



Q1
2007



Day Software Report for the First Quarter of Fiscal Year 2007

Results in Detail

First Quarter

Total revenues for the first quarter of 2007 amounted to CHF 6.4 million, compared to CHF 5.2 million for the first quarter of 2006. License revenues for the first quarter of 2007 amounted to CHF 3.1 million or 48% of total revenues, compared to CHF 2.1 million for the first quarter of 2006 or 40% of total revenues. Product support revenues for the first quarter of 2007 increased 29% to CHF 1.8 million, compared to CHF 1.4 million for the first quarter of 2006 due to growing customer base. Services revenues for the first quarter of 2007 decreased 12% to CHF 1.5 million, compared to CHF 1.7 million for the first quarter of 2006.

The Company generated total revenues of CHF 4.5 million (or 70% of total revenues) in Europe and CHF 1.9 million (or 30% of total revenues) in the Americas and Asia Pacific in the first quarter of 2007, as compared to CHF 2.2 million (or 42% of total revenues) in Europe and CHF 3.0 million (or 58% of total revenues) in the Americas and Asia Pacific in the first quarter of 2006. The United States was the country contributing the greatest amount of revenues in the both the first quarter of 2007 and 2006.

Cost of revenues for the first quarter of 2007 increased 45% to CHF 1.6 million, compared to CHF 1.1 million for the first quarter of 2006 due to increase in employees in professional services as a result of management's efforts to grow services revenue.

Gross profit for the first quarter of 2007 increased 17% to CHF 4.8 million, compared to CHF 4.1 million for the first quarter of 2006. The gross profit margin for the first quarter of 2007 decreased to 75%, as compared to 79% in the first quarter of 2006 due to the increase in cost of revenues.

Operating expenses for the first quarter of 2007 increased 13% to CHF 3.6 million, as compared to CHF 3.2 million for the first quarter of 2006. Research and development expenses increased 30% due to an increase in new product development. Sales and marketing expenses decreased 2%. General and administrative expenses increased 29% due to a TCHF 76 credit adjustment to bad debt expense in the first quarter of 2006, a TCHF 76 non-recurring charge in the first quarter of 2007 and an increase in headcount by 2 employees in general and administrative from 2006 to 2007. Operating expenses for the first quarter of 2007 and 2006 include a TCHF 94 and TCHF 125 charge for share-based compensation expense, respectively.

Net income for the first quarter of 2007 was CHF 1.3 million, compared to net income of TCHF 915 for the first quarter of 2006. Basic earnings per share was CHF 0.91 for the first quarter of 2007, compared to basic earnings per share of CHF 0.67 for the first quarter of 2006. Dilutive earnings per share was CHF 0.86 for the first quarter of 2007, compared to dilutive earnings per share of CHF 0.63 for the first quarter of 2006.

Employees

Total headcount as of March 31, 2007 and December 31, 2006 was 96 and 88, respectively. Headcount as of March 31, 2007 was allocated as follows: professional services 19%, research and development 28%, sales and marketing 20%, general and administration 15% and MarketingNet 18%.

Consolidated Balance Sheets

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

ASSETS	March 31, 2007	December 31, 2006
Current assets		
Cash and cash equivalents	10,556	8,499
Accounts receivable, net of allowance	5,743	5,874
Unbilled receivables	1,083	1,478
Other receivables	106	92
Prepaid expenses	875	203
Total current assets	18,363	16,146
Non-current assets		
Property and equipment, net	247	250
Capitalized software development costs, net	1,792	1,537
Goodwill and intangible assets, net	3,091	3,137
Other assets	78	76
Total non-current assets	5,208	5,000
TOTAL ASSETS	23,571	21,146
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	656	592
Deferred revenue	4,786	4,207
Other current liabilities	703	522
Accrued liabilities	1,634	1,433
Total current liabilities	7,779	6,754
Deferred revenue less current portion	167	190
Long-term portion of unfunded pension obligation	1,705	1,705
Total liabilities	9,651	8,649
Shareholders' equity		
Share capital, CHF 10.00 par value; 1,397,901 shares issued and outstanding, 676,000 additional authorized and 631,669 conditional as of March 31, 2007; 1,381,664 shares issued and outstanding, 676,000 additional authorized and 647,906 conditional as of December 31, 2006.	13,979	13,817
Treasury shares	(1,439)	(1,255)
Additional paid-in capital	140,093	139,938
Accumulated deficit	(136,773)	(138,033)
Accumulated other comprehensive loss	(1,940)	(1,970)
Total shareholders' equity	13,920	12,497
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	23,571	21,146

See accompanying notes to these consolidated financial statements.

Consolidated Statements of Operations

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

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
Revenues		
Software licenses	3,054	2,061
Product support	1,797	1,398
Services	1,571	1,731
Total revenues	6,422	5,190
Cost of revenues		
Software licenses	69	48
Product support and services	1,524	1,048
Total cost of revenues	1,593	1,096
Gross profit	4,829	4,094
Operating expenses		
Research and development	854	659
Sales and marketing	1,745	1,782
General and administrative	938	726
Amortization of acquired intangible assets	47	47
Income from operations	1,245	880
Interest income	12	9
Interest expense	-	-
Foreign exchange gain	32	27
Other income (expense)	(7)	7
Income before taxes	1,282	923
Provision for taxes	(22)	(8)
Net income	1,260	915
Basic earnings per share	0.91	0.67
Dilutive earnings per share	0.86	0.63
Shares used in computing basic earnings per share	1,377,718	1,356,228
Shares used in computing dilutive basic earnings per share	1,467,628	1,446,118

See accompanying notes to these consolidated financial statements.

Consolidated Statements of Cash Flows

(in thousands CHF)
(unaudited)

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
Net income	1,260	915
Adjustments to reconcile net income to net cash provide by operating activities		
Depreciation and amortization of fixed assets	30	21
Amortization of acquired intangible assets	47	47
Amortization of capitalized software costs	64	37
Net foreign currency exchange gain	(11)	(25)
Share-based compensation	94	125
Changes in operating assets and liabilities		
Accounts receivable	143	1,389
Unbilled receivables	397	(491)
Prepaid expenses and other current assets	(690)	(186)
Other assets	(3)	32
Accounts payable	67	(153)
Deferred revenues	574	812
Accrued liabilities	199	(536)
Other current liabilities	181	(247)
Net cash provided by operating activities	2,352	1,740
Cash flows from investing activities		
Capitalized software development cost	(319)	(209)
Purchases of equipment	(27)	(10)
Net cash used in investing activities	(346)	(219)
Cash flows from financing activities		
Proceeds from stock option exercises	203	194
Purchase of treasury shares	(700)	(434)
Proceeds from sale of treasury shares	536	638
Net cash provided by financing activities	39	398
Net increase in cash and cash equivalents	2,045	1,919
Foreign currency adjustment on cash	12	-
Cash and cash equivalents at beginning of period	8,499	4,256
Cash and cash equivalents at end of period	10,556	6,175

See accompanying notes to these consolidated financial statements.

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, 2006	1,353,570	13,536	(1,227)	139,256	(139,911)	(510)	11,144
Proceeds from exercise of stock options	28,094	281	-	67	-	-	348
Additional proceeds from issuance of share capital	-	-	-	109	-	-	109
Purchase of treasury shares	-	-	(2,598)	-	-	-	(2,598)
Proceeds from sale of treasury shares	-	-	2,570	51	-	-	2,621
Share-based compensation	-	-	-	455	-	-	455
Adjustment to initially apply Financial Accounting Standards Board Statement No. 158	-	-	-	-	-	(1,358)	(1,358)
Comprehensive income:							
Net income	-	-	-	-	1,878	-	1,878
Foreign currency translation	-	-	-	-	-	(102)	(102)
Total comprehensive income	-	-	-	-	-	-	1,776
Balances							
December 31, 2006	1,381,664	13,817	(1,255)	139,938	(138,033)	(1,970)	12,497
Proceeds from exercise of stock options	16,237	162	-	41	-	-	203
Purchase of treasury shares	-	-	(700)	-	-	-	(700)
Proceeds from sale of treasury shares	-	-	516	20	-	-	536
Share-based compensation	-	-	-	94	-	-	94
Comprehensive income:							
Net income	-	-	-	-	1,260	-	1,260
Foreign currency translation	-	-	-	-	-	30	30
Total comprehensive income	-	-	-	-	-	-	1,290
Balances							
March 31, 2007	1,397,901	13,979	(1,439)	140,093	(136,773)	(1,940)	13,920

See accompanying notes to these consolidated financial statements.

Notes to Consolidated Interim Financial Statements

(unaudited)

(in thousands of CHF, except share and per 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 2007 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, 2006, 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 March 31, 2007, notes explaining any significant changes that have occurred since December 31, 2006 and the consolidated results of its operations and cash flows for the three months ended March 31, 2007. The consolidated results of such interim periods are not necessarily indicative of the results to be achieved for the period ended December 31, 2007.

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 – 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 March 31, 2007 and 2006 totaled TCHF 319 and TCHF 209, respectively. Monthly amortization of capitalized software development costs, charged to cost of revenues – software licenses in the statement of operations, 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 March 31, 2007 and 2006 was TCHF 64 and TCHF 37, respectively.

Note 4 – Goodwill and Other Intangible Assets

Intangible assets as of March 31, 2007 include goodwill of TCHF 2,422 and other intangible assets (brands) of TCHF 669, which resulted from the acquisition of MarketingNet Ltd. (“MarketingNet”) in October 2000.

Goodwill represents the excess of costs over fair value of assets of businesses acquired. In accordance with Statement of Financial Accounting Standard No. 142, *Goodwill and Other Intangible Assets*, goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but instead are tested for impairment at least annually and are tested for impairment more frequently if events and circumstances indicate that an asset might be impaired. Impairment, if any, is measured as the difference between the carrying value and the fair value of the asset. There were no impairment charges recorded on goodwill and intangible assets with indefinite useful lives during the three months ended March 31, 2007 and 2006.

Intangible assets with estimable useful lives are amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with Statement of Financial Accounting Standards No. 144, *Accounting for Impairment or Disposal of Long-Lived Assets* (“SFAS 144”). Intangible assets, stated at cost net of amortization and impairment charges, include brand name, which is amortized on a straight-line basis over the estimated useful life of ten years and a non-compete agreement which is fully amortized. Accumulated amortization and impairment on other intangible assets as of March 31, 2007 and December 31, 2006 was TCHF 12,916 and TCHF 12,869, respectively. Amortization expense of these intangible assets totaled TCHF 47 for the each of the three months ended March 31, 2007 and 2006. Amortization expense for these intangible assets is estimated to be TCHF 187 in each of the years 2007 through 2010. There were no impairment charges recorded on these other intangibles assets during the three months ended March 31, 2007 and 2006.

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 this transaction, 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 became 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 these 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 under both stock option plans for the three months ended March 31, 2007 and 2006

In thousands CHF	2007	2006
Cost of revenues	9	5
Research and development	15	69
Sales and marketing	24	11
General and administrative	46	40
Total share-based compensation	94	125

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.

Assumptions for calculation of the fair value of each option granted on the date of grant using the Black Scholes option-pricing model under both stock option plans for the three months ended March 31, 2007 and 2006:

	2007	2006
Risk free interest rate under International Option Plan	2.25%	2.25%
Risk free interest rate under United States Option Plan	4.70%	4.50%
Expected life (years) under International Option Plan	4.5	5
Expected life (years) under United States Option Plan	7	5
Expected volatility	42.50%	43.70%
Forfeiture rate under International Option Plan	14.51%	14.51%
Forfeiture rate under United States Option Plan	6.10%	6.10%
Dividend yield	-	-

Stock option activity under both stock option plans for the three months ended March 31, 2007

	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	310,179	19.11
Granted	16,000	30.90
Exercised	(16,237)	12.52
Forefeited	(8,746)	22.13
Outstanding, end of period	301,196	20.00
Exercisable, end of period	229,029	18.82

The weighted average grant date fair value for options issued during the three months ended March 31, 2007 was CHF 14.51.

Summary of capital share options outstanding under both stock option plans as of March 31, 2007

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	75,995	3.92	12.58	75,208	12.56
15.05 - 19.75	45,322	4.04	17.26	36,818	17.20
20.10 - 24.30	138,639	5.91	21.23	94,778	20.99
25.00 - 29.00	9,140	8.00	27.96	1,954	21.01
30.65 - 35.00	32,100	4.69	33.86	20,272	34.56
Totals	301,196			229,029	

Summary of nonvested shares under both stock option plans as of March 31, 2007

	Number Of Options	Weighted Average Grant Date Fair Value
Nonvested, beginning of period	64,511	11.72
Granted	16,000	14.51
Vested	(148)	7.70
Forfeited	(8,196)	11.87
Nonvested, end of period	72,167	12.31

As of March 31, 2007, total share-based compensation cost not yet recognized related to nonvested share-based arrangements was TCHF 888. This cost is estimated to be recognized over a weighted average period of 2.3 years.

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 March 31, 2007 and 2006.

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 March 31, 2007 and 2006 was TCHF 90 and TCHF 89, 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. Dilutive earnings per share calculated for the three months ended March 31, 2007 and 2006 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 54,940 and 107,359 have been excluded from the calculation of the weighed average shares outstanding for the three months ended March 31, 2007 and 2006, 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 March 31, 2007	Three Months Ended March 31, 2006
Revenues		
Europe	4,537	2,442
Americas	1,843	2,516
Asia Pacific	42	476
Elimination of intergeographic revenues	-	(244)
Total revenues	6,422	5,190
Net Income (Loss)		
Europe	1,114	(413)
Americas	146	1,328
Total net income	1,260	915
	March 31, 2007	December 31, 2006
Assets		
Europe	21,263	16,266
Americas	2,308	4,880
Total assets	23,571	21,146

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 March 31, 2007 and December 31, 2006.

Note 11 – Financing Arrangements

In January 2007, the Company entered into a loan and security agreement with a bank where by the Company can finance eligible receivables up to 80% of USD 1.25 million in accordance with the terms of the agreement. As of March 31, 2007, there were no borrowings against this loan agreement.

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 (Symbol: DAYN) since April 2000. Day's securities are also traded in the U.S.'s Over-The-Counter market in the form of American Depositary Receipts (Symbol: DYIHY). Day's customers are some of the largest global corporations and include Audi, DaimlerChrysler, Deutsche Post World Net, Intercontinental Hotels Group, McDonald's 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. 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

Peter Nachbur	T +41 61 226 98 98
Day Software Holding AG	F +41 61 226 98 97
Barfüsserplatz 6	E-Mail peter.nachbur@day.com
4001 Basel, Switzerland	

The English text of this report represents the binding version.

Copyright © 1993-2007 Day Management AG, Switzerland. All rights reserved.

DAY, the DAY logo, Communiqué, ContentBus and CRX Content Repository Extreme are registered trademarks and service marks, or are trademarks and service marks of Day Management AG, in various countries around the world. All other product names and company logos mentioned in the information, documents or other items provided or available herein may be the trademarks of their respective owners.