Q307

Day Software Holding AG
Report for the Third Quarter 2007

Day Software Report for the Third Quarter of Fiscal Year 2007

Results in Detail

Third Quarter

Total revenues for the third quarter of 2007 amounted to CHF 6.3 million, compared to CHF 4.5 million for the third quarter of 2006. License revenues for the third quarter of 2007 amounted to CHF 1.7 million or 27% of total revenues, compared to CHF 1.6 million for the third quarter of 2006 or 36% of total revenues. Product support revenues for the third quarter of 2007 increased 25% to CHF 2.0 million, compared to CHF 1.6 million for the third quarter of 2006 due to growing customer base. Services revenues for the third quarter of 2007 increased 100% to CHF 2.6 million, compared to CHF 1.3 million for the third quarter of 2006.

The Company generated total revenues of CHF 2.9 million (or 46% of total revenues) in Europe and CHF 3.4 million (or 54% of total revenues) in the Americas and Asia Pacific in the third quarter of 2007, as compared to CHF 2.1 million (or 47% of total revenues) in Europe and CHF 2.4 million (or 53% of total revenues) in the Americas and Asia Pacific in the third quarter of 2006. The United States was the country contributing the greatest amount of revenues in the both the third quarter of 2007 and 2006.

Cost of revenues for the third quarter of 2007 increased 55% to CHF 1.7 million, compared to CHF 1.1 million for the third quarter of 2006 due to increase in employees in professional services as a result of the growth in services revenues.

Gross profit for the third quarter of 2007 increased 35% to CHF 4.6 million, compared to CHF 3.4 million for the third quarter of 2006. The gross profit margin for the third quarter of 2007 was 73%, compared to 76% for the third quarter of 2006.

Operating expenses for the third quarter of 2007 increased 15% to CHF 3.8 million, as compared to CHF 3.3 million for the third quarter of 2006. Research and development expenses increased 76% due to an approximate 48% increase in research and development headcount to support new product development. Sales and marketing expenses decreased 1%. General and administrative expenses decreased 1%. Operating expenses for the third quarter of 2007 and 2006 include a TCHF 103 and TCHF 101 charge for share-based compensation expense, respectively.

Net income for the third quarter of 2007 was TCHF 719, compared to net income of TCHF 115 for the third quarter of 2006. Basic net income per share was CHF 0.50 for the third quarter of 2007, compared to basic net income per share of CHF 0.08 for the third quarter of 2006. Diluted net income per share was CHF 0.45 for the third quarter of 2007, compared to diluted net income per share of CHF 0.08 for the third quarter of 2006.

Nine Months Ended September 30, 2007

Total revenues for the nine months ended September 30, 2007 amounted to CHF 18.3 million, compared to CHF 14.0 million for the nine months ended September 30, 2006. License revenues for the nine months ended September 30, 2007 amounted to CHF 6.7 million or 37% of total revenues, compared to CHF 5.1 million for the nine months ended September 30, 2006 or 36% of total revenues. Product support revenues for the nine months ended September 30, 2007 increased 27% to CHF 5.7 million, compared to CHF 4.5 million for the nine months ended September 30, 2006 due to growing customer base. Services revenues for the nine months ended September 30, 2007 increased 34% to CHF 5.9 million, compared to CHF 4.4 million for the nine months ended September 30, 2006.

The Company generated total revenues of CHF 10.1 million (or 55% of total revenues) in Europe and CHF 8.2 million (or 45% of total revenues) in the Americas and Asia Pacific in the nine months ended September 30, 2007, as compared to CHF 6.7 million (or 48% of total revenues) in Europe and CHF 7.3 million (or 52% of total revenues) in the Americas and Asia Pacific in the nine months ended September 30, 2006. The United States was the country contributing the greatest amount of revenues in the both the nine months ended September 30, 2007 and 2006.

Cost of revenues for the nine months ended September 30, 2007 increased 43% to CHF 5.0 million, compared to CHF 3.5 million for the nine months ended September 30, 2006 due to increase in employees in professional services as a result of the growth in services revenues.

Gross profit for the nine months ended September 30, 2007 increased 27% to CHF 13.3 million, compared to CHF 10.5 million for the nine months ended September 30, 2006. The gross profit margin for the nine months ended September 30, 2007 decreased to 73%, as compared to 75% in the nine months ended September 30, 2006 due to the increase in cost of revenues - product support and services.

Operating expenses for the nine months ended September 30, 2007 increased 18% to CHF 11.2 million, as compared to CHF 9.5 million for the nine months ended September 30, 2006. Research and development expenses increased 50% due to an approximate 48% increase in research and development headcount to support new product development. Sales and marketing expenses increased 7% due to increase in sales related expenses associated with the increase in revenue and increase in trade shows and other marketing activities. General and administrative expenses increased 14% due to an increase in headcount, additional professional fees associated with Day's listing on the OTCQX and nonrecurring credits in the nine months ended September 30, 2006. Operating expenses for the nine months ended September 30, 2007 and 2006 include a TCHF 318 and TCHF 324 charge for share-based compensation expense, respectively.

Net income for the nine months ended September 30, 2007 was CHF 5.5 million, compared to net income of TCHF 850 for the nine months ended September 30, 2006. Provision for taxes for the nine months ended September 30, 2007 includes CHF 3.9 million tax benefit for a reduction in the deferred tax assets valuation allowance offset by a CHF 0.5 million current tax expense. Basic net income per share was CHF 3.93 for the nine months ended September 30, 2007, compared to basic net income per share of CHF 0.63 for the nine months ended September 30, 2006. Diluted net income per share was CHF 3.62 for the nine months ended September 30, 2007, compared to diluted net income per share of CHF 0.58 for the nine months ended September 30, 2006.

Employees

Total headcount as of September 30, 2007 and December 31, 2006 was 110 and 88, respectively. Headcount as of September 30, 2007 was allocated as follows: professional services 29%, research and development 31%, sales and marketing 26%, and general and administration 14%.

Consolidated Balance Sheets

(in thousands CHF, except share information)

(unaudited)

ASSETS	**September 30, 2007**	**December 31, 2006**
Current assets		
Cash and cash equivalents	12,656	8,499
Accounts receivable, net of allowance	5,688	5,874
Unbilled receivables	607	1,478
Other receivables	39	92
Prepaid expenses	453	203
Deferred tax assets	1,406	-
Total current assets	**20,849**	**16,146**
Non-current assets		
Property and equipment, net	380	250
Capitalized software development costs, net	1,976	1,537
Goodwill and intangible assets, net	2,997	3,137
Deferred tax assets	1,878	-
Other assets	79	76
Total non-current assets	**7,310**	**5,000**
TOTAL ASSETS	**28,159**	**21,146**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	747	592
Deferred revenue	3,914	4,207
Other current liabilities	582	522
Accrued liabilities	1,575	1,433
Total current liabilities	**6,818**	**6,754**
Deferred revenue less current portion	38	190
Long-term portion of unfunded pension obligation	1,705	1,705
Total liabilities	**8,561**	**8,649**
Shareholders' equity		
Share capital, CHF 10.00 par value; 1,430,914 shares issued and outstanding, 676,000 additional authorized and 598,656 conditional as of September 30, 2007; 1,381,664 shares issued and outstanding, 676,000 additional authorized and 647,906 conditional as of December 31, 2006.	14,309	13,817
Treasury shares	(416)	(1,255)
Additional paid-in capital	140,420	139,938
Accumulated deficit	(132,733)	(138,033)
Accumulated other comprehensive loss	(1,982)	(1,970)
Total shareholders' equity	**19,598**	**12,497**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**28,159**	**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 September 30, 2007	Three Months Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Revenues				
Software licenses	1,675	1,639	6,685	5,081
Product support	2,038	1,635	5,748	4,521
Services	2,573	1,204	5,851	4,428
Total revenues	**6,286**	**4,478**	**18,284**	**14,030**
Cost of revenues				
Software licenses	88	63	246	154
Product support and services	1,641	1,026	4,758	3,338
Total cost of revenues	**1,729**	**1,089**	**5,004**	**3,492**
Gross profit	**4,557**	**3,389**	**13,280**	**10,538**
Operating expenses				
Research and development	1,289	731	3,157	2,105
Sales and marketing	1,597	1,608	5,142	4,795
General and administrative	878	884	2,775	2,432
Amortization of acquired intangible assets	47	47	140	140
Income from operations	**746**	**119**	**2,066**	**1,066**
Interest income	38	10	85	26
Interest expense	-	-	(1)	(1)
Impairment of investments	-	-	-	(187)
Foreign exchange gain (loss)	(67)	(7)	6	(39)
Other income (expense)	25	(7)	36	(6)
Income before income taxes	**742**	**115**	**2,192**	**859**
Benefit (provision) for income taxes	(23)	-	3,317	(9)
Net income	**719**	**115**	**5,509**	**850**
Basic net income per share	**0.50**	**0.08**	**3.93**	**0.63**
Diluted net income per share	**0.45**	**0.08**	**3.62**	**0.58**
Shares used in computing basic net income per share	**1,436,569**	**1,363,647**	**1,402,716**	**1,359,078**
Shares used in computing diluted net income per share	**1,588,113**	**1,463,195**	**1,522,444**	**1,458,134**

See accompanying notes to these consolidated financial statements.

Consolidated Statements of Cash Flows

(in thousands CHF)

(unaudited)	**Nine Months Ended September 30, 2007**	**Nine Months Ended September 30, 2006**
Net income	5,509	850
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization of fixed assets	88	87
Amortization of acquired intangible assets	140	140
Amortization of capitalized software costs	234	130
Impairment of investments	-	187
Net foreign currency exchange losses	16	15
Share-based compensation	318	324
Changes in operating assets and liabilities		
Accounts receivable	115	4,095
Unbilled receivables	857	(999)
Prepaid expenses and other current assets	(204)	100
Deferred tax assets	(3,363)	-
Other assets	(4)	18
Accounts payable	174	(233)
Deferred revenues	(348)	(436)
Accrued liabilities	155	(784)
Other current liabilities	57	(255)
Net cash provided by operating activities	**3,744**	**3,239**
Cash flows from investing activities		
Capitalized software development cost	(673)	(397)
Purchases of equipment	(222)	(132)
Net cash used in investing activities	**(895)**	**(529)**
Cash flows from financing activities		
Proceeds from stock option exercises	719	275
Net proceeds from issuance of capital stock	-	120
Purchase of treasury shares	(2,351)	(1,976)
Proceeds from sale of treasury shares	2,918	2,152
Net cash provided by financing activities	**1,286**	**571**
Net increase in cash and cash equivalents	**4,135**	**3,281**
Foreign currency adjustment on cash	22	(8)
Cash and cash equivalents at beginning of period	8,499	4,256
Cash and cash equivalents at end of period	**12,656**	**7,529**

See accompanying notes to these consolidated financial statements.

Consolidated Statements of Shareholders' Equity

(in thousands CHF, except share information)

(unaudited)

	Share Capital		Treasury	Additional Paid-in	Accumulated	Accumulated Other Comprehensive	Total Shareholders'
	Shares	Amount	Shares	Capital	Deficit	Income (Loss)	Equity
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	49,250	492	-	227	-	-	719
Purchase of treasury shares	-	-	(2,351)	-	-	-	(2,351)
Proceeds from sale of treasury shares	-	-	3,190	(63)	(209)	-	2,918
Share-based compensation	-	-	-	318	-	-	318
Comprehensive income:							
Net income	-	-	-	-	5,509	-	5,509
Foreign currency translation	-	-	-	-	-	(12)	(12)
Total comprehensive income	-	-	-	-	-	-	5,497
Balances September 30, 2007	**1,430,914**	**14,309**	**(416)**	**140,420**	**(132,733)**	**(1,982)**	**19,598**

See accompanying notes to these consolidated financial statements.

Notes to Consolidated Interim Financial Statements
(unaudited)

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 September 30, 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 nine months ended September 30, 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.

Recent Accounting Standards

In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company is currently determining the impact FIN 48 will have on its consolidated financial statements.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (“SFAS 157”). SFAS 157 establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company is currently determining the impact SFAS 157 will have on its consolidated financial statements.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115* (“SFAS 159”). SFAS 159 permits entities to measure many financial instruments and certain other items at fair value at specified election dates and at subsequent reporting dates. The entity shall record unrealized gains and losses for items valued at fair value at each subsequent reporting date. This is referred to as the fair value option. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The Company is currently determining the impact SFAS 159 will have on its consolidated financial statements.

Note 3 – Capitalized Software Development Costs

Statement of Financial Accounting Standards 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 nine months ended September 30, 2007 and 2006 totaled TCHF 673 and TCHF 397, 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 was TCHF 85 and TCHF 56 for the three months ended September 30, 2007 and 2006, respectively, and TCHF 234 and TCHF 130 for the nine months ended September 30, 2007 and 2006, respectively.

Note 4 – Goodwill and Other Intangible Assets

Intangible assets as of September 30, 2007 include goodwill of TCHF 2,422 and other intangible assets (brand name) of TCHF 575, 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 Standards 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 nine months ended September 30, 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 September 30, 2007 and December 31, 2006 was TCHF 13,009 and TCHF 12,869, respectively. Amortization expense on these intangible assets totaled TCHF 47 for each of the three months ended September 30, 2007 and 2006, respectively, and TCHF 140 for each of the nine months ended September 30, 2007 and 2006. Amortization expense on 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 nine months ended September 30, 2007 and 2006.

Note 5 – Shareholders' Equity

Treasury Shares

The Company purchases and sells its own shares of common stock and accounts for these transactions under the cost method of accounting for treasury shares. Treasury shares are included in the Consolidated Balance Sheets as a reduction in Shareholders' Equity. Purchases of the Company's own shares are reported at cost as an increase in treasury shares. Sales of the Company's own shares are reported as a reduction in Treasury Shares based on the First in First Out ("FIFO") method. If the shares are sold at a price in excess of the original cost using the FIFO method (gain on sale), paid-in capital is increased for the gain on sale. If the shares are sold at a price less than the original cost using the FIFO method (loss on sale), paid-in capital is first decreased by an amount not to exceed the paid-in capital amount from previous treasury share transactions. Any remaining loss on sale is recorded as a decrease to retained earnings.

During the nine months ended September 30, 2007, the Company acquired 58,206 treasury shares at an average price of CHF 40.39 per share and sold 65,376 treasury shares at an average price of CHF 44.80 per share. The sale of treasury shares sold during the nine months ended September 30, 2007 resulted in a TCHF 63 decrease in paid-in capital and a TCHF 209 increase in accumulated deficit. There were 8,816 and 15,986 shares of capital stock in the treasury as of September 30, 2007 and December 31, 2006, respectively.

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 five and ten years, respectively. There are 324,253 shares of capital stock available for issuance under both the United States Option Plan and the International Option Plan as of September 30, 2007.

On January 1, 2006, the Company adopted Statement of Financial Accounting Standards 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 original grant date fair market value of the award calculated under the provisions of Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation*, 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

In thousands CHF	Three Months Ended September 30, 2007	Three Months Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Cost of revenues	5	4	21	12
Research and development	17	13	51	34
Sales and marketing	27	31	85	105
General and administrative	54	53	161	173
Total share-based compensation	**103**	**101**	**318**	**324**

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 is based on the Swiss Confederation bond yield 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

	Three Months Ended September 30, 2007	Three Months Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Risk free interest rate – International Plan	-	-	2.51-2.7%	2.25%
Risk free interest rate – United States Plan	-	-	2.51-2.7%	4.5-4.9%
Expected life (years) - International Plan	-	-	3.75	3-4.5
Expected life (years) - United States Plan	-	-	6.25	7
Expected volatility	-	-	41.2-42.5%	47-48.8%
Forfeiture rate - International Plan	-	-	-	14.51%
Forfeiture rate - United States Plan	-	-	-	6.1%
Dividend yield	-	-	-	-

Stock option activity under both stock option plans for the nine months ended September 30, 2007

	Number of Options	Weighted Average Exercise (per share in CHF)	Aggregate Intrinsic Value (In thousands CHF)
Outstanding, December 31, 2006	310,179	19.11	
Granted	25,000	30.36	
Exercised	(49,250)	14.60	
Forfeited or expired	(11,526)	20.24	
Outstanding, September 30, 2007	**274,403**	**20.90**	**6,970**
Exercisable, September 30, 2007	**211,428**	**19.81**	**5,601**

The total aggregate intrinsic value of options outstanding in the preceding table represents the difference in the Company's closing stock price on the last trading day in September 2007 and the exercise price of options outstanding multiplied by the number of options outstanding on September 30, 2007. The total aggregate intrinsic value of options exercisable in the preceding table represents the difference in the Company's closing stock price on the last trading day in September 2007 and the exercise price of options exercisable (or vested and outstanding) multiplied by the number of options exercisable on September 30, 2007. The total intrinsic value of options exercised was TCHF 378 and TCHF 13 for the three months ended September 30, 2007 and 2006, respectively, and TCHF 1,741 and TCHF 266 for the nine months ended September 30, 2007 and 2006, respectively.

Stock option activity for nonvested shares under both stock option plans for the nine months ended September 30, 2007

	Number of Options	Weighed Average Grant-Date Fair Value (per share in CHF)
Nonvested, December 31, 2006	64,511	11.72
Granted	25,000	12.65
Vested	(26,388)	11.54
Forfeited or expired	(148)	7.70
Nonvested, September 30, 2007	**62,975**	**11.66**

The weighted-average grant-date fair value per share of options granted was CHF 12.65 and CHF 11.12 for the nine months ended September 30, 2007 and 2006, respectively.

Summary of stock options outstanding under both stock option plans as of September 30, 2007

	Options Outstanding			Options Exercisable	
Range of Exercise Prices (per share in CHF)	Number of Options	Weighted Average Contractual Life Remaining (Years)	Weighted Average Exercise Price (per share in CHF)	Number of Options	Weighted Average Exercise Price (per share in CHF)
10.00 - 14.00	59,867	3.54	13.05	59,376	13.04
15.05 - 19.75	37,857	3.63	17.21	32,210	17.14
20.10 - 24.30	126,939	5.46	21.34	94,065	21.17
27.10 - 29.00	13,640	8.10	28.04	3,534	28.15
30.00 - 35.00	36,100	4.23	33.55	22,243	34.67
Totals	**274,403**			**211,428**	

As of September 30, 2007, total share-based compensation cost not yet recognized related to nonvested share-based arrangements was TCHF 734. This cost is estimated to be recognized over a weighted average period of 2.1 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 nine months ended September 30, 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 was TCHF 100 and TCHF 91 for the three months ended September 30, 2007 and 2006, respectively, and TCHF 288 and TCHF 267 for the nine months ended September 30, 2007 and 2006, respectively.

Note 8 – Net Income Per Share

Basic net income per share is computed by dividing net income by the weighted average number of shares outstanding during the period.

Diluted net income per share is computed by dividing net income by the weighted average number of shares outstanding plus dilutive potential common shares. Dilutive potential common shares are stock options outstanding with a dilutive effect which is determined using the treasury stock method.

Common stock equivalents attributable to outstanding stock options totaling 0 and 50,040 for the three months ended September 30, 2007 and 2006, respectively, and 10,000 and 70,508 for the nine months ended September 30, 2007 and 2006, respectively, have been excluded from the calculation of the weighed average shares outstanding as the effects are anti-dilutive.

Note 9 – Income Taxes

The components of the benefit (provision) for income taxes

In thousands CHF	Three Months Ended September 30, 2007	Three Months Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Current	(23)	-	(571)	(9)
Deferred		-	3,888	-
Total benefit (provision) for income	**(23)**	**(1)**	**3,317**	**(9)**

A substantial portion of the Company's operations are outside of Switzerland and in various countries with different tax laws and rates. The current provision for income taxes is based on income generated in various countries.

The Company records a valuation allowance to reduce its deferred tax assets to the level that management believes will more likely than not be realized. As of December 31, 2006, the Company had recorded a full valuation allowance with respect to its deferred tax assets as management believed that is was more likely than not that some portion or all of the deferred tax assets would not be realized based on historical losses in many of the countries. In June 2007, management reassessed the Company's ability to realize its deferred tax assets based on historical income and estimated projected discounted future taxable income for each country and determined that a reduction in the valuation allowance on some deferred tax assets would be appropriate. The reduction in the valuation allowance of CHF 3,888 is recorded as a tax benefit in the provision for taxes in the consolidated statements of operations for the nine months ended September 30, 2007. The Company may need to adjust the valuation allowance for deferred tax assets in the future if actual future taxable income by country is significantly different than management's estimates for future taxable income by county.

Note 10 – 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

	Three Months Ended September 30,		Nine Months Ended September 30,	
In thousands CHF	**2007**	**2006**	**2007**	**2006**
Revenues				
Europe	2,922	2,227	10,076	7,278
Americas	3,298	1,952	8,063	6,207
Asia Pacific	66	459	145	1,093
Elimination of intergeographic revenues	-	(160)	-	(548)
Total revenues	**6,286**	**4,478**	**18,284**	**14,030**

	September 30, 2007	December 31, 2006
Assets		
Europe	22,057	16,266
Americas	6,102	4,880
Total assets	**28,159**	**21,146**

Note 11 – 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, 2007 and December 31, 2006.

Note 12 – 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 September 30, 2007 and December 31, 2006, 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.

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, Deutsche Bank, 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

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The English text of this report represents the binding version.