2001 ANNUAL REPORT

DAY INTERACTIVE HOLDING AG

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To Our Shareholders

In April 2001, the Board of Directors of Day, together with the management team led by John Payne, made the decision to accelerate the Company's transition to a software company. When we took Day public in April 2000, Day was a professional services company that sold and implemented its Communiqué solution, largely to Swiss multinationals. We had begun an international expansion with operations in Germany, the United Kingdom and the United States. The country-specific organisations were beginning to generate sales, but more than half of Day's sales were still generated in Switzerland. Day's distinct competitive advantage is its product, Communiqué. To leverage this advantage we came to the conclusion that our company had to focus on the sale of software licenses, to expand internationally and to move away from the professional services business.

To achieve the transition to a global software company, the Board of Directors and the management team agreed to the following actions:

- Shift to software license sales while reducing professional services.
- Create a group of global consulting partners to implement and support Day's products.
- Change to a functional management structure from a geographical structure to increase efficiency and reduce unnecessary overhead costs.
- Build Day's presence in North America.

We initiated those changes in the second quarter and began to see first results in the third and fourth quarter of 2001.

Day's customers and the business and technology analysts have confirmed that Communiqué is among the most advanced technologies in our space. The unique architecture, features and functionality position it ahead of its global competition.

Today, Day has over 30 partners, including global companies such as Deloitte Consulting and PricewaterhouseCoopers. New partnerships in Austria, Italy and Hong Kong have allowed us to extend further into new markets.

Partnerships with global consulting firms, system integrators and web-architects are extremely important as they enable Day to move into new geographies without building new organisations. Instead of hiring and training our own staff for the implementation of our software, we rely on partners who have an intimate understanding of the requirements of the specific market and an experienced staff to serve it. Day will continue to invest in building a sales team to deal directly with customers and also to support our partner channel.

Leading global corporations have made significant investments in Day's technology and continue to validate the technological leadership of Communiqué. A broad range of industries are represented in some of the customers added in 2001, including Degussa (specialty chemicals), Six Continents Hotels (travel and leisure), Swisslife (insurance), TNT (global logistics and shipping) and Zimmer (Orthopaedic devices). Day's software is used to connect their businesses and existing IT-infrastructure to the web and to run mission critical business processes in a more efficient way. Day invested substantially to further the Communiqué product line and, in January 2002, we launched Communiqué 3.0 and a new product, Communiqué Unify.

Communiqué Unify provides our customers with the path to cost-effectively use the web to make all corporate data and systems accessible to those who need it. Day calls this Business Unification and it includes:

- Cross-Application Content Management — unifying all digital information at the content level so that it is completely independent from and unaffected by the underlying applications.
- Cross-Platform Content Delivery — a rapidly deployable framework that makes seamless delivery across all platforms and channels (including the web, PDAs and wireless devices) possible.

- A Collaborative Infrastructure — that supports both cross application content management and cross-platform delivery. In this environment, benefits such as business process automation and enhanced workflow are dispersed across an entire organisation.

Communiqué Unify enables business users, partners and customers' to share and use any content that resides digitally in the distributed enterprise, thus protecting and leveraging existing IT-investments. The system helps enterprises to streamline and facilitate mission-critical business processes. Unify increases the efficiency of our customer's operation, giving them a clear competitive advantage. Day has developed a technology that reaches far beyond traditional content management. Communiqué Unify continues the technology leadership of Day.

The performance of Day in fiscal year 2001 reflects the initial results of our effort to invest in our core products, increase license revenues, expand the partner network and to grow internationally. License revenues grew by 10% and now account for 33% of total revenues for the full year. We saw a considerable increase in this important indicator during the year. In the last quarter, 54% of our revenues came from the sale of software licenses. Equally, our investments in international expansion show encouraging results. Whereas in fiscal 2000 47% of sales were generated outside of Switzerland, last year 53% of our sales were generated abroad.

The transition to license revenues is also reflected in our gross margins. Software license sales generate gross margins of about 95%. This compares to significantly lower gross margins from the professional services business. As license revenues amount to a higher proportion of total revenues, our gross margins have improved from 19% in the second quarter, to 23% in the third quarter and 33% in the fourth quarter.

While we increased investment in the further development of our technology and global expansion, the realignment of our organisation allowed us to contain administrative costs. In the fourth quarter Day reduced general and administrative expenses by 44%, compared to the fourth quarter 2000.

In 2001, we continued to build the foundation for Day's growth. Day accelerated the transition to the software business, more than doubled the number of consulting partners and advanced the Communiqué technology.

While we are satisfied with our achievements, our operations have resulted in an unsatisfactory net loss amounting to CHF 62.6 million and a net loss per share of CHF 55.93 for fiscal year 2001. There are three main reasons for this result:

- A considerable portion of the loss resulted from our ongoing investment in research and development, in training and in partner support. These investments will deliver long-term value as they are the foundation for Day's future as a global enterprise software company.
- The efficiency of our operations must continue to improve. In 2002, Day is committed to a continuous improvement of our operating results. We have built the organisation, positioned our technology, now we can concentrate on our operations.
- 2001 was a very challenging year for the whole technology sector and the economy in general. In addition to recessive trends in several of our markets, the events on September 11 had a material impact on our sales efforts. Historically, the revenues of the fourth quarter have always been the most important component of strong annual results. In 2001, the fourth quarter was disappointing.

In 2002 we will focus on improving our productivity and increasing our license sales. Key investment areas are research and development, as well as the expansion and support of our global partner network. At the same time, we will continue to monitor our costs closely. Having recently reviewed the Company's cost structure, the Board of Directors and management took further measures in March 2002 to ensure that Day can reach profitability. In the fourth quarter of 2001, the majority of implementations of our Communiqué software were done by partners. This trend continued in the first quarter of 2002. As a result, Day had redundant positions in professional services as well as administration. This

allowed the Company to reduce its workforce and achieve further cost reductions in the second quarter of 2002.

These measures also reflect the Board's analysis of the current situation in the technology markets. The technology recession and weakness in the software sector has continued longer than expected and more sharply downward than initially anticipated. In light of this continued weakness, we decided to pursue a more conservative growth strategy. We believe our core technology will be relevant for the next five to ten years as internet infrastructure continues to build. Further, we feel it is necessary to act more conservatively in today's difficult climate.

As a result of the less aggressive, slower pace approach to the Company's growth, John Payne decided to leave the Company at the end of April 2002 and pursue other opportunities. The Board of Directors asked me to step in as acting Chief Executive Officer.

We appreciate the many contributions John has made to the strategy, channel development and product positioning of Day. Under the new leadership there will be no change in Day's long-term strategy.

I am aware of the fact that, despite the progress the Company made during the year, 2001 was challenging for our shareholders, partners, customers and employees. On behalf of the Board of Directors and our employees, I thank all of you for your continued trust and support.

Sincerely and with great appreciation,

Michael Moppert
Chairman of the Board of Directors

Management's Discussion and Analysis

Highlights

Day's fiscal year 2001 was characterized by a transition from the professional services business to a business model focused on sales of software licenses. Day made investments in research and product development and also expanded its global sales and partnering network.

Financial Overview (amounts in millions CHF, except share data)	2001	2000
Total revenues	20.2	20.2
License revenue	6.6	6.0
Service revenue	13.6	14.2
Operating costs	69.2	38.1
EBITDA (1)	(39.4)	(29.1)
Net loss	62.6	33.3
Net loss per share	55.93	32.92

(1) EBITDA excludes charges for restructuring and the impairment of goodwill and other intangible assets.

Other Information	2001	2000
Number of customers	>100	>70
Average initial license value (in CHF)	240,000	187,500

Strategic redirection of the Company — accelerated transition to a higher margin software business

In April 2001, Day announced its plans to accelerate its transition from a company that relies on professional services to a company that relies on software licenses to generate revenue. The gross margin from the sale of software licenses is generally higher than that from the sale of professional services. The investments made in the growth of Day's software business will coincide with more modest growth in professional services. In the future, services related to the implementation of Day's software will be primarily provided through implementation partners. Day will maintain its professional services organisation, but focus this team on the support and training of partners and customers. This focus will enable the Company to dedicate more total service staff to existing customers and offer them more customized support on both a local and a global basis.

Growing license revenues, especially in the second half of 2001

In fiscal 2001, revenues amounted to CHF 20.2 million, compared to CHF 20.2 million in 2000. License revenues increased by 10% from CHF 6.0 million in 2000 to CHF 6.6 million in 2001 and accounted for 33% of total revenues. Service revenues decreased by 4% from CHF 14.2 million in 2000 to CHF 13.6 million in 2001.

Day shifted its revenues from services to licenses as a result of growing license revenues in the second half of the year. The increase in annual license revenues from 2000 to 2001 was at a moderate 10%, due to weak license sales in the first half of the year. The shift to a higher percentage of license revenues to total revenues was stronger in the second half of the year, when the Company generated 70% of its license revenues. Compared to the second half of 2000, license revenues in the second half of 2001 increased by 28%.

Continued expansion outside of Switzerland

In Europe, Day generated CHF 17.5 million in revenues, of which CHF 10.7 million were generated outside Switzerland, accounting for 53% of total revenues. In 2000, 47% of total revenues were generated outside of Switzerland. Main contributors to this growth were the German and UK markets and, to a lesser extent, new business in Austria, France and Italy. North American revenues were CHF 2.7 million, accounting for 13% of total revenues. In 2000, Day's revenues from North America were mainly service related, amounting to about 85% of total revenues in that region for the year. Day's UK professional services subsidiary, MarketingNet, contributed CHF 3.9 million, or 19%, in total revenues.

Improving gross margins

Gross margin for fiscal years 2001 and 2000 remained stable at 24%. An increased percentage of software license revenues, which generate gross margins of approximately 95%, had a favorable effect on total gross margins. Service revenues generated a negative gross margin of 11% in 2001. This negative service margin was partially due to startup related training and support service costs for Day's new consulting partners. As Day is pushing out service revenues to its consulting partners, partner staff have to be trained and jointly supported by Day during the first projects. Consequently, Day's professional services group is providing certain non-billable services to consulting partners which have a short-term negative impact on the total cost of services. Once the investment phase for Day's consulting partner program has reached completion, the service margin is expected to return to profitability.

Development of gross margins and license to service mix:

2001	Total Gross Margin	% of Total Revenues (Licenses)	% of Total Revenues (Services)
First quarter	23%	21%	79%
Second quarter	19%	18%	82%
Third quarter	23%	38%	62%
Fourth quarter	33%	56%	44%

Sales and marketing (''S&M'') expenses increased by 44% and general and administrative (''G&A'') expenses were 5% higher compared to fiscal year 2000. Research and development (''R&D'') expenses increased 80%, reflecting ongoing investment in advancing development of Day's Communiqué software.

Sales and marketing expenses increased from the first to the second quarter in 2001 and then remained stable in the second half of the year. Research and development expenses increased as a percentage of total revenues each quarter during 2001, reflecting an ongoing investment in Day's technology. Meanwhile, expenses for general and administrative were reduced in the second half of the year.

Summary of operating costs:

2001 (amounts in millions CHF)	R & D CHF	R & D % of Revenues	S & M CHF	S & M % of Revenues	G & A CHF	G & A % of Revenues
First quarter	1.2	20%	6.5	110%	3.5	60%
Second quarter	0.9	22%	7.5	171%	3.6	83%
Third quarter	1.5	28%	7.3	138%	2.8	53%
Fourth quarter	2.0	44%	7.4	161%	2.9	62%

Impairment charge in connection with the MarketingNet acquisition

In the fourth quarter of 2001, Day took charges of CHF 10.0 million for the impairment of goodwill and other intangible assets recorded in the October 2000 acquisition of MarketingNet. MarketingNet was acquired for a price of CHF 26.5 million in cash and equity. The goodwill and other intangible assets remaining from the acquisition of MarketingNet on the balance sheet is approximately CHF 7.5 million as of December 31, 2001.

Restructuring charges

During the second, third and fourth quarters of 2001, the Company recorded restructuring charges amounting to CHF 3.1 million. The restructuring charges covered severance benefits for redundant staff as a result of the change to a software business model and the realignment to a global organisational structure. In addition, there were restructuring charges for facilities costs incurred in the consolidation of certain Day facilities.

Increased losses due to investments in sales and marketing, research and development, as well as the building of a support organisation for partners

For fiscal year 2001, EBITDA amounted to CHF –39.4 million. This compares to an EBITDA of CHF –29.1 million in fiscal year 2000. The operating loss increased from CHF 33.3 million in 2000 to CHF 64.3 in 2001. Net loss for 2001 was CHF 62.6 million compared to a net loss of CHF 33.4 million for fiscal year 2000. On a per share basis, net loss for fiscal year 2001 was CHF 55.93 compared to CHF 32.92 for the previous year.

Balance sheet with CHF 42.0 million in cash, average days-sales-outstanding for the year of 101 days

At the end of 2001, cash and cash equivalents amounted to CHF 42.0 million, down from CHF 79.6 million at the end of 2000. Receivables at the end of 2001 amounted to CHF 5.7 million compared to CHF 5.9 million at the end of 2000. Average days-sales-outstanding (''DSO'') as of December 31, 2001 improved to 101 days from 105 days as of December 31, 2000. Whereas, in the first and second quarters of 2001, DSO's were at 72 days and 105 days, respectively, in the third and fourth quarters, they were at 79 and 111 days, respectively. Deferred revenues grew from CHF 1.4 million at the end of 2000 to CHF 1.7 million at the end of 2001.

Growing customer base including some of the world's largest corporations

During 2001, Day worked for more than 100 customers. Among them, 47 purchased new licenses or extended the use of existing licenses. Among Day's largest customers were 3M, Aberdeen Asset Management, ASSERTA, Finanzfachmarkt AG, Degussa, Imperial Tobacco, ISMA (International Securities Market Association), Panalpina, Pfizer, Sony, Rentenanstalt/Swiss Life, Sick AG, Swisscontent, the Swiss Ministry of Defense, Sports and Civil Protection. The average initial license value was CHF 240,000 in 2001, up from CHF 187,500 for fiscal year 2000. During 2001, Day generated 53% of its revenue from eleven customers, which represented 31% of accounts receivable at year end.

Partners

License revenues influenced by consulting partners in fiscal year 2001 accounted for about 50% of license revenues, up from about 24% in 2000. Consulting partners added during 2001 included Deloitte Consulting (Switzerland and Hong Kong), PricewaterhouseCoopers (Switzerland and Luxemburg), GFT (Germany), Oyster (UK) and BV Solutions Group (U.S.). As of December 31, 2001, Day had 30 consulting partners.

Training

An important metric for Day's progress is the number of trained Communiqué developers working for Day's customers and partners. These trained developers support implementations of Day's Communiqué software. In 2001, Day trained approximately 150 customer and partner developers on its software.

Employees

Headcount increased from 222 to 238 full-time equivalent employees during 2001. At the end of the year, 21% of staff were employed in professional services, 32% in sales and marketing, 16% in administration and 13% in research and development. Day's UK subsidiary, MarketingNet, employed 43 professionals, accounting for 18% of total employees. The changes in headcount reflect the Company's focus on reducing overhead and strengthening the development of its technology.

Basis of presentation of the Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America. The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company incurred a net loss of CHF 62.6 million for the year ended December 31, 2001 and has incurred cumulative losses of CHF 98.2 million since inception. Net cash used in operating activities was CHF 38.2 million and CHF 28.1 million for the years ended December 31, 2001 and 2000, respectively. The Company expects that its operating activities in 2002 will continue to use net cash. Management plans to improve its liquidity situation include emphasis on shifting the revenue base from services to higher margin software licenses, improved sales efficiency performance, and general and administrative cost containment measures. The Company's ability to continue as a going concern is dependent upon its ability to execute these plans and, if necessary, to secure additional sources of liquidity.

DAY'S BOARD OF DIRECTORS

Michael Moppert
Chairman of the Board

Until February 2001, Michael Moppert was Chief Executive Officer of Day. Prior to founding Day with Patrick Held and Roger Mäder in 1993, Moppert was working as a journalist and editor for several Swiss newspapers. He holds a masters degree in History and Sociology from the University of Basel.

Frank Ewald

Frank Ewald has 20 years of experience in the international computer, broadband network and internet industry. Before he founded The Fantastic Corporation in February 1996, he was co-founder and international sales director for Tenfore, a company which launched Europe's first financial on-line service for satellite and cable networks, a service that was awarded ''Cable Innovation of the Year'' by the British Cable Association. He identified and negotiated distribution franchises for 36 countries and took part in negotiations with more than 100 content providers. During this period he founded the French financial software company Finaxx SA and later sold it to Politel. Prior to working with Tenfore, he worked for Bull for 10 years, initially as a sales representative (Denmark), then as Sales Manager (Denmark), and finally, from 1986 to 1991 as Sales Director in the French headquarters. Frank Ewald serves as a board member for Gudme Raaschou Technology (GRT), Celeris AG, Avaloq AG, Vice Chairman Internet Ventures Scandinavia AS and Chairman of the Board of Kapow and Speednames inc.

David Nüscheler

David Nüscheler is Chief Technology Officer of Day. Since 1994, he has played an important role in the growth of the Company from a small multimedia agency to a leading European web company. He created the basic concept for Day's software Communiqué.

John Payne

John Payne is Day's Chief Executive Officer. He is responsible for the management of Day's global operations and for the Company's global growth and strategic plan. Prior to joining Day, Mr. Payne served as Chairman and Chief Executive Officer of Stamps.com, the leading provider of Internet-based mailing and shipping systems. Payne has extensive experience building teams and growing organisations. At Airmedia, a wireless communications software developer, Payne developed the award winning Air Media Live Internet Broadcast Network. Prior to Airmedia he founded two successful banking enterprise software companies. Payne holds issued and in-application patents in wireless Internet data broadcasting and a degree in Economics from the University of California.

Mark Walsh

Mark is the Chief Technology Advisor for the Democratic National Committee. He is the first person to have that job, and is responsible for bringing the Party and its tactics into the 21st Century. He has been in the interactive services/internet industry for 15 years. Previously, Mark was the Chairman and Chief Strategy Officer of VerticalNet, Inc. Mark joined VerticalNet in August 1997 as President and Chief Executive Officer, and was appointed to Chairman in July 2000. VerticalNet is an enterprise software and services company that uses the Internet to help companies transact and collaborate. Previously, he was a Senior Vice President and a corporate officer at America Online. He ran AOL Enterprise, the business-to-business division of AOL. He founded the group. He also was President of GE's interactive services division.

Greg Williams

Since 1997, Greg Williams has been a Partner with Brobeck, Phleger & Harrison LLP, a leading United States-based high-technology law firm. Mr. Williams' areas of practice include corporate, securities and mergers and acquisitions law with a focus on Internet and information technology emerging-growth companies. Mr. Williams is serving as Day's principal outside counsel.

Independent Report of the Auditors to the General Meeting of

DAY Interactive Holding AG, Basle

We have audited the accompanying consolidated balance sheets of DAY Interactive Holding AG and subsidiaries (the ''Company'') as of December 31, 2001 and 2000, and the related consolidated statements of profit and loss, and shareholders' equity, and cash flows for the years then ended, presented on page 11 through 28.

These consolidated financial statements are the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We confirm that we meet the legal requirements concerning professional qualification and independence.

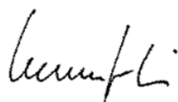
We conducted our audits in accordance with auditing standards promulgated by the Swiss profession, and with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and subsidiaries as of December 31, 2001 and 2000 and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles in the United States of America and comply with Swiss law.

We recommend that the consolidated financial statements submitted to you be approved.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has generated significant losses from operations and has negative cash flows from operations. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plan in regard to these matters is also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

KPMG Fides Peat



Orlando Lanfranchi
Swiss Certified Accountant
Auditor In Charge

Rolf Besmer
Swiss Certified Accountant

Basle, April 12, 2002

Consolidated Balance Sheets (in thousands CHF, except share information)	Notes	December 31, 2001	2000
ASSETS			
Current assets			
Cash and cash equivalents	2	42,034	79,553
Restricted cash	2 and 6	17,679	19,290
Accounts receivable, net of allowance for doubtful accounts of CHF 986 and CHF 517 as of December 31, 2001 and 2000, respectively	2	5,688	5,871
Unbilled receivables		859	2,174
Related party loans	3	50	569
Other receivables		458	902
Prepaid expenses		856	1,291
Total current assets		**67,624**	**109,650**
Non-current assets			
Property and equipment, net	4	4,998	6,483
Goodwill and intangible assets, net	5	7,545	25,570
Other assets		561	1,255
Total non-current assets		**13,104**	**33,308**
TOTAL ASSETS		**80,728**	**142,958**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable		2,231	4,354
Deferred revenues		1,688	1,404
Notes payable	5 and 6	17,679	17,593
Value of shares to be issued for the acquisition of MarketingNet Ltd.	5	—	6,237
Other current liabilities		366	326
Accrued liabilities		8,623	8,031
Total current liabilities		**30,587**	**37,945**
Commitments and contingencies	8		
Shareholders' equity			
Share capital, CHF 10.00 par value 2,241,617 shares total, 1,122,263 shares issued and outstanding	9	11,223	11,000
Treasury shares	9	(1,074)	(1,797)
Capital reserves		137,656	130,588
Accumulated deficit		(97,781)	(35,158)
Accumulated other comprehensive income		117	380
Total shareholders' equity		**50,141**	**105,013**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**80,728**	**142,958**

See accompanying notes to consolidated financial statements.

Consolidated Profit and Loss Statements (in thousands CHF, except share information)	Notes	Year Ended December 31, 2001	2000
Revenues:			
Software licenses		6,610	6,004
Services		13,587	14,175
Total revenues		**20,197**	**20,179**
Cost of revenues:			
Software licenses		160	718
Services		15,101	14,590
Total cost of revenues		**15,261**	**15,308**
Gross profit		**4,936**	**4,871**
Operating expenses:			
Research and development		5,608	3,115
Sales and marketing		28,673	19,858
General and administrative		12,812	12,189
Amortisation of goodwill and intangible assets	5	8,024	1,636
Stock-based compensation	2 and 9	1,011	1,345
Impairment of goodwill and intangible assets	5	10,000	—
Restructuring charges	7	3,059	—
Loss from operations		**(64,251)**	**(33,272)**
Interest income		2,593	1,999
Interest expense		(509)	(386)
Other income (expense)		160	(1,698)
Loss before income taxes		**(62,007)**	**(33,357)**
Benefit (provision) for income taxes	11	(616)	67
Net loss		**(62,623)**	**(33,290)**
Other comprehensive income (loss)		(263)	382
Comprehensive loss		**(62,886)**	**(32,908)**
Basic and diluted loss per share	2	**(55.93)**	**(32.92)**
Shares used in computing basic and diluted loss per share		**1,119,727**	**1,011,111**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flow (in thousands CHF)	Notes	Year Ended December 31, 2001	2000
Net loss		(62,623)	(33,290)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation of fixed assets	4	2,792	1,231
Amortisation of goodwill and intangible assets	5	8,024	1,636
Impairment of goodwill and intangible assets	5	10,000	—
Impairment of investments		167	—
Net unrealised exchange gains and loss		115	322
Stock-based compensation	2 and 9	1,011	1,345
Changes in operating assets and liabilities:			
Accounts receivable		133	(2,751)
Unbilled receivables		1,316	(1,988)
Prepaid expenses and other current assets		1,399	(2,484)
Accounts payable		(2,122)	3,958
Deferred Revenues		284	1,074
Accrued liabilities		1,199	3,134
Other liabilities		126	(264)
Net cash used in operating activities		**(38,179)**	**(28,077)**
Cash flows from investing activities:			
Purchases of equipment	4	(1,306)	(6,187)
Purchase of MarketingNet, net of cash acquired	5	—	(941)
Cash restricted for acquisition of MarketingNet Ltd.	6	1,610	(20,989)
Other		577	(519)
Net cash provided by (used in) investing activities		**881**	**(28,636)**
Cash flows from financing activities:			
Proceeds from capital share offerings	1 and 9	109	131,571
Stamp duty on issuance of shares related to acquisition of MarketingNet		(67)	—
Net cash provided by financing activities		**42**	**131,571**
Net increase (decrease) in cash and cash equivalents		**(37,256)**	**74,858**
Foreign currency adjustment on cash		(263)	382
Cash and cash equivalents at beginning of period		79,553	4,313
Cash and cash equivalents at end of period		**42,034**	**79,553**
Supplemental disclosure of cash flow information:			
Net interest paid		681	28
Net income taxes paid		149	108
Non-cash investing and finance activities:			
Issuance of notes payable in connection with the acquisition of MarketingNet Ltd.		—	18,970

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity
(in thousands CHF, except share information)

	Share Capital		Treasury Shares	Capital Reserves	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Shareholders' Equity
	Shares	Amount					
Balances, January 1, 2000	**700,000**	**7,000**	**—**	**(125)**	**(1,868)**	**(2)**	**5,005**
Proceeds received from issuance of share capital under private placement	100,000	1,000	(1,877)	10,000	—	—	9,123
Proceeds received from initial public offering, net	300,000	3,000	(20)	119,368	—	—	122,348
Proceeds of sale of treasury shares	—	—	100	—	—	—	100
Stock-based compensation	—	—	—	1,345	—	—	1,345
Net loss	—	—	—	—	(33,290)	—	(33,290)
Foreign currency translation	—	—	—	—	—	382	382
Balances, December 31, 2000	**1,100,000**	**11,000**	**(1,797)**	**130,588**	**(35,158)**	**380**	**105,013**
Proceeds received from issuance of share capital under private placement	20,790	208	—	5,962	—	—	6,170
Proceeds received from issuance of share capital for stock option plan	1,473	15	—	95	—	—	110
Proceeds of sale of treasury shares	—	—	723	—	—	—	723
Stock-based compensation	—	—	—	1,011	—	—	1,011
Net loss	—	—	—	—	(62,623)	—	(62,623)
Foreign currency translation	—	—	—	—	—	(263)	(263)
Balances, December 31, 2001	**1,122,263**	**11,223**	**(1,074)**	**137,656**	**(97,781)**	**117**	**50,141**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(in CHF thousands, except share information)

Note 1 – Organization and History

The Company

Day Interactive Holding AG (collectively with its subsidiaries, the ''Company'') was formed on October 29, 1999, as a stock corporation under the laws of Switzerland. The Company is a leading provider of Internet infrastructure software which enables global organisations to manage their digital content. The Company's flagship product Communiqué combines content management, middleware, and multi-channel publishing functionality. The proprietary ContentBus technology facilitates real-time management of digital information in its original source and format, avoiding data duplication and redundancy. This allows customers to develop, maintain, and extend their web properties while seamlessly integrating them with legacy information technology systems and applications.

Initial Public Offering

On April 3, 2000, the Company completed its initial public offering. A total of 300,000 shares were sold by the Company at a price of CHF 440.00 per share. The offering resulted in net proceeds to the Company of approximately CHF 122,367.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America.

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realisation of assets and the satisfaction of liabilities in the normal course of business. The Company incurred a net loss of CHF 62,623 for the year ended December 31, 2001 and has incurred cumulative losses of CHF 98,234 since inception.

Net cash used in operating activities was CHF 38,179 and CHF 28,077 for the years ended December 31, 2001 and 2000, respectively. The Company expects that its operating activities in 2002 will continue to use net cash. Management's plans to improve its liquidity situation include emphasis on shifting the revenue base from services to higher margin software licenses, improved sales efficiency performance, and general and administrative cost containment measures.

The Company's ability to continue as a going concern is dependent upon its ability to execute these plans and, if necessary, to secure additional sources of liquidity.

Although no assurances can be given, management remains confident that the Company will be able to continue as a going concern.

Principles of Consolidation

All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The Company has financial instruments, including cash and cash equivalents, accounts receivable, related party loans, accounts payable and debt, which are carried at cost and approximate fair values due to the short term nature of these instruments.

Concentration of Credit Risk

The Company, at times, maintains cash balances at high credit quality financial institutions in excess of amounts insured by government agencies.

The Company provides credit in the normal course of business to customers and performs credit evaluations on all customers with significant orders. The Company does not obtain collateral with which to secure its accounts receivable. The Company maintains reserves for potential credit losses based on the expected collectibility of accounts receivable.

During the year ended December 31, 2001, the Company generated 53% of its revenue from eleven customers who represented 31% of the accounts receivable balance as of December 31, 2001. During the year ended December 31, 2000, the Company generated 50% of its revenue from eight customers who represented 25% of the accounts receivable balance as of December 31, 2000.

Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with a maturity of less than three months to be cash equivalents. Cash and cash equivalents consist of cash on deposit with banks.

Restricted Cash

Restricted cash represents cash as security for the repayment of the notes payable more thoroughly described in Notes 5 and 6.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation, and are depreciated using the straight-line method over their estimated useful lives (from three to seven years). Leasehold improvements are amortised over the shorter of the useful life of the asset or the related lease. Maintenance and repairs are expensed as incurred. Significant renewals and betterments are capitalised. At the time of retirement or other disposition of property and equipment, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in operations.

Intangible Assets

Intangible assets include goodwill and other intangible assets.

Goodwill represents the excess of purchase price over the fair value of the net assets acquired. As of December 31, 2001 and 2000, all goodwill was related to the acquisition of MarketingNet. Goodwill is stated at cost and is amortised on a straight-line basis over five years. Amortisation expense totalled CHF 1,151 and CHF 192 for the years ended December 31, 2001 and 2000, respectively.

Other intangible assets include the estimated value associated with a non-compete agreement, workforce, brand name, customer lists, and software acquired in the acquisition of MarketingNet. These items are being amortised on a straight-line basis over periods ranging from two to ten years. Amortisation of these other intangible assets totalled CHF 6,873 and CHF 1,444 for the years ended December 31, 2001 and 2000, respectively.

Foreign Currency

The functional currency of the Company's foreign subsidiaries is the local currency. Translation adjustments of local currency financial statements into the Swiss Franc (''CHF'') are reflected as a component of shareholders' equity. Foreign exchange gains and losses resulting from specific foreign currency transactions are included in the consolidated results of operations and, to date, have not been significant.

Revenue Recognition

The Company recognises revenue in accordance with Statement of Position (''SOP'') 97-2 and SOP 98-4, Software Revenue Recognition. Revenue from license fees and from sales of software products is recognised when persuasive evidence of an arrangement exists, delivery of the product has occurred, no significant Company obligations with regard to implementation remain, the fee is fixed or determinable and collectibility is probable. For multiple-element arrangements where fair values do not exist for one or more of the delivered elements, the Company recognises revenue using the ''residual method'' in accordance with SOP 98-9, Modification of SOP 97-2, Software Revenue Recognition, With Respect to Certain Transactions. Under the ''residual method'', the total fair value of the undelivered elements is deferred and subsequently recognised in accordance with SOP 97-2.

For software licenses that require a significant amount of modification to the source code, as well as require the development of applications, revenue is recognised using the percentage of completion method. Under the percentage of completion method of accounting, revenues are recorded based on actual costs incurred to the total costs expected to be incurred at the completion of the contract. An allocation is made for core licenses and application development, and such revenues are recorded as license and service revenues, respectively. In cases where the Company uses an integration partner to install software, the Company will use the completed contract method of accounting for license revenue recognition or recognise the revenue upon shipment to the customer, depending on the facts and circumstances surrounding the integration.

Service revenues include professional services, maintenance and training fees. Professional services primarily consist of software installation and integration, customer support and training. The Company generally bills its professional services customers on a time and materials basis and recognises revenue as the services are performed. Maintenance agreements are typically priced based on a percentage of the product license fee, and typically have a one-year term that is renewable annually. Services provided to customers under maintenance and technical support agreements are recognised ratably over the term of the agreement. Time incurred for custom application development is reflected as service revenues, unless such application will be licensed without material modifications as discussed above.

Product upgrades are billed separately as delivered by the Company. In the event product upgrades are offered on an ''as available'' basis, and are part of a multiple-element arrangement, vendor specific objective evidence must be used to allocate value and defer such revenues until delivered.

The Company defers revenue for software arrangements when cash has been received from the customer and the arrangement does not qualify for revenue recognition under the Company's policy. These amounts are reflected as deferred revenue on the accompanying consolidated balance sheets. The Company records a receivable for software arrangements when the arrangement qualifies for revenue recognition and cash or other consideration has not been received from the customer. These amounts are reflected as unbilled receivables in the accompanying consolidated balance sheets.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense was CHF 5,546 and CHF 10,741, for the years ended December 31, 2001 and 2000, respectively.

Research and Development Costs

Research and development costs are expensed as incurred. Research and development expenses are principally comprised of payroll and payroll related costs.

Stock-based Compensation

The Company accounts for its stock-based compensation plans under Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (''APB 25''), and complies with the disclosure provisions of Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation. Under APB 25, compensation expense is based on the difference, if any, on the date of the grant between the fair value of the Company's shares and the exercise price of the stock option. Such compensation expense, if any, is recognised over the service period to which the option relates.

Income Taxes

The Company accounts for its income taxes under an asset and liability method whereby deferred tax assets and liabilities are determined based on temporary differences between basis used for financial reporting and income tax reporting purposes. Income taxes are provided based on the enacted tax rates specified in effect at the time such temporary differences are expected to reverse. A valuation allowance is provided for certain deferred tax assets if it is more likely than not that the Company will not realise the tax assets through future operations.

Loss Per Share

The Company follows the provisions of Statement of Financial Accounting Standards No. 128, Earnings Per Share. Basic net loss per share is computed by dividing net loss available to shareholders by the weighted average number of shares outstanding during the period. Diluted net loss per share has not been presented as the effect of the assumed exercise of common stock equivalents is anti-dilutive due to the Company's net losses. Common stock equivalents totalling 263,912 and 190,523 have been excluded from the calculation of the weighted average shares outstanding for the years ended December 31, 2001 and 2000, respectively, as their effects are anti-dilutive.

Impairment of Long-Lived Assets

Long-lived assets and identifiable intangible assets acquired in purchase business combinations are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss would be recognised when estimated undiscounted future cash flows expected to result from the use of the asset and its eventual disposition are less than its carrying value. If an asset is determined to be impaired, the impairment is measured by the amount that the carrying amount of the asset exceeds its fair value. See Note 5 for a more thorough discussion of the Company's impairment charge in connection with the acquisition of MarketingNet Ltd. (''MarketingNet''), a wholly-owned subsidiary of the Company.

Costs of Developed Software to be Sold or Marketed

Development costs incurred in the research and development of new software products to be sold or marketed are expensed as incurred until technological feasibility in the form of a working model has been established at which time such costs are capitalised, subject to recoverability. Products are made available for limited release, concurrent with the achievement of technological feasibility. Accordingly, software development costs incurred subsequent to the establishment of technological feasibility have not been significant, and the Company has not capitalised any software development costs to date.

Costs of internally developed software upgrades and maintenance are expensed as incurred. Costs of training and data conversion are expensed as incurred.

New Accounting Standards

In June 2001, the Financial Accounting Standards Board (''FASB'') issued Statement of Financial Accounting Standards No. 141, Business Combinations (''SFAS 141'') and Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets (''SFAS 142''). SFAS 141 eliminates the pooling-of-interests method of accounting for business combinations initiated after June 30, 2001 and further clarifies the criteria to recognise intangible assets separately from goodwill. SFAS 142 primarily addresses financial accounting and reporting for goodwill and other intangible assets and is effective for the Company's consolidated financial statements on January 1, 2002. SFAS 142 requires companies to discontinue amortisation of goodwill and intangible assets that have indefinite lives. For the Company, such amortisation was CHF 2,532 and CHF 422 for the years ended December 31, 2001 and 2000, respectively. In addition, SFAS 142 requires the Company to perform a periodic impairment evaluation of existing goodwill and intangible assets which have indefinite lives. The initial impairment tests must be completed by June 30, 2002. The Company has not yet assessed the impact, if any, SFAS 142 may have on its reported consolidated financial position or results of operations.

In October 2001, the FASB issued Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (''SFAS 144''). SFAS 144 supersedes Statement of Financial Accounting Standards No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of (''SFAS 121''), but retains many of its fundamental provisions. In addition, SFAS 144 expands the scope of discontinued operations to include more disposal transactions. The provisions of SFAS 144 are effective for the Company's year ending December 31, 2002. The Company has not yet assessed the impact, if any, SFAS 144 may have on its reported consolidated financial position or results of operations.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the 2001 presentation.

Note 3 – Related Party Loans

In October and November 2000, the Company executed secured promissory notes of CHF 370, due in October 2001, and CHF 80, due in May 2001, (collectively referred to as the ''Notes''), respectively, with an individual who was both an officer and board member, at the time, of the Company. The Notes bore interest at 8% per annum and were collateralised by certain assets of the individual. As of September 20, 2001, CHF 478 of principal and accrued interest was outstanding under the terms of the Notes. On this date, the Company forgave CHF 437 of this amount pursuant to the terms of an employment separation agreement with the officer. In October 2001, the remaining balance of the Notes, CHF 41, was repaid to the Company. The write-off the Notes is included as part of the restructuring charge in the accompanying consolidated statement of operations.

In addition to the Notes, the Company has various other unsecured loans and advances to employees of the Company which total CHF 50 and CHF 119 as of December 31, 2001 and 2000, respectively. In December 2001, the Company forgave CHF 55 of these amounts pursuant to the terms of an employment separation agreement. The write-off this unsecured loan is included as part of the restructuring charge in the accompanying consolidated statement of operations.

Note 4 – Property and Equipment

Property and equipment consist of the following as of December 31:

	Life of assets	2001	2000
Computer equipment and software	2 to 3 years	6,099	4,721
Furniture and fixtures	5 years	1,680	1,188
Leasehold Improvements	Useful life or lease term	3,046	3,034
		10,825	8,943
Less accumulated depreciation		(5,827)	(2,460)
Property and equipment, net		4,998	6,483

For the years ended December 31, 2001 and 2000, depreciation expense totalled CHF 2,792 and CHF 1,231, respectively.

Note 5 – Acquisition

In October 2000, the Company acquired all of the outstanding capital stock of MarketingNet, a technology services and software consulting company. The acquisition has been accounted for using the purchase method of accounting, and accordingly, the results of operations of MarketingNet have been included with those of the Company commencing on the date of acquisition.

The total purchase price for this acquisition was approximately CHF 26,510. The purchase price was allocated to the tangible and intangible assets acquired and liabilities assumed based upon their respective fair values at the acquisition date. The aggregate purchase price consisted of 20,790 shares of the Company's stock with a fair market value of CHF 6,237, notes payable of CHF 18,970 (see Note 6) and CHF 1,303 in cash. The allocation of the purchase price was as follows:

Tangible assets	3,689
Intangible assets:	
Workforce	1,326
Non-compete agreement	10,335
Brand name	3,250
Client list	6,240
Software development	299
Goodwill	5,757
	30,896
Less liabilities assumed	(4,386)
Purchase price	26,510

The values assigned to intangible assets are based on an independent appraisal.

During 2001, the Company performed an assessment of the carrying values of purchased intangible assets recorded in connection with the acquisition of MarketingNet. The assessment was performed in accordance with SFAS 121 due to the significant economic slowdown and reduction in near-term demand in the technology services sector. As a result of the assessment, the Company concluded the decline in market conditions within the industry was significant and other than temporary. Based on this assessment and an independent valuation, the Company recorded a charge of CHF 10,000 for the year ended December 31, 2001 to write down the value of goodwill and intangible assets associated with the

MarketingNet acquisition. Impairment was based on the excess of the net carrying amount of MarketingNet's book value of net equity, including goodwill and intangible assets, over its fair value. Fair value was determined using a weighted average of the ''market approach'' and the discounted future cash flows for the business that had separately distinguishable asset balances and cash flows. The cash flow period used was 5 years, with a discount rate of 18.0%, and estimated terminal values based on a terminal growth rate of 3.0%. The assumptions supporting the estimated future cash flows, including the discount rate and estimated terminal values, reflect management's best estimates. The discount rate was based upon the Company's weighted average cost of capital adjusted for the risks associated with the operations.

The amortisation of the non-compete agreement and brand name will occur on a straight-line basis over two years and ten years respectively. Pursuant to the provisions of SFAS 142, workforce and client list will be included as part of goodwill and no longer be amortised, effective January 1, 2002. Amortisation expense of acquired intangible assets and goodwill was CHF 8,024 and CHF 1,636 for the years ended December 31, 20001 and 2000, respectively.

Unaudited pro forma consolidated results of operations as if the acquisition of MarketingNet had occurred as of January 1, 1999 are as follows:

	2000
Total revenues	26,362
Net loss	34,572
Basic and diluted loss per share	(34.19)

The unaudited pro forma results are not necessarily indicative of the actual results of operations that would have occurred had the acquisition of MarketingNet occurred on January 1, 1999, or of future results.

Note 6 – Indebtedness

In connection with the acquisition of MarketingNet, the Company issued notes payable totalling CHF 18,970. These notes payable mature on November 30, 2002. However, the holders have the option to demand early repayment on May 1, 2002 and November 1, 2002, by giving written notice to the Company 30 days in advance of the early repayment dates. The notes payable bear interest at 2.41% per annum until May 1, 2002. The interest rate will be adjusted on May 1, 2002 to a certain bank's prime rate until the next early repayment date of the notes. The notes payable are collateralised by the restricted cash on the accompanying consolidated balance sheet. Subsequent to December 31, 2001, the holders of the notes payable demanded early repayment on May 1, 2002.

Note 7 – Restructuring Costs

In the second quarter of 2001, the Company began implementing a plan to restructure its operations. This restructuring plan resulted in certain organisational realignments, workforce reductions, and consolidation of excess facilities. For the year ended December 31, 2001, the Company recorded restructuring costs totalling CHF 3,059, which are classified in operating expenses in the accompanying consolidated profit and loss statements.

Through December 31, 2001, the restructuring plan had resulted in the termination of 13% of the Company's employees across all business functions and geographic regions. The Company recorded workforce reduction charges of CHF 1,884 related to severance and fringe benefits.

For the year ended December 31, 2001, the Company also recorded charges of CHF 1,151 for the consolidation of excess facilities, relating primarily to non-cancellable lease costs. This charge represents the future excess lease costs and is net of estimated sublease income. The net lease expense will be paid over the respective lease terms through 2006.

The restructuring charges and related activity for the year ended December 31, 2001 are summarized as follows:

	2001 Restructuring Charge	Amounts Paid And Charged Against the Liability	Remaining Liability as of December 31, 2001
Employee termination benefits	1,884	(1,666)	218
Facility costs	1,151	(117)	1,034
Other costs	24	(24)	—
Total	3,059	(1,807)	1,252

Note 8 – Commitments and Contingencies

Operating Leases

The Company currently leases its office facilities in Europe and the United States. These facilities hold all of the Company's operations and expire at various dates ranging from one to fifteen years. The Company's future annual minimum lease payments as of December 31, 2001, are as follows:

2002	2,691
2003	2,121
2004	1,820
2005	1,083
2006	345
Thereafter	2,071
Total	10,131

Total rent expense for the years ended December 31, 2001 and 2000 was CHF 3,138 and CHF 1,967, respectively.

Employment Contracts

The Company has entered into employment contracts with certain officers and employees of the Company. The employment contracts expire at various dates through 2007. These employment contracts also provide for incentive bonuses if defined goals are achieved. The cash compensation amounts are subject to adjustment upon the occurrence of certain events. Under the provisions of the employment contracts, the Company is required to make future annual minimum payments as follows:

2002	2,400
2003	1,037
2004	1,140
2005	1,140
2006	1,140
Thereafter	1,140
Total	7,997

Note 9 – Shareholders' Equity and Capitalization

Description of Share Capital

The Company's share capital is comprised of authorised capital and conditional capital. Authorised capital can be issued at the discretion of the Company, provided that any issuances of authorised capital are within a period not exceeding two years following approval by the shareholders. Any increases to authorised or conditional capital are subject to the approval of the shareholders.

The Company may issue up to 400,000 shares of authorised capital, subject to certain limitations and restrictions. Authorised capital is generally used for acquisitions and new investments.

The Company may issue up to 342,500 shares of conditional capital, subject to certain limitations and restrictions. Conditional capital will only be issued in connection with the exercise of the Company's stock options, warrants, or convertible bonds.

Dividends may be paid only if the Company has sufficient distributable profits from previous fiscal years, or if reserves are sufficient to allow for the distribution of a dividend. The Company is required to retain at least 5% of the annual net profits as a general reserve until such time that the reserves are at least 20% of the Company's nominal share capital. Dividends are subject to the approval of the shareholders.

Share Capital Issuances

In February 2000, the Company issued 100,000 shares of new capital at CHF 110.00 per share in a private placement. On April 3, 2000, the company completed its initial public offering. A total of 300,000 shares were sold by the Company at a price of CHF 440.00 per share. The offering resulted in net proceeds to the Company of approximately CHF 122,367, net of underwriting discounts, taxes and offering costs.

Treasury Shares

In February 2000, the Company acquired 17,066 treasury shares during the second private equity placement at the issuance price of CHF 110.00 per share. Two of these shares have been granted to board members based on the Swiss company law. During the initial public offering, the Company acquired an additional 45 shares at the issuance price of CHF 440.00 per share. During 2000, the Company issued 910 shares from the treasury to certain employees in connection with their employment contracts.

Capital Share Purchase Options

In November 1999, the Board of Directors adopted the Day Interactive Holding AG International Stock Option Plan (the ''International Option Plan'') and the Day Interactive Holding AG United States Stock Option Plan (the ''United States Option Plan''). The shareholders of the Company approved both the International Option Plan and United States Option Plan, effective November 1999. The Board of Directors allocated 190,000 shares of capital stock for issuance under the International Option Plan and 95,000 shares of capital stock for issuance under the United States Option Plan. In April 2001, the Board of Directors approved a resolution to increase the shares of capital stock for issuance under the United States Option Plan to 373,595. The Board of Directors further approved a resolution to decrease the shares of capital stock for issuance under the International Option Plan to 186,800. Both of these resolutions were ratified by the shareholders in May 2001.

In addition to shares reserved for issuance under the International and the United States Option Plans, the shareholders had reserved 74,566 shares of capital stock for future allocation to the option plans at the discretion of the Board of Directors. In May 2001, the shareholders decreased this reserve to 17,066.

Both the International Option Plan and United States Option Plan are administered by the Board of Directors, which determines the terms and conditions of the options granted, including exercise price, number of options granted and the vesting period of such options. The maximum term of options granted under the International Option Plan is ten years, except for options granted to optionees based in Europe, which will have a maximum term of five years. The maximum term of options granted under the United States Option Plan is ten years.

Stock option activity under the International Option Plan and United States Option Plan for the years ended December 31, 2001 and 2000 was as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding, January 1, 2000	100,609	62.91
Granted	125,090	358.62
Exercised	—	—
Cancelled	(35,176)	121.96
Outstanding, December 31, 2000	190,523	246.16
Granted	234,437	28.53
Exercised	(1,473)	75.00
Cancelled	(159,575)	267.18
Outstanding, December 31, 2001	263,912	39.27

As of December 31, 2001 and 2000 there were 78,314 and 50,596 shares exercisable, respectively.

The following table summarises capital share options outstanding as of December 31, 2001:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Outstanding as of December 31, 2001	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Exercisable as of December 31, 2001	Weighted Average Exercise Price
8.00 – 38.00	220,407	8.80	25.58	56,444	28.95
75.00	31,645	3.72	75.00	16,729	75.00
110.00	3,660	3.01	110.00	1,757	110.00
200.00	5,300	5.48	200.00	2,488	200.00
300.00 – 315.00	2,800	3.76	301.50	866	301.38
470.00	100	3.81	470.00	30	470.00

The weighted average grant date fair value for options issued during 2001 and 2000 was CHF 24.15 and CHF 358, respectively.

As discussed in Note 2, the Company accounts for its stock options issued to employees using the intrinsic value method (the difference between the exercise price and the fair value of the underlying common stock at the date of grant). The unaudited pro forma results of operations for the years ended December 31, 2001 and 2000, assuming the Company used the fair-value method of valuing options, would be to increase the net loss from CHF 62,623 to CHF 66,957 and from CHF 33,290 to CHF 35,941, respectively, and increase the net loss per share from CHF 55.93 to CHF 59.80 and from CHF 32.92 to CHF 35.55, respectively. Management used the Black Scholes Option Pricing Model to value these options using a volatility of 122%, an expected life of five years, a risk free interest rate of

4.79% and no expected dividends for 2001 and a volatility of 99%, an expected life of five years, a risk free interest rate of 5.5% and no expected dividends for 2000.

Stock Option Exchange Offer

In May 2001, the Company, excluding its subsidiaries in Switzerland and Germany, completed an offering to Company employees whereby an employee could voluntarily exchange certain options. Under this program, employees holding options to purchase shares of the Company's capital stock were given the opportunity to exchange their existing options for new options to purchase an equal number of shares of the Company's capital stock. 61,790 options with a weighted-average exercise price of CHF 358.23 were tendered pursuant to this program. In May 2001, those options were accepted and cancelled by the Company. The Company undertook to grant new options on a one-for-one basis, in lieu of the tendered options, to the affected employees. The new options were not to be granted until at least six months and one day after acceptance of the old options for exchange and cancellation. The new options, which totalled 30,315, were granted in December 2001. The remaining options of 31,475 were not granted as the employees terminated their employment with the Company. The exercise price of the new options was the last reported price of the Company's capital stock on the date of grant.

Stock-based Compensation

In connection with certain stock options granted to non-employees prior to December 31, 2001, the Company recognised stock-based compensation, which is being amortised over the vesting periods of the applicable options. Amortisation expense recognised during the years ended December 31, 2001 and 2000 totalled CHF 1,011 and CHF 1,345, respectively.

Note 10 – Retirement and Pension Plans

The Company is required to contribute to a social security program in Switzerland. Contributions are levied on all salaries. The contribution rate is 8.4% of compensation and such contributions are paid to the government (4.2% is paid by the employee and 4.2% is paid by the employer). Total expense for this plan in 2001 and 2000 was CHF 227 and CHF 446, respectively.

In Switzerland, the Company is also required to contribute to an additional pension plan if an employee earns more than CHF 25 per year. The employer is responsible for premium payments under a pension contract with an insurance firm. This plan, by its terms, constitutes a multi-employer plan as defined by Statement of Financial Accounting Standards No. 87, Employers' Accounting for Pensions. Accordingly, the net pension cost in the consolidated financial statements equals the contributions made by the Company. The premiums are paid 50% by the employee and 50% by the employer and are based on a percentage of the employee's salary. The percentage ranges from 8% to 19% of the employee's salary and is dependent on the age and gender. Total expense for this retirement plan in 2001 and 2000 was CHF 549 and CHF 228, respectively.

In the United States, the Company sponsors a 401(k) retirement plan (the ''Plan'') that is considered a defined contribution discretionary plan under which eligible participants may contribute up to a maximum of 15% of their pre-tax earnings subject to certain statutory limitations. The Company made no discretionary contributions to the Plan during 2001 and 2000.

Note 11 – Income Taxes

The components of loss before income taxes consist of the following:

	2001	2000
Europe	44,011	24,804
Americas	17,996	8,553
Total	62,007	33,357

The components of the provision (benefit) for income taxes for the years ended December 31, 2001 and 2000 are as follows:

	2001	2000
Current:		
Europe	13	19
Americas	18	2
Total current	31	21
Deferred	585	(88)
Total provision (benefit) for income taxes	616	(67)

The deferred income tax assets and liabilities as of December 31, 2001 and 2000 are as follows:

Deferred tax assets:	2001	2000
Net operating loss carryforwards	26,778	10,968
Less — valuation allowance	(26,763)	(10,384)
Total deferred tax assets	15	584

The Company has recorded a full valuation allowance with respect to its net operating loss carryforwards since, at the present time, management expects to incur losses for the foreseeable future. When management believes that the recovery of these assets is more likely than not, they will reduce the valuation allowance as appropriate. In 2001 and 2000, the change in the deferred tax asset allowance amounted to CHF 16,379 and CHF 9,551, respectively.

As of December 31, 2001, the Company had net operating loss carryforwards amounting to approximately CHF 57,847, in a jurisdiction of Switzerland, which expire through 2008. The effective tax rate in the Canton of Basel, Switzerland, the jurisdiction of the Company's primary income generating activity, is approximately 24.8%. Day Interactive Holding AG does not pay any cantonal taxes, only federal taxes at 8.5%. In addition, the Company has certain net operating losses in Germany, Singapore and the United Kingdom amounting to approximately CHF 14,987 in 2001 which will be carried forward until they are used to offset taxable income or they expire.

As of December 31, 2001, the Company had United States federal and state net operating loss carryforwards amounting to approximately CHF 18,014. These federal and state net operating loss carryforwards expire beginning in the year 2019 and 2007, respectively. Section 382 of the United States Internal Revenue Code includes provisions that may limit the net operating loss carryforwards available for use in any given year if certain events occur, including significant changes in stock ownership.

The Company's provision for income taxes differs from the expected tax benefit amount computed by applying the statutory federal income tax rate of 8.5% and state income tax rate of 24.5% to income before income taxes as a result of the following:

The Company's effective tax rate differs from the federal statutory rate for the years ended December 31, 2001 and 2000 as follows:

	2001	2000
Federal statutory rate, net of federal and cantonal benefit	6.4%	6.4%
Canton taxes, net of federal and cantonal benefit	18.4%	18.4%
Acquired tax loss of MarketingNet	0.0%	(0.9%)
Change in valuation allowance	(23.8%)	(23.7%)
Other	0.0%	(0.4%)
Effective tax rate	1.0%	(0.2%)

Note 12 – Segment and Other Information

The Company operates predominantly in a single industry segment as a provider of enterprise software and related services. The Company's reportable operating segments are based on geographic location. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Geographic areas in which the Company operates include the Americas and Europe.

Intergeographic revenues primarily represent intercompany revenues which are accounted for based on established sales prices between the related companies and are eliminated in consolidation.

Geographical revenue information is based on the origin of the sales. Segments by geographic area of origin are as follows for the years ended December 31, 2001 and 2000:

	2001	2000
Revenues:		
Europe	17,498	15,531
Americas	3,237	6,053
Elimination of intergeographic revenues	(538)	(1,405)
Total revenues	20,197	20,179
Net loss:		
Europe	44,609	24,736
Americas	18,014	8,554
Total net loss	62,623	33,290
Assets:		
Europe	74,120	137,792
Americas	6,608	5,166
Total assets	80,728	142,958
Expenditures for long-lived assets:		
Europe	306	6,568
Americas	1,000	734
Total expenditures for long-lived assets	1,306	7,302

	2001	2000
Interest Income:		
Europe	2,514	1,989
Americas	79	10
Total interest income	2,593	1,999
Interest expense:		
Europe	508	383
Americas	1	3
Total interest expense	509	386
Amortisation of intangible assets:		
Europe	8,024	1,636
Americas	—	—
Total amortisation of intangible assets	8,024	1,636
Depreciation of fixed assets:		
Europe	2,371	1,068
Americas	421	163
Total depreciation	2,792	1,231
Non-cash items:		
Impairment of intangibles:		
Europe	10,000	—
Americas	—	—
Total impairment	10,000	—
Restructuring charges:		
Europe	900	—
Americas	2,159	—
Total restructuring charges	3,059	—

Report of the Statutory Auditors to the General Meeting of
DAY Interactive Holding AG, Basle

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, profit and loss account and notes) of DAY Interactive Holding AG for the year ended December 31, 2001.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

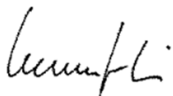
Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements comply with the Swiss law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

These financial statements are prepared under the assumption of a going concern. In this respect, we refer to the audit opinion on the financial statements of the Day Group on page 10 and the related note disclosure on page 15.

KPMG Fides Peat



Orlando Lanfranchi
Swiss Certified Accountant
Auditor In Charge

Rolf Besmer
Swiss Certified Accountant

Basle, April 12, 2002

Balance Sheets (in thousands CHF)	December 31, 2001	2000
ASSETS		
Current assets		
Cash and cash equivalents	37,078	76,848
Restricted cash	17,679	19,290
Other receivables due from third parties	428	622
Prepaid expenses	116	189
Total current assets	**55,301**	**96,949**
Non-current assets		
Long-term investments and loans:		
Treasury shares	173	1,797
Investments in subsidiaries	26,186	48,353
Loans to related companies	5,118	8,183
Other long-term investments	—	117
Total non-current assets	**31,477**	**58,450**
TOTAL ASSETS	**86,778**	**155,399**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Trade payables due to third parties	—	28
Notes payable	17,679	17,593
Value of shares to be issued for the acquisition of MarketingNet Ltd.	—	6,237
Short-term debt due to subsidiaries	3,100	9,000
Accruals	410	255
Accrued liabilities	168	813
Total liabilities	**21,357**	**33,926**
Shareholders' equity		
Share capital	11,223	11,000
Legal reserves:		
General reserve	164,618	157,838
Reserve for treasury shares	1,074	1,797
Accumulated deficit	(111,494)	(49,162)
Total shareholders' equity	**65,421**	**121,473**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**86,778**	**155,399**

See accompanying notes to financial statements.

Profit and Loss Account of the Financial Year from to (in thousands CHF)	January 1, 2001 December 31, 2001	October 29, 1999 December 31, 2000
Interest income	3,750	2,609
Foreign exchange gains	537	1,414
Reversal of impairment charge on investments	2,892	0
Other operating income	73	0
Total income	**7,252**	**4,023**
Consultancy fees	(266)	(911)
Incorporation expenses	(122)	(792)
Allowances for intercompany loans	(37,756)	(37,928)
Impairment charge on investments	(29,131)	(9,993)
Impairment charge on Treasury Shares	(999)	0
Bank charges	(116)	(85)
Foreign exchange loss	(560)	(3,155)
Interest expenses	(457)	(189)
Other expenses	(170)	(132)
Loss before income taxes	**(62,325)**	**(49,162)**
Provision for income taxes	(7)	0
Net loss	**(62,332)**	**(49,162)**

See accompanying notes to financial statements.

Notes to the Financial Statements
(in thousands CHF)

1 Guarantees in favour of third parties	2001	2000
Guarantees (total amount)	104	98
	104	98

2 Treasury shares

On January 24, 2001, a member of the Board of Directors received 194 shares for his services during the build up phase of Day Interactive Corp. in the United States. On January 29, 2001, two external consultants who supported the development of Day Interactive Germany GmbH during its start up phase also received 2,667 shares each.

On December 21, 2001, 910 of these shares have been given to an employee in exchange for his stock options at zero value.

3 Authorised and conditional increase of share capital	2001	2000
Unissued authorised share capital	5,604	4,000
Unissued conditional share capital	5,589	3,425

4 Investments in subsidiaries

	As of December 31, 2001		
Subsidiary	Amount In	Share Capital (in thousands)	% held
Day Management AG, Basle, Switzerland	CHF	250.00	100
Day Software AG, Basle, Switzerland	CHF	100.00	100
Day Software GmbH, Munich, Germany	EUR	25.00	100
Day Software Ltd., London, United Kingdom	GBP	2,800.10	100
Day Software, Inc., Newport Beach, United States	USD	420.00	100
Day Interactive Singapore PTE Ltd., Singapore, Singapore	SGD	100.00	100
MarketingNet Ltd, Leamington Spa, United Kingdom	GBP	20.80	100

5 Shareholders

The principal shareholders of the Company (quoted on a stock exchange) are :

	2001	2000
	% held	% held
Michael Moppert	15.19	15.13
Roger Mäder	14.84	15.14
Patrick Held	12.83	15.13
David Nüscheler	8.10	8.17
Profitel AG	7.83	0.00

There are no further matters which would require disclosure in accordance with Art. 663b CO.

Share Data as of March 31, 2002

Stock exchange	SWX New Market
Security number	1047421
Symbol	DAYN
First listing date	April 3, 2000
Nominal value	CHF 10
Issue price	CHF 440
Admitted shares	1,122,263
Free float	46.49%

The shareholder meeting of Day Interactive Holding AG will take place on May 22, 2002 in Basle, Switzerland.

About Day (www.day.com)

Day is a provider of business unification and enterprise content management software. Day's technology Communiqué offers a comprehensive, rapidly deployable framework to unify and manage all digital business data, systems, applications and processes through the web. Communiqué's content-centric architecture, and its innovative ContentBus, turns the entire business into a virtual repository, bringing together content from any system, regardless of location, language or platform.

Day is an international company, founded in 1993, and listed on the Swiss Stock Exchange New Market (SWX: DAYN) since April 2000. The company is headquartered in Basle, Switzerland. Day's customers are some of the largest global corporations and include Degussa, Escada, Panalpina, Sony and Zimmer Holdings.

A warning regarding forward-looking statements

This report may contain forward-looking statements regarding future events or the future performance of Day Interactive Holding AG and its subsidiaries (the ''Company''). Actual events or results, of course, could differ materially. We refer you to the ''Risk Factors'' section of the Company's Offering Circular, which can be downloaded from the ''Investor Relations'' section of the Company's website at www.day.com. The Company's Offering Circular contains and identifies important factors that could cause actual results to differ materially from those contained in any forward-looking statements. Among the important factors which could cause the Company's actual results to differ materially from such forward-looking statements are its limited operating history, its need to stay on the forefront of technological development within its industry, and its ability to expand into new geographic markets. There is currently no public trading market in the United States for the Company's stock, and the Company does not make filings (e.g., Forms 10-K and 10-Q) with the Securities and Exchange Commission under the Securities Exchange Act of 1934.

For further information

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The English text of this 2001 Day Annual Report represents the binding version.