



H1  
2004



# Day Software Holding AG

## Report for the First Half Year 2004

### Highlights

#### Increasing Revenues

17.5% total revenue increase over previous first half year

#### Increasing Cash Balance

CHF 1.3 million increase in cash balance for the first half year

#### Increased Gross Profit Margin

CHF 2.1 million increase in gross profit margin over previous first half year

### Results in Detail

#### First Half Year

Revenues for the first half of 2004 amounted to CHF 7.4 million, as compared to CHF 6.3 million for the first half of 2003. License revenues for the first half of 2004 amounted to CHF 3.0 million, as compared to CHF 3.1 million for the first half of 2003 and accounted for 41% of total revenues. Maintenance revenues for the first half of 2004 increased 50% to CHF 1.8 million, as compared to CHF 1.2 million for the first half of 2003. Service revenues, excluding maintenance, for the first half of 2004 increased 30% to CHF 2.6 million, as compared to CHF 2.0 million for the first half of 2003.

In Europe, Day generated CHF 5.4 million in revenues in the first half of 2004, of which CHF 3.6 million were generated outside of Switzerland. In the United States, Day generated CHF 1.7 million in revenues in the first half of 2004, accounting for 23% of revenues in this period. Switzerland and the United States were Day's largest contributors of revenues in the first half of 2004. Day's subsidiary in the United Kingdom, MarketingNet, contributed CHF 0.8 million of revenues for the first half of 2004.

Revenues for the first half of 2004 decreased 12% to CHF 7.4 million, as compared to CHF 8.4 million for second half of 2003. This decrease is primarily due to the historical seasonality of the business that results in a larger percentage of software license sales occurring in the second half of the fiscal year. For example, total revenues for the first half of 2003 accounted for 42% of the total 2003 annual revenues while total revenues for the second half of 2003 accounted for 58% of the total 2003 annual revenues. License revenues for the first half of 2004 decreased 38% to CHF 3.0 million, as compared to CHF 4.8 million for the second half of 2003. Maintenance revenues for the first half of 2004 increased 38% to CHF 1.8 million, as compared to CHF 1.3 million for the second half of 2003. Service revenues, excluding maintenance, for the first half of 2004 increased 13% to CHF 2.6 million, as compared to CHF 2.3 million for the second half of 2003.

Gross profit for the first half of 2004 increased 66% to CHF 5.3 million, as compared to CHF 3.2 million for the first half of 2003 and decreased 17% from CHF 6.4 million for the second half of 2003. The gross profit margin for the first half of 2004 increased to 72% from 51% in the first half of 2003 and decreased from 76% in the second half of 2003. The favorable changes from the first half of 2003 to the first half of 2004 are primarily the result of improvements in Day's cost structure, continued shift of business from services to licenses and increasing maintenance revenues due to growing customer base. The unfavorable changes in gross profit and gross profit margin from the second half of 2003 to the first half of 2004 is primarily due to the decrease in revenues over this period due to seasonality of revenues.

Operating expenses for the first half of 2004 decreased 4% to CHF 6.9 million, as compared to CHF 7.2 million for the first half of 2003. Research and development expenses decreased 4%, sales and marketing expenses decreased 13%, and general and administrative expenses increased 12%. The increase in general and administrative expenses is primarily due to nonrecurring expenses during the first half of 2004.

Compared to the second half of 2004, operating expenses for the first half of 2004 increased 3% to CHF 6.9 million from CHF 6.7 million. Research and development expenses increased 41%, sales and marketing expenses decreased 5% and general and administrative expenses increased 17%.

Net loss for the first half of 2004 was CHF 1.5 million, as compared to a net loss of CHF 3.8 million for the first half of 2003, a decrease of 61%. The net loss for the second half of 2003 was CHF 0.2 million. Basic and diluted loss per share was CHF 1.23 for the first half of 2004, as compared to basic and diluted loss per share of CHF 3.39 for the first half of 2003 and basic and diluted loss per share of CHF 0.13 for the second half of 2003. The increase in net loss from the second half of 2003 to the first half of 2004 is primarily due to the decrease in revenues over this period due to seasonality of revenues.

As of June 30, 2004, cash and cash equivalents amounted to CHF 6.7 million, up from CHF 5.3 million as of December 31, 2003. Accounts receivable decreased to CHF 3.5 million at June 30, 2004 compared to CHF 6.3 million at December 31, 2003. Deferred revenues decreased to CHF 2.6 million at June 30, 2004 compared to CHF 3.1 million at December 31, 2003. Days-sales outstanding increased to 120 days in the first half of 2004 from 107 days in the second half of 2003.

## **Customer Support**

New customers added in the first half of 2004 include global leaders such as WestLB, Groupe Mutuel, Swiss PostFinance, K&H Bank of Hungary, Ministry of Defense of Singapore, Touring Club of Switzerland and MeteoSwiss.

## **Partners**

Day formed a strategic partnership with WireJack, a leading wireless application provider, to develop a next generation mobile content platform for their global entertainment and marketing applications. This platform will be the distribution mechanism for delivering content and services to mobile carriers across the world such as, Verizon, Alltel, US Cellular, Midwest Wireless and Bell South International.

Day also strengthened its partnership with IBM by achieving "Advanced" partner status, by becoming a featured vendor in the IBM Global Solutions Directory, and being named to participate in the IBM "Linux for Leaders" program.

## **Industry Standards Leadership**

Day's CTO, David Nüscher, has successfully chaired the JSR 170 standards body since its inception and, recently, the public review of the standards have concluded. The proposed standard enjoys strong acceptance in the industry: The open source community is aggressively working on early adoption while other more traditional vendors, such as IBM, Oracle or Documentum have announced specific plans for products that leverage the proposed repository standard. At the same time Day Software has started to release the alpha version of its new Java Content Repository that will be compliant with the coming standard.

## **Technology Leadership**

Day hosted their first Global Automotive Summit in Wolfsburg, Germany. Executives from automotive industry leading companies from around the world, such as Audi, DaimlerChrysler, Ford, Johnson Controls, Mazda, Michelin, and Volkswagen, gathered to share best practices about managing enterprise content on a global scale. Distinguished speakers included senior technology executives from DaimlerChrysler, IBM, Johnson Controls, Volkswagen, Audi, gedas, CSC Ploenzke, and Day.

## **Employees**

Total headcount as of June 30, 2004 and 2003 was 81 and 90 full time employees, respectively. Headcount as of June 30, 2004 was allocated as follows: research and development 20%, sales and marketing 29%, professional services 19%, administration 13% and MarketingNet 19%.

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

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

June 30,  
2004

December 31,  
2003

**ASSETS**

**Current assets**

Cash and cash equivalents	6,672	5,344
Accounts receivable, net	3,478	6,324
Unbilled receivables	196	102
Other receivables	43	72
Prepaid expenses	552	214
<b>Total current assets</b>	<b>10,941</b>	<b>12,056</b>

**Non-current assets**

Property and equipment, net	1,120	1,663
Investments	100	-
Goodwill and intangible assets, net	4,604	4,698
Other assets	360	356
<b>Total non-current assets</b>	<b>6,184</b>	<b>6,717</b>

<b>TOTAL ASSETS</b>	<b>17,125</b>	<b>18,773</b>
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**LIABILITIES AND SHAREHOLDERS' EQUITY**

**Current liabilities**

Accounts payable	393	268
Deferred revenues	2,644	3,098
Other current liabilities	155	583
Accrued liabilities	1,853	2,213
<b>Total current liabilities</b>	<b>5,045</b>	<b>6,162</b>

Commitments and contingencies

**Shareholders' equity**

Share capital, CHF 10.00 par value 2,241,617 shares total, 1,206,452 shares issued and outstanding	12,065	11,253
Treasury shares	(1,074)	(1,074)
Capital reserves	138,278	138,170
Accumulated deficit	(136,594)	(135,139)
Accumulated other comprehensive loss	(595)	(599)
<b>Total shareholders' equity</b>	<b>12,080</b>	<b>12,611</b>

<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>17,125</b>	<b>18,773</b>
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**DAY SOFTWARE HOLDING AG AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

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

Six Months Ended June 30,  
2004                      2003

**Revenues:**

Software licenses	3,007	3,065
Services	4,345	3,193
<b>Total revenues</b>	<b>7,352</b>	<b>6,258</b>

**Cost of revenues:**

Software licenses	15	7
Services	2,014	3,063
<b>Total cost of revenues</b>	<b>2,029</b>	<b>3,070</b>

<b>Gross profit</b>	<b>5,323</b>	<b>3,188</b>
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**Operating expenses:**

Research and development	1,513	1,583
Sales and marketing	3,535	4,074
General and administrative	1,751	1,565
Amortization of intangible assets	93	93
Stock-based compensation	18	13
Restructuring charges	-	(118)
<b>Loss from operations</b>	<b>(1,587)</b>	<b>(4,022)</b>

Interest income	11	30
Interest expense	(3)	(5)
Foreign exchange loss	(25)	(27)
Other income	153	209
<b>Loss before income taxes</b>	<b>(1,451)</b>	<b>(3,815)</b>

Provision for income taxes	(4)	9
<b>Net loss</b>	<b>(1,455)</b>	<b>(3,806)</b>

Other comprehensive loss	4	(8)
<b>Comprehensive loss</b>	<b>(1,451)</b>	<b>(3,814)</b>

<b>Basic and diluted loss per share</b>	<b>(1.23)</b>	<b>(3.39)</b>
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<b>Shares used in computing basic and diluted loss per share</b>	<b>1,180,586</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)

Six Months Ended June 30,  
2004                      2003

**Net loss** (1,455) (3,806)

**Adjustments to reconcile net loss to net cash provided by (used in) operating activities:**

Depreciation of fixed assets	558	798
Loss on fixed asset dispositions	10	7
Amortization of intangible assets	93	93
Net foreign currency exchange losses	24	27
Stock-based compensation	18	37
Stock received in exchange for software	(100)	-

**Changes in operating assets and liabilities:**

Accounts receivable	2,854	1,125
Unbilled receivables	(87)	260
Prepaid expenses and other current assets	(304)	183
Accounts payable	118	(208)
Deferred revenues	(455)	(1,150)
Accrued liabilities	(368)	(1,040)
Other liabilities	(433)	65
<b>Net cash provided by (used in) operating activities</b>	<b>473</b>	<b>(3,609)</b>

**Cash flows from investing activities:**

Purchases of equipment	(21)	(25)
Proceeds from sale of equipment	1	2
Other assets	-	14
<b>Net cash used in investing activities</b>	<b>(20)</b>	<b>(9)</b>

**Cash flows from financing activities:**

Proceeds from stock option exercises	902	-
<b>Net cash provided by financing activities</b>	<b>902</b>	<b>-</b>

**Net increase (decrease) in cash and cash equivalents** 1,355 (3,618)

Foreign currency adjustment on cash	(27)	(82)
Cash and cash equivalents at beginning of period	5,344	8,999
<b>Cash and cash equivalents at end of period</b>	<b>6,672</b>	<b>5,299</b>

**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, 2003</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>
Stock-based compensation	-	-	-	18	-	-	18
Stock options exercised	81,142	812	-	90	-	-	902
Net loss	-	-	-	-	(1,455)	-	(1,455)
Foreign currency translation	-	-	-	-	-	4	4
<b>Balances, June 30, 2004</b>	<b>1,206,452</b>	<b>12,065</b>	<b>(1,074)</b>	<b>138,278</b>	<b>(136,594)</b>	<b>(595)</b>	<b>12,080</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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