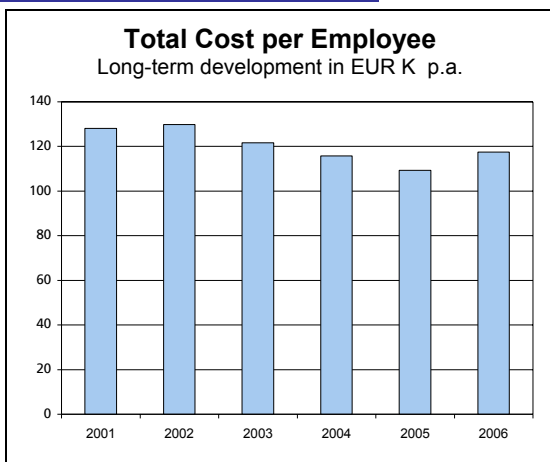


Chart 6; source: ATOSS

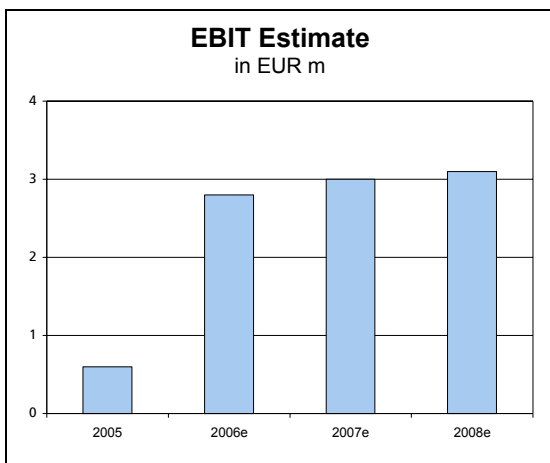


Chart 7; source: ATOSS

In this context it must be said that such growth expectation is still optimistic in a 10-year comparison when considering the growth over the last years (1%) and the basis effect (1998). It does not speak for ATOSS that other vendors in the HR surrounding have shown a much stronger growth in the same period.

### Cost Structure

The business of ATOSS is almost entirely a pure people business. The workload or utilisation of the employees and the EBITDA margin correlate by almost 100% in the period 2002-2006. This is an impressive figure that demonstrates that only the utilisation of staff members is the explanation for the EBITDA margin. Besides our estimates for the topline growth, it is therefore also important to look into the direct and indirect personnel costs. The chart on the left describes the situation very well.

Chart 6 also shows that the average total costs per employee (operating expenses + production costs) were around EUR 120 K per annum and that there is no context between margins and costs per employee. The earnings power of an employee is primarily determined by the achieved sales and not by caused costs.

Inasmuch as no major shifts in the cost structure would occur, the earnings power of ATOSS can mainly be derived from its ability to improve sales.

### Earnings Growth

On the basis of a slight sales growth we expect slightly higher margins at ATOSS over the next years. This will be supported by minor economies of scale and better improved indirect sales channels. The R&D costs, which represent a significant major cost block at ATOSS, should also grow over proportionally to the sales growth. This leads to an EBIT trend as shown in the chart below.

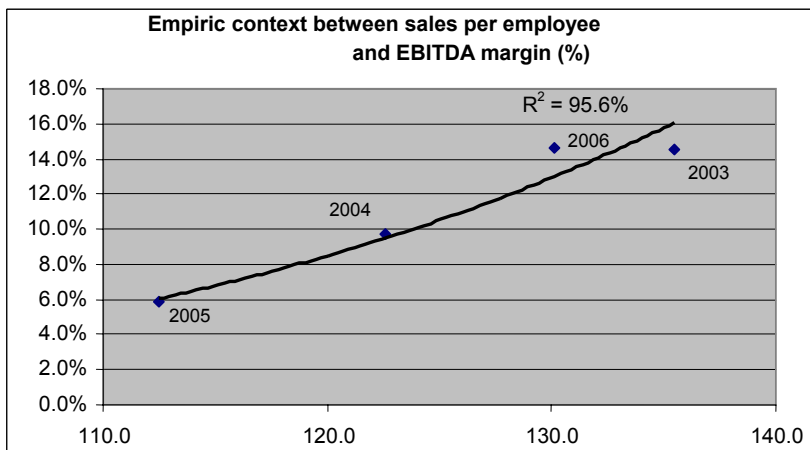


Chart 8; source: ATOSS, SES Research

### Balance Sheet

The derived earnings growth will also influence the balance sheet. An important factor is that the high cash position at ATOSS (approximately EUR 11 m) also involves only low return on the capital employed. This capital is not required for operational business and when treated as non-core assets, the ROCE would otherwise be around 30%.

Generally ATOSS distributes between 30% and 50% of the annual net income in form of a dividend and does therefore pay account to the high





Equity Story	Competitive Quality	<b>Finance</b>	Valuation	Newsflow	Company & Products	Key Figures
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cash position. The payout ratio for 2006 is around 50%. We assume that the company will continue to keep high distribution quotas.

**Analysis of the most recent figures provided by the company**

During the first nine months of the financial year 2006 ATOSS has registered a sales growth of 13%. This figure has to be understood in context with the AENEIS activities sold in 2005. Without this adjustment, the sales growth was 9%. The sales share from license business went up by 32%. The EBIT increased from EUR -0.3 m to EUR 2.1 m. This strong earnings development was especially based on a good license business, which returned to a normal level after a disappointing 2005. The parting from deficit-ridden activities around ANEIS (see above) also had a positive effect.

ATOSS published the reporting for FY 2006 on Jan 31, 2007. During last year ATOSS was able to raise the guidance several times and generated an overall sales total of EUR 22m. The company almost quintupled its EBIT to a total of EUR 2.8 m.



Equity Story	Competitive Quality	Finance	<b>Valuation</b>	Newsflow	Company & Products	Key Figures
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A moderate growth combined with a solid business model lead to earnings figures and multiples that are quite homogenous and provide for valid model results. The only obtrusive factor is the quite low ROCE-level of 22%, which shows that the company's capital equipment of approximately EUR 11 m liquid funds is too high. Taken ATOSS would include the non-core assets (estimate approx. EUR 9 m) in its dividend, the ROCE level would arrive at a very attractive 150%.

Our analysis and evaluation of the fair value of the ATOSS share is based on three different models and approaches:

- the adjusted **Free-Cash-Flow-Yield (2008e)** leads to a price target of EUR 10.53
- the **DCF Model** indicates a fair value of EUR 11.01 and therefore a different price target
- the **Peer Group comparison** supports this tendency even though there are no companies with similar and comparable products

### Free Cash Flow Yield

Our adjusted free cash flow yield is based on the assumption that investors buy an asset ( in this case the enterprise value) at such a price that the free cash flow return (Free cash flow = annual net profit + depreciations - maintenance capex + taxes - (1-t)interest) on the EV is higher than the opportunity costs. We have taken 10% to simplify calculations.

Free Cash Flow Yield					
	2004	2005	2006e	2007e	2008e
Annual Net Profit	877.8	455.3	1,885.0	1,969.2	2,384.2
+ Depreciation + Amortisation	884.5	625.8	431.0	469.1	501.0
- Interest Income (net)	515.0	549.0	414.0	252.0	280.0
+ Taxes	867.1	658.7	658.7	1,312.8	1,283.8
- Maintenance Capex	422.8	258.3	260.9	278.3	297.3
<b>= Adjusted Free Cash Flow</b>	<b>1,691.7</b>	<b>932.5</b>	<b>2,299.8</b>	<b>3,220.9</b>	<b>3,591.9</b>
Adjusted Free Cash Flow Yield	16.9%	33.6%	9.3%	13.0%	14.5%
Fairer Free Cash Flow Yield	10.0%	10.0%	10.0%	10.0%	10.0%
<b>= Current Enterprise Value</b>	<b>10,023.2</b>	<b>2,775.1</b>	<b>24,794.7</b>	<b>24,794.7</b>	<b>24,794.7</b>
<b>= Fair Enterprise Value</b>	<b>16,917.0</b>	<b>9,325.4</b>	<b>22,997.6</b>	<b>32,208.5</b>	<b>35,918.6</b>
- Net debts (Cash)	-26,331.5	-33,579.6	-11,560.0	-11,560.0	-11,560.0
- Pension Liabilities	1,379.0	1,230.0	1,230.0	1,230.0	1,230.0
- Off Balance Sheet	0.0	0.0	0.0	0.0	0.0
<b>= Fair Market capitalisation</b>	<b>41,869,5</b>	<b>41,675.0</b>	<b>33,327.6</b>	<b>42,538.5</b>	<b>46,248.6</b>
Shares out (k)	4,039.4	4,039,4	4,039,4	4,039,4	4,039,4
<b>Fair Value per share(EUR)</b>	<b>10.37</b>	<b>10.32</b>	<b>8.25</b>	<b>10.53</b>	<b>11.45</b>
Premium (-) / Discount (+) in %	15.2%	14.6%	-8.3%	17.0%	27.2%

Table 1; source: SES Research





Equity Story	Competitive Quality	Finance	<b>Valuation</b>	Newsflow	Company & Products	Key Figures
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**Smaller Software Houses**

**update software AG** - The update Software AG has its headquarters in Vienna and offers software solutions for electronic customer relationship management (CRM). The company emphasises the optimisation of customer-relevant business processes in marketing, distribution, and service.

**SoftM AG** - The SoftM AG has specialised in the development and distribution of integrated commercial standard software and also offers consulting- and service activities. In the field of ERP software SoftM AG is one of the leading vendors for mid-sized companies.

**IBS AG** - IBS AG is one of the world's leading vendors of corporate-spanning software systems and consulting services for industrial quality-, production-, and compliance management. The software solutions automatise and optimise business processes within companies.

**FJH AG** - The FJH AG is one of the leading consulting- and software companies for the insurance industry and the European pension market. The offered software solutions support product concept, their realisation and administration and are used by insurers, carriers, and financial service companies.

**PSI AG** - PSI AG is a leading vendor of software for control and monitoring of enterprise-spanning industrial production processes and also for infrastructure tasks within the telecommunication industry, and in traffic and security.

**BETA Systems Software AG** - The Beta Systems Software AG develops and sells software used for the automation of the computer centres at large organisations and public authorities working with IBM-, or IBM-compatible mainframes. The company describes itself as the leading vendor of automation software for computer centres in Germany and as an important supplier of such software in other parts of Europe.

**HR Processes and Others**

**TDS AG** - The TDS AG concentrates on the regions Germany, Austria, and Switzerland. The organisational structure includes three divisions: IT Consulting, IT Outsourcing, and HR Services & Solutions. Within the IT service industry, TDS AG specialises on consulting within the SAP surrounding, on Application Service Providing (ASP) and on Business Process Outsourcing.

**AC-Service AG** - AC-Service AG offers IT-solutions and services to their clientele of mainly mid-size enterprises. The two segments IT Outsourcing and Human Resource Services represent the core business. In regard to human resources, AC Service AG offers consulting, distribution, and the implementation of IT solutions.

**P&I Personal & Informatik AG** - P&I AG is a vendor of software for the human resource management industry. The company develops software and sells standard software for HR applications via licenses; activities also include services and maintenance.

**primion Technology AG** - primion Technology AG is a vendor of innovative soft-, and hardware-based systems for access control, time recording, and integrated security technologies. Primion provides the entire chain from of software development, production, projection and the actual installation for customers.



Equity Story	Competitive Quality	Finance	<b>Valuation</b>	Newsflow	Company & Products	Key Figures
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Basic data of comparison analysis							
Company in m	price	EPS			Sales (in m)		
		06e	07e	08e	06e	07e	08e
smaller Softwarehouses							
Update	5,10	0,30	0,35	0,40	23,60	27,40	31,80
Softm	4,95	0,15	0,21	0,39	80,83	85,71	91,58
IBS	3,72	0,30	0,36	0,42	20,50	23,30	25,80
FJH	2,56	-0,08	0,15	0,24	56,73	59,62	64,00
PSI	4,65	0,07	0,21	0,37	123,67	131,82	140,75
Beta	4,40	-1,09	0,24	0,49	98,50	105,05	110,93
HR-Processes and other							
TDS	2,95	0,10	0,11	n.a.	100,00	106,00	n.a.
AC-Service	5,52	-0,21	0,31	0,60	70,00	77,20	82,40
P&I	17,90	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Primion	9,41	0,43	0,78	0,90	35,15	51,25	55,00
ATOSS	9,00	0,46	0,48	0,58	21,99	23,45	25,05
EV (m)		EBIT (in m)			Market- cap.	Liab.	Liq. Assets
		06e	07e	08e			
Smaller Softwarehouses							
Update	44,38	2,70	4,05	4,90	52,6	0,0	8,3
Softm	24,17	1,40	1,91	3,32	24,2	3,0	3,0
IBS	23,26	2,65	3,35	3,85	25,2	0,9	2,9
FJH	43,71	-1,56	4,18	6,73	54,5	2,1	12,9
PSI	37,48	2,03	3,92	6,22	56,3	0,1	19,0
Beta	49,56	-15,30	3,88	7,55	39,0	12,2	1,6
HR-Processes and other							
TDS	109,63	5,85	7,80	n.a.	86,3	25,5	2,3
AC-Service	35,43	1,80	3,30	4,80	29,8	17,1	11,4
P&I	124,98	n.a.	n.a.	n.a.	137,8	0,0	12,9
Primion	65,92	4,50	7,27	8,17	52,2	17,4	3,7
ATOSS	24,79	2,78	3,03	3,39	36,4	0,1	11,7

Table 3; Source: SES Research, Bloomberg

Due to the high level of liquid funds, only EV multiples should be applied in a comparative approach. In this part of our analysis we only look at the EV/EBIT multiple because sales at the companies within the peer group are different in their structure (license- / maintenance sales, business model). In the EV-EBIT comparison in 2008 ATOSS is priced slightly higher than the multiples of both peer groups – in 2007 slightly lower. This approach overall supports the impression of a fair valuation on the current price level.



Equity Story	Competitive Quality	Finance	<b>Valuation</b>	Newsflow	Company & Products	Key Figures
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Peer-Group ATOSS							
Company	Price /Sales			PER			
	06e	07e	08e	06e	07e	08e	
Smaller Software Houses							
Update	2.23	1.92	1.66	17.00	14.57	12.75	
Softm	0.30	0.28	0.26	33.00	24.15	12.86	
IBS	1.23	1.08	0.98	12.61	10.33	8.96	
FJH	0.96	0.91	0.85	neg.	17.07	10.53	
PSI	0.46	0.43	0.40	62.84	21.73	12.50	
Beta	0.40	0.37	0.35	neg.	18,72	8.98	
<b>Average</b>	<b>0.93</b>	<b>0.83</b>	<b>0.75</b>	<b>31.36</b>	<b>17.76</b>	<b>11.10</b>	
HR-Processes and other							
TDS	0.86	0.81	n.a.	29.50	26.82	n.a.	
AC-Service	0.43	0.39	0.36	neg.	17.81	9.20	
P&I	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Primion	1.49	1.02	0.95	22.14	12.06	10.51	
<b>Average</b>	<b>0.93</b>	<b>0.74</b>	<b>0.66</b>	<b>25.82</b>	<b>18.90</b>	<b>9.86</b>	
<b>Overall Agerage</b>	<b>0.93</b>	<b>0.80</b>	<b>0.73</b>	<b>29.51</b>	<b>18.14</b>	<b>10.79</b>	
<b>ATOSS</b>	<b>1.65</b>	<b>1.55</b>	<b>1.45</b>	<b>19.57</b>	<b>18.75</b>	<b>15.52</b>	
Enterprise Value Analysis							
Company	EV (CC m)	EV / Sales			EV / EBIT		
		06e	07e	08e	06e	07e	08e
Smaller Software Houses							
Update	44.38	1.88	1.62	1.40	16.44	10.96	9.06
Softm	24.17	0.30	0.28	0.26	17.33	12.65	7.28
IBS	23.26	1.13	1.00	0.90	8.78	6.94	6.04
FJH	43.71	0.77	0.73	0.68	neg.	10.46	6.49
PSI	37.48	0.30	0.28	0.27	18.48	9.56	6.02
Beta	49.56	0.50	0.47	0.45	neg.	12.77	6.57
<b>Average</b>		<b>0.82</b>	<b>0.73</b>	<b>0.66</b>	<b>15.25</b>	<b>10.56</b>	<b>6.91</b>
HR-Processes and others							
TDS	109.63	1.10	1.03	n.a.	18.74	14.06	n.a.
AC-Service	35.43	0.51	0.46	0.43	19.68	10.74	7.38
P&I	124.98	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Primion	65.92	1.88	1.29	1.20	14.65	9.07	8.07
<b>Average</b>		<b>1.16</b>	<b>0.93</b>	<b>0.81</b>	<b>17.69</b>	<b>11.29</b>	<b>7.73</b>
<b>Overall Average</b>		<b>0.93</b>	<b>0.80</b>	<b>0.70</b>	<b>16.30</b>	<b>10.80</b>	<b>7.11</b>
<b>ATOSS</b>	<b>24.79</b>	<b>1.13</b>	<b>1.06</b>	<b>0.99</b>	<b>8.92</b>	<b>8.18</b>	<b>7.32</b>

Table 4; source: SES Research, Bloomberg

### Conclusion

Our analysis and evaluation of ATOSS shows a relatively homogenous picture. While DCF- and FCF-Yield Model both indicate a quite high value, the peer-group indicates a price on the current level.

The evaluative situation confirms our assessment and rating ("Hold").



Equity Story	Competitive Quality	Finance	Valuation	<b>Newsflow</b>	Company & Products	Key Figures
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From the side of the company, the short-term newsflow will be determined by the following events:

- March 14, 2007: Release annual report 2006 and press conference
- April 24, 2007: Press announcement on Q1 2007
- April 26, 2007: AGM

ATOSS also regularly announces new contracts via press releases.

We believe that the short-term potential of good news is meanwhile exhausted after announcing the excellent figures for FY 2006.

The company pursues a very good and well balanced communication policy and statements on its own guidance are always quite exact – this of course puts a limit to the potential of positive (or negative) surprises.



Equity Story	Competitive Quality	Finance	Valuation	Newsflow	<b>Company &amp; Products</b>	Key Figures
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The ATOSS Software AG is one of the leading vendors of time management systems in Germany. The company was founded in 1987 and the software was introduced to the markets in 1991. With its mature products ATOSS provides answer to all requirements of professional human resource management. ATOSS has the typical structure of an IT product company, including development, marketing and distribution of software, maintenance, and other services up to the actual hardware. At present the staff at ATOSS includes 171 employees.

The company's strategy intends to expand the current market position within Germany in order to gain further market share. The major part of foreign sales is generated in the German-speaking region with a main focus on Austria.

### Products

ATOSS products are the following software solutions:

- ATOSS Staff Efficiency Suite (ASES) and ATOSS Startup Edition (ASE)
- ATOSS Time Control (ATC)
- AENEIS

ATOSS **ASES** and **ASE** are software solutions provided for working time management and human resource planning. ASES/ASE works on all commonly used system platforms and data banks and is a software solution for customers of all industries and sizes.

The software solution **ATC** is designed to help smaller and mid-size customer groups and also customers with a decentralised structure with their workforce management and human resource planning.

**AENEIS** is a software solution for business process management. Before AENEIS was transferred to INTELLIOR AG on Jan 1, 2006, this project was part of the overall ATOSS organisation and covered throughout development, marketing and implementation. These activities were sold and caused one-off proceeds in a size of EUR 0.4 m in 2005.

ATOSS provides not only services for the implementation and training in all its software solutions, it also offers consulting services in order to enable customers to realise a possibly high increase of efficiency. For the solutions ASES/ASE and ATC, ATOSS also offers hardware components for time recording and trades the required registration media.

### Corporate Structure

The headquarters of the ATOSS Software AG are in Munich. ATOSS holds each 100% in the subsidiaries in St. Gallen (CH), Vienna (A) and in Timisoara (development site in Romania). The ATOSS CSD Software GmbH, located in Cham, supplements the product range of the Software AG in the field of simpler staff management solutions. The subsidiary ATOSS Software S.A.R.L. in Paris was closed at the end of the financial year 2005.

### Geographic Allocation

The business activities of ATOSS Software AG concentrate mainly on the German speaking core markets. The regional emphasis is Germany, which represents a sales share of approximately 91% in FY 2005. A sales share of 6% was generated in Austria, another 2% in Switzerland. The remaining part is achieved in various other European markets.





Equity Story	Competitive Quality	Finance	Valuation	Newsflow	<b>Company &amp; Products</b>	Key Figures
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**Management**

Andreas F.J. Obereder has been the CEO at ATOSS since 1999. Besides the operative business, the founder of the company is also responsible for planning and strategy.

Christof Leiber, has been part of the management at ATOSS since 2004. His responsibilities include finance, human resources and legal matters.

**Shareholders**

45% of the stock is in free float. The founder’s family Obereder holds the remaining 55%.



Equity Story	Competitive Quality	Finance	Valuation	Newsflow	Company & Products	Key Figures
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**Key Figures (ATOSS Software)**

P&L (EUR m)	2005	2006e	2007e	2008e
Sales	20.4	22.0	23.5	25.1
Cost of Sales	7.1	7.1	7.5	8.5
Gross Profit	13.4	14.9	16.0	16.5
Marketing and Administrative exp.	5.5	5.5	5.5	5.8
R&D	4.1	4.1	4.4	4.4
Other Operating Income	0.0	0.0	0.0	0.0
EBITDA	1.2	3.2	3.5	3.9
Depreciation and Amortisation	0.6	0.4	0.5	0.5
- thereof Goodwill Amortisation	0.0	0.0	0.0	0.0
EBIT	0.6	2.8	3.0	3.4
Financial Result	0.5	0.4	0.3	0.3
Extraordinary Result	0.0	0.0	0.0	0.0
EBT	1.1	3.2	3.3	3.7
Taxes	0.7	0.7	1.3	1.3
Net Profit before Minorities	0.5	1.9	2.0	2.4
Net Profit	0.5	1.9	2.0	2.4
Dividend Payout	22.3	1.0	1.0	1.2

Cash-Flow	2005	2006e	2007e	2008e
Cash Flow from Operations	1.1	2.3	2.4	2.9
Free Cash Flow	1.3	4.4	1.4	2.4
Capex	0.4	0.4	0.4	0.4

Balance sheet (EUR m)	2005	2006e	2007e	2008e
Fixed Assets	0.4	0.2	0.0	-0.3
Intangible Assets	0.3	0.0	-0.2	-0.5
Net Working Capital	3.1	0.6	1.3	1.4
Current Assets	32.5	14.7	15.9	17.4
Cash and Cash Equivalents	33.7	10.8	11.2	12.4
Equity	27.8	8.6	9.6	10.8
Provisions	3.1	3.1	3.1	3.1
Financial Liabilities	0.2	0.2	0.2	0.2
Net Cash	33.6	10.7	11.0	12.2
Total	33.1	14.9	15.7	16.6

Reporting standard	IFRS	IFRS	IFRS	IFRS
Fiscal year end	31.12.2005	31.12.2006	31.12.2007	31.12.2008

Growth rates	2005	2006e	2007e	2008e
Sales	-6.5%	7.7%	6.6%	6.8%
EBITDA	-43.6%	169.7%	9.0%	11.1%
EBIT	-54.0%	391.9%	9.0%	11.8%
EBT	-36.1%	186.6%	2.8%	11.8%
Net Profit	-48.1%	314.0%	4.5%	21.1%
Dividend	4900.0%	-95.6%	0.6%	20.5%

Cost intensities	2005	2006e	2007e	2008e
COGS	34.5%	32.1%	31.9%	34.0%
Marketing & Administrative / Sales	26.8%	24.9%	23.5%	23.0%
R&D / Sales	19.9%	18.4%	18.7%	17.7%

Price Data	2005	2006e	2007e	2008e
Share Price (EUR)				9.00
Market Cap. (EUR m)				36
Enterprise Value (EUR m)				25

Share Key Data	2005	2006e	2007e	2008e
Earnings per Share (EUR)	0.11	0.46	0.48	0.58
Sales per Share (EUR)	5.03	5.40	5.75	6.11
Free Cash Flow per Share (EUR)	0.33	1.08	0.33	0.58
Dividend per Share (EUR)	5.50	0.24	0.24	0.29

Valuation Key Data	2005	2006e	2007e	2008e
P/E	80.23	19.43	18.65	15.48
P/Sales	1.79	1.67	1.57	1.47
EV/Sales	1.21	1.13	1.06	0.99
EV/EBITDA	20.84	7.72	7.09	6.38
EV/EBIT	43.88	8.92	8.18	7.32
P/Book	1.31	4.21	3.78	3.37
Dividend Yield	61.1%	2.7%	2.7%	3.2%

No. of shares (million)	2005	2006e	2007e	2008e
Ordinary shares out	4.06	4.07	4.08	4.10

Profitability	2005	2006e	2007e	2008e
EBITDA-margin	5.8%	14.6%	14.9%	15.5%
EBIT-margin	2.8%	12.6%	12.9%	13.5%
EBT-margin	5.5%	14.5%	14.0%	14.6%
Net Profit-margin	2.2%	8.6%	8.4%	9.5%
ROE	1.6%	21.9%	20.5%	22.1%
ROA	1.4%	12.7%	12.6%	14.4%
ROCE	1.8%	13.0%	24.6%	25.3%

**Company profile**

The ATOSS Software AG is one of the leading providers of time management in Germany. The software of the company founded in 1987 was introduced to the market in 1991 and covers with its mature products all demands of a professional personnel management. ATOSS has the typical formation of a IT product company (sales of software, maintenance and service, hardware) and has currently roughly 171 employees.

**Management**

Andreas Obereder, Christof Leiber

**Shareholders**

Streubesitz	44.56%
Familie Obereder	55.44%

Sources: company (reported data), SES Research (estimates and key figures), Bloomberg (share price data)

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- B **Buy:** The price of the analysed equity security is expected to rise over the next 12 months.
- H **Hold:** The price of the analysed equity security is expected to remain mostly flat over the next 12 months.
- S **Sell:** The price of the analysed equity security is expected to fall over the next 12 months.
- “-“ **Rating suspended:** The available information does not currently permit an evaluation of the company.

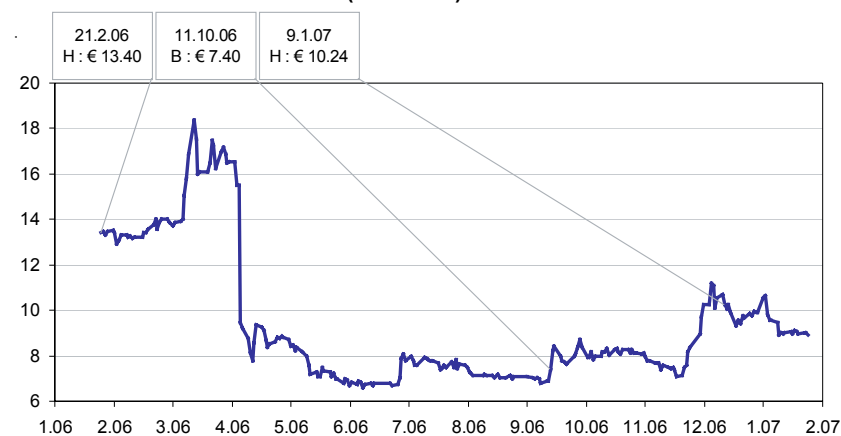
M.M.Warburg & CO KGaA and SES Research GmbH research universe by rating:

Rating	Number of stocks	% of universe
Buy	89	46%
Hold	81	42%
Sell	14	7%
Rating suspended	9	5%
<b>Total</b>	<b>193</b>	

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Rating	Number of stocks	% of universe
Buy	54	56%
Hold	35	36%
Sell	5	5%
Rating suspended	3	3%
<b>Total</b>	<b>97</b>	

**Price and Rating History**  
ATOSS (AOFG.DE) as of 21.2.07



The boxes on the price and rating history chart indicate the date and rating of the Equity Alert issued by SES Research GmbH. Each box represents a date on which an analyst made a change to a rating, except for the first box, which may represent the rating in place at the beginning of the period or the first Alert written on the issue in the past 12 months.

Sources: Factset (prices) / SES Research (ratings)