

Stock Exchange Announcement  
Vedbaek, May 7, 2002  
Announcement no. 60

## **Recommended offer from Microsoft Corporation to the shareholders of Navision a/s**

On April 30, 2002, the Board of Directors of Navision a/s ("Navision") confirmed that it was considering a possible strategic transaction on which basis the Copenhagen Stock Exchange was requested to transfer Navision to the "Observation List".

The negotiations following the announcement on April 30, 2002, have now resulted in a public offer (the "Offer") from Microsoft Corporation ("Microsoft") for all outstanding shares in Navision. According to the terms of the Offer, for each Navision share, Microsoft is offering a cash consideration of DKK 300, or upon election by a shareholder, a number of Microsoft shares based on the exchange ratio. The exchange ratio is calculated by dividing DKK 300 by the average closing price of Microsoft shares, adjusted for the currency exchange rate, for the five day trading period ending on the third business day prior to expiry of the Offer.

Having consulted external financial and legal advisers and having considered relevant issues regarding the Offer and the proposed transaction, the Board of Directors of Navision has unanimously decided to recommend the Offer from Microsoft to its shareholders. The Declaration from the Board of Directors is attached to this announcement as Appendix I.

Except for the disclosure of the Earnings Release for the third quarter of fiscal 2001/2002 (January 1 – March 31, 2002), no information has been disclosed during the negotiations with Microsoft that in the opinion of the Board of Directors requires publication. In accordance with Copenhagen Stock Exchange disclosure practise the Earnings Release for the third quarter of 2001/2002 is disclosed in this announcement as Appendix II.

Nordea Securities and Schroder Salomon Smith Barney are joint financial advisers to Navision.

### **Navision a/s**

Telephone: +45 4567 8000

This announcement will be available on the company's website: [www.navision.com](http://www.navision.com)

Contacts:

Waldemar Schmidt  
Chairman of the Board

Jesper Balsler  
CEO

Preben Damgaard  
CEO

The recommended offer by Microsoft Corporation will be presented to members of the press, analysts and investors at a meeting to be held on Tuesday, May 7, 2002 at 11.30 a.m. at Radisson SAS Royal Hotel, Hammerichsgade 1, 1711 Copenhagen.

## Appendix I

### Declaration from the Board of Directors

Today, Tuesday 7 May, 2002, Microsoft Corporation ("Microsoft") has made a public offer (the "Offer") for all outstanding shares in Navision a/s ("Navision"). According to the terms of the Offer, for each Navision share, Microsoft is offering a cash consideration of DKK 300, or upon election by a shareholder, a number of Microsoft shares based on the exchange ratio. The exchange ratio is calculated by dividing DKK 300 by the average closing price of Microsoft shares, adjusted for the currency exchange rate, for the five day trading period ending on the third business day prior to expiry of the Offer.

Following the Offer the Board of Directors of Navision shall announce a declaration to the shareholders of Navision regarding the Offer in accordance with §7 of the Danish Securities Council's Order no. 827 of November 10, 1999.

A company agreement between Navision and Microsoft stipulating the terms and conditions of the Offer has been negotiated and entered into. Prior to approving the agreement, the Board of Directors has consulted external financial and legal advisers and considered relevant issues regarding the Offer and the proposed transaction. The negotiations have been completed in a positive and constructive manner.

The Board of Directors of Navision has unanimously decided to recommend the Offer from Microsoft to its shareholders. The Board of Directors has based its recommendation on a number of considerations:

- The global brand, industry leadership and long-term vision of Microsoft will enhance Navision's opportunity to achieve its strategic goal of building global leadership in business applications.
- The transaction helps fulfil Navision's aspiration to provide enhanced growth and career opportunities for its employees. The employees of Navision will be valued employees of Microsoft and will help contribute to the future success of Microsoft.
- Navision's headquarters will become the major centre of development and operations for Microsoft Business Solutions in EMEA (Europe, Middle East and Africa). It will become Microsoft's largest product development centre outside the U.S.
- The transaction brings together two global providers of integrated business software solutions operating in the mid-market with the strongest partner networks in the world — Navision and Microsoft Great Plains Business Solutions — which

each have proven business models for building and delivering world-class customer solutions.

- Microsoft is committed to enhancing the business opportunities for Navision partners by deepening investments in Navision's solutions, and by extending Microsoft's sales and marketing support, development support, and technical resources to Navision partners.
- Navision and Microsoft share a common vision for business applications. The combined technologies will enhance and broaden the solutions that customers have already invested in, and Navision and Microsoft will continue to provide customers new generations of business applications that make business processes easier and more interconnected.
- The Offer represents a premium of 36.7% compared to the last quoted share price prior to the announcement on 30 April, 2002, of a possible strategic transaction, and 41.2% compared to the average quoted share price for the 180 trading days preceding that announcement.
- Nordea Securities and Schroder Salomon Smith Barney, as joint financial advisers to the Board of Directors of Navision, have provided the Directors of Navision with an opinion, subject to certain assumptions and limitations, as to the fairness, from a financial point of view, of the cash consideration to be offered by Microsoft to the shareholders of Navision. Nordea Securities and Schroder Salomon Smith Barney did not evaluate the Microsoft share option and its opinion did not address, or offer any view with respect to, the value of Microsoft shares.

In its evaluation of the Offer the Board of Directors has also considered certain disadvantages to the shareholders of Navision accepting Microsoft shares under the Offer, including:

- The currency risk, for Danish shareholders, related to holding shares issued in a foreign currency.
- The higher transaction costs, for Danish shareholders, related to trading shares that are not quoted on the Copenhagen Stock Exchange.
- The operational risk related to the integration of Navision into Microsoft's organisation and the realisation of the expected synergies.

The Board of Directors recommends each shareholder to evaluate his/her own tax position in connection with accepting the Offer.

Shareholders representing 60.05% of the voting rights and share capital of Navision have agreed to accept the Offer from Microsoft.

**Navision a/s**

**The Board of Directors**

For more information on the Declaration from the Board of Directors:

Waldemar Schmidt  
Chairman of the Board  
Telephone: +45 4567 8000

## Appendix II

### Earnings Release for Third Quarter of Fiscal 2001/2002 (January 1 – March 31, 2002)

#### Highlights

- Net revenues for the quarter were DKK 380 million, corresponding to a growth of 17% on the same quarter last fiscal year. In the first nine months of the year, revenues grew by 18%.
- License revenues increased by 20%.
- Operating income before goodwill amortization (EBITA) was DKK 45 million, equivalent to an EBITA margin of 12%. For the year to date, the EBITA margin is almost 20%.
- Unchanged expectations for fiscal 2001/2002.

This announcement contains forward-looking statements regarding the company's future financial situation. These statements are subject to risks and uncertainties that may cause actual developments to differ from the expectations indicated. The principal factors of risk and uncertainty include but are not limited to overall business and economic conditions, dependence upon partner distribution network, exchange rate/interest rate fluctuations among others. Risks and uncertainties are further outlined in Navision a/s' Annual Report.

#### Navision a/s

Telephone: +45 4567 8000

For more information on the Earnings Release for third quarter of fiscal 2001/2002:

Jesper Balsler  
CEO

Lars Plesner Hamann  
VP, Investor Relations

Søren Møller Christensen  
Director, Corporate Communications

## Key Figures

DKK million – <i>unaudited</i>	3rd Quarter		Year to Date	
	2001/02	2000/01	2001/02	2000/01
<b>Income Statement</b>				
Net revenues	380.1	326.4	1,229.2	1,040.3
Gross profit	308.3	270.3	998.8	851.5
Operating income before goodwill amortization (EBITA)	45.4	46.2	241.4	132.6
Income before financials (EBIT)	34.2	38.8	211.7	110.2
Income before tax and extraordinary items	40.1	57.6	232.4	154.8
Net income for the period	24.7	36.2	147.0	94.5
<b>Key Figures and Ratios</b>				
Growth in net revenues (%)	16.5%	20.4%	18.2%	11.0%
Gross margin (%)	81.1%	82.8%	81.3%	81.8%
Operating margin before goodwill amortization (%)	12.0%	14.2%	19.6%	12.7%
Operating margin (%)	9.0%	11.9%	17.2%	10.6%
Net margin (%)	6.5%	11.1%	12.0%	9.1%
Research and development costs in percent of net revenues	23.0%	26.8%	20.9%	23.4%
Average number of employees	1,295	1,027	1,186	1,084
Net revenues per employee (DKKt)	293	318	1,036	960
Average number of shares (thousands)	36,015	36,025	35,953	36,004
Earnings per share - EPS (DKK)	0.68	1.01	4.09	2.62

	March 31, 2002	June 30, 2001	March 31, 2001
<b>Balance Sheet</b>			
Total assets	1,908.1	1,701.3	1,550.9
Cash and securities	1,071.4	857.0	780.4
Stockholders' equity	1,188.0	1,018.2	946.6
- <i>Equity ratio (%)</i>	62.2%	59.8%	61.0%

In general, the market is characterized by customers delaying their decisions to invest in new solutions. Our competitors have been more aggressive in their attempts to close orders, but in light of the results achieved in the third quarter, the company believes that Navision continues to win market shares.

The company recruited 88 new partners and terminated 25 resulting in a total of 2,374 partners at the end of the quarter.

### Net Revenues

Net revenues in the third quarter came to DKK 380 million corresponding to an increase of 17% compared to the same quarter last year. Revenues in the first nine months of the fiscal year were up 18% at DKK 1,229 million, bringing year-to-date growth in line with the company's forecast for the full fiscal year.

DKK million	3rd Quarter			Year to Date		
	2001/2002	2000/2001	Growth	2001/2002	2000/2001	Growth
Licenses	243 64%	202 62%	20%	857 70%	716 69%	20%
Upgrade/Maintenance	102 27%	89 27%	14%	268 22%	204 20%	31%
Services	35 9%	35 11%	1%	104 8%	120 11%	-13%
<b>Total revenues</b>	<b>380 100%</b>	<b>326 100%</b>	<b>17%</b>	<b>1,229 100%</b>	<b>1,040 100%</b>	<b>18%</b>

License revenues grew by 20%, both in the third quarter and year to date.

The new settlement terms between Navision and its partners have now been fully implemented, and the impact of the shift from services to upgrade/maintenance is beginning to decline. Services rose by 1% in the period and upgrade/maintenance increased by 14%.

### Revenues per product

DKK million	3rd Quarter			Year to Date		
	2001/2002	2000/2001	Growth	2001/2002	2000/2001	Growth
Navision Axapta	66 17%	33 10%	99%	215 17%	122 12%	75%
Navision Financials/Attain	228 60%	209 64%	9%	748 61%	637 61%	17%
Navision XAL	32 8%	31 10%	3%	99 8%	104 10%	-5%
Navision C4/C5	19 5%	18 6%	6%	63 5%	57 5%	12%
<b>Total license and upgrade</b>	<b>345 90%</b>	<b>291 90%</b>	<b>18%</b>	<b>1,125 91%</b>	<b>920 88%</b>	<b>22%</b>
<b>Services</b>	<b>35 10%</b>	<b>35 10%</b>	<b>1%</b>	<b>104 9%</b>	<b>120 12%</b>	<b>-13%</b>
<b>Total revenues</b>	<b>380 100%</b>	<b>326 100%</b>	<b>17%</b>	<b>1,229 100%</b>	<b>1,040 100%</b>	<b>18%</b>

Revenues from Navision's main products, Navision Axapta and Navision Financials/Attain, were DKK 294 million against DKK 242 million in the same period last year, corresponding to an increase of 21%.



The total number of licenses sold/customer base at March 31 was 136,294 of which Navision Axapta accounted for 2,362 and Navision Financials/Attain for 30,430.

### **Revenues per region/market**

DKK million	3rd Quarter					Year to Date				
	2001/2002		2000/2001		Growth	2001/2002		2000/2001		Growth
Denmark	78	21%	84	26%	-7%	270	22%	271	26%	0%
Rest of Scandinavia	30	8%	24	7%	26%	92	7%	82	8%	12%
Germany	64	17%	59	18%	8%	237	19%	205	20%	15%
Rest of Europe	127	33%	108	33%	17%	415	34%	309	30%	34%
US	53	14%	36	11%	48%	145	12%	126	12%	16%
Rest of World	28	7%	15	5%	85%	70	6%	47	4%	49%
<b>Total net revenues</b>	<b>380</b>	<b>100%</b>	<b>326</b>	<b>100%</b>	<b>17%</b>	<b>1,229</b>	<b>100%</b>	<b>1,040</b>	<b>100%</b>	<b>18%</b>

*Compared to the half-year report, published on February 19, 2002, adjustments have been made for countries related to Rest of Europe and Rest of World to the effect that distribution rights acquired within Europe are now included in Rest of Europe and not in Rest of World as before.*

Revenues in Denmark fell by 7% compared to the same period last year. Despite the difficult situation on the Danish market, it is the company's opinion that Navision has performed better than its competitors.

In Rest of Scandinavia, growth was 26%. Revenue growth in the region was mainly driven by Iceland and Norway, including the acquisition of distribution rights.

Despite the sluggish market condition in Germany and Rest of Europe, the company still managed to grow 8% in Germany and 17% in Rest of Europe. However, for Rest of Europe, about half of the growth achieved in the third quarter is attributed to Navision's acquisition of distribution rights.

Rest of World recorded growth of 85% in the period, deriving mainly from the markets in Australia, South Africa and Southeast Asia.

Revenues in the US market have demonstrated a very satisfactory trend in the third quarter by growing 48%, resulting in a 16% year-to-date growth in the US – 14% when measured in USD.

### **Operating Income Before Goodwill Amortization**

Operating income before goodwill amortization (EBITA) was DKK 45 million for the period, equivalent to an EBITA margin of 12%. In the same period last year, EBITA was DKK 46 million with a margin of 14%. The year-to-date EBITA margin is 20% against 13% last year.

Increased sales and distribution costs are the most important element in the change in costs. In the period, sales and distribution costs came to DKK 128 million against DKK 97 million in the same period last year. The increase in costs may be attributed to the

acquisition of distribution companies and a general boost in marketing activities, in particular branding.

### Ordinary Income Before Tax

Ordinary income before tax was DKK 40 million in the third quarter compared to DKK 58 million in the same period last fiscal year. The year-to-date figures are DKK 232 million against DKK 155 million last year.

Goodwill amortization rose from DKK 7 million to DKK 11 million in the period. The increase in goodwill amortization concerns acquisitions in the first half-year of fiscal 2001/2002.

Net financials were DKK 5 million against DKK 19 million in the same period last year. Roughly DKK 10 million of the DKK 14 million difference relates to the generally lower level of interest rates. Short-term money market rates have been historically low in the period, and at the same time, short-term and medium-term bond yields have gone up, resulting in unrealized capital losses.

The remaining approximately DKK 4 million may be accounted for by the difference in realized and unrealized gains/losses in connection with the hedging of the company's foreign exchange exposure.

### Net Income and Stockholders' Equity

Net income for the period came to DKK 25 million against DKK 36 million in the same period last fiscal year.

The direct tax rate for the quarter was 39% compared to 38% in the same period last year. Including non-deductible goodwill, the tax rates are 31% and 34% respectively.

#### Changes in stockholders' equity:

	March 31, 2002	March 31, 2001
Stockholders' equity at beginning of year	1,018	859
Write-up/write-down of treasury stock	3	(18)
Capital increases	21	10
Value adjustment derivatives	(1)	0
Year-to-date earnings	147	95
<b>Stockholders' equity</b>	<b>1,188</b>	<b>946</b>

The capital increases relate to warrants exercised under the company's stock-based incentive programs.

## **Balance Sheet**

Cash and securities were DKK 1,071 million, representing 56% of the balance sheet total. Stockholders' equity was DKK 1,188 million, corresponding to 62% of the balance sheet total. In the same period last year, the figures were DKK 780 million/49% and DKK 946 million/61% respectively.

Trade accounts receivable at March 31, 2002, came to DKK 376 million, down DKK 19 million from March 31, 2001. Measured in days sales outstanding – DSO – this represents a fall from 109 to 89 days. At December 31, 2001, the DSO was 84.

The company has no long-term debt and no short-term interest-bearing debt.

## **Accounting Policy**

Navision has changed its accounting policy as regards the accounting treatment of foreign currency hedging of anticipated cash flows. Derivative financial instruments entered for hedging purposes are from now on included in the balance sheet at market value. Value adjustments of the derivatives are included with a set-off in stockholders' equity and posted to the income statement as the cash flow hedges are realized. The change has no effect on the comparative figures for prior periods and has at March 31, 2002, resulted in a deferred negative value adjustment of DKK 1.3 million posted directly to stockholders' equity.

There are no further changes in accounting policies in relation to the company's most recent annual financial statements.

## **Board Resolutions**

Reference is made to the statement of the Board of Directors. Besides the contents of this, there are no further resolutions.

## **Outlook**

The company maintains its expectations for fiscal 2001/2002 ending June 30, 2002.

In Navision's half-year report of February 19, 2002, the company expected revenue growth of approximately 18% with an EBITA margin of a minimum of 17%.

Expectations of the company's future financial development are subject to uncertainties and risks that may cause actual developments to deviate from the expectations indicated.

Reference is made to the statement on the first page of this announcement.

## **Navision a/s**

Waldemar Schmidt  
Chairman of the Board

Jesper Balsler  
CEO

Preben Damgaard  
CEO