



Q3
2006



Day Software Report for the Third Quarter of Fiscal Year 2006

Results in Detail

Third Quarter

Revenues for the third quarter of 2006 amounted to CHF 4.5 million, as compared to CHF 4.2 million for the third quarter of 2005. License revenues for the third quarter of 2006 amounted to CHF 1.6 million or 35% of total revenues, as compared to CHF 2.1 million for the third quarter of 2005 or 50% of total revenues. Product support and services revenues for the third quarter of 2006 increased 27% to CHF 2.8 million, as compared to CHF 2.2 million for the third quarter of 2005 due to increase in product support as a result of growing customer base and increase in service projects.

In the third quarter of 2006, Day generated revenues of CHF 2.1 million, CHF 1.9 million and CHF 0.5 million in Europe, the Americas and Asia Pacific, respectively. The United States was Day's largest contributor of revenues in the third quarter of 2006.

Revenues for the third quarter of 2006 increased 2% to CHF 4.5 million, as compared to CHF 4.4 million for the second quarter of 2006. License revenues for the third quarter of 2006 increased 14% to CHF 1.6 million, as compared to CHF 1.4 million for the second quarter of 2006. Product support and services revenues for the third quarter of 2006 decreased 7% to CHF 2.8 million, as compared to CHF 3.0 million for the second quarter of 2006.

Cost of revenues for the third quarter of 2006 increased 37% to CHF 1.1 million, as compared to CHF 0.8 million for the third quarter of 2005 due to increase in employees in professional services as a result of the increase in service contracts.

Gross profit for the third quarter of 2006 decreased 3% to CHF 3.4 million, as compared to CHF 3.5 million for the third quarter of 2005 and increased 10% from CHF 3.1 million for the second quarter of 2006. The gross profit margin for the third quarter of 2006 decreased to 76%, as compared to 81% in the third quarter of 2005 and increased to 76%, as compared to 70% in the second quarter of 2006.

Operating expenses for the third quarter of 2006 increased 18% to CHF 3.3 million, as compared to CHF 2.8 million for the third quarter of 2005. Research and development expenses increased 24% due to capitalization of TCHF 64 of software development costs on 2 new products in the third quarter of 2006 as compared to capitalization of TCHF 219 of software development costs on 2 new products in the third quarter of 2005. Sales and marketing expenses increased 5%. General and administrative expenses increased 50% due to a TCHF 53 third quarter of 2006 share-based compensation charge, a TCHF 87 credit adjustment to bad debt expense in the third quarter of 2005, a TCHF 63 non-recurring professional fee charge in the third quarter of 2006 and an increase in headcount by 2 employees in general and administrative. Operating expenses for the third quarter of 2006 included a TCHF 101 charge for share-based compensation expense.

Net income for the third quarter of 2006 was TCHF 115, as compared to net income of TCHF 770 for the third quarter of 2005 and net loss of TCHF 180 for the second quarter of 2006. Basic earnings per share was CHF 0.08 for the third quarter of 2006, as compared to basic earnings per share of CHF 0.58 for the third quarter of 2005 and basic loss per share of CHF (0.13) for the second quarter of 2006. Dilutive earnings per share was CHF 0.08 for the third quarter of 2006, as compared to dilutive earnings per share of CHF 0.55 for the third quarter of 2005 and dilutive loss per share of CHF (0.13) for the second quarter of 2006.

Nine Months Ended September 30, 2006

Revenues for the nine months ended September 30, 2006 amounted to CHF 14.0 million, as compared to CHF 12.0 million for the nine months ended September 30, 2005. License revenues for the nine months ended September 30, 2006 amounted to CHF 5.1 million or 36% of total revenues, as compared to CHF 5.4 million for the nine months ended September 30, 2005 or 45% of total revenues. Product support and services revenues for the nine months ended September 30, 2006 increased 35% to CHF 8.9 million, as compared to CHF 6.6 million for the nine months ended September 30, 2005. The increase in revenues from 2006 to 2005 is due to increase in product support as a result of growing customer base and an increase in services contracts.

In the nine months ended September 30, 2006, Day generated revenues of CHF 6.7 million, CHF 6.2 million and CHF 1.1 million in Europe, the Americas and Asia Pacific, respectively. The United States was Day's largest contributor of revenues for the nine months ended September 30, 2006.

Cost of revenues for the nine months ended September 30, 2006 increased 25% to CHF 3.5 million, as compared to CHF 2.8 million for the nine months ended September 30, 2005 due to increase in employees in professional services as a result of the increase in service contracts.

Gross profit for the nine months ended September 30, 2006 increased 14% to CHF 10.5 million, as compared to CHF 9.2 million for the nine months ended September 30, 2005. The gross profit margin for the nine months ended September 30, 2006 decreased to 75%, as compared to 77% for the nine months ended September 30, 2005.

Operating expenses for the nine months ended September 30, 2006 increased 12% to CHF 9.5 million, as compared to CHF 8.5 million for the nine months ended September 30, 2005. Research and development expenses increased 46% due to capitalization of TCHF 397 of software development costs on 5 new products in the nine months ended September 30, 2006 as compared to capitalization of CHF 1.3 million of software development costs on 3 new products in the nine months ended September 30, 2005. Sales and marketing expenses decreased 1%. General and administrative expenses increased 13% due to a TCHF 173 share-based compensation charge in the nine months ended September 30, 2006, a TCHF 87 credit adjustment to bad debt expense in the third quarter of 2005, a TCHF 63 non-recurring professional fee charge in the third quarter of 2006 and an increase in headcount by 2 employees in general and administrative. Operating expenses for the nine months ended September 30, 2006 included a TCHF 324 charge for share-based compensation expense. Non-operating expenses for the nine months ended September 30, 2006 included a TCHF 187 charge for impairment of investments.

Net income for the nine months ended September 30, 2006 was TCHF 850, as compared to net income of TCHF 928 for the nine months ended September 30, 2005. Basic earnings per share was CHF 0.63 for nine months ended September 30, 2006, as compared to basic earnings per share of CHF 0.73 for the nine months ended September 30, 2005. Dilutive earnings per share was CHF 0.58 for the nine months ended September 30, 2006, as compared to dilutive earnings per share of CHF 0.68 for the nine months ended September 30, 2005.

Employees

Total headcount as of September 30, 2006 and December 31, 2005 was 87 and 72 full time employees, respectively. Headcount as of September 30, 2006 was allocated as follows: professional services 19%, research and development 25%, sales and marketing 20%, general and administration 13% and MarketingNet 23%.

Consolidated Balance Sheets

(in thousands CHF, except share information)

(unaudited)

ASSETS	September 30, 2006	December 31, 2005
Current assets		
Cash and cash equivalents	7,529	4,256
Restricted cash	-	263
Accounts receivable, net of allowance	2,999	7,224
Unbilled receivables	2,546	1,334
Other receivables	32	19
Prepaid expenses	417	272
Total current assets	13,523	13,368
Non-current assets		
Property and equipment, net	174	129
Capitalized software development costs, net	1,485	1,217
Investments, net	-	200
Goodwill and intangible assets, net	3,184	3,324
Other assets	110	395
Total non-current assets	4,953	5,265
TOTAL ASSETS	18,476	18,633
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	372	615
Deferred revenue	3,507	3,820
Other current liabilities	178	437
Accrued liabilities	1,251	2,070
Total current liabilities	5,308	6,942
Deferred revenue less current portion	348	547
Total liabilities	5,656	7,489
Shareholders' equity		
Share capital, CHF 10.00 par value; 1,375,510 shares issued and outstanding, 676,000 additional authorized and 670,855 conditional as of September 30, 2006; 1,353,570 shares issued and outstanding, 496,000 additional authorized and 568,084 conditional as of December 31, 2005.	13,755	13,536
Treasury shares	(1,095)	(1,227)
Additional paid-in capital	139,800	139,256
Accumulated deficit	(139,061)	(139,911)
Accumulated other comprehensive loss	(579)	(510)
Total shareholders' equity	12,820	11,144
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	18,476	18,633

Consolidated Statements of Operations

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Revenues				
Software licenses	1,639	2,068	5,081	5,406
Product support and services	2,839	2,181	8,949	6,617
Total revenues	4,478	4,249	14,030	12,023
Cost of revenues				
Software licenses	63	38	154	39
Product support and services	1,026	759	3,338	2,747
Total cost of revenues	1,089	797	3,492	2,786
Gross profit	3,389	3,452	10,538	9,237
Operating expenses				
Research and development	731	591	2,105	1,443
Sales and marketing	1,608	1,526	4,795	4,756
General and administrative	884	589	2,432	2,153
Amortization of intangible assets	47	47	140	140
Income from operations	119	699	1,066	745
Interest income	10	5	26	14
Interest expense	-	(1)	(1)	(1)
Impairment of investments	-	-	(187)	-
Foreign exchange gain (loss)	(7)	(12)	(39)	33
Other income (expense)	(7)	79	(6)	140
Income before taxes	115	770	859	931
Provision for taxes	-	-	(9)	(3)
Net income	115	770	850	928
Basic earnings per share	0.08	0.58	0.63	0.73
Dilutive earnings per share	0.08	0.55	0.58	0.68
Shares used in computing basic earnings per share	1,363,647	1,332,136	1,359,078	1,267,335
Shares used in computing dilutive earnings per share	1,463,195	1,412,782	1,458,134	1,359,958

Consolidated Statements of Cash Flows

(in thousands CHF)

(unaudited)

	Nine Months Ended September 30,	
	2006	2005
Net income	850	928
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation and amortization of fixed assets	87	503
Loss on fixed asset dispositions	-	1
Amortization of intangible assets	140	140
Amortization of capitalized software costs	130	37
Impairment of investments	187	-
Net foreign currency exchange (gain) loss	15	(48)
Share-based compensation	324	17
Stock received in exchange for software	-	(129)
Changes in operating assets and liabilities		
Accounts receivable	4,095	(2,016)
Unbilled receivables	(999)	(1,252)
Prepaid expenses and other current assets	100	178
Other assets	18	(222)
Accounts payable	(233)	(167)
Deferred revenues	(436)	830
Accrued liabilities	(784)	(238)
Other current liabilities	(255)	136
Net cash provided by (used in) operating activities	3,239	(1,302)
Cash flows from investing activities		
Capitalized software development cost	(397)	(1,253)
Purchases of equipment	(132)	(16)
Net cash used in investing activities	(529)	(1,269)
Cash flows from financing activities		
Proceeds from stock option exercises	275	295
Net proceeds from issuance of share capital	120	1,997
Stamp duty on issuance of shares	-	(23)
Purchase of treasury shares	(1,976)	(988)
Proceeds from sale of treasury shares	2,152	832
Net cash provided by financing activities	571	2,113
Net increase (decrease) in cash and cash equivalents	3,281	(458)
Foreign currency adjustment on cash	(8)	45
Cash and cash equivalents at beginning of period	4,256	4,500
Cash and cash equivalents at end of period	7,529	4,087

Consolidated Statements of Shareholders' Equity

(in thousands CHF, except share information)

(unaudited)

	Share Capital		Treasury Shares	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	Shares	Amount					
Balances							
January 1, 2005	1,209,654	12,097	(1,074)	138,299	(140,652)	(589)	8,081
Proceeds from exercise of stock options	35,916	359	-	85	-	-	444
Net proceeds from issuance of share capital	108,000	1,080	60	834	-	-	1,974
Purchase of treasury shares	-	-	(1,222)	-	-	-	(1,222)
Proceeds from sale of treasury shares	-	-	1,009	16	-	-	1,025
Stock-based compensation	-	-	-	22	-	-	22
Net income	-	-	-	-	741	-	741
Foreign currency translation	-	-	-	-	-	79	79
Balances							
December 31, 2005	1,353,570	13,536	(1,227)	139,256	(139,911)	(510)	11,144
Proceeds from exercise of stock options	21,940	219	-	56	-	-	275
Additional proceeds from issuance of share capital	-	-	-	120	-	-	120
Purchase of treasury shares	-	-	(1,976)	-	-	-	(1,976)
Proceeds from sale of treasury shares	-	-	2,108	44	-	-	2,152
Share-based compensation	-	-	-	324	-	-	324
Net income	-	-	-	-	850	-	850
Foreign currency translation	-	-	-	-	-	(69)	(69)
Balances							
September 30, 2006	1,375,510	13,755	(1,095)	139,800	(139,061)	(579)	12,820

Notes to Consolidated Interim Financial Statements (unaudited)

(in thousands of CHF, except share information)

Note 1 – Organization and History

Day Software 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 an international provider of global content and infrastructure software. The Company’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 turn the entire business into a virtual repository, bringing together content from any system, regardless of location, language or platform. The Company’s technology, CRX, is a java content repository that fully implements the new Java Content Repository API (JCR) standard that makes high value content easily accessible for any application. CRX is the first commercially available, industry strength implementation of the groundbreaking new JSR 170 standard for content repositories. The Company’s products and services are marketed throughout Europe, the Americas and Asia Pacific.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited consolidated interim financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“US GAAP”). Certain amounts reported in previous years have been reclassified to conform to the 2006 presentation.

These unaudited consolidated interim financial statements should be read in conjunction with the audited financial statements and notes related thereto for the period ended December 31, 2005, included in the Company’s Annual Report. The unaudited consolidated interim financial statements include all adjustments necessary to present fairly the Company’s consolidated financial position as of September 30, 2006, notes explaining any significant changes that have occurred since December 31, 2005 and the consolidated results of its operations and cash flows for the nine months ended September 30, 2006. The consolidated results of such interim periods are not necessarily indicative of the results to be achieved for the period ended December 31, 2006.

Principles of Consolidation

The accompanying unaudited consolidated interim financial statements include the accounts of Day Software Holding AG and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Note 3 – Investments

The Company has an equity investment before impairment charges totaling TCHF 160 in common stock and TCHF 100 in preferred stock of a non-publicly traded company (“investee”). The Company’s Chief Financial Officer was a member of the Board of Directors of the investee company when these investments were transacted, but he resigned from his position in 2005. Common stock was acquired in March of 2005 in exchange for software license and maintenance sold and is carried at cost which was determined by reference to the value of the software license and maintenance exchanged. Preferred stock was acquired in 2004 in exchange for software license and maintenance sold and is carried at cost which was determined by reference to recent private-placement sales of the investee’s common stock. In 2005, the Company acquired additional common and preferred stock in the investee company and received a note receivable for TCHF 33 from the investee company in exchanged for cash of TCHF 33. The Company’s total ownership percentage in the investee company as of September 30, 2006 and December 31, 2005 was 14.65%.

Impairment in value of cost method investments that are considered to be other-than-temporary are recognized immediately as expense and a new cost basis is established. A cost method investment is evaluated for impairment whenever events or circumstances indicate that the investment may be impaired. During 2005, the Company determined that an impairment of TCHF 73 existed on its investments. During the three months ended June 30, 2006, the Company determined that the investment was fully impaired and recorded a TCHF 187 impairment charge. The carrying value of the investment was TCHF 0 and TCHF 200 as of September 30, 2006 and December 31, 2005, respectively.

Note 4 – Capitalized Software Development Costs

Statement of Financial Accounting Standard No. 86, Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed, requires development costs incurred in the research and development of new software products to be sold or marketed to be expensed as incurred until technological feasibility in the form of a working model has been established at which time such costs are capitalized, subject to recoverability, until the software products are available for sale. Software costs capitalized during the three months ended September 30, 2006 and 2005 totaled TCHF 64 and TCHF 219, respectively. Software costs capitalized during the nine months ended September 30, 2006 and 2005 totaled TCHF 397 and TCHF 1,253, respectively. Monthly amortization of capitalized software development costs, charged to cost of revenues, will be equal to the greater of the amount calculated by the straight-line method over the estimated life of the product or the amount calculated by using the ratio that current gross revenues bear to total estimated gross revenues of the product. Amortization expense for the three months ended September 30, 2006 and 2005 was TCHF 56 and TCHF 37, respectively. Amortization expense for the nine months ended September 30, 2006 and 2005 was TCHF 130 and TCHF 37, respectively.

Note 5 – Shareholders' Equity

In June 2005, Day issued 108,000 shares of authorized capital to a group of investors ("Investors"). Net proceeds from the transaction totaled TCHF 1,914. In connection with the transaction, the Company incurred TCHF 415 of costs that have been recorded as a reduction in capital reserves. These transaction costs include TCHF 60 of costs to acquire 3,000 treasury shares at a price of CHF 20 per share from the Company's Chief Executive Officer. The Company also paid fees totaling TCHF 25 to the Company's Chief Executive Officer's wife for legal services related to the transaction. In connection with the transaction above, the Investors had the right to acquire an additional 12,000 shares at a price of CHF 10.00 per share if the average price of a share becomes less than the original issue price during the period starting on July 1, 2005 and ending on June 30, 2006. The Investors deposited TCHF 120 in a non-interest bearing bank account to be used to acquire these additional shares. As of June 30, 2006, these funds had not been used to acquire additional shares and were contributed to the Company as additional paid-in capital.

Note 6 – Share-based Compensation

The Company has two stock option plans, 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"). 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. Substantially all of the stock options outstanding vest over a 2 to 4 year period all and have an exercise price equal to the market value on date of grant. The maximum term of options granted under the International Option Plan and the United States Option Plan is ten years. The maximum shares of capital stock for issuance under the United States Option Plan and the International Option Plan is 373,595 and 186,800, respectively.

On January 1, 2006, the Company adopted Statement of Financial Accounting Standard No. 123 (revised 2004), Share-Based Payment ("SFAS 123R"). SFAS 123R establishes accounting guidance for transactions in which an entity awards its equity instruments in exchange for employee services. The cost of the employee's service is measured based on the grant dated fair value of the equity instrument, adjusted for estimated forfeiture rate, and is expensed over the vesting period of the equity instrument. SFAS 123R applies to all awards granted, modified, repurchase or cancelled after SFAS 123R is adopted. The Company is using the modified prospective method established under SFAS 123R to account for all unvested awards granted prior to January 1, 2006. Under the modified prospective method, share-based compensation expense is calculated by taking the grant date fair market value of the award calculated under SFAS 123R and amortizing the pro rata expense over the remaining vesting period.

Share-based compensation expense included in the consolidated statements of operations is as follows:

In thousands CHF	Three Months Ended September 30, 2006	Nine Months Ended September 30, 2006
Cost of revenues	4	12
Research and development	13	34
Sales and marketing	31	105
General and administrative	53	173
Total share based compensation expense	101	324

For the nine months ended September 30, 2006, the Company calculated the fair value of each option grant on the date of grant using the Black-Scholes option-pricing model as prescribed by SFAS 123R using the assumptions in the following table. The risk free interest rate under the International Option Plan is based on the Swiss Confederation bond yield during the option grant period. The risk free interest rate under the United States Option Plan is based on the U.S. Treasury yield curve during the option grant period. The expected life is calculated taking an average between the option vesting term and the contractual term. The expected volatility is based on historical volatility. The forfeiture rates are based on historical forfeitures.

Risk free interest rate under International Option Plan	2.25%
Risk free interest rate under United States Option Plan	4.5 - 4.9%
Expected life (years) under International Option Plan	3 - 4.5
Expected life (years) under United States Option Plan	7
Expected volatility	47 - 48.8%
Forfeiture rate under International Option Plan	14.51%
Forfeiture rate under United States Option Plan	6.1%
Dividend yield	-

Stock option activity under the International Option Plan and United States Option Plan for the nine months ended September 30, 2006 was as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding, December 31, 2005	307,672	17.93
Granted	39,500	23.63
Exercised	(21,940)	12.55
Cancelled	(2,863)	27.42
Outstanding, September 30, 2006	322,369	18.91

The weighted average grant date fair value for options issued during the nine months ended September 30, 2006 was CHF 11.12.

The following table summarizes stock option information as of September 30, 2006:

Range of Exercise Prices	Outstanding Options			Exercisable Options	
	Number of Options	Weighted Average Contractual Life Remaining (Years)	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
10.00 - 14.00	95,031	4.24	12.24	92,070	12.19
15.05 - 19.75	56,734	4.87	17.32	43,772	17.19
20.10 - 24.30	140,914	6.35	21.21	71,449	20.80
25.00 - 29.00	9,590	7.33	26.81	4,833	25.40
30.62 - 35.00	20,100	3.07	34.98	20,000	35.00
Totals	322,369			232,124	

Prior to January 1, 2006, the Company applied the intrinsic-value based method prescribed by Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees ("APB 25"), and related interpretations including Financial Accounting Standards Board Interpretation No. 44, Accounting for Certain Transactions Involving Stock Compensation, an interpretation of APB Opinion No. 25 ("FIN 44"). Under this method, compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeds the exercise price or the exercise price is not fixed at the date of grant. Such compensation expense, if any, is recognized over the service period to which the option relates. Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation ("SFAS 123") and Statement of Financial Accounting Standards No. 148, Accounting for Stock-Based Compensation-Transition and Disclosure ("SFAS 148"), established accounting and disclosure requirements using a fair value based method of accounting for stock-based compensation plans. As permitted by SFAS 123, the Company adopted only the following disclosure requirements of SFAS 123, as amended.

Effect on net income had the Company applied the fair value based method to all outstanding and unvested awards during the nine months ended September 30, 2005:

In thousands CHF except per share data

Net income, as reported	928
Deduct: Total stock-based compensation expense determined under fair value based method, net of related tax effects	(856)
Net income, pro forma	<u>72</u>
Basic earnings per share, as reported	<u>0.73</u>
Basic earnings per share, pro forma	<u>0.06</u>
Dilutive earnings per share, as reported	<u>0.68</u>
Dilutive earnings per share, pro forma	<u>0.05</u>

The Company calculated the fair value of each option grant on the date of grant using the Black-Scholes option-pricing model as prescribed by SFAS 123 using the following assumptions for options granted during the nine months ended September 30, 2005:

Risk free interest rate	2.25%
Expected life (years)	5
Expected volatility	42 - 86%
Dividend yield	-

Note 7 – Retirement and Pension Plans

United States

In the United States, the Company sponsors a 401(k) retirement plan that is considered a defined contribution discretionary plan under which eligible participants may contribute up to a maximum of 80% of their pre-tax earnings subject to certain statutory limitations. The Company made no discretionary contributions to the 401(k) retirement plan during the three months ended September 30, 2006 and 2005 and during the nine months ended September 30, 2006 and 2005.

Switzerland

The Company sponsors a defined benefit plan (the “Plan”) covering all of its employees earning more than TCHF 25 per year. Net periodic pension benefit cost for the three months ended September 30, 2006 and 2005 was TCHF 91 and TCHF 90, respectively. Net periodic pension benefit cost for the nine months ended September 30, 2006 and 2005 was TCHF 267 and TCHF 279, respectively.

Note 8 – Earnings Per Share

Basic earnings per share is computed by dividing net income available to shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share calculated for the three months and nine months ended September 30, 2006 and 2005 is computed by dividing net income available to shareholders by the weighted average number of shares outstanding plus the effect of potentially dilutive common shares outstanding during the period using the treasury stock method. Potentially dilutive common shares include outstanding stock options. Common stock equivalents totaling 50,040 and 34,883 have been excluded from the calculation of the weighed average shares outstanding for the three months ended September 30, 2006 and 2005, respectively, as the effects are anti-dilutive. Common stock equivalents totaling 70,508 and 35,333 have been excluded from the calculation of the weighed average shares outstanding for the nine months ended September 30, 2006 and 2005, respectively, as the effects are anti-dilutive.

Note 9 – Segment 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, based on geographic location of transaction, are Europe, the Americas and Asia Pacific. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Intergeographic revenues primarily represent intercompany revenues which are accounted for based on established sales prices between the related companies and are eliminated in consolidation.

Segments by geographic area of origin are as follows:

In thousands CHF	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
Revenues	2006	2005	2006	2005
Europe	2,227	2,565	7,278	7,240
Americas	1,952	1,566	6,207	4,623
Asia Pacific	459	112	1,093	190
Elimination of intergeographic revenues	(160)	6	(548)	(30)
Total revenues	4,478	4,249	14,030	12,023
Net Income (Loss)				
Europe	(1,116)	205	(2,052)	(854)
Americas	1,231	565	2,902	1,782
Total net income	115	770	850	928
Assets		September 30, 2006		December 31, 2005
Europe		12,032		12,385
Americas		6,444		6,248
Total assets		18,476		18,633

Note 10 – Commitments and Contingencies

The Company's standard software license agreement includes an indemnification clause that indemnifies the licensee against liability and damages arising out of or in connection with an assertion that the software infringes any United States trademark or copyright. Financial Accounting Standards Board Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others", requires certain disclosures regarding intellectual property infringement indemnification. To date, the Company has had no material claims or costs related to these indemnification clauses and therefore, has no liability recorded related to these indemnification clauses as of September 30, 2006.

About Day (www.day.com)

Day is a 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 SWX Swiss Exchange (SWX:DAYN) and has established an ADR (American Depositary Receipt) program in the US (OTC:DYIHY). Day's customers are some of the largest global corporations and include Audi, DaimlerChrysler, Deutsche Post World Net, 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.

For further information

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