



● Day

1st Quarter 2003



Report for the First Quarter 2003

Highlights

As compared to the first quarter of 2002:

- Total revenue increased 7%
- License revenue increased 55%
- Loss from operations decreased 88%
- New customers included Volkswagen, Audi, the city of Zurich and the Ministry of Finance, Beijing
- Continuation of work for Blue Chip Customers like McDonald's, Johnson Controls, Shimano, 3M, the metro system of Paris and the Swiss Ministry of Defense

Results in Detail

Quarter

Revenues for the first quarter of 2003 amounted to CHF 3.5 million, compared to CHF 3.3 million in the first quarter of 2002. License revenues increased by 55% over the same period in the prior year to CHF 1.8 million and accounted for 52% of total revenues. Maintenance revenues increased 91% to CHF 0.6 million, as compared to CHF 0.3 million for the same period in the prior year. Service revenues, excluding maintenance, decreased by 39% to CHF 1.1 million from CHF 1.8 million for the same period in the prior year.

In Europe, Day generated CHF 2.6 million in revenues in the first quarter of 2003, of which CHF 1.6 million were generated outside of Switzerland. In the United States, revenues were CHF 0.9 million, accounting for 26% of total quarterly revenues. With respect to revenues, Switzerland and the United States were Day's largest contributors in the first quarter. Day's subsidiary in the United Kingdom, MarketingNet, contributed CHF 0.5 million in quarterly revenues.

Revenues for the first quarter of 2003 decreased 15% to CHF 3.5 million, as compared to the fourth quarter of 2002. License revenues for the first quarter of 2003 increased by 4% to CHF 1.8 million, as compared to the fourth quarter of 2002. Maintenance revenues for the first quarter of 2003 increased by 3% to CHF 0.6 million, as compared to the fourth quarter of 2002. Service revenues, excluding maintenance, continued to decline from the fourth quarter of 2002 as the company shifts this business to integration partners.

Gross profit for the first quarter of 2003 was CHF 1.8 million, as compared to a loss of CHF 0.5 million for the same period in the prior year. Since the fourth quarter of 2002, gross profit decreased from CHF 2.5 million. The gross profit margin for the first quarter of 2003 increased to 51% from negative 16% for the same period in the prior year and decreased from 59% in the fourth quarter of 2002. The favorable change from the same period in the prior year is primarily the result of improvements in Day's cost structure and increasing revenues. The deterioration from the fourth quarter of 2002 is a result of lower service revenues on a services cost base that was not lowered until the end of the first quarter of 2003.

Operating expenses for the first quarter of 2003 decreased by 75% from CHF 13.7 million in the same period last year to CHF 3.4 million in the current year. This decrease is due to operating expense decreases which include research and development (down 58%), sales and marketing (down 72%), general and administrative (down 72%), and amortisation of goodwill and intangible assets (down 94%). Restructuring charges were also down substantially as Day completed its restructuring plan in the end of 2002.

Compared to the fourth quarter of 2002, operating expenses were reduced by 36% from CHF 5.4 million to CHF 3.4 million. Research and development expenses were reduced by 15%, sales and marketing expenses were reduced by 33%, and general and administrative expenses were reduced by 22% from the fourth quarter of 2002.

Net loss for the first quarter of 2003 was CHF 1.7 million, compared to a net loss of CHF 14.3 million for the same period last year. Basic and diluted loss per share for the first quarter of 2003 was CHF 1.49, compared to a loss of CHF 12.76 per share for the same period last year.

Compared to the fourth quarter of 2002, the net loss was reduced 46% from CHF 3.1 million to CHF 1.7 million. Basic and diluted loss per share decreased 46% from CHF 2.77 to CHF 1.49 per share.

As of March 31, 2003, cash and cash equivalents amounted to CHF 6.7 million, down from CHF 9.0 million as of December 31, 2002. Total cash usage for the quarter was CHF 2.3 million, down from CHF 2.5 million in the fourth quarter of 2002. Accounts receivable at the end of the first quarter amounted to CHF 3.9 million, compared to CHF 4.8 million at the end of the fourth quarter of 2002. Deferred revenues decreased from CHF 3.0 million at the end of the fourth quarter of 2002 to CHF 2.3 million at the end of the first quarter of 2003. Days-sales outstanding improved from 103 days in the fourth quarter of 2002 to 99 days in the first quarter of 2003.

Customers

In the first quarter, Day won new license customers which include, but are not limited to, Volkswagen, Audi and the city of Zurich.

Partners

Partners are an integral part of Day's business strategy. Consulting partners continue to implement the majority of Day's license volume, while VAR partners have recently been added to create new sales channel opportunities for the company. Day's VAR partners include Euro RSCG and Valtech, both located in France, and E-Tree in Italy. Day has also continued to provide training to partners and customers to increase its base of certified Communiqué developers.

Employees

Total headcount as of March 31, 2003 and 2002 was 107 and 204 full time employees, respectively. Headcount as of March 31, 2003 was allocated as follows: research and development 15%, sales and marketing 25%, professional services 26%, administration 15% and MarketingNet 19%.

DAY SOFTWARE HOLDING AG AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(in thousands CHF, except share information)
(unaudited)

March 31,
2003

December 31,
2002

ASSETS

Current assets

Cash and cash equivalents	6'726	8'999
Accounts receivable, net	3'887	4'787
Unbilled receivables	448	300
Other receivables	143	103
Prepaid expenses	632	839
Total current assets	11'836	15'028

Non-current assets

Property and equipment, net	2'943	3'371
Goodwill and intangible assets, net	4'838	4'884
Other assets	630	646
Total non-current assets	8'411	8'901

TOTAL ASSETS

20'247

23'929

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities

Accounts payable	335	580
Deferred revenues	2'326	2'963
Other current liabilities	256	316
Accrued liabilities	2'759	3'812
Total current liabilities	5'676	7'671

Commitments and contingencies

Shareholders' equity

Share capital, CHF 10.00 par value 2,241,617 shares total, 1,122,263 shares issued and outstanding	11'223	11'223
Treasury shares	(1'074)	(1'074)
Capital reserves	137'792	137'774
Accumulated deficit	(132'862)	(131'188)
Accumulated other comprehensive loss	(508)	(477)
Total shareholders' equity	14'571	16'258

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY

20'247

23'929

DAY SOFTWARE HOLDING AG AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands CHF, except share information)
(unaudited)

Quarter Ended March 31,
2003 **2002**

Revenues:

Software licenses	1'849	1'190
Services	1'680	2'110
Total revenues	3'529	3'300

Cost of revenues:

Software licenses	6	33
Services	1'718	3'783
Total cost of revenues	1'724	3'816

Gross profit	1'805	(516)
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Operating expenses:

Research and development	772	1'845
Sales and marketing	1'911	6'890
General and administrative	824	2'966
Amortisation of intangible assets	47	789
Stock-based compensation	7	52
Restructuring charges	(118)	1'122
Loss from operations	(1'638)	(14'180)

Interest income	16	331
Interest expense	(1)	(105)
Foreign exchange loss	(68)	(338)
Other income	4	(22)
Loss before income taxes	(1'687)	(14'314)

Provision for income taxes	13	(4)
Net loss	(1'674)	(14'318)

Other comprehensive loss	(31)	(84)
Comprehensive loss	(1'705)	(14'402)

Basic and diluted loss per share	(1.49)	(12.76)
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Shares used in computing basic and diluted loss per share	1'122'263	1'122'263
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DAY SOFTWARE HOLDING AG AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands CHF)
(unaudited)

Quarter Ended March 31,
2003 2002

Net loss (1'674) (14'318)

Adjustments to reconcile net loss to net cash used in operating activities:

Depreciation of fixed assets	406	498
Loss on fixed asset dispositions		22
Amortisation of intangible assets	47	789
Net foreign currency exchange losses	70	249
Stock-based compensation	18	63

Changes in operating assets and liabilities:

Accounts receivable	878	294
Unbilled receivables	(150)	(123)
Prepaid expenses and other current assets	160	(11)
Accounts payable	(242)	(245)
Deferred revenues	(604)	765
Accrued liabilities	(1'014)	577
Other liabilities	(59)	151
Net cash used in operating activities	(2'164)	(11'289)

Cash flows from investing activities:

Purchases of equipment	(6)	(490)
Proceeds from sale of equipment	2	-
Net cash used in investing activities	(4)	(490)

Cash flows from financing activities - -

Net decrease in cash and cash equivalents (2'168) (11'779)

Foreign currency adjustment on cash (105) (313)

Cash and cash equivalents at beginning of period 8'999 42'034

Cash and cash equivalents at end of period **6'726** **29'942**

DAY SOFTWARE HOLDING AG AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(in thousands CHF, except share information)

(unaudited)

	Share Shares	Capital Amount	Treasury Shares	Capital Reserves	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balances,							
January 1, 2002	1'122'263	11'223	(1'074)	137'656	(97'781)	117	50'141
Stock-based compensation	-	-	-	118	-	-	118
Net loss	-	-	-	-	(33'407)	-	(33'407)
Foreign currency translation	-	-	-	-	-	(594)	(594)
Balances,							
December 31, 2002	1'122'263	11'223	(1'074)	137'774	(131'188)	(477)	16'258
Stock-based compensation	-	-	-	18	-	-	18
Net loss	-	-	-	-	(1'674)	(31)	(1'705)
Foreign currency translation	-	-	-	-	-	-	-
Balances,							
March 31, 2003	1'122'263	11'223	(1'074)	137'792	(132'862)	(508)	14'571

About Day (www.day.com)

Day is a leading provider of integrated content, portal and digital asset 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. Day's customers are some of the largest global corporations and include Aral, Degussa, Escada, General Electric, Hugo Boss, Six Continents Hotels and UBS.

A warning regarding forward-looking statements

This report may contain forward-looking statements regarding future events or the future performance of Day Software Holding AG and its subsidiaries (the "Company"). Words such as "anticipates," "expects," "intends," "plans," "believes," "may," "will," and variations of these words or similar expressions are intended to identify forward-looking statements. These statements speak only as of the date hereof. Such information is subject to change, and we will not necessarily inform you of such changes. Actual events or results, of course, could differ materially and adversely from those expressed in any forward-looking statement. 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 and adversely from such forward-looking statements are the intense competition in its industry, its need to stay on the forefront of technological development within its industry, and uncertainty regarding its future capital needs. The Company's stock is not listed on any United States stock exchange or market, 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.

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