



Q4  
2003



# Day Software Holding AG

## Report for the Fourth Quarter 2003

### Highlights

- Increasing Revenues
  - 36% total revenue increase over previous quarter
  - 67% license revenue increase over previous year
- Increasing Cash Balance
  - CHF 1.7 million in positive cash flow for the quarter
- Increased Gross Profit Margin
- Profitable
  - First net income since going public in April 2000

### Results in Detail

#### Quarter

Revenues for the fourth quarter of 2003 amounted to CHF 4.9 million, as compared to CHF 4.2 million for the fourth quarter of 2002. License revenues for the fourth quarter of 2003 increased 67% to CHF 3.0 million, as compared to CHF 1.8 million for the fourth quarter of 2002 and accounted for 61% of total revenues. Maintenance revenues for the fourth quarter of 2003 increased 17% to CHF 0.7 million, as compared to CHF 0.6 million for the fourth quarter of 2002. Service revenues, excluding maintenance, for the fourth quarter of 2003 decreased 33% to CHF 1.2 million, as compared to CHF 1.8 million for the fourth quarter of 2002.

In Europe, Day generated CHF 3.8 million in revenues in the fourth quarter of 2003, of which CHF 2.0 million were generated outside of Switzerland. In the United States, Day generated CHF 1.1 million in revenues in the fourth quarter of 2003, accounting for 22% of revenues in this period. Switzerland and Germany were Day's largest contributors of revenues in the fourth quarter of 2003. Day's subsidiary in the United Kingdom, MarketingNet, contributed CHF 0.5 million of revenues for the fourth quarter of 2003.

Revenues for the fourth quarter of 2003 increased 36% to CHF 4.9 million, as compared to CHF 3.6 million for the third quarter of 2003. License revenues for the fourth quarter of 2003 increased 67% to CHF 3.0 million, as compared to CHF 1.8 million for the third quarter of 2003. Maintenance revenues for both the fourth quarter and third quarter of 2003 amounted to CHF 0.7 million. Service revenues, excluding maintenance, for the fourth quarter of 2003 increased 9% to CHF 1.2 million, as compared to CHF 1.1 million for the third quarter of 2003.

Gross profit for the fourth quarter of 2003 increased 56% to CHF 3.9 million, as compared to CHF 2.5 million for the fourth quarter of 2002 and increased 50% from CHF 2.6 million for the third quarter of 2003. The gross profit margin for the fourth quarter of 2003 increased to 80% from 59% in the fourth quarter of 2002 and 72% in the third 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 fourth quarter of 2003 decreased 30% to CHF 3.8 million, as compared to CHF 5.4 million for the fourth quarter of 2002. The decrease in operating expenses is due to continued efforts to improve Day's cost structure. Research and development expenses decreased 39%, sales and marketing expenses decreased 28%, general and administrative expenses decreased 26% and amortisation of intangible assets decreased 84%.

Compared to the third quarter of 2003, operating expenses for the fourth quarter of 2003 increased 31% to CHF 3.8 million from CHF 2.9 million. Research and development expenses increased 8%, sales and marketing expenses increased 24% and general and administrative expenses increased 9%.

Net income for the fourth quarter of 2003 was CHF 0.2 million, as compared to a net loss of CHF 3.1 million for the fourth quarter of 2002. Basic earnings per share for the fourth quarter of 2003 was CHF 0.20 per share, compared to basic loss per share of CHF 2.77 per share for the fourth quarter of 2002. Dilutive earnings per share for the fourth quarter of 2003 was CHF 0.19 per share, compared to dilutive loss per share of CHF 2.77 per share for the fourth quarter of 2002.

Net income for the fourth quarter of 2003 was CHF 0.2 million, as compared to a net loss of CHF 0.4 million for the third quarter of 2003. Basic earnings per share for the fourth quarter of 2003 was CHF 0.20 per share, compared to basic loss per share of CHF 0.33 per share for the third quarter of 2003. Dilutive earnings per share for the fourth quarter of 2003 was CHF 0.19 per share, compared to dilutive loss per share of CHF 0.33 per share for the third quarter of 2003.

As of December 31, 2003, cash and cash equivalents amounted to CHF 5.3 million, up from CHF 3.6 million as of September 30, 2003. Total cash increase for the quarter was CHF 1.7 million, compared to cash usage of CHF 1.7 million in the third quarter of 2003. Accounts receivable increased to CHF 6.3 million at December 31, 2003 compared to CHF 4.6 million at September 30, 2003. Deferred revenues increased to CHF 3.1 million at December 31, 2003 compared to CHF 1.6 million at September 30, 2003. Days-sales outstanding decreased to 100 days in the fourth quarter of 2003 from 104 days in the third quarter of 2003.

## **Full Year**

Revenues for the year ended December 31, 2003 amounted to CHF 14.7 million, as compared to CHF 14.7 million for the year ended December 31, 2002. License revenues for the year ended December 31, 2003 increased 32% to CHF 7.9 million, as compared CHF 6.0 million for the year ended December 31, 2002 and accounted for 54% of total revenues. Maintenance revenues for the year ended December 31, 2003 increased 47% to CHF 2.5 million, as compared to CHF 1.7 million for the year ended December 31, 2002. Service revenues, excluding maintenance, for the year

ended December 31, 2003 decreased 39% to CHF 4.3 million, as compared to CHF 7.0 million for the year ended December 31, 2002.

In Europe, Day generated CHF 11.7 million in revenues for the year ended December 31, 2003, of which CHF 7.2 million were generated outside of Switzerland. In the United States, Day generated CHF 3.0 million in revenues for the year ended December 31, 2003, accounting for 20% of revenues in this period. Switzerland and Germany were Day's largest contributors of revenues for the year ended December 31, 2003. Day's subsidiary in the United Kingdom, MarketingNet, contributed CHF 1.9 million in revenues to the year ended December 31, 2003.

Gross profit for the year ended December 31, 2003 increased 116% to CHF 9.7 million, as compared to CHF 4.5 million for the year ended December 31, 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.

Operating expenses for the year ended December 31, 2003 decreased by 61% to CHF 13.9 million, as compared to CHF 35.9 million for the year ended December 31, 2002. The decrease in operating expenses is due to continued efforts to improve Day's cost structure and due to Day's completion of its restructuring plan at the end of 2002. Research and development expenses decreased 51%, sales and marketing expenses decreased 55%, general and administrative expenses decreased 59% and amortisation of intangible assets decreased 93%.

Net loss for the year ended December 31, 2003 decreased 88% to CHF 4.0 million, as compared to CHF 33.4 million for the year ended December 31, 2002. Basic and diluted loss per share for the year ended December 31, 2003 was CHF 3.52 per share, as compared to CHF 29.77 per share for the year ended December 31, 2002.

## **Customer Support**

New customers added in the fourth quarter include global leaders such as Best Western International and Formica. Many existing customers also made additional investments in Day software during the quarter, including DaimlerChrysler, Panalpina, Braun, AWD and Shimano.

## **Partners**

Day strengthened its network with strategic partners, including formalizing a joint cooperation agreement with IBM and extending to a premier partnership with Acquity Group.

## **Employees**

Total headcount as of December 31, 2003 and 2002 was 81 and 116 full time employees, respectively. Headcount as of December 31, 2003 was allocated as follows: research and development 20%, sales and marketing 27%, professional services 22%, administration 12% and MarketingNet 19%.

**DAY SOFTWARE HOLDING AG AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

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

December 31,  
2003

December 31,  
2002

**ASSETS**

**Current assets**

Cash and cash equivalents	5'344	8'999
Accounts receivable, net	6'324	4'787
Unbilled receivables	102	300
Other receivables	72	103
Prepaid expenses	214	839
<b>Total current assets</b>	<b>12'056</b>	<b>15'028</b>

**Non-current assets**

Property and equipment, net	1'663	3'371
Goodwill and intangible assets, net	4'698	4'884
Other assets	356	646
<b>Total non-current assets</b>	<b>6'717</b>	<b>8'901</b>

**TOTAL ASSETS** **18'773** **23'929**

**LIABILITIES AND SHAREHOLDERS' EQUITY**

**Current liabilities**

Accounts payable	268	580
Deferred revenues	3'098	2'963
Other current liabilities	583	316
Accrued liabilities	2'213	3'812
<b>Total current liabilities</b>	<b>6'162</b>	<b>7'671</b>

Commitments and contingencies

**Shareholders' equity**

Share capital, CHF 10.00 par value 2,241,617 shares total, 1,125,310 shares issued and outstanding	11'253	11'223
Treasury shares	(1'074)	(1'074)
Capital reserves	138'170	137'774
Accumulated deficit	(135'139)	(131'188)
Accumulated other comprehensive loss	(599)	(477)
<b>Total shareholders' equity</b>	<b>12'611</b>	<b>16'258</b>

**TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** **18'773** **23'929**

**DAY SOFTWARE HOLDING AG AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

(in thousands CHF, except share information) Three Months Ended December 31, Year Ended December 31,  
(unaudited) 2003 2002 2003 2002

**Revenues:**

Software licenses	2'996	1'776	7'886	6'026
Services	1'891	2'393	6'844	8'705
<b>Total revenues</b>	<b>4'887</b>	<b>4'169</b>	<b>14'730</b>	<b>14'731</b>

**Cost of revenues:**

Software licenses	5	2	12	99
Services	979	1'700	5'058	10'130
<b>Total cost of revenues</b>	<b>984</b>	<b>1'702</b>	<b>5'070</b>	<b>10'229</b>

<b>Gross profit</b>	<b>3'903</b>	<b>2'467</b>	<b>9'660</b>	<b>4'502</b>
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**Operating expenses:**

Research and development	556	909	2'653	5'455
Sales and marketing	2'063	2'870	7'803	17'416
General and administrative	779	1'052	3'057	7'412
Amortisation of intangible assets	47	294	187	2'661
Stock-based compensation	325	7	345	72
Restructuring charges	-	277	(180)	2'878
<b>Income (Loss) from operations</b>	<b>133</b>	<b>(2'942)</b>	<b>(4'205)</b>	<b>(31'392)</b>

Interest income	6	35	41	581
Interest expense	-	(12)	(5)	(151)
Foreign exchange gain (loss)	36	(283)	(16)	(2'513)
Other income	125	98	298	86
<b>Income (Loss) before income taxes</b>	<b>300</b>	<b>(3'104)</b>	<b>(3'887)</b>	<b>(33'389)</b>

Provision for income taxes	(73)	-	(64)	(18)
<b>Net income (loss)</b>	<b>227</b>	<b>(3'104)</b>	<b>(3'951)</b>	<b>(33'407)</b>

Other comprehensive loss	(84)	(125)	(122)	(594)
<b>Comprehensive income (loss)</b>	<b>143</b>	<b>(3'229)</b>	<b>(4'073)</b>	<b>(34'001)</b>

<b>Basic earnings (loss) per share</b>	<b>0.20</b>	<b>(2.77)</b>	<b>(3.52)</b>	<b>(29.77)</b>
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<b>Dilutive earnings (loss) per share</b>	<b>0.19</b>	<b>(2.77)</b>	<b>(3.52)</b>	<b>(29.77)</b>
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<b>Shares used in computing basic earnings (loss) per share</b>	<b>1'124'683</b>	<b>1'122'263</b>	<b>1'122'868</b>	<b>1'122'263</b>
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<b>Shares used in computing dilutive earnings (loss) per share</b>	<b>1'175'069</b>	<b>1'122'263</b>	<b>1'122'868</b>	<b>1'122'263</b>
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**DAY SOFTWARE HOLDING AG AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands CHF)  
(unaudited)

Year Ended December 31,  
2003 2002

**Net loss (3'951) (33'407)**

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

Depreciation of fixed assets	1'492	1'968
Loss on fixed asset dispositions	189	69
Amortisation of intangible assets	187	2'661
Net foreign currency exchange losses	28	2'445
Stock-based compensation	392	118

**Changes in operating assets and liabilities:**

Accounts receivable	(1'621)	619
Unbilled receivables	199	510
Prepaid expenses and other current assets	640	112
Accounts payable	(317)	(1'561)
Deferred revenues	233	1'497
Accrued liabilities	(1'319)	(4'394)
Other liabilities	265	(34)
<b>Net cash used in operating activities</b>	<b>(3'583)</b>	<b>(29'397)</b>

**Cash flows from investing activities:**

Purchases of equipment	(48)	(726)
Proceeds from sale of equipment	41	36
Cash restricted for acquisition of MarketingNet Ltd.	-	17'492
Other assets	29	71
<b>Net cash provided by investing activities</b>	<b>22</b>	<b>16'873</b>

**Cash flows from financing activities:**

Proceeds from stock option exercises	34	-
Payment on notes payable	-	(17'492)
<b>Net cash provided by (used) in financing activities</b>	<b>34</b>	<b>(17'492)</b>

**Net decrease in cash and cash equivalents (3'527) (30'016)**

Foreign currency adjustment on cash (128) (3'019)

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

**Cash and cash equivalents at end of period 5'344 8'999**

**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
<b>Balances, January 1, 2002</b>	<b>1'122'263</b>	<b>11'223</b>	<b>(1'074)</b>	<b>137'656</b>	<b>(97'781)</b>	<b>117</b>	<b>50'141</b>
Stock-based compensation	-	-	-	118	-	-	118
Net loss	-	-	-	-	(33'407)	-	(33'407)
Foreign currency translation	-	-	-	-	-	(594)	(594)
<b>Balances, December 31, 2002</b>	<b>1'122'263</b>	<b>11'223</b>	<b>(1'074)</b>	<b>137'774</b>	<b>(131'188)</b>	<b>(477)</b>	<b>16'258</b>
Stock-based compensation	-	-	-	392	-	-	392
Stock options exercised	3'047	30	-	4	-	-	34
Net loss	-	-	-	-	(3'951)	-	(3'951)
Foreign currency translation	-	-	-	-	-	(122)	(122)
<b>Balances, December 31, 2003</b>	<b>1'125'310</b>	<b>11'253</b>	<b>(1'074)</b>	<b>138'170</b>	<b>(135'139)</b>	<b>(599)</b>	<b>12'611</b>

## About Day ([www.day.com](http://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, DaimlerChrysler, Deutsche Post World Net, General Electric, Intercontinental Hotels Group, McDonald's, UBS and Volkswagen.

## 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 "expects," "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 the company 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. 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.

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