LAWSON

Lawson Software Reports Third Quarter Fiscal 2011 Financial Results

- GAAP software revenues increase 9 percent year-over-year; non-GAAP software revenues increase 7 percent
- GAAP operating income rises 92 percent year-over-year; non-GAAP operating income rises 24 percent
- GAAP EPS of $0.13 up from $0.01 last year; non-GAAP EPS of $0.14 up 32 percent

ST. PAUL, Minn.--Lawson Software, Inc. (Nasdaq: LWSN) today reported financial results for its third quarter of fiscal year 2011, which ended Feb. 28, 2011. As reported under generally accepted accounting principles (GAAP) revenues were $196 million with operating income of $22.3 million and net income of $21.4 million, or diluted earnings per share (EPS) of $0.13. These results increased compared to third quarter of fiscal year 2010 revenues of $186 million with operating income of $11.6 million and net income of $1.7 million, or EPS of $0.01.

GAAP operating income for the quarter rose 92 percent to $22.3 million resulting primarily from a $12.8 million increase in gross profit. The increase in gross profit was largely driven by a 9 percent increase in software revenues. Net income increased to $21.4 million compared to $1.7 million in fiscal 2010 due, in part, to the improvements in operating income but also due to a gain of $3 million from the settlement of a bankruptcy claim against Lehman Brothers OTC Derivatives Inc. (Lehman OTC) and a gain of $1.2 million related to the sale of marketable securities in the quarter. Net income was also favorably impacted by a $4.7 million decrease in the provision for income taxes.

Non-GAAP results also increased compared to last year. Total non-GAAP revenues for the third quarter of fiscal 2011 were $197.9 million with operating income of $36.9 million and net income of $23.9 million, or EPS of $0.14. These results increased compared to non-GAAP revenues of $188.6 million, operating income of $29.9 million and net income of $17.8 million, or EPS of $0.11 in the third quarter of fiscal year 2010. Third quarter of fiscal 2011 non-GAAP results include $1.9 million of revenues impacted by purchase accounting adjustments and exclude $12.7 million of pre-tax expenses for amortization of acquired intangibles, non-cash share-based compensation, amortization of purchased maintenance contracts, integration expenses and a pension gain adjustment, partly offset by a restructuring adjustment. Non-GAAP net income and EPS also exclude $2.3 million of pre-tax expense for non-cash convertible notes interest and $3 million of pre-tax income resulting from the settlement of a bankruptcy claim against Lehman OTC. Non-GAAP net income and EPS include a provision for income taxes based upon a rate of 35 percent in fiscal 2011, which is applied consistently throughout the year.

“Lawson delivered a strong third quarter and we are pleased with our continued progress across both business segments during the period,” said Harry Debes, president and chief executive officer. “The total value of software license contracts signed in the quarter grew by 27 percent, led by robust sales in our Healthcare vertical. Non-GAAP operating margin of nearly 19 percent improved year-over-year, driven by increases in both S3 and M3 segment profitability. We completed the annual maintenance renewal cycle for our international customers and renewals rose to an estimated 94 percent. All of these items contributed to a 68 percent increase in cash from operations to $73 million in the quarter.”

Financial Guidance

On Mar. 11, 2011, Lawson issued a press release confirming that it had received an unsolicited, non-binding proposal to acquire all of the company's outstanding common stock at a price of $11.25 per share in cash. In that statement, Lawson also announced that its board of directors had retained Barclays Capital, Inc. as its financial advisor to assist in evaluating the proposal, as well as other possible strategic alternatives and that the company did not intend to comment further regarding the matter unless and until an agreement is reached, discussions have been terminated or the board concludes its strategic review. In light of these developments, the company is not providing any financial guidance at this time.

Supplemental Remarks in lieu of Conference Call

The company has canceled its conference call and webcast previously scheduled for 5 p.m. EDT (4 p.m. CDT) Mar. 31, 2011.

In lieu of the previously scheduled conference call and webcast, Lawson is making available supplemental remarks to provide interested parties with additional company commentary regarding its third quarter results. The supplemental remarks are available on the company’s Investor Relations web page at www.lawson.com/investor.

About Lawson Software

Lawson Software is a global provider of enterprise software. We provide business application software, maintenance and consulting to customers primarily in specific services, trade and manufacturing/distribution industries. We specialize in and target specific industries including healthcare, services, public sector, equipment service management & rental, manufacturing & distribution and consumer products industries. Our software solutions include Enterprise Financial Management, Human Capital Management, Business Intelligence, Asset Management, Enterprise Performance Management, Supply Chain Management, Service Management, Manufacturing Operations, Business Project Management and industry-tailored applications. Our applications help automate and integrate critical business processes, which enable our customers to collaborate with their partners, suppliers and employees, reduce costs and enhance business or operational performance. Lawson is headquartered in St. Paul, Minn., and has offices around the world. Visit Lawson online at www.lawson.com. For Lawson’s listing on the First North exchange in Sweden, Remium AB is acting as the

Certified Adviser.

Forward-Looking Statements

This press release contains forward-looking statements that contain risks and uncertainties. These forward-looking statements contain statements of intent, belief or current expectations of Lawson Software and its management. Such forward-looking statements are not guarantees of future results and involve risks and uncertainties that may cause actual results to differ materially from the potential results discussed in the forward-looking statements. The company is not obligated to update forward-looking statements based on circumstances or events that occur in the future. Risks and uncertainties that may cause such differences include but are not limited to: uncertainties in the software industry; uncertainties as to when and whether the conditions for the recognition of deferred revenue will be satisfied; uncertainties as to when and whether signed software license contracts will meet the conditions for the recognition of revenue; uncertainty that a definitive agreement with respect to a potential sale of Lawson will be reached or the terms thereof; the ability to complete such a transaction on a timely basis; the risk that, prior to the completion of any such transaction, Lawson's business may experience significant disruptions, including loss of customers or employees, due to transaction-related uncertainty or other factors; the possibility that legal proceedings may be instituted against Lawson and/or others relating to any such transaction and the outcome of such proceedings; increased competition; the impact of foreign currency exchange rate fluctuations; continuation of the global recession and credit crisis; Lawson's ability to integrate acquisitions successfully; changes in conditions in the company's targeted industries; the impact of the earthquakes in Japan and New Zealand on the business environment; the outcome of pending litigation and other risk factors listed in the company's most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission. Lawson assumes no obligation to update any forward-looking information contained in this press release.

Use of Non-GAAP Financial Measure Reconciliations

We believe our presentation of non-GAAP revenues, operating income, operating margin, net income and diluted net income per share provide meaningful insight into our operating performance and an alternative perspective of our results of operations. We use these non-GAAP measures to assess our operating performance, develop budgets, serve as a measurement for incentive compensation awards and manage expenditures. Presentation of these non-GAAP measures allows investors to review our results of operations from the same perspective as management and our Board of Directors. These non-GAAP financial measures provide investors an enhanced understanding of our operations, facilitate investors' analysis and comparisons of our current and past results of operations, facilitate comparisons of our operating results with those of our competitors and provide insight into the prospects of our future performance. We also believe that the non-GAAP measures are useful to investors because they provide supplemental information that research analysts frequently use to analyze software companies including those that have recently made significant acquisitions.

The method we use to produce non-GAAP results is not in accordance with U.S. GAAP and may differ from the methods used by other companies. These non-GAAP results should not be regarded as a substitute for corresponding U.S. GAAP measures but instead should be utilized as a supplemental measure of operating performance in evaluating our business. Non-GAAP measures do have limitations in that they do not reflect certain items that may have a material impact upon our reported financial results. As such, these non-GAAP measures should be viewed in conjunction with both our financial statements prepared in accordance with U.S. GAAP and the reconciliation of the supplemental non-GAAP financial measures to the comparable U.S. GAAP results provided for each period presented, which are attached to this release.

The non-GAAP adjustments we make to our reported U.S. GAAP results are primarily related to purchase accounting and other acquisition matters, significant non-cash accounting charges and restructuring charges.

Our primary non-GAAP reconciling items are as follows:

Purchase Accounting Impact on Revenue - Our non-GAAP financial results include pro forma adjustments to increase maintenance and consulting revenues that we would have recognized if we had not adjusted acquired deferred revenues to their fair values as required by U.S. GAAP. Certain deferred revenues for maintenance and consulting on the acquired entity's balance sheet, at the time of the acquisition, were eliminated from U.S. GAAP results as part of the purchase accounting for the acquisition. As a result, our U.S. GAAP results do not, in management's view, reflect all of our maintenance and consulting activity. We believe the inclusion of the non-GAAP revenue adjustment provides investors a helpful alternative view of Lawson's maintenance and consulting operations.

Amortization of Purchased Maintenance Contracts - We have excluded amortization of purchased maintenance contracts from our non-GAAP results. The purchase price related to these contracts is being amortized based upon the proportion of future cash flows estimated to be generated each period over the estimated useful lives of the contracts. We believe that the exclusion of the amortization expense related to the purchased maintenance contracts provides investors an enhanced understanding of our results of operations.

Share-Based Compensation - Expense related to stock-based compensation has been excluded from our non-GAAP results of operations. These charges consist of the estimated fair value of share-based awards including stock options, restricted stock, restricted stock units and share purchases under our employee stock purchase plan. While the charges for stock-based compensation are of a recurring nature, as we grant stock-based awards to attract and retain quality employees and as an incentive to help achieve financial and other corporate goals, we exclude them from our results of operation in assessing our operating performance. These charges are typically non-cash and are often the result of complex calculations using an option-pricing model that estimates stock-based awards' fair value based on factors such as volatility and risk-free interest rates that are beyond our control. The expense related to stock-based awards is generally not controllable in the short-term and can vary significantly based on the timing, size and nature of awards granted. As such, we do not include such charges in our operating plans that we use to manage our business. In addition, we believe the exclusion of these charges facilitates comparisons of our operating results with those of our competitors who may have different policies regarding the use of stock-based awards.

Pre-Merger Claims Reserve Adjustment - We have excluded the adjustment to our pre-merger claims reserve from our non-GAAP results. As part of the purchase accounting relating to acquisition of Intentia, we established a reserve for Intentia customer claims and disputes that arose before the acquisition which were originally recorded to goodwill. As we are outside the period in which adjustments to such purchase accounting is allowed, adjustments to the reserve are recorded in our general and administrative expenses under GAAP. We do not consider the adjustments to this reserve established under purchase accounting in our assessment of our operating performance. Further, since this reserve was established in purchase accounting, the original charge was not reflected in our operating results. We believe that the exclusion of the pre-merger claims reserve adjustment provides investors an appropriate alternative view of our results of operations and facilitates comparisons of our results period-over-period.

Acquisition Transaction and Integration Costs - We have incurred various transaction and integration costs related to our acquisitions. The costs of integrating the operations of acquired businesses and Lawson are incremental to our historical costs and are charged to our U.S. GAAP results of operations in the periods incurred. Beginning in fiscal 2010, acquisition related transaction costs have also been charged to our U.S. GAAP results of operations. We do not consider these costs in our assessment of our operating performance. While these costs are not recurring with respect to our past acquisitions, we may incur similar costs in the future if we pursue other acquisitions. We believe that the exclusion of the non-recurring acquisition related transaction and integration costs provides investors a useful alternative view of our results of operations and facilitates comparisons of our results period-over-period.

Pension Gain - We have implemented certain modifications to our pension plan in Norway. These modifications resulted in a curtailment of benefits under the plan and resulted in our recording a gain related to the change in all active participants' projected benefit obligations resulting from the curtailment. In addition, these modifications led to a settlement of active participants' projected benefit obligations and resulted in our recording an additional gain related to the pension settlement. We do not consider these gains in our assessment of our operating performance. We believe that the exclusion of the non-recurring pension gains provide investors a useful alternative view of our results of operations and facilitates comparisons of our results period-over-period.

Restructuring - We have recorded various restructuring charges related to actions taken to reduce our cost structure to enhance operating effectiveness and improve profitability and to eliminate certain redundancies in connection with acquisitions. These restructuring activities impacted different functional areas of our operations in different locations and were undertaken to meet specific business objectives in light of the facts and circumstances at the time of each restructuring event. These charges include costs related to severance and other termination benefits as well as costs to exit leased facilities. These restructuring charges are excluded from management's assessment of our operating performance. We believe that the exclusion of the restructuring charges provides investors a useful alternative view of the cost structure of our operations and facilitates comparisons with the results of other periods that may not reflect such charges or may reflect different levels of such charges.

Amortization of Acquired Intangibles - We have excluded amortization of acquisition-related intangible assets including purchased technology, client lists, customer relationships, trademarks, order backlog and non-compete agreements from our non-GAAP results. The fair value of the intangible assets, which was allocated to these assets through purchase accounting, is amortized using accelerated or straight-line methods which approximate the proportion of future cash flows estimated to be generated each period over the estimated useful lives of the applicable assets. While these non-cash amortization charges are recurring in nature and the underlying assets benefit our operations, this amortization expense can fluctuate significantly based on the nature, timing and size of our past acquisitions and may be affected by future acquisitions. This makes comparisons of our current and historic operating performance difficult. Therefore, we exclude such expenses when analyzing the results of our operations including those of acquired entities. We believe that the exclusion of the amortization expense of acquired intangible assets provides investors useful information facilitating comparison of our results period-over-period and with other companies in the software industry as they each have their own acquisition histories and related non-GAAP adjustments.

Non-Cash Interest Expense Related to Convertible Debt - We have excluded the incremental non-cash interest expense related to our $240.0 million 2.5% senior convertible notes that we are required to recognize under U.S. GAAP for convertible debt securities from our non-GAAP results of operations for all periods presented. This accounting guidance requires us to recognize additional non-cash interest expense based on the market rate for similar debt instruments that do not contain a comparable conversion feature. We have allocated a portion of the proceeds from the issuance of the senior notes to the embedded conversion feature resulting in a discount on our senior notes. The debt discount is being amortized as additional non-cash interest expense over the term of the notes using the effective interest method. These non-cash interest charges are not included in our operating plans and are not included in management's assessment of our operating performance. We believe that the exclusion of the non-cash interest charges provides a useful alternative for investors to evaluate the cost structure of our operations in a manner consistent with our internal evaluation of our cost structure.

Bankruptcy Settlement - We have excluded the net gain we recorded on settlement of certain claims that arose due to Lehman OTC's bankruptcy. These claims related to our business relationships with Lehman OTC, including a convertible note hedge transaction and a warrant transaction both entered into as part of the issuance of our senior convertible notes and an accelerated share repurchase transaction. As a result of the payments and collections related to the settlement of these obligations, we recorded a net gain which we do not consider in our assessment of our operating performance. We believe that the exclusion of the net gain from this non-recurring bankruptcy settlement provides investors a useful alternative view of our results of operations and facilitates comparisons of our results period-over-period.

Non-GAAP Tax Provision Adjustments - The non-GAAP tax provision adjustments are due to the increase in non-GAAP taxable income as compared to U.S. GAAP taxable income resulting from the non-GAAP reconciling items detailed in the below table and the jurisdictional mix of non-GAAP and U.S. GAAP taxable income. The non-GAAP tax provision adjustments are made to reflect the annual global effective non-GAAP tax rate for each period.

LAWSON SOFTWARE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(unaudited)

	Three Months Ended February 28, 2011	Three Months Ended February 28, 2010	Percentage Change as Reported	Percentage Change at Constant Currency
Revenues:				
License fees	$ 33,766	$ 31,804	6%	5%
Maintenance services	97,449	89,080	9%	9%
Software revenues	131,215	120,884	9%	8%
Consulting	64,798	65,083	(0%)	(1%)
Total revenues	**196,013**	**185,967**	**5%**	**5%**
Costs of revenues:				
Cost of license fees	6,166	6,595	(7%)	(11%)
Cost of maintenance services	17,692	17,352	2%	1%
Cost of software revenues	23,858	23,947	(0%)	(2%)
Cost of consulting	56,546	59,249	(5%)	(5%)
Total cost of revenues	80,404	83,196	(3%)	(5%)
Gross profit	**115,609**	**102,771**	**12%**	**12%**
Gross margin	59%	55%		
Operating expenses:				
Research and development	24,176	22,760	6%	3%
Sales and marketing	42,897	42,919	(0%)	(1%)
General and administrative	23,115	21,665	7%	6%
Restructuring	(233)	1,154	(120%)	(118%)
Amortization of acquired intangibles	3,400	2,699	26%	25%
Total operating expenses	93,355	91,197	2%	1%
Operating income	**22,254**	**11,574**	**92%**	**106%**
Operating margin	11%	6%		
Other income (expense), net:				
Interest income	407	128	218%	209%
Interest expense	(4,121)	(4,073)	1%	1%
Other income (expense), net	4,301	165	*NM	*NM
Total other income (expense), net	587	(3,780)	(116%)	(117%)
Income before income taxes	22,841	7,794	193%	214%
Provision for income taxes	1,443	6,126	(76%)	(78%)
Net income	**$ 21,398**	**$ 1,668**	***NM**	***NM**
Net income per share:				
Basic	$ 0.13	$ 0.01	*NM	*NM
Diluted	$ 0.13	$ 0.01	*NM	*NM
Weighted average common shares outstanding:				
Basic	163,978	161,412	2%	
Diluted	168,736	165,367	2%	

*NM - Percentage not meaningful

We disclose the percent change in the results from one period to another using constant currency to adjust year-over-year measurements for impacts due to currency fluctuations. Constant currency changes should be considered in addition to, and not as a substitute for changes in revenues, expenses, income, or other measures of financial performance prepared in accordance with US GAAP. We calculate constant currency changes by converting entities' financial results for the prior year period that are reported in currencies other than the United States dollar at the exchange rate in effect for the current period rather than the previous period.

LAWSON SOFTWARE, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(unaudited)

	Nine Months Ended February 28, 2011	Nine Months Ended February 28, 2010	Percentage Change as Reported	Percentage Change at Constant Currency
Revenues:				
License fees	$ 84,636	$ 86,110	(2%)	(2%)
Maintenance services	289,594	259,662	12%	10%
Software revenues	374,230	345,772	8%	7%
Consulting	183,905	193,609	(5%)	(4%)
Total revenues	**558,135**	**539,381**	**3%**	**3%**
Costs of revenues:				
Cost of license fees	18,144	16,929	7%	5%
Cost of maintenance services	52,267	49,833	5%	5%
Cost of software revenues	70,411	66,762	5%	5%
Cost of consulting	163,670	171,027	(4%)	(4%)
Total cost of revenues	234,081	237,789	(2%)	(1%)
Gross profit	**324,054**	**301,592**	**7%**	**7%**
Gross margin	58%	56%		
Operating expenses:				
Research and development	69,237	65,651	5%	4%
Sales and marketing	120,539	118,796	1%	2%
General and administrative	66,612	61,397	8%	9%
Restructuring	(1,686)	5,905	(129%)	(128%)
Amortization of acquired intangibles	8,883	6,524	36%	39%
Total operating expenses	263,585	258,273	2%	2%
Operating income	**60,469**	**43,319**	**40%**	**34%**
Operating margin	11%	8%		
Other income (expense), net:				
Interest income	1,169	691	69%	69%
Interest expense	(12,405)	(12,232)	1%	2%
Other income (expense), net	4,155	5	*NM	*NM
Total other income (expense), net	(7,081)	(11,536)	(39%)	(37%)
Income before income taxes	53,388	31,783	68%	58%
Provision for income taxes	10,377	21,384	(51%)	(52%)
Net income	**$ 43,011**	**$ 10,399**	**314%**	**247%**
Net income per share:				
Basic	$ 0.26	$ 0.06	308%	242%
Diluted	$ 0.26	$ 0.06	306%	240%
Weighted average common shares outstanding:				
Basic	163,340	161,308	1%	
Diluted	167,912	164,901	2%	

*NM - Percentage not meaningful

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CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)
(unaudited)

	February 28, 2011	May 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 302,189	$ 375,917
Restricted cash - current	9,127	654
Trade accounts receivable, net	113,361	117,976
Income taxes receivable	6,378	4,664
Deferred income taxes - current	21,371	18,957
Prepaid expenses and other current assets	35,963	51,945
Total current assets	488,389	570,113
Restricted cash - non-current	1,145	10,070
Property and equipment, net	50,880	54,671
Goodwill	634,729	525,576
Other intangibles assets, net	178,769	159,665
Deferred income taxes - non-current	40,384	38,144
Other assets	13,474	13,805
Total assets	**$ 1,407,770**	**$1,372,044**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Long-term debt - current	$ 2,273	$ 2,646
Accounts payable	13,704	12,085
Accrued compensation and benefits	60,287	76,102
Income taxes payable	982	2,271
Deferred income taxes - current	7,422	5,605
Deferred revenue - current	220,180	319,797
Other current liabilities	29,919	36,573
Total current liabilities	334,767	455,079
Long-term debt - non-current	230,387	224,143
Deferred income taxes - non-current	59,580	42,834
Deferred revenue - non-current	10,263	8,363
Other long-term liabilities	13,784	16,456
Total liabilities	648,781	746,875
Stockholders' equity:		
Common stock	2,041	2,029
Additional paid-in capital	895,872	887,349
Treasury stock, at cost	(324,774)	(326,925)
Retained earnings	96,753	53,742
Accumulated other comprehensive income	89,097	8,974
Total stockholders' equity	758,989	625,169
Total liabilities and stockholders' equity	**$ 1,407,770**	**$1,372,044**

LAWSON SOFTWARE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Three Months Ended February 28,		Nine Months Ended February 28,	
	2011	**2010**	**2011**	**2010**
Cash flows from operating activities:				
Net income	$ 21,398	$ 1,668	$ 43,011	$ 10,399
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation and amortization	14,713	12,553	42,447	33,331

Amortization of debt issuance costs	260	260	780	780
Amortization of debt discount	2,266	2,122	6,796	6,365
Deferred income taxes	3,399	974	5,862	5,865
Provision for doubtful accounts	(6)	522	(82)	989
Warranty provision	1,103	1,191	2,927	3,544
Gain on sale of marketable securities	(1,193)	-	(1,193)	-
Net (gain) loss on disposal of assets	3	(3)	9	7
Excess tax benefits from stock transactions	(272)	(191)	(1,565)	(494)
Share-based compensation expense	4,262	6,258	13,392	13,258
Changes in operating assets and liabilities (net of acquisitions):				
Trade accounts receivable	1,315	116	11,498	34,483
Prepaid expenses and other assets	6,971	15,216	17,367	16,943
Accounts payable	5,844	(5,400)	867	(13,746)
Accrued expenses and other liabilities	(3,602)	2,221	(39,112)	(27,741)
Income taxes payable/receivable	(1,774)	(1,307)	(8,233)	3,549
Deferred revenue	18,626	7,514	(109,503)	(95,963)
Net cash provided by (used in) operating activities	**73,313**	**43,714**	**(14,732)**	**(8,431)**
Cash flows from investing activities:				
Cash paid for acquisitions, net of cash acquired	(70,000)	(160,000)	(70,000)	(160,000)
Change in restricted cash	(299)	(785)	(515)	27
Purchases of marketable securities and investments	-	-	(3,006)	-
Proceeds from maturities and sales of marketable securities and investments	4,199	4	4,199	4
Purchases of property and equipment	(3,543)	(5,368)	(13,092)	(13,949)
Net cash used in investing activities	**(69,643)**	**(166,149)**	**(82,414)**	**(173,918)**
Cash flows from financing activities:				
Principal payments on long-term debt	(325)	(340)	(977)	(1,231)
Payments on capital lease obligations	(274)	(739)	(898)	(2,044)
Cash proceeds from exercise of stock options	3,250	544	5,811	2,021
Excess tax benefit from stock transactions	272	191	1,565	494
Cash proceeds from employee stock purchase plan	707	573	1,975	1,697
Repurchase of common stock	(2,383)	(6,139)	(4,113)	(7,423)
Net cash provided by (used in) financing activities	**1,247**	**(5,910)**	**3,363**	**(6,486)**
Effect of exchange rate changes on cash and cash equivalents	**8,999**	**(5,772)**	**20,055**	**366**
Net decrease in cash and cash equivalents	13,916	(134,117)	(73,728)	(188,469)
Cash and cash equivalents at the beginning of the period	288,273	360,463	375,917	414,815
Cash and cash equivalents at the end of the period	**$302,189**	**$ 226,346**	**$ 302,189**	**$ 226,346**

LAWSON SOFTWARE, INC.
RECONCILIATIONS OF SELECTED GAAP TO NON-GAAP FINANCIAL MEASURES
(in thousands, except per share data)
(unaudited)

Reconciliation of GAAP revenues, operating income, operating margin and net income to equivalent non-GAAP measures

	Three Months Ended February 28,		Nine Months Ended February 28,	
	2011	**2010**	**2011**	**2010**
GAAP revenue	**$ 196,013**	**$ 185,967**	**$ 558,135**	**$ 539,381**
Non-GAAP revenue adjustments:				
Purchase accounting impact on maintenance revenues	278	1,969	2,846	1,969
Purchase accounting impact on consulting revenues	1,657	694	2,522	694
Non-GAAP revenue adjustments	1,935	2,663	5,368	2,663
Non-GAAP revenue	**$ 197,948**	**$ 188,630**	**$ 563,503**	**$ 542,044**
GAAP operating income	**$ 22,254**	**$ 11,574**	**$ 60,469**	**$ 43,319**
GAAP operating margin	**11%**	**6%**	**11%**	**8%**
Non-GAAP revenue adjustments	1,935	2,663	5,368	2,663
Non-GAAP costs/operating expense adjustments:				
Amortization of purchased maintenance contracts	375	473	1,165	1,570

Share-based compensation	4,261	6,258	13,391	13,255
Pre-merger claims reserve adjustment	-	-	(630)	(661)
Acquisition transaction and integration costs	347	1,153	346	1,153
Pension gain	25	-	(1,886)	-
Restructuring	(233)	1,154	(1,686)	5,905
Amortization of acquired intangibles	7,919	6,583	22,131	15,409
Total non-GAAP costs/operating expense adjustments	12,694	15,621	32,831	36,631
Non-GAAP operating income	**$ 36,883**	**$ 29,858**	**$ 98,668**	**$ 82,613**
Non-GAAP operating margin	**19%**	**16%**	**18%**	**15%**
GAAP net income	**$ 21,398**	**$ 1,668**	**$ 43,011**	**$ 10,399**
Non-GAAP revenue adjustments	1,935	2,663	5,368	2,663
Non-GAAP costs/operating expense adjustments	12,694	15,621	32,831	36,631
Non-cash interest expense related to convertible debt	2,265	2,122	6,796	6,365
Bankruptcy settlement	(3,006)	-	(3,006)	-
Tax provision adjustment (1)	(11,412)	(4,308)	(23,005)	(7,272)
Non-GAAP net income	**$ 23,874**	**$ 17,766**	**$ 61,995**	**$ 48,786**

Reconciliation of GAAP net income per diluted share to non-GAAP net income per diluted share

	Three Months Ended February 28,		Nine Months Ended February 28,	
	2011	**2010**	**2011**	**2010**
GAAP net income per diluted share	**$ 0.13**	**$ 0.01**	**$ 0.26**	**$ 0.06**
Purchase accounting impact on revenue	0.01	0.02	0.03	0.02
Amortization of purchased maintenance contracts	0.00	0.00	0.01	0.01
Share-based compensation	0.03	0.04	0.08	0.08
Pre-merger claims reserve adjustment	-	-	(0.00)	(0.00)
Acquisition transaction and integration costs	0.00	0.01	0.00	0.01
Pension gain	0.00	-	(0.01)	-
Restructuring	(0.00)	0.01	(0.01)	0.04
Amortization of acquired intangibles	0.05	0.04	0.13	0.09
Non-cash interest expense related to convertible debt	0.01	0.01	0.04	0.04
Bankruptcy settlement	(0.02)	-	(0.02)	-
Tax provision adjustment	(0.07)	(0.03)	(0.14)	(0.04)
Non-GAAP net income per diluted share (2)	**$ 0.14**	**$ 0.11**	**$ 0.37**	**$ 0.30**
Weighted average shares - basic	163,978	161,412	163,340	161,308
Weighted average shares - diluted	168,736	165,367	167,912	164,901

(1) Based on a projected annual global effective tax rate analysis, the non-GAAP tax provision was calculated to be 35% for fiscal 2011 and 37% for fiscal 2010. Non-GAAP tax provision is calculated by reflecting the non-GAAP adjustments on a jurisdictional basis.
(2) Net income per share columns may not total due to rounding.

LAWSON SOFTWARE, INC.
SUPPLEMENTAL NON-GAAP MEASURES
INCREASE (DECREASE) IN GAAP AMOUNTS REPORTED
(in thousands)
(unaudited)

	Three Months Ended February 28,		Nine Months Ended February 28,	
	2011	**2010**	**2011**	**2010**
Revenue items				
Purchase accounting impact on maintenance revenues	$ 278	$ 1,969	$ 2,846	$ 1,969
Purchase accounting impact on consulting revenues	1,657	694	2,522	694
Total revenue items	1,935	2,663	5,368	2,663
Cost of license items				
Amortization of acquired intangibles	(4,045)	(3,883)	(12,774)	(8,885)
Total cost of license items	(4,045)	(3,883)	(12,774)	(8,885)
Cost of maintenance items				

Amortization of purchased maintenance contracts	(375)	(473)	(1,165)	(1,570)
Stock-based compensation	(434)	(327)	(1,020)	(861)
Total cost of maintenance items	(809)	(800)	(2,185)	(2,431)
Cost of consulting items				
Amortization of acquired intangibles	(474)	-	(474)	-
Stock-based compensation	(1,095)	(1,649)	(2,576)	(2,914)
Total cost of consulting items	(1,569)	(1,649)	(3,050)	(2,914)
Research and development items				
Stock-based compensation	(616)	(448)	(1,650)	(628)
Total research and development items	(616)	(448)	(1,650)	(628)
Sales and marketing items				
Stock-based compensation	(1,103)	(2,947)	(2,853)	(5,797)
Total sales and marketing items	(1,103)	(2,947)	(2,853)	(5,797)
General and administrative items				
Pre-merger claims reserve adjustment	-	-	630	661
Integration expenses	(347)	(1,153)	(346)	(1,153)
Pension gain	(25)	-	1,886	-
Stock-based compensation	(1,013)	(887)	(5,292)	(3,055)
Total general and administrative items	(1,385)	(2,040)	(3,122)	(3,547)
Restructuring	233	(1,154)	1,686	(5,905)
Amortization of acquired intangibles	(3,400)	(2,700)	(8,883)	(6,524)
Non-cash interest expense related to convertible debt	(2,265)	(2,122)	(6,796)	(6,365)
Bankruptcy Settlement	3,006	-	3,006	-
Tax provision adjustment (1)	11,412	4,308	23,005	7,272
Total non-GAAP Adjustments	$ 2,476	$ 16,098	$ 18,984	$ 38,387

(1) Based on a projected annual global effective tax rate analysis, the non-GAAP tax provision for fiscal 2011 was calculated to be 35% and was 37% for fiscal 2010. The non-GAAP tax provision is calculated by reflecting the non-GAAP adjustments on a jurisdictional basis.

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