



● Day

3rd Quarter 2003



Report for the Third Quarter 2003

Highlights

- Total revenue CHF 3.6 million
- License revenue CHF 1.8 million, accounting for 50% of total revenues
- Loss from operations decreased 94% as compared to the third quarter of 2002
- Intensified cooperation with global industry leaders: Successful Global Content Management Summit with blue chip customers such as McDonald's, DaimlerChrysler, Volkswagen, Audi, Shimano, TNT, and public sector's organizations in Zurich, Switzerland.

Comment on the Business

"By reaching the break even point this quarter, Day achieved a major financial objective. Our third quarter results continued to trend positively, including significant increases in license revenue and gross profit, and major decreases in operating expenses and loss from operations. Continued organic revenue growth and profitability remain our primary focus for the remainder of the year and for 2004," said Michael Moppert, Chairman and CEO of Day Software.

"Our mission to provide Global Content Management software that successfully supports leading blue chip customers in their continued worldwide rollout of Web-based systems is paying off," continued Moppert. "The discussions we had with global leaders, such as McDonald's, DaimlerChrysler and Volkswagen, during our recent Global Content Management Summit validated this strategy. Our customers are pleased by the flexibility, scalability, ease of use and substantial return on investment that our flagship product Communiqué provides. We have received strong encouragement and highly valuable input for future product development and we believe that the current momentum of the company, the continued recovery of the technology market and the support of our leading customers give us a solid platform for a successful 2004."

Results in Detail

Quarter

Revenues for the third quarter of 2003 amounted to CHF 3.6 million, as compared to CHF 3.7 million for the third quarter of 2002. License revenues for the third quarter of 2003 increased 20% to CHF 1.8 million, as compared to CHF 1.5 million for the third quarter of 2002 and accounted for 50% of total revenues. Maintenance revenues for the third quarter of 2003 increased 75% to CHF 0.7 million, as compared to CHF 0.4 million for the third quarter of 2002. Service revenues, excluding maintenance, for the third quarter of 2003 decreased 35% to CHF 1.1 million, as compared to CHF 1.7 million for the third quarter of 2002.

In Europe, Day generated CHF 2.9 million in revenues in the third quarter of 2003, of which CHF 1.7 million were generated outside of Switzerland. In the United States, Day generated CHF 0.7 million in revenues in the third quarter of 2003, accounting for 20% of revenues in this period. Switzerland and Germany were Day's largest contributors of revenues in the third quarter of 2003. Day's subsidiary in the United Kingdom, MarketingNet, contributed CHF 0.5 million of revenues for the third quarter of 2003.

Revenues for the third quarter of 2003 increased 33% to CHF 3.6 million, as compared to CHF 2.7 million for the second quarter of 2003. License revenues for the third quarter of 2003 increased 50% to CHF 1.8 million, as compared to CHF 1.2 million for the second quarter of 2003. Maintenance revenues for the third quarter of 2003 increased 17% to CHF 0.7 million, as compared to CHF 0.6 million for the second quarter of 2003. Service revenues, excluding maintenance, increased 22% to CHF 1.1 million, as compared to CHF 0.9 million for the second quarter of 2003.

Gross profit for the third quarter of 2003 increased 73% to CHF 2.6 million, as compared to CHF 1.5 million for the third quarter of 2002 and increased 86% from CHF 1.4 million for the second quarter of 2003. The gross profit margin for the third quarter of 2003 increased to 72% from 41% in the third quarter of 2002 and 52% in the second quarter of 2003. The favorable changes are primarily the result of improvements in Day's cost structure and the continued shift of business from services to licenses.

Operating expenses for the third quarter of 2003 decreased 56% to CHF 2.9 million, as compared to CHF 6.6 million for the third quarter of 2002. The decrease in operating expenses is due to continued efforts to improve Day's cost structure and due to some nonrecurring accrual reversals in the third quarter of 2003. Research and development expenses decreased 56%, sales and marketing expenses decreased 48%, general and administrative expenses decreased 51% and amortisation of intangible assets decreased 94%.

Compared to the second quarter of 2003, operating expenses for the third quarter of 2003 decreased 24% to CHF 2.9 million from CHF 3.8 million. Research and development expenses decreased 37%, sales and marketing expenses decreased 23% and general and administrative expenses decreased 4%.

Net loss for the third quarter of 2003 decreased 92% to CHF 0.4 million, as compared to CHF 5.1 million for the third quarter of 2002. Basic and diluted loss per share for the third quarter of 2003 was CHF 0.33 per share, compared to CHF 4.55 per share for the third quarter of 2002.

Compared to the second quarter of 2003, the net loss for the third quarter of 2003 decreased 81% to CHF 0.4 million from CHF 2.1 million. Basic and diluted loss per share for the third quarter of 2003 was CHF 0.33 per share, compared to CHF 1.9 per share for the second quarter of 2003.

As of September 30, 2003, cash and cash equivalents amounted to CHF 3.6 million, down from CHF 5.3 million as of June 30, 2003. Total cash usage for the quarter was CHF 1.7 million, up from CHF 1.4 million in the second quarter of 2003. Accounts receivable increased to CHF 4.6 million at September 30, 2003 compared to CHF 3.7 million at June 30, 2003. Deferred revenues decreased to CHF 1.6 million at September 30, 2003 compared to CHF 1.8 million at June 30, 2003. Days-sales outstanding decreased to 115 days in the third quarter of 2003 from 123 days in the second quarter of 2003.

Year to Date

Revenues for the nine months ended September 30, 2003 amounted to CHF 9.8 million, as compared to CHF 10.6 million for the nine months ended September 30, 2002. License revenues for the nine months ended September 30, 2003 increased 14% to CHF 4.9 million, as compared to CHF 4.3 million for the nine months ended September 30, 2002 and accounted for 50% of total revenues. Maintenance revenues for the nine months ended September 30, 2003 increased 50% to CHF 1.8 million, as compared to CHF 1.2 million for the nine months ended September 30, 2002. Service revenues, excluding maintenance, for the nine months ended September 30, 2003 decreased 40% to CHF 3.1 million, as compared to CHF 5.2 million for the nine months ended September 30, 2002.

In Europe, Day generated CHF 7.8 million in revenues for the nine months ended September 30, 2003, of which CHF 5.1 million were generated outside of Switzerland. In the United States, Day generated CHF 2.0 million in revenues for the nine months ended September 30, 2003, accounting for 20% of revenues in this period. Switzerland and Germany were Day's largest contributors of revenues for the nine months ended September 30, 2003. Day's subsidiary in the United Kingdom, MarketingNet, contributed CHF 1.5 million in revenues to the nine months ended September 30, 2003.

Gross profit for the nine months ended September 30, 2003 increased 190% to CHF 5.8 million, as compared to CHF 2.0 million for the nine months ended September 30, 2002. Gross profit was favorably impacted by the decline in service revenues, excluding maintenance revenues, due to the continued shift in this business to integration partners and due to improvements in Day's cost structure and increasing revenues.

Operating expenses for the nine months ended September 30, 2003 decreased by 67% to CHF 10.1 million, as compared to CHF 30.5 million for the nine months ended September 30, 2002. The decrease in operating expenses is due to continued efforts to improve Day's cost structure and due to

some nonrecurring accrual reversals in the third quarter of 2003. Research and development expenses decreased 54%, sales and marketing expenses decreased 61%, general and administrative expenses decreased 64% and amortisation of intangible assets decreased 94%. Restructuring charges were also down substantially as Day completed its restructuring plan in the end of 2002.

Net loss for the nine months ended September 30, 2003 decreased 86% to CHF 4.2 million, as compared to CHF 30.3 million for the nine months ended September 30, 2002. Basic and diluted loss per share for the nine months ended September 30, 2003 was CHF 3.72 per share, as compared to CHF 27.00 per share for the nine months ended September 30, 2002.

Customers

In the third quarter, Day won new license customers which include, but are not limited to the Economic Development Board and Volkswagen Asia. Day also expanded its licenses with McDonald's and DaimlerChrysler.

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 been added to create new sales channel opportunities for the company. Day's new partners include Burntsand and 3Di. Day has also continued to provide training to partners and customers to increase its base of certified Communiqué developers.

Employees

Total headcount as of September 30, 2003 and 2002 was 85 and 144 full time employees, respectively. Headcount as of September 30, 2003 was allocated as follows: research and development 18%, sales and marketing 26%, professional services 21%, administration 13% and MarketingNet 22%.

DAY SOFTWARE HOLDING AG AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

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

September 30,
2003

December 31,
2002

ASSETS

Current assets

Cash and cash equivalents	3'635	8'999
Accounts receivable, net	4'577	4'787
Unbilled receivables	214	300
Other receivables	236	103
Prepaid expenses	566	839
Total current assets	9'228	15'028

Non-current assets

Property and equipment, net	2'104	3'371
Goodwill and intangible assets, net	4'744	4'884
Other assets	383	646
Total non-current assets	7'231	8'901

TOTAL ASSETS	16'459	23'929
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LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities

Accounts payable	362	580
Deferred revenues	1'568	2'963
Other current liabilities	238	316
Accrued liabilities	2'194	3'812
Total current liabilities	4'362	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	137'829	137'774
Accumulated deficit	(135'366)	(131'188)
Accumulated other comprehensive loss	(515)	(477)
Total shareholders' equity	12'097	16'258

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	16'459	23'929
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DAY SOFTWARE HOLDING AG AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

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

Three Months Ended September 30,
2003 2002

Nine Months Ended September 30,
2003 2002

Revenues:

Software licenses	1'825	1'544	4'890	4'250
Services	1'760	2'136	4'953	6'312
Total revenues	3'585	3'680	9'843	10'562

Cost of revenues:

Software licenses		2	7	97
Services	1'016	2'165	4'079	8'430
Total cost of revenues	1'016	2'167	4'086	8'527

Gross profit	2'569	1'513	5'757	2'035
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Operating expenses:

Research and development	514	1'170	2'097	4'546
Sales and marketing	1'666	3'228	5'740	14'546
General and administrative	713	1'463	2'278	6'360
Amortisation of intangible assets	47	789	140	2'367
Stock-based compensation	7	7	20	65
Restructuring charges	(62)	(42)	(180)	2'601
Loss from operations	(316)	(5'102)	(4'338)	(28'450)

Interest income	5	47	35	546
Interest expense		(1)	(5)	(139)
Foreign exchange gain (loss)	(25)	(44)	(52)	(2'230)
Other income (expense)	(36)	(1)	173	(12)
Loss before income taxes	(372)	(5'101)	(4'187)	(30'285)

Provision for income taxes		(8)	9	(18)
Net loss	(372)	(5'109)	(4'178)	(30'303)

Other comprehensive income (loss)	(30)	(33)	(38)	(469)
Comprehensive loss	(402)	(5'142)	(4'216)	(30'772)

Basic and diluted loss per share	(0.33)	(4.55)	(3.72)	(27.00)
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Shares used in computing basic and diluted loss per share	1'122'263	1'122'263	1'122'263	1'122'263
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DAY SOFTWARE HOLDING AG AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(in thousands CHF, except share information)

(unaudited)

	Share Capital 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	-	-	-	55	-	-	55
Net loss	-	-	-	-	(4'178)	-	(4'178)
Foreign currency translation	-	-	-	-	-	(38)	(38)
Balances, September 30, 2003	1'122'263	11'223	(1'074)	137'829	(135'366)	(515)	12'097

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 Audi, Escada, General Electric, Hugo Boss, Intercontinental Hotels Group, McDonald's, UBS and Volkswagen.

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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