

● Day

H108

# Day Software Report for the First Half of 2008

## Results in Detail

### First Half

Total revenues for the first half of 2008 amounted to TCHF 13,241, compared to TCHF 11,998 for the first half of 2007. Software license revenues for the first half of 2008 amounted to TCHF 5,751 or 43% of total revenues, compared to TCHF 5,010 for the first half of 2007 or 42% of total revenues. Product support revenues for the first half of 2008 increased 20% to TCHF 4,437, compared to TCHF 3,710 for the first half of 2007 due to growing customer base. Services revenues for the first half of 2008 decreased 7% to TCHF 3,053, compared to TCHF 3,278 for the first half of 2007. Service revenues were less than anticipated due to the utilization of the service personnel on new product development during the first half of 2008.

The Company generated total revenues of TCHF 7,021 (or 53% of total revenues) in Europe and TCHF 6,220 (or 47% of total revenues) in the Americas in the first half of 2008, as compared to TCHF 7,153 (or 60% of total revenues) in Europe and TCHF 4,845 (or 40% of total revenues) in the Americas in the first half of 2007. Revenues generated in Asia Pacific, representing less than 1% of total revenues, have been included in the revenues for the Americas in the preceding figures. The United States was the country contributing the greatest amount of revenues in the both the first half of 2008 and 2007.

Cost of revenues for the first half of 2008 decreased 3% to TCHF 3,183, compared to TCHF 3,275 for the first half of 2007 due to decrease in service revenue.

Gross profit for the first half of 2008 increased 15% to TCHF 10,058, compared to TCHF 8,723 for the first half of 2007 due to the increase in software license and product support revenues. The gross profit margin for the first half of 2008 was 76%, compared to 73% for the first half of 2007.

Operating expenses for the first half of 2008 increased TCHF 2,993 or 40% to TCHF 10,396, as compared to TCHF 7,403 for the first half of 2007. Research and development expenses increased 84% due to increase in new product development. Capitalized software development costs were TCHF 0 and TCHF 608 during the first half of 2008 and 2007, respectively. Sales and marketing expenses increased 29% due to an 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 20% due to additional personnel costs, facility costs and professional fees incurred to support the company growth. Operating expenses for the first half of 2008 and 2007 included a TCHF 311 and TCHF 215 charge for share-based compensation expense, respectively.

Net loss for the first half of 2008 was TCHF 401, compared to net income of TCHF 4,790 for the first half of 2007. Provision for taxes for the first half of 2007 included a TCHF 3,888 tax benefit for a reduction in the deferred tax asset valuation allowance. Basic loss per share was CHF 0.28 for the first half of 2008, compared to basic earnings per share of CHF 3.46 for the first half of 2007. Diluted loss per share was CHF 0.28 for the first half of 2008, compared to diluted earnings per share of CHF 3.22 for the first half of 2007.

## **Second Quarter**

Total revenues for the second quarter of 2008 amounted to TCHF 5,849, compared to TCHF 5,576 for the second quarter of 2007. Software license revenues for the second quarter of 2008 amounted to TCHF 1,495 or 26% of total revenues, compared to TCHF 1,956 for the second quarter of 2007 or 35% of total revenues. Product support revenues for the second quarter of 2008 increased 23% to TCHF 2,345, compared to TCHF 1,913 for the second quarter of 2007 due to growing customer base. Services revenues for the second quarter of 2008 increased 18% to TCHF 2,009, compared to TCHF 1,707 for the second quarter of 2007. Service revenues were less than anticipated due to the utilization of the service personnel on new product development during the second quarter of 2008.

The Company generated total revenues of TCHF 3,217 (or 55% of total revenues) in Europe and TCHF 2,632 (or 45% of total revenues) in the Americas in the second quarter of 2008, as compared to TCHF 2,616 (or 47% of total revenues) in Europe and TCHF 2,960 (or 53% of total revenues) in the Americas in the second quarter of 2007. Revenues generated in Asia Pacific, representing less than 1% of total revenues, have been included in the revenues for the Americas in the preceding figures. The United States was the country contributing the greatest amount of revenues in the both the second quarter of 2008 and 2007.

Cost of revenues for the second quarter of 2008 decreased 1% to TCHF 1,658, compared to TCHF 1,682 for the second quarter of 2007.

Gross profit for the second quarter of 2008 increased 8% to TCHF 4,191, compared to TCHF 3,894 for the second quarter of 2007 due to the increase in revenues. The gross profit margin for the second quarter of 2008 was 72%, compared to 70% for the second quarter of 2007.

Operating expenses for the second quarter of 2008 increased TCHF 1,315 or 34% to TCHF 5,134, as compared to TCHF 3,819 for the second quarter of 2007. Research and development expenses increased 73% due to increase in new product development. Capitalized software development costs were TCHF 0 and TCHF 289 during the second quarter of 2008 and 2007, respectively. Sales and marketing expenses increased 15% due to an 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 31% due to additional personnel costs, facility costs and professional fees incurred to support the company growth. Operating expenses for the second quarter of 2008 and 2007 included a TCHF 182 and TCHF 121 charge for share-based compensation expense, respectively.

Net loss for the second quarter of 2008 was TCHF 887, compared to net income of TCHF 3,530 for the second quarter of 2007. Provision for taxes for the second quarter of 2007 included a TCHF 3,888 tax benefit for a reduction in the deferred tax asset valuation allowance. Basic loss per share was CHF 0.62 for the second quarter of 2008, compared to basic earnings per share of CHF 2.53 for the second quarter of 2007. Diluted loss per share was CHF 0.62 for the second quarter of 2008, compared to diluted earnings per share of CHF 2.33 for the second quarter of 2007.

## **Employees**

Total headcount as of June 30, 2008 and 2007 was 127 and 106, respectively. Headcount as of June 30, 2008 was allocated as follows: professional services 32%, research and development 31%, sales and marketing 23%, and general and administration 14%.

## CONSOLIDATED BALANCE SHEETS

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

	June 30, 2008	December 31, 2007
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	15,183	11,521
Accounts receivable, net of allowance	6,487	9,037
Unbilled receivables	102	618
Prepaid expenses	871	675
Deferred tax assets	1,500	1,565
Other current assets	57	144
<b>Total current assets</b>	<b>24,200</b>	<b>23,560</b>
<b>Non-current assets</b>		
Property and equipment, net	367	394
Capitalized software development costs, net	1,721	1,891
Goodwill and intangible assets, net	2,858	2,951
Deferred tax assets	2,624	2,746
Other assets	95	100
<b>Total non-current assets</b>	<b>7,665</b>	<b>8,082</b>
<b>TOTAL ASSETS</b>	<b>31,865</b>	<b>31,642</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	963	1,303
Accrued liabilities	1,855	2,343
Deferred revenue	5,701	4,131
Other current liabilities	271	556
<b>Total current liabilities</b>	<b>8,790</b>	<b>8,333</b>
Deferred revenue less current portion	428	102
Long-term portion of unfunded pension obligation	1,720	1,720
<b>Total liabilities</b>	<b>10,938</b>	<b>10,155</b>
<b>Shareholders' equity</b>		
Share capital, CHF 10.00 par value; 1,449,823 shares issued and outstanding, 718,500 shares authorized, 706,110 shares conditional as of June 30, 2008; 1,437,433 shares issued and outstanding, 676,000 shares authorized, 592,137 shares conditional as of December 31, 2007.	14,498	14,374
Treasury shares	(610)	(620)
Additional paid-in capital	140,877	140,568
Accumulated deficit	(131,736)	(131,227)
Accumulated other comprehensive loss	(2,102)	(1,608)
<b>Total shareholders' equity</b>	<b>20,927</b>	<b>21,487</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>31,865</b>	<b>31,642</b>

See accompanying notes to the consolidated financial statements.

## CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
<b>Revenues</b>				
Software licenses	1,495	1,956	5,751	5,010
Product support	2,345	1,913	4,437	3,710
Services	2,009	1,707	3,053	3,278
<b>Total revenues</b>	<b>5,849</b>	<b>5,576</b>	<b>13,241</b>	<b>11,998</b>
<b>Cost of revenues</b>				
Software licenses	85	89	173	158
Product support and services	1,573	1,593	3,010	3,117
<b>Total cost of revenues</b>	<b>1,658</b>	<b>1,682</b>	<b>3,183</b>	<b>3,275</b>
<b>Gross profit</b>	<b>4,191</b>	<b>3,894</b>	<b>10,058</b>	<b>8,723</b>
<b>Operating expenses</b>				
Research and development	1,759	1,014	3,435	1,868
Sales and marketing	2,073	1,800	4,584	3,545
General and administrative	1,256	959	2,284	1,897
Amortization of acquired intangible asse	46	46	93	93
<b>Income (loss) from operations</b>	<b>(943)</b>	<b>75</b>	<b>(338)</b>	<b>1,320</b>
Interest income	27	35	68	47
Interest expense	(1)	(1)	(2)	(1)
Foreign exchange gain (loss)	37	41	(120)	73
Other income	1	18	20	11
<b>Income (loss) before taxes</b>	<b>(879)</b>	<b>168</b>	<b>(372)</b>	<b>1,450</b>
Benefit (provision) for taxes	(8)	3,362	(29)	3,340
<b>Net income (loss)</b>	<b>(887)</b>	<b>3,530</b>	<b>(401)</b>	<b>4,790</b>
<b>Basic earnings (loss) per share</b>	<b>(0.62)</b>	<b>2.53</b>	<b>(0.28)</b>	<b>3.46</b>
<b>Diluted earnings (loss) per share</b>	<b>(0.62)</b>	<b>2.33</b>	<b>(0.28)</b>	<b>3.22</b>
<b>Shares used in computing basic earnings (loss) per share</b>	<b>1,427,357</b>	<b>1,393,861</b>	<b>1,425,367</b>	<b>1,385,789</b>
<b>Shares used in computing diluted earnings (loss) per share</b>	<b>1,427,357</b>	<b>1,515,910</b>	<b>1,425,367</b>	<b>1,487,048</b>

See accompanying notes to the consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands CHF)  
(unaudited)

	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
<b>Net income (loss)</b>	(401)	4,790
<b>Adjustments to reconcile net income (loss) to net cash provided by operating activities</b>		
Depreciation and amortization of fixed assets	77	52
Amortization of acquired intangible assets	93	93
Amortization of capitalized software costs	170	149
Net foreign currency exchange (gain) loss	22	(47)
Share-based compensation	311	215
<b>Changes in operating assets and liabilities</b>		
Accounts receivable	2,145	1,122
Unbilled receivables	520	730
Prepaid expenses and other current assets	(155)	(383)
Deferred tax assets	-	(3,368)
Other assets	-	(4)
Accounts payable	(264)	112
Deferred revenues	2,155	521
Accrued liabilities	(431)	100
Other current liabilities	(262)	92
<b>Net cash provided by operating activities</b>	<b>3,980</b>	<b>4,174</b>
<b>Cash flows from investing activities</b>		
Capitalized software development cost	-	(608)
Purchases of equipment	(64)	(208)
<b>Net cash used in investing activities</b>	<b>(64)</b>	<b>(816)</b>
<b>Cash flows from financing activities</b>		
Proceeds from stock option exercises	167	579
Purchase of treasury shares	(657)	(1,459)
Proceeds from sale of treasury shares	514	2,428
<b>Net cash provided by financing activities</b>	<b>24</b>	<b>1,548</b>
<b>Net increase in cash and cash equivalents</b>	<b>3,940</b>	<b>4,906</b>
Foreign currency adjustment on cash	(278)	78
Cash and cash equivalents at beginning of period	11,521	8,499
<b>Cash and cash equivalents at end of period</b>	<b>15,183</b>	<b>13,483</b>

See accompanying notes to the 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					
<b>Balances</b>							
<b>January 1, 2007</b>	<b>1,381,664</b>	<b>13,817</b>	<b>(1,255)</b>	<b>139,938</b>	<b>(138,033)</b>	<b>(1,970)</b>	<b>12,497</b>
Proceeds from exercise of stock options	55,769	557	-	249	-	-	806
Purchase of treasury shares	-	-	(3,098)	-	-	-	(3,098)
Proceeds from sale of treasury shares	-	-	3,733	(46)	(209)	-	3,478
Share-based compensation	-	-	-	427	-	-	427
Comprehensive income (loss):							
Prior service cost	-	-	-	-	-	531	531
Net income	-	-	-	-	7,015	-	7,015
Foreign currency translation	-	-	-	-	-	(169)	(169)
Total comprehensive income (loss)	-	-	-	-	-	-	<u>7,377</u>
<b>Balances</b>							
<b>December 31, 2007</b>	<b>1,437,433</b>	<b>14,374</b>	<b>(620)</b>	<b>140,568</b>	<b>(131,227)</b>	<b>(1,608)</b>	<b>21,487</b>
Proceeds from exercise of stock options	12,390	124	-	43	-	-	167
Purchase of treasury shares	-	-	(657)	-	-	-	(657)
Proceeds from sale of treasury shares	-	-	667	(45)	(108)	-	514
Share-based compensation	-	-	-	311	-	-	311
Comprehensive income (loss):							
Net loss	-	-	-	-	(401)	-	(401)
Foreign currency translation	-	-	-	-	-	(494)	(494)
Total comprehensive income (loss)	-	-	-	-	-	-	<u>(895)</u>
<b>Balances</b>							
<b>June 30, 2008</b>	<b>1,449,823</b>	<b>14,498</b>	<b>(610)</b>	<b>140,877</b>	<b>(131,736)</b>	<b>(2,102)</b>	<b>20,927</b>

See accompanying notes to the 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 management and content infrastructure software. The Company’s technology, Communiqué (CQ), offers a comprehensive, rapidly deployable framework to unify and manage all digital business data, systems, applications and processes through the web. The Company’s infrastructure technology, CRX, is a java content repository that fully implements the Java Content Repository API (JCR) standard that makes business content easily accessible for business applications. 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 2008 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, 2007, 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 June 30, 2008, notes explaining any significant changes that have occurred since December 31, 2007 and the consolidated results of its operations and cash flows for the six months ended June 30, 2008. The consolidated results of such interim periods are not necessarily indicative of the results to be achieved for the period ended December 31, 2008.

#### 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.

#### Foreign Currency

The functional currencies of the Company's foreign subsidiaries are their respective local currencies. Translation adjustments of local currency financial statements into the Swiss Franc (“CHF”) are reflected as a component of other comprehensive income. Foreign exchange gains and (losses) resulting from specific foreign currency transactions are included in the consolidated statements of operations. Foreign exchange gains (losses) were TCHF 37 and TCHF 41 for the three months ended June 30, 2008 and 2007, respectively, and TCHF (120) and TCHF 73 for the six months ended June 30, 2008 and 2007, respectively.

### **Recent Accounting Standards**

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’s adoption of SFAS 157 effective January 1, 2008 did not have an impact 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 make an irrevocable election 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. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The Company chose not to elect the fair value option for any of its financial assets and financial liabilities.

### **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. Capitalized software development costs were TCHF 0 and TCHF 289 for the three months ended June 30, 2008 and 2007, respectively, and TCHF 0 and TCHF 608 for the six months ended June 30, 2008 and 2007, respectively. Monthly amortization of capitalized software development costs, charged to cost of revenues – software licenses in the statement of operations, are 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 of capitalized software development costs was TCHF 85 for the three months ended June 30, 2008 and 2007 and TCHF 170 and TCHF 149 for the six months ended June 30, 2008 and 2007, respectively.

## Note 4 – Goodwill and Other Intangible Assets

Intangible assets as of June 30, 2008 include goodwill, net of amortization and impairment, of TCHF 2,422 and other intangible assets with finite useful lives, net of amortization and impairment, of TCHF 436. These intangible assets resulted from the acquisition of MarketingNet Ltd. in October 2000.

### Goodwill

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 indefinite useful lives 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 six months ended June 30, 2008 and 2007.

### Intangible Assets with Finite Useful Lives

In thousands CHF	Six Months Ended June 30, 2008			Year Ended December 31, 2007		
	Gross	Accumulated	Net	Gross	Accumulated	Net
	Carrying Amount	Amortization /Impairment	Carrying Amount	Carrying Amount	Amortization /Impairment	Carrying Amount
Brand Name	3,250	(2,814)	436	3,250	(2,721)	529
Non-Compete Agreement	10,335	(10,335)	-	10,335	(10,335)	-
<b>Total</b>	<b>13,585</b>	<b>(13,149)</b>	<b>436</b>	<b>13,585</b>	<b>(13,056)</b>	<b>529</b>

Intangible assets with finite 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. Intangible asset amortization expense was TCHF 46 for the three months ended June 30, 2008 and 2007 and TCHF 93 for the six months ended June 30, 2008 and 2007. Intangible asset amortization expense is estimated to be TCHF 187 in each of the years 2008 through 2010. There were no impairment charges recorded on these intangibles assets during the six months ended June 30, 2008 and 2007.

## **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.

The Company acquired 18,903 treasury shares at an average price of CHF 34.74 per share and sold 14,876 treasury shares at an average price of CHF 35.46 per share during the six months ended June 30, 2008. The sale of treasury shares sold during the six months ended June 30, 2008 resulted in a TCHF 45 decrease in paid-in capital and a TCHF 108 increase in accumulated deficit. There were 17,743 and 13,716 shares of capital stock in the treasury as of June 30, 2008 and December 31, 2007, 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 a total of 338,416 shares of capital stock available for issuance under the two stock options plans as of June 30, 2008.

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

In thousands CHF	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Cost of revenues	16	7	26	16
Research and development	26	19	49	34
Sales and marketing	56	34	95	58
General and administrative	84	61	141	107
<b>Total share-based compensation</b>	<b>182</b>	<b>121</b>	<b>311</b>	<b>215</b>

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 June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Risk free interest rate – United States Plan	3.14%	2.70%	3.14-3.25%	2.51-2.70%
Expected life (years) - International Plan	3.75	3.75	3.75	3.75
Expected life (years) - United States Plan	-	6.25	6.25	6.25
Expected volatility	43.90%	41.20%	43.90-44.70%	41.20-42.50%
Forfeiture rate - International Plan	-	-	-	-
Forfeiture rate - United States Plan	-	-	-	-
Dividend yield	-	-	-	-

### Stock option activity under both stock option plans for the six months ended June 30, 2008

	Number of Options	Weighted Average Exercise Price (per share in CHF)	Aggregate Intrinsic Value (In thousands CHF)
Outstanding, December 31, 2007	270,884	21.24	
Granted	110,200	33.65	
Exercised	(12,390)	13.48	263
Forfeited or expired	(1,000)	23.00	
Outstanding, June 30, 2008	<b>367,694</b>	<b>25.22</b>	<b>2,560</b>
Exercisable, June 30, 2008	<b>227,495</b>	<b>21.18</b>	<b>2,370</b>

The total aggregate intrinsic value of options exercised was calculated as the difference in the Company's stock price on the day of exercise and the exercise price of options exercised multiplied by the number of options exercised. The total aggregate intrinsic value of options outstanding was calculated as the difference in the Company's closing stock price on the last trading day in the period and the exercise price of options outstanding on the last day in the period multiplied by the number of options outstanding on the last day of the period. The total aggregate intrinsic value of options exercisable was calculated as the difference in the Company's closing stock price on the last trading day in the period and the exercise price of options exercisable (or vested and outstanding) on the last day in the period multiplied by the number of options exercisable (or vested and outstanding) on the last day of the period.

Total share-based compensation cost not yet recognized related to nonvested share-based arrangements was TCHF 1,808 as of June 30, 2008. This cost is estimated to be recognized over a weighted average period of 3.1 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 six months ended June 30, 2008 and 2007.

### **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 133 and TCHF 98 for the three months ended June 30, 2008 and 2007, respectively, and TCHF 259 and 188 TCHF for the six months ended June 30, 2008 and 2007, respectively.

## **Note 8 – Earnings Per Share**

Basic earnings (loss) per share is computed by dividing net income by the weighted average number of shares outstanding during the period. Diluted earnings per share is computed by dividing net income by the weighted average number of shares outstanding plus the dilutive effect of outstanding stock options using the treasury stock method. Diluted loss per share is the same as basic loss per share for the three and six months ended June 30, 2008 as the effect of the assumed exercise of stock options is anti-dilutive. Outstanding stock options totaling 12,000 and 25,600 for the three and six months ended June 30, 2007, respectively, have been excluded from the calculation of the weighed average shares outstanding as the effects are anti-dilutive.

## **Note 9 – Income Taxes**

A substantial portion of the Company's operations is 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 income tax benefit (provision) was TCHF (8) and TCHF 3,362 for the three months ended June 30, 2008 and 2007, respectively, and TCHF (29) and TCHF 3,340 for the six months ended June 30, 2008 and 2007, respectively.

The Company has deferred tax assets primarily as a result of net operating loss carryforwards. The Company has recorded a valuation allowance to reduce these deferred tax assets to the level that management believes will more likely than not be realized. Management periodically reassesses its estimate of the Company's ability to realize its deferred tax assets based on historical income and estimated projected discounted future taxable income for each country to determine if a change in the valuation allowance would be appropriate. 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 was recorded as a tax benefit in the provision for taxes in the consolidated statements of operations for the three months ended June 30, 2007. The Company may need to adjust the valuation allowance for deferred tax assets in the future if actual future taxable income is significantly different than management's estimates for future taxable income by country. Deferred tax assets net of the valuation allowance were TCHF 4,124 and TCHF 4,311 at June 30, 2008 and December 31, 2007, respectively.

## 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 and the Americas. Revenues generated in Asia Pacific, representing less than 1% of total revenues, have been included in the revenues for the Americas. The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

### Segments by geographic area of origin

In thousands CHF	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
<b>Total Revenues</b>				
Europe	3,217	2,616	7,021	7,153
Americas	2,632	2,960	6,220	4,845
<b>Total</b>	<b>5,849</b>	<b>5,576</b>	<b>13,241</b>	<b>11,998</b>
<b>Software License Revenues</b>				
Europe	729	574	2,825	3,000
Americas	766	1,382	2,926	2,010
<b>Total</b>	<b>1,495</b>	<b>1,956</b>	<b>5,751</b>	<b>5,010</b>
<b>Product Support Revenues</b>				
Europe	1,334	1,224	2,548	2,302
Americas	1,011	689	1,889	1,408
<b>Total</b>	<b>2,345</b>	<b>1,913</b>	<b>4,437</b>	<b>3,710</b>
<b>Services Revenues</b>				
Europe	1,154	818	1,648	1,851
Americas	855	889	1,405	1,427
<b>Total</b>	<b>2,009</b>	<b>1,707</b>	<b>3,053</b>	<b>3,278</b>
<b>Net Income (Loss)</b>				
Europe	(609)	1,226	(15)	2,394
Americas	(278)	2,304	(386)	2,396
<b>Total Net Income (Loss)</b>	<b>(887)</b>	<b>3,530</b>	<b>(401)</b>	<b>4,790</b>

## **Note 11 – Commitments and Contingencies**

### **Indemnification Clauses in Software License Agreements**

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 June 30, 2008 and December 31, 2007.

### **Loan Agreements**

The Company has 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. There were no borrowings against this loan agreement as of June 30, 2008 and December 31, 2007.

## About Day ([www.day.com](http://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, 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. 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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