

review '04



IT'S TIME.

LAWSON MANIFESTO

FOR CHANGE IN THE BUSINESS APPLICATION SOFTWARE INDUSTRY.

We believe it's time for a change in the business applications industry.

The market is insisting on it.

And software companies ignore that insistence at their peril.

The insistence is rooted in dissatisfaction.

A minority of users would recommend their incumbent provider to others.

In this landscape, there is enormous opportunity.

We are seizing this opportunity.

Going forward, this is our vision: Breaking away.

We will break away from the competition by setting industry-wide change in motion, acting on these convictions:

It's time a software company put client interests squarely, convincingly and unmistakably first.

It's time that business applications fulfilled their promises of improved control, efficiency, productivity and bottom-line benefits.

It's time for the demo to be the reality of the user's experience, and for the "upgrade" to mean measurable improvement in that experience.

The change we will set in motion is, itself, about time.

It's about delivering information technology that gives clients time to focus on what is important to them, in their jobs and in their lives.

It's about deploying information technology to find time for clients—time that helps them keep pace with a world that is always speeding up—time that helps them move more quickly. It's about respecting clients' time—investing our time to understand their challenges and bring them solutions specific to their needs.

It's about accelerating clients' time to realization of measurable value. It's about saving clients time when they are live on our applications. It's about maximizing time returned to clients by helping them extend our applications to widespread strategic use.

It's about pledging our commitment:

Lawson delivers software and services that put time on your side.



IT'S TIME for a **CHANGE**

Fiscal 2004 was a solid year for Lawson Software. We executed well in a dynamic environment for business software and delivered substantial improvement in our overall performance.

From this strengthened position, we have launched a long-term initiative based on a simple message: It's time for a change in our industry. It's time for a software company to deliver a much more fulfilling experience to business software clients. And it's time for a company—Lawson—to step forward and be that catalyst for change.

The vision we've communicated to our clients, employees and industry followers is to break away from business as usual within the business software industry and seize the opportunity to deliver a vastly superior experience to our clients. The most visible components of this initiative have been the Lawson Manifesto summarized on page 3 of this report and our "It's Time" advertising campaign shown on page 8.

But this is much more than a marketing campaign. "It's Time" is a journey that provides greater focus and sharpens our vision for growth and profitability over the long term, and I'm pleased to report that fiscal 2004 gave us a strong platform from which to launch this journey.

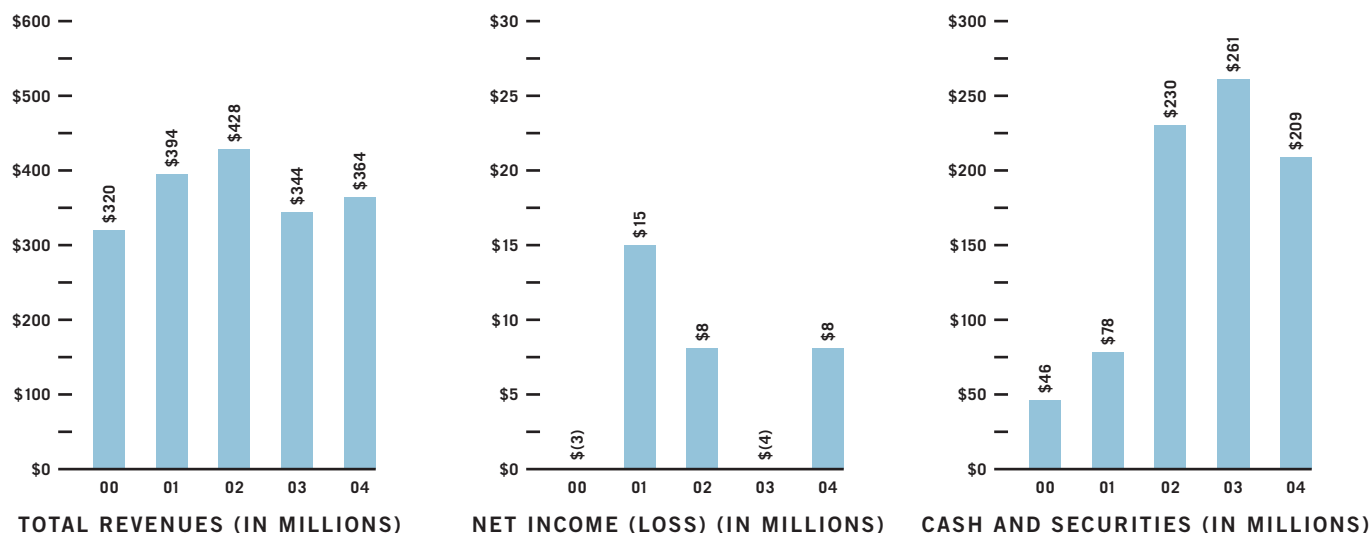
YEAR IN REVIEW

We performed very well in fiscal 2004 by delivering on the key items I detailed in my letter to you last year. That is,

- our industry-focused strategy—and how it differentiates us and keeps us focused on specific markets and our client needs;
- our operational excellence initiatives—and how they are increasing our quality, efficiency and effectiveness as a prudently managed, well-run company;
- our growth initiatives—and how our continued investment in Lawson-built and Lawson-acquired software products allows us to grow our business with both new and existing clients.

This focused execution produced solid results in fiscal 2004:

- Revenues increased 6 percent to \$363.6 million, and our license fee revenues increased 19 percent to \$92.3 million—growth that outperformed many of our industry peers.
- Net income increased 309 percent to \$8 million, or 7 cents per share, benefiting from increased revenue and prudent expense management.
- We added 84 new clients and signed 530 total deals during the year.
- Our balance sheet remained healthy with \$209 million in cash and securities and minimal debt of \$2.6 million.
- We repurchased \$40 million of Lawson common stock.
- We delivered 18 new products—or 40 in the past two fiscal years. Of note was Lawson's major release of version 8.1 enterprise applications in December and completion of our Enterprise Performance Management software suite with our September 2003 acquisition of Closedloop Solutions.
- The average size of new deals with clients grew nearly 30 percent to \$543,000 as clients increased their purchases with Lawson and added many of our new products.
- A large majority of our clients have now licensed or have begun upgrading to Lawson version 8 applications.



INDUSTRY MARKETS REVIEW

Healthcare

Our Healthcare group bolstered its market-leading position by adding significant new customers like Catholic Health Initiatives, Children's Medical Center Dallas, and Baptist Health Care. Clients who went live on our software included Catholic Healthcare West, Banner Health, Hoag Memorial, and Shore Health System.

True to our corporate goal, Healthcare deepened its healthcare-specific offering during the year, highlighted by the release of two important products. The Lawson-developed Grant Management for Healthcare software was released in October 2003 to help healthcare organizations automate and track grant-funded research. In January, Surgical Instrument Management was released following our October 2003 acquisition of Apexion Technologies. Surgical Instrument Management helps hospitals manage and track surgical instruments and trays and extends Lawson's Supply Chain for Healthcare capabilities into the operating room.

Retail

Our Retail group deepened its retail-specific offering during the year with the January release of Lawson Retail InSight, which resulted from our July 2003 acquisition of UK-based Numbercraft Ltd. Retail InSight helps retailers analyze and better understand their customer-buying behavior and complements our Retail Operations software and our core business software to create a full Retail Enterprise software suite.

During the year, our Retail group added important new clients like C&S Wholesale Grocers, W.S. Badcock, Haverty Furniture, and International Coffee and Tea and expanded our relationship with Save Mart Supermarkets. Existing clients Target Corporation, Safeway, and Pilot Travel Centers also signed on for additional Lawson products.

Retail clients going live on our software included existing client Pathmark Stores Inc., which upgraded its use of Lawson Financials and completed the first phase of implementing Lawson Retail Operations software. New client International Coffee and Tea also went live on Lawson Financials, Procurement and Distribution suites just months after signing on with Lawson.

Government and Education

In the public sector, our Government and Education group established solid momentum in fiscal 2004 and benefited from the release of public-sector specific applications, which have significantly strengthened Lawson's competitive position in this key market.

For example, Lawson Grant Management for Public Sector helps school districts and state and local governments manage the \$350 billion in grants annually awarded by the Federal government. In addition, our version 8.1 Human Resources Suite features enhanced position control functions for public sector organizations, allowing them to track and manage employee pay and benefits for multiple positions more effectively.

Key Lawson government wins in the year included three in California with the City of Concord, Orange County Transportation Authority, and the Union Sanitary District choosing Lawson. We also added Knox County (Tenn.), Montgomery County (Pa.), The Cherokee Nation (Okla.), and the Seminole Tribe of Florida, which all signed multi-suite contracts with Lawson.

In the K-12 education market, Boulder Valley (Colo.) School District, Shakopee (Minn.) School District, Clackamas (Ore.) Education School District, and Madison (Wis.) Metropolitan School District signed on with Lawson.

Public sector clients going live on our software included the State of Arizona, Cumberland (Pa.) County, and Harford (Md.) County Public Schools, the ninth-largest U.S. school district.

Financial Services and Other Industry Markets

We continue to develop our opportunities in other service sector markets such as banking and insurance and services groups within large companies, where our leading Services Automation software is gaining traction. Key wins in financial services included Washington Mutual, Liberty Mutual, Old National Bancorp, National Financial Partners, and Penn National Insurance, while Toyota Canada purchased multiple software suites from Lawson, including Services Automation.

OPERATIONAL EXCELLENCE INITIATIVES

Our operational excellence initiatives continued to improve the speed, efficiency and effectiveness of our organization.

R&D

We increased funding for research and development by \$5 million during the year, up nearly 10 percent over fiscal 2003. We focused our resources and investments around our healthcare, retail, government and education, and Enterprise Performance Management solutions. We also continued our investment in Lawson's growth by making three targeted business acquisitions and purchasing other certain assets, for which we paid approximately \$40 million.

Quality

We began implementing CMMI (Capability Maturity Model Integration) to give us world-class processes, practices and standards to improve our product quality, product delivery and development productivity.

Productivity

In September 2003, we announced our offshore development initiative to provide product maintenance support and allow us to deploy our Lawson resources to focus on delivering more innovative new products to our clients. The Lawson Offshore Development Center in Chennai, India, is on track to be fully operational by the end of December 2004.

Efficiency

We continued to manage our costs and expenses prudently, with total operating expenses as a percent of revenue declining 3 points over fiscal 2003. As part of our Lawson Using Lawson initiative, we upgraded to our Lawson 8 Series Human Resources and Financials applications to improve our internal accounting and HR systems. In addition, our field services team began using our Services Automation software, replacing former spreadsheet-based processes. Our sales team began using a new online sales tool to help with faster delivery of proposals and bids.

Governance

We also continued to strengthen Lawson's corporate governance position in fiscal 2004. We broadened Lawson's corporate governance policies, which are available for review on our Web site. In addition, Lawson began our Sarbanes-Oxley assessment in early 2004, and we are well on our way through review and documentation of our processes and controls. In fiscal 2005, we will complete these steps and move into the compliance testing phase. Overall, Sarbanes-Oxley compliance has become the cornerstone for good governance philosophy and practices, and for Lawson, effective corporate governance continues to guide our business practices.

GOALS FOR FISCAL 2005

As Lawson heads into fiscal 2005, we see our industry continuing to go through transformation. We also see moderating capital spending continuing to impact the overall business software climate.

We believe the recent decision in the *United States of America v. Oracle* confirms what our 2,000 clients already know: that Lawson is a key competitor in the business software industry and that Lawson offers a compelling alternative in the service sector industries we target.

Although the environment for business software remains challenging, we believe that growth opportunities for Lawson exist, especially in our primary industry segments. When spending growth returns, our goal is that Lawson will be in a strong position to act quickly on our opportunities. That means we will continue to make the appropriate investments in our business for growth, while we improve our efficiencies by managing our costs and expenses. In fiscal 2005, investment in our business plus efficiency gains will drive improvements in our operating margin.

Many of our key initiatives for the fiscal year are derived from the Manifesto themes—Clients, Product, People and Brand. These include:

- Advancing our client-focused services initiatives to deepen our client relationships.
- Continuing our product initiatives to improve our scalability, quality and functionality.
- Continuing to build out our vertical strategy to deliver greater value to the markets we serve.
- Driving operational improvement through our ongoing productivity, efficiency and focused resource allocation efforts.
- Recruiting top talent to Lawson and investing in the training and development of our people.
- Continuing to build the Lawson brand to increase awareness and visibility of Lawson as a top player in our industry.

Clearly, Lawson today is a stronger company as a result of our fiscal 2004 operational focus coupled with our commitment to our strategy. There are challenges before us, but I am proud of our achievements this past fiscal year and I am proud that we continue to make Lawson a better, stronger company and one that puts our clients' interests squarely, convincingly and unmistakably first. On behalf of all Lawson employees and our board of directors, I thank you for your continued support.

Sincerely,



Jay Coughlan
President and Chief Executive Officer
September 10, 2004

LAWSON ADVERTISING CAMPAIGN



OVERVIEW

Founded	1975
IPO	December 2001
Revenues	\$364 million
Locations	Approximately 1,580 employees in U.S. and international offices
Solutions	Business software applications tailored to services organizations
Architecture	Flexible, Web-based architecture that supports multiple hardware platforms
Markets	People-intensive industries within the services sector including Healthcare, Retail, Government and Education, Banking and Insurance, and Other Markets
Customers	More than 2,000 mid-market and large companies

PROFILE

Lawson Software provides business application software and services that put time on the side of services organizations in the healthcare, retail, government and education, banking and insurance and other markets.

Lawson's software suites include enterprise performance management, distribution, financials, human resources, procurement, retail operations and service process optimization. Headquartered in St. Paul, Minn., Lawson has offices and affiliates serving North and South America, Europe, and Africa.

Healthcare

Lawson clients include more than 500 healthcare organizations representing more than 4,500 facilities, including eight of the top 10 integrated delivery networks.

Retail

Lawson clients include five of the top 10 U.S.-based retailers, eight of the top 20 apparel retailers, seven of the top 25 grocery chains, 23 of the top 100 restaurant chains and 20 of the top 100 specialty chains.

Government and Education

Lawson clients include more than 140 public sector organizations, more than 1,300 schools and more than 1 million students, including four of the 25 largest school districts in the United States. Our client list also includes more than 20 of the largest public authorities in the United States and higher education institutions representing more than 50 campuses across the United States.

Banking and Insurance

Lawson clients include more than 180 financial services companies, including 23 percent of the commercial banks and savings institutions listed on the Fortune 500 and 12 percent of insurance companies listed on the Fortune 500.

EXECUTIVE TEAM

John J. Coughlan, President and Chief Executive Officer

Robert G. Barbieri, Executive Vice President,
Chief Financial and Performance Officer

Joanne L. Byrd, Executive Vice President, Sales

Dean J. Hager, Executive Vice President and
Chief Product Officer

Scott D. Meyer, Chief Marketing and
Human Resources Officer

Bruce B. McPheeters, Chief Legal Officer and
General Counsel

BOARD OF DIRECTORS

H. Richard Lawson, Chairman of the Board

John J. Coughlan, President and Chief Executive Officer,
Lawson Software, Inc.

David J. Eskra, Investor and former partner, ES Technology

David R. Hubers, Former Chairman and Chief Executive
Officer, American Express Financial Advisors Inc.

Thomas G. Hudson, Chairman, President and
Chief Executive Officer, Computer Network
Technology Corporation

Richard D. Kreysar, President, Chief Executive Officer
and Director, Determine Software, Inc.

Michael A. Rocca, Former Senior Vice President and
Chief Financial Officer, Mallinckrodt Inc.

STOCKHOLDER INFORMATION

Annual Meeting

The annual meeting of stockholders will be held at
10 a.m. Central time Oct. 28, 2004, at:

Touchstone Energy Place
Meeting Room 10
175 West Kellogg Boulevard
Saint Paul, Minnesota 55102

Form 10-K and Other Investor Information

Copies of the Form 10-K (Annual Report) filed with the
Securities and Exchange Commission and other financial
documents are available by calling 651-767-7000 or
sending a written request to:

Investor Relations
Lawson Software
380 Saint Peter Street
Saint Paul, Minnesota, United States 55102

Independent Auditors

PricewaterhouseCoopers LLP

Stock Registrar and Transfer Agent

Mellon Investor Services, LLC
85 Challenger Road
Ridgefield Park, New Jersey, United States 07660
1-888-213-0965

Corporate Offices

Lawson Software
380 Saint Peter Street
Saint Paul, Minnesota, United States 55102
651-767-7000

FINANCIAL INFORMATION ON THE INTERNET

This corporate report is also available on www.lawson.com, where you will find other information about Lawson. For investor information, go to www.lawson.com/investor.

FORWARD-LOOKING STATEMENTS

This corporate report contains forward-looking statements. These forward-looking statements contain statements of intent, belief or current expectations of Lawson Software, Inc., 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. In addition to factors discussed above, risks and uncertainties that may cause such differences include but are not limited to: a decline in general economic conditions; uncertainties in the software industry; global military conflicts; terrorist attacks in the United States, and any future events in response to these developments; changes in conditions in the company's targeted service industries; increased competition and other risk factors listed in the company's most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission and as included in other documents the company files from time to time with the Commission.



LAWSON®

www.lawson.com

Corporate Headquarters

Lawson Software
380 St. Peter Street
Saint Paul, MN 55102
United States
Phone: +1-651-767-7000
Product Literature: 1-800-477-1357
Fax: +1-651-767-7141

International Operations

Lawson Software
Trinity Court
Wokingham Road
Bracknell
Berkshire
RG42 1PL
United Kingdom
Phone: +44 (0) 1344 360273
Fax: +44 (0) 1344 868351

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