

FORM 10-K

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

/x/ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended June 30, 1997

OR

// TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]

For the Transition Period From _____ to _____ Commission File Number 0-9993

MICROS SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Maryland
State or other jurisdiction of
incorporation or organization

52-1101488
(I.R.S. Employer
Identification No.)

12000 Baltimore Avenue
Beltsville, Maryland
(Address of principal executive offices)

20705-1291
(Zip Code)

Registrant's telephone number, including area code: 301-210-6000

Securities registered pursuant to Section 12(b) of the Act:

None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, Par Value \$.025 per share
(Title of Class)

Indicate by a check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. /_/_

At the close of business on August 29, 1997, there were issued and outstanding 7,998,668 shares of Registrant's Common Stock at \$.025 par value. At such time the aggregate market value of the Registrant's Common Stock held by nonaffiliates of the Registrant was \$373,937,729.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 1997 Annual Meeting of Shareholders, currently scheduled to be held on November 21, 1997, are incorporated by reference in Part III of this Form 10-K.

PART I

ITEM 1. BUSINESS

INTRODUCTION

MICROS Systems, Inc. was incorporated in the State of Maryland in 1977 as Picos Manufacturing, Inc. and, in 1978, changed its name to MICROS Systems, Inc. (References to "MICROS" or the "Company" herein include the operations of MICROS Systems, Inc. and its subsidiaries on a consolidated basis.). MICROS was a 49% owned investee of Westinghouse Holdings Corporation, a wholly-owned subsidiary of Westinghouse Electric Corporation ("Westinghouse"), until September 19, 1995, at which time Westinghouse Holdings Corporation sold all of its remaining interest in MICROS pursuant to an underwritten secondary placement. In previous fiscal years, MICROS was a majority-owned subsidiary of Westinghouse.

MICROS is a leading worldwide designer, manufacturer, marketer and servicer of restaurant point-of-sale ("POS") systems, hotel property management systems ("PMS") and hotel central reservation systems ("CRS"). The POS systems are designed for table service and quick service restaurants, hotels, resorts, casinos, airport retail outlets and restaurants, sports arenas/stadiums, theme parks, and business foodservice operations. The PMS and CRS are designed for the lodging industry and provide guest reservations at both individual hotel sites and central locations, accounting, sales management and a range of other management related systems.

MICROS conducts its business by offering products and services primarily in two market segments: (1) hotel information systems; and (2) restaurant information systems. The hotel systems product line provides a full range of systems solutions for the lodging industry. These systems include POS, PMS, and CRS, along with a range of support services. The restaurant information systems product line is divided into two segments, composed of table service/leisure and entertainment POS systems, and quick service restaurants POS systems. The table service/leisure and entertainment product line offers POS systems to table service restaurants in a multitude of operations including independent and chain restaurants, casinos, stadiums/arenas, hotels, cruise ships, airports, and business foodservice facilities. The quick service product line offers POS systems to quick service restaurants including independent, franchisees, and chain owned operations. MICROS offers a range of support services for all its products including operator and manager training, installation, hardware maintenance, application software support, contract software programming, network support, and business consulting.

MICROS's PMS and CRS were acquired upon the acquisition of Fidelio Software GmbH, a privately held company located in Munich, Germany, on November 30, 1995, at which time MICROS exercised its option to acquire the remaining 70% interest in Fidelio it did not own. MICROS acquired its first 15% interest in Fidelio in May 1993, and another 15% interest in Fidelio in October 1994.

MICROS's POS systems consist of application software, point-of-sale terminals, kitchen display devices, printers, and personal computers which provide transaction processing, in-store control and information management capabilities. The Company develops, markets, distributes and supports hotel PMS products which provide reservation, guest accounting and other information management capabilities to hotels, motels, resorts and other lodging establishments. The PMS products are application software products running on industry standard personal computers in a client-server configuration. The software provides for reservations, guest accounting, sales and catering applications, travel agent accounting, and interfaces to central reservations and global distribution systems. It also develops and markets CRS software for large chains, hotels, motels and resorts. The CRS software allows hotels to coordinate, process, track and analyze worldwide hotel customer reservations at a central facility for electronic distribution to the appropriate lodging site.

The Company's POS systems, which are installed in over 37,000 independent, national and international table service restaurants and over 6,500 quick service restaurants, enable users to control operations and inventory, enhance customer service efficiency, reduce labor costs, increase productivity and improve planning and reporting. MICROS is a major supplier of POS systems to table service restaurants or operators of restaurants such as T.G.I. Friday's, Cracker Barrel, Family Restaurants, Perkins, Host Services, Aramark, Planet Hollywood, Ruby Tuesday's, Hard Rock Café, and Whitbread PLC; to quick service restaurants or operators of restaurants such as Arby's, Burger King, KFC International, Red Rooster (Australia), and Wendy's; and to table service restaurants in hotels such as Hilton, ITT Sheraton, Hyatt, Inter*Continental, Marriott International, Radisson and Ritz-Carlton. Additional target markets for the Company's POS systems include casinos, cruise ships, sports arenas, airport concourses, theme parks, institutional food service organizations and specialty retail shops. The Company has installed large POS systems in the Foxwood Hotel and Casino (Ledyard, CT), the Grand Casino in Australia, and the Luxor Hotel and Casino and the MGM Grand Hotel Casino and Theme Park, with both casinos being located in Las Vegas, Nevada.

The Company's Fidelio property management systems are installed worldwide in leading hotel chains such as Marriott International, Radisson Hotels, Westin Hotels, Red Roof Inns, Wyndham, Westin, ITT Sheraton, Ciga, Forte, Hilton International, Inter*Continental, Kempinski, Mandarin Oriental, Movenpick, Peninsula, Ramada Europe, Shangri-La International and Steigenberger. Worldwide, there are currently over 7,000 Fidelio PMS installations. The Fidelio CRS systems are installed in chains such as Best Western International, Westin Hotels, Wyndham Hotels, Shangri-La International, and Tourast (Australia).

MICROS also offers service and support for its POS, PMS and CRS products, including installation, training, hardware and software maintenance, spare parts, media supplies and consulting services. The service business is an important element in the spectrum of system solutions which MICROS offers customers for all its product lines. Service revenue constituted approximately 35%, 33% and 23% of the Company's total revenue in fiscal 1997, 1996 and 1995, respectively.

PRODUCTS

Point-of-Sale Systems

The Company's principal POS products for the table service/leisure & entertainment markets are the 8700 Hospitality Management System ("HMS"), the 3700 POS system, and the 2700 HMS. For the quick service market, MICROS offers the 2400 Fast Food System and the 3400 Quick Service Advantage System. The Company also offers the MICROS PC Workstation ("PCWS"), an Intel microprocessor based PC, for sale in both hospitality and non-hospitality markets.

The 8700 HMS, introduced in September 1993, is designed for hotels, resorts, casinos, airports, stadiums/arenas, theme parks and large local and chain restaurants. It allows the user the flexibility to configure the system around various hardware and software choices to control restaurant and food service operations at both the server and management levels. Features of the 8700 HMS include customized workstations such as a flat keyboard and touchscreen, flexible guest check printing, time and attendance capability, check tracking by table or check, credit card authorization, extensive revenue center and system-wide reporting (which analyzes sales mix, sales balancing, serving periods, table turns, time periods, food cost and operator accountability), the ability to split checks into multiple checks and hardware diagnostic and software confidence tests. The 8700 HMS POS product has an open systems architecture which allows its use on an industry standard, Intel-based PC as the server with the order entry terminals being either the Company's proprietary order entry POS terminal hardware or standard PCs. The 8700 HMS utilizes the SCO Unix operating system, which permits multi-tasking and multi-user operations. This architecture gives it the ability to manage any size restaurant or food service operation.

The 2700 HMS, released in March 1989, is a stand-alone intelligent terminal designed for table service restaurants, both large and small. The 2700 HMS, available in both an entry level and premium configured platform, relies on proprietary architecture and interfaces with DOS/Windows, PC based back office software systems. The 2700 HMS Touchscreen System, released in September 1991, combines touchscreen technology with the Company's 2700 HMS POS system. It offers an easy-touch electronic keypad with up to 60 entry points that can be customized according to size and characters, dual LCD screens to speed order entry and reduce operator

error, PC compatibility, lead-through prompting and reprogramming of the system software and keyboards through remote communications via phone lines.

The Hand Held Touchscreen terminal ("HHT"), introduced in March 1993, is a small, hand held, wireless remote order entry touchscreen computer device which allows a server to enter a guest's food and beverage order directly at the seat of the guest. The HHT is best suited for larger operations with distant seating locations such as sports arenas and pool-side restaurants. The HHT is integrated with the MICROS 8700 HMS.

The 3700 POS, introduced in October 1996, is designed for table service restaurants. It has an open systems architecture as it operates under Microsoft's Windows 95/NT operating systems, utilizes either Microsoft's SQL or Sybase's relational databases, and runs on an industry standard Intel based personal computer. In fiscal 1998, MICROS plans to release a full complement of software products for restaurant operations, called Enterprise Office, which will be fully integrated with the 3700 POS.

For quick service restaurants, MICROS markets the 2400 Fast Food System and the 3400 QSA (Quick Service Advantage) System. The MICROS 2400 system, introduced in October 1991, features a proprietary, networked intelligent terminal architecture. A remote printer and video screen subsystem accommodate a wide variety of kitchen production and order routing schemes. The system's application software addresses quick service requirements in the areas of order entry, drive-thru operations, inventory tracking, employee timekeeping/labor tracking and data communications and produces a variety of management reports through an interface with back office, PC based software systems. MICROS offers a back office management information systems software package called the 2400 MWS+ (Manager Workstation Plus). The MWS+ software, introduced in June 1995, is a PC-based software product which provides for management analysis of sales and operational trends at quick service restaurants, both at the store and corporate levels, and permits the integration of point-of-sale functions with in-store back office, regional and home office management information system functions. The 3400 QSA, which MICROS licenses from a third party software vendor pursuant to a nonexclusive license agreement, was introduced in May 1997 with a general release scheduled in the second quarter of fiscal 1998. It has an open system architecture as it operates under Microsoft's Windows 95/NT operating systems, utilizes Microsoft's Access database, and runs on an industry standard Intel based microprocessor personal computer. Its functionality is similar to the 2400 FFS.

The Company's design architecture allows existing users of many MICROS POS products to access new technologies and applications in conjunction with their existing MICROS POS system. In addition, many MICROS products interface with various back office accounting and property management systems, including the Company's Fidelio PMS products.

Property Management Systems/Central Reservation Systems

For the hotel marketplace, MICROS, through its Fidelio subsidiary, develops, markets and distributes a complete line of PMS products. The series of software products, called Fidelio Suite, encompasses the following functions: reservations, front office registration, guest accounting, back office accounting, sales and catering management, credit card authorization, food and beverage management, rate management, and engineering management. The Fidelio Suite runs on the Microsoft DOS operating system and utilizes Novell's networking software. The systems run on an industry standard Intel microprocessor personal computer. In June 1997, Fidelio released a new version of the Fidelio Suites, Version 7.0, which utilizes the Microsoft Windows 95 graphical user interface. Fidelio has over 7,000 installations worldwide, including installations in many leading international hotel chains and independent hotel/resort properties. The Front Office PMS product is closely integrated with MICROS POS systems for table service restaurants, including the option for a guest folio print and check-out from the Company's 8700 HMS order entry terminal in a hotel restaurant. Fidelio also markets its products with special features designed for the cruise ship industry.

In addition to PMS products for the hotel industry, Fidelio offers CRS software. The CRS software allows hotel companies to provide instantaneous updating of reservations for member hotels. The CRS also integrates with site specific property management systems, thereby permitting an up-to-date status of room and guest reservations and information. The CRS software runs on an Oracle database and supports multiple operating systems. Each CRS generally requires customization in order to meet the specific needs of each hotel chain. In addition to providing the

software and related development, Fidelio provides consulting, installation and support services. Fidelio views the CRS software market as an important market for future and sustained business growth.

SALES, MARKETING AND DISTRIBUTION

The Company considers its direct and indirect global distribution network a major strength. This network has been built over the past 20 years. The Company and its dealers/distributors work closely together in seeking to identify new customers, products, services and markets and to serve the Company's existing customer base with enhanced products and services in accordance with their needs.

The Company's POS products are sold primarily through two channels: (i) the Direct POS Sales Channel, composed of a Company-owned sales distribution network consisting of both domestic and foreign sales subsidiaries, and the MICROS major account program directed to designated regional, national, and international customers; and (ii) the Indirect POS Sales Channel, which is an independent sales distribution network consisting of approximately 107 U.S. dealers and 62 foreign distributors.

Fidelio's products and services are sold through Company subsidiaries, direct sales offices and international distributors. In the United States and Canada, Fidelio distributes through a direct sales force. Outside of North America, Fidelio has approximately 17 international subsidiaries and 39 international distributors. Several of the Fidelio subsidiaries and distributors also sell MICROS POS products and services.

Foreign sales accounted for approximately 51%, 48% and 33% of the Company's total revenue in fiscal 1997, 1996 and 1995, respectively.

CUSTOMER SERVICE AND SUPPORT

MICROS provides a wide range of support products and services to its customers. Products include spare parts, media supplies (ribbons, paper, etc.), active power-line conditioners and uninterruptable power supplies. Services include installation, operator and manager training, hardware maintenance, application software support, credit card software support, network support and consulting. In fiscal 1996, MICROS commenced the implementation of a customer service management system developed by Clarify Inc. MICROS further developed and enhanced this system in fiscal 1997. This system is an important step on the part of MICROS to expand its support service capacity and to improve the quality of its support. MICROS uses the Clarify system to provide support of its POS and PMS products and services. MICROS believes that its services are an important competitive factor and differentiator in customer purchasing decisions. Service revenue constituted approximately 35%, 33% and 23% of MICROS's total revenues in fiscal 1997, 1996 and 1995, respectively.

RESEARCH AND DEVELOPMENT

The products sold by the Company are subject to rapid and continual technological change. Accordingly, the Company must continually develop innovative systems incorporating the newest technologies. Products available from the Company, as well as its competitors, have increasingly offered a wider range of features and capabilities.

The Company conducts its core POS product software and hardware development at its corporate headquarters in Beltsville, Maryland. To facilitate rapid responses for various regional application needs outside the United States, MICROS conducts software development in its Munich, Germany and Kuala Lumpur, Malaysia support offices. In addition, the Company continually examines and evaluates software and hardware products and designs created by third parties and has acquired and may in the future acquire rights to such products and designs.

Fidelio's PMS and CRS development are primarily conducted in five locations around the world: Munich, Germany, Bangalore, India, Naples, Florida, Stockholm, Sweden, and Tel Aviv, Israel. The multi-location development base allows Fidelio flexibility in conducting software development on a cost-effective basis maximizing utilization of existing personnel. Fidelio maintains close relationships with major software operating companies such as Oracle, Novell and Microsoft. These relationships are important to Fidelio so it can readily incorporate software changes from these companies into its products. Fidelio's international offices may also conduct specific product enhancement activities to meet specific interface needs and customer requests.

COMPETITION

The Company believes that its competitive strengths include its established global distribution and service network, its ability to offer a broad array of hardware, software and service products to the hospitality industry and its corporate focus on providing information systems solutions principally to the hospitality industry.

The markets in which the Company competes are highly competitive. There are worldwide at least 40 competitors that offer some form of sophisticated POS system similar to the Company's and over 100 PMS competitors. Competitors in the POS marketplace include full service providers such as Sulcus (Squirrel POS), Sharp, Positouch, Ibertech, Compris (being purchased by NCR), Progressive, Par Technology and Panasonic and hardware providers such as IBM and NCR, who market their products in conjunction with independent software vendors. There are also numerous smaller companies that license their POS-oriented software with PC-based systems in regional markets.

Many of the over 100 competitors in the PMS market are small companies with software designed to run on industry standard personal computers. There are, however, various major competitors including Sulcus (Lodgistix PMS), MAI Systems, Anasazi, Springer-Miller, Encore and property management systems developed and marketed by major hotel chains for their corporate-owned operations and franchisees.

The central reservation market is highly fragmented, with most central reservation systems being customized systems for each hotel chain or allied reservation group. The competitors in this market consist of in-house development efforts by chains, property management competitors such as Anasazi, Lodgistix, Springer-Miller, and specialized central reservation providers such as Lexington Services, WizCom International, Pegasus, Utell International and JC Penney Telemarketing. The market for central reservation systems is highly competitive.

MANUFACTURING

The Company engages in the manufacture of POS systems at its corporate headquarters in Beltsville, Maryland. Manufacturing consists primarily of assembly and testing of various purchased components, parts and subassemblies. Product reliability and quality are emphasized through design review, sophisticated computer testing of printed circuit assemblies, final product testing and numerous quality control audits.

The Company's manufacturing program seeks to maintain flexibility and reduce costs by emphasizing the strategic outsourcing of key product components and subassemblies. All lower level assemblies such as printed circuit assemblies, mechanical assemblies and cables are outsourced based on competitive bidding. The outsourcing process includes evaluating supplier processes, quality assurance, test capability and management and technical support structures, as well as price and delivery cycle. Whenever feasible, a second source is developed to reduce one-supplier dependence. Outsourcing reduces requirements for manpower, capital equipment and facilities, thus lowering overhead costs. Most outsourcing contracts are short term (two years or less) based on quality points or strategic requirements with key price components traced to monitor cost competitiveness. The Company believes it maintains good relationships with its suppliers.

Pursuant to an agreement with SCI Systems, of Huntsville, Alabama, MICROS has contracted to have its User Workstation III POS terminals and PCWS terminals manufactured by SCI. MICROS plans to continue using SCI as a manufacturing option to supplement its own capabilities.

Material sourcing is based on availability, service, cost, delivery and quality of the purchased items from domestic and international suppliers. Some items are custom manufactured to the Company's design specifications. MICROS believes that the loss of its current sources for components would not have a material adverse effect on the Company's business since other sources of supply are generally available.

EMPLOYEES

As of June 30, 1997, the Company had approximately 1,534 full-time employees. Approximately 716, or 47% of these employees are based in the United States, with the majority of this group based in the Company's Beltsville,

Maryland headquarters, and the balance of this group employed principally at the Company's regional district offices. Approximately 600, or 39% of the Company's employees are employed in Europe/Africa/Middle East. The remaining 218 international employees, or 14% of the total, are employed in the Pacific Rim and elsewhere, in offices including those located in Hong Kong, Malaysia and Australia. On an aggregate basis, the Company had approximately 1,269 employees in sales/marketing, customer support services and administration and finance; 182 employees in product development; and 83 employees in operations. The Company is not a party to any collective bargaining agreement and none of its employees is represented by a labor union. MICROS believes its relations with its employees to be good.

FOREIGN SALES AND FOREIGN MARKET RISK

The Company recorded foreign sales of approximately \$117,115,000 during fiscal 1997 to customers located primarily in Europe, Africa, the Middle East, Australia, Asia, and Canada. Comparable sales in fiscal 1996 were \$84,667,000 and in fiscal 1995 were approximately \$36,633,000. See Management's Discussion and Analysis of Financial Condition and Results of Operations for discussion of the Company's currency mix with regard to revenues. See Note 14 of Notes to Consolidated Financial Statements for additional geographic data.

The Company has experienced rapid growth internationally, largely due to the fiscal 1996 acquisition of Fidelio. MICROS's significant international business and presence does expose the Company to certain market risks, such as currency, interest rate and political risks. With respect to currency risk, the Company transacts business in over 20 different currencies through its foreign subsidiaries. The fluctuation of currencies impacts sales and profitability. Frequently, sales and the costs associated with such sales are not always denominated in the same currency. Given the fact that the Company transacts business in many different currencies, adverse declines in certain currencies can be offset by favorable advances in other currencies. While the Company has not to date invested in financial instruments designed to protect against currency fluctuations, the Company will continue to evaluate the need to do so in the future.

Additionally, the Company is subject to interest rate fluctuations in foreign countries to the extent that the Company elects to borrow in the local foreign currency. In the past, this has not been an issue of concern as the Company has the capacity to elect to borrow in other currencies with more favorable interest rates. While the Company has not to date invested in financial instruments designed to protect against interest rate fluctuations, the Company will continue to evaluate the need to do so in the future.

Finally, the Company is subject to political risk, especially in developing countries with uncertain or unstable political structures or regimes. The Company does not believe at this time that it is exposed to unusual political risk that could have a material adverse impact on the Company.

PATENTS

The Company holds no patents and believes that its competitive position is not materially dependent upon patent protection. The technology used in the design and manufacture of most of the Company's products is generally known and available to others.

FLUCTUATIONS AND CUSTOMERS

The Company's quarterly operating results have varied in the past and may vary in the future depending upon such factors as the timing of new product introductions, changes in the pricing and promotion policies of the Company and its competitors, market acceptance of new products and enhanced versions of existing products and the capital expenditure budgets of its customers. Moreover, the Company has experienced increased seasonality of its business, given the acquisition of Fidelio in November 1995 and the steady historic increase of international sales. In particular, with the European summer holiday slowdowns and the winter lull in capital acquisitions in the hospitality industry, the Company anticipates declines in sales volume for its first and third fiscal quarters relative to its second and fourth fiscal quarters. Nonetheless, the Company believes that quarter-to-quarter historic comparisons of its results are not necessarily meaningful or indicative of future performance.

No single customer accounts for 10% or more of the Company's consolidated revenues, nor is any portion of the Company's business subject to renegotiation of profits or termination of contracts or subcontracts at the election of the U.S. Federal Government.

ENVIRONMENTAL MATTERS

The Company believes that it is in compliance in all material respects with all applicable environmental laws and does not anticipate that such compliance will have a material effect on its future capital expenditures, earnings or competitive position with respect to any of its operations.

BACKLOG

The Company generally has a backlog of less than one month's revenue, substantially all of which is cancelable at any time prior to shipment, although historically few orders have been canceled. As of June 30, 1997 and 1996, the backlog totaled approximately \$21.8 and \$17.9 million, respectively.

OTHER

The Company has a \$25.0 million multi-currency unsecured committed line of credit with NationsBank, N.A. ("NationsBank"), effective November 21, 1995, and expiring on December 31, 1997. The Company has the one-time option to convert the line of credit into a three-year secured term loan upon expiration of the line of credit. Interest due under the line of credit will be calculated as follows: (i) in the event the advance is in U.S. dollars, at the option of the Company, either the bank's prime rate minus one half of one percent (.50%) per annum, or the LIBOR rate plus one and one eighth percent (1.125%) per annum; or (ii) in the event the advance is made in a currency other than the U.S. dollar, the LIBOR rate for the applicable denominated currency selected, plus one and one eighth percent (1.125%) per annum. Interest due under the three-year secured term loan shall be, at the option of the Company, the prime rate or the treasury bill rate (adjusted to a constant maturity of three years) plus two and one quarter percent (2.25%). During fiscal 1996, the Company had drawn under the existing line of credit DM 30.0 million, which was utilized to fund the acquisition of the remaining stock in Fidelio at the end of November 1995. Under the terms of the current loan agreement, the Company may borrow up to \$25.0 million less the amount of outstanding letters of credit. Amounts outstanding under the line are payable on demand and are not secured by the assets of the Company. The agreement requires the Company to satisfy certain financial covenants. In addition, the agreement limits the incurrence of additional indebtedness and restricts the Company's payment of dividends other than stock dividends.

Prior to November 21, 1995, the Company had a line of credit with NationsBank, with a borrowing capacity of \$15.0 million. There were no borrowings under the \$15.0 million line of credit.

On March 29, 1996, the Company acquired a DM 10.0 million term loan, of which DM 5.8 million is outstanding at June 30, 1997 (approximately \$3.4 million at the June 30, 1997 exchange rate), from Commerzbank. Under the loan, payments of principal and accrued interest at a fixed rate of 5.3% are due at the end of each month, beginning April 1996, for the next 36 months. The Company used the full proceeds to reduce the DM 30.0 million

borrowing under the NationsBank line of credit. Accordingly, as of June 30, 1997, the borrowing under the NationsBank line of credit was DM 20.0 million (approximately \$11.7 million at the June 30, 1997 exchange rate).

Further, during fiscal 1997 Fidelio maintained three unsecured committed lines of credit with BFH Bank, Hypobank and Commerzbank. Fidelio's line of credit with Commerzbank continues to be in place, but Fidelio no longer maintains lines of credit with BHF Bank and Hypobank as of May 31, 1997. DM 7.0 million (approximately \$4.1 million at the June 30, 1997 exchange rate), is available in the Commerzbank line of credit. No borrowings existed under this line of credit as of June 30, 1997. Certain Fidelio subsidiaries maintain additional lines of credit, none of which is considered material.

At June 30, 1997, for all of its lines of credit, the Company had borrowed approximately \$11.7 million and has approximately \$17.4 million available.

RECENT DEVELOPMENTS

On June 3, 1997, the Company, through its wholly-owned Australian Fidelio subsidiary located in Brisbane, acquired certain assets from Ausdata Pty Limited ("Ausdata"), an Australian company. The purchased assets relate to the distribution of MICROS POS products in Australia. As part of the transaction, MICROS assumed all distribution rights in Australia, and hired approximately 24 Ausdata employees. The purchase price consisted of a base payment in the amount of approximately Australian \$4.8 million (equal to U.S. \$3.6 million at exchange rates at the time of the acquisition), Australian \$1.4 million (equal to U.S. \$1.1 million at exchange rates at the time of the acquisition) was paid at closing and the remainder of which is payable in fiscal 1998, and an earn-out payment, earnable over three years if certain financial targets are exceeded. Goodwill and other intangible assets as a result of this transaction were Australian \$4.8 million (U.S. \$3.6 million at the exchange rate in effect at the date of purchase) which is being amortized over a period of seven and six years, respectively. The Company currently intends to consolidate MICROS and Fidelio operations in Sydney, while continuing to maintain a presence in Melbourne and Brisbane.

ITEM 2. PROPERTIES

The Company's executive offices and main administrative and manufacturing facilities are located in Beltsville, Maryland. The Company conducts sales, marketing, customer support and product development activities for its POS operations at this location. The Fidelio headquarters, where the Company conducts a significant portion of the PMS sales, marketing and customer support activities, is located in Munich, Germany.

The Beltsville, Maryland campus is composed of three buildings: (i) one building is approximately 60,000 square feet and is owned by the Company; (ii) a second building is approximately 90,000 square feet, with approximately 65,800 under lease by the Company, 44,900 of which is currently leased by the Company through 2009, with options to increase its leased space during that period with an option to purchase the entire building for ten dollars in the year 2009, with the remaining 20,900 square feet leased by the Company under an operating lease through September 1998; (iii) a third building of 36,700 square feet which is leased under operating leases by the Company through September 1998; and (iv) other space in the vicinity of 8,600 square feet which is leased under an operating lease by the Company through September 1998. The Company believes that it can either negotiate extensions for expiring leases, or that additional space will be available upon expiration of any of the existing Beltsville leases.

Fidelio's Munich office leases approximately 29,000 square feet pursuant to a lease expiring at the end of June 1998. The Company believes that it can either negotiate an extension for the expiring Munich lease or that additional space will be available upon expiration of such lease.

To satisfy other sales, service and support, and product development needs, the Company leases space in eleven cities domestically, including Boston, Chicago, Los Angeles and other major metropolitan areas and in over twenty cities worldwide, including London, Paris, Zurich, Kuala Lumpur, Sydney and Hong Kong.

In general, the Company believes that additional space will be available as needed.

ITEM 3. LEGAL PROCEEDINGS

MICROS is and has been involved in legal proceedings arising in the normal course of business. On March 25, 1997, Budgetel Inns, Inc. ("Budgetel") filed suit against MICROS in the United States Federal District Court in the Eastern District of Wisconsin. Budgetel alleges, among other things, that MICROS breached a March 1993 software support agreement by failing to provide full support to this software package licensed to Budgetel in 1993. MICROS will defend against Budgetel's allegations, and has moved to have certain of the causes of action dismissed. While the ultimate outcome of litigation is uncertain, and while litigation is inherently difficult to predict, the Company is of the opinion, based upon presently available information and the advice of counsel concerning pertinent legal matters, that any resulting liability should not have a material adverse effect on the Company's results of operations or financial position.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

During the fourth quarter of fiscal 1997, no matters were submitted to a vote of security holders.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

Price Range of Common Stock

As of August 29, 1997, there were approximately 450 record holders of the Company's Common Stock, \$.025 par value.

The Company's Common Stock (symbol "MCRS") is traded on the National Association of Securities Dealers Automated Quotation ("NASDAQ") system. The following table shows the range of trading prices for the period indicated, as reported by NASDAQ.

On August 29, 1997 the closing price for the stock was \$46.75.

		<u>Price Range</u> (in dollars)	
		<u>High</u>	<u>Low</u>
Year Ended June 30, 1997			
7/01/96 - 9/30/96	(First Quarter)	31-1/4	18-3/4
10/01/96 - 12/31/96	(Second Quarter)	35-3/4	28
1/01/97 - 3/31/97	(Third Quarter)	40-3/4	28-3/4
4/01/97 - 6/30/97	(Fourth Quarter)	42	30
Year Ended June 30, 1996			
7/01/95 - 9/30/95	(First Quarter)	39-1/2	31
10/01/95 - 12/31/95	(Second Quarter)	49-3/4	32-3/4
1/01/96 - 3/31/96	(Third Quarter)	53-3/4	23
4/01/96 - 6/30/96	(Fourth Quarter)	33	20-1/4
Year Ended June 30, 1995			
7/01/94 - 9/30/94	(First Quarter)	33-1/2	26-1/4
10/01/94 - 12/31/94	(Second Quarter)	41-1/4	28-3/4
1/01/95 - 3/31/95	(Third Quarter)	38-1/8	28
4/01/95 - 6/30/95	(Fourth Quarter)	35	27-3/4

The Company has never paid a dividend and has no current intention to pay any dividends. Its current policy is to retain earnings and use funds for the operation and expansion of its business. In addition, certain indebtedness restricts the amount of cash dividends which may be payable. The Company is a party to a line of credit agreement expiring December 31, 1997, which restricts the payment of dividends other than stock dividends (see Note 5 of Notes to Consolidated Financial Statements). Future dividend policy will be determined by the Board of Directors based on the Company's earnings, financial condition, capital requirements and other existing conditions.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA (in thousands except per share amounts)

	Fiscal Years Ended June 30,				
	1997	1996	1995	1994	1993
Statement of Operations Data					
Revenue	\$228,169	\$178,049	\$112,021	\$79,265	\$55,314
Income from operations	\$27,836	\$4,031	\$16,542	\$12,322	\$9,409
Net income	\$16,332	\$2,392	\$11,577	\$8,687	\$5,760
Net income per common and common equivalent share (1)	\$2.03	\$.30	\$1.46	\$1.10	\$0.74
Cash dividends	--	--	--	--	--
Balance Sheet Data					
Working Capital	\$27,838	\$20,695	\$37,029	\$27,126	\$18,216
Total assets	\$163,550	\$136,836	\$89,644	\$66,191	\$48,207
Long-term debt and capital leases (2)	\$10,135	\$15,524	\$5,614	\$5,803	\$1,780
Shareholders' equity	\$71,727	\$56,195	\$53,450	\$39,938	\$29,970
Book value per share	\$8.97	\$7.07	\$6.80	\$5.13	\$3.92
Additional Data					
Weighted average number of common and common equivalent shares outstanding	8,050	8,006	7,952	7,911	7,807

(1) Included in fiscal 1996 net income per common and common equivalent share is a charge for purchased in-development software technology in the amount of \$1.01 per share relating to the acquisition of Fidelio.

(2) Including current portion.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Comparison of Fiscal 1997 to Fiscal 1996:

The Company recorded net income of \$2.03 per common share in fiscal 1997, compared with net income of \$.30 per common share in fiscal 1996. The results for fiscal 1996 include a one-time after tax charge of \$8.1 million, or \$1.01 per common share, for the write-off of purchased in-development software technology associated with the acquisition of Fidelio. For the year, excluding last year's one-time charge, the increased net income was primarily due to higher sales volumes and improved gross margins associated with a favorable sales mix of higher margin products.

Revenue of \$228.2 million for fiscal 1997 increased \$50.2 million, or 28.2%, compared to the same period last year. A comparison of the sales mix for fiscal years 1997 and 1996 is as follows:

	Year Ended June 30,	
	1997	1996
Hardware	45.1%	53.4%
Software	20.1%	13.9%
Service	<u>34.8%</u>	<u>32.7%</u>
	<u>100.0%</u>	<u>100.0%</u>

While hardware sales represent a smaller proportion of total sales in fiscal 1997 in comparison to the prior year, this category continued to grow in absolute dollars. The increase in software for the year, relative to total sales, is primarily due to the acquisition of Fidelio on November 30, 1995. Service sales increased in absolute dollars in comparison to the prior year, and at a higher rate than that of combined hardware and software sales. Service sales have increased primarily due to the Fidelio acquisition.

Combined hardware and software revenues for fiscal 1997 increased \$29.0 million, or 24.2%, while service revenues increased \$21.2 million or 36.4%, over the same period a year earlier.

The Company's revenues are transacted in approximately twenty currencies. The relative mix over the past three years is as follows:

Revenues by currency (1)	<u>Year Ended June 30,</u>		
	<u>1997</u>	<u>1996</u>	<u>1995</u>
United States Dollar	58%	65%	84%
German Mark	11%	10%	5%
U.K. Pound Sterling	6%	6%	6%
French Franc	4%	5%	1%
Australian Dollar	3%	1%	--
Singapore Dollar	2%	1%	--
All Other Currencies (2)	<u>16%</u>	<u>12%</u>	<u>4%</u>
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

(1) Calculated using average exchange rates for the year.

(2) Represents approximately 14 currencies.

Until fiscal 1996, the Company had historically transacted business primarily in the United States Dollar and, to a lesser extent, in European currencies, as a result of its Europe-based subsidiaries. During fiscal 1996, as a result of the Fidelio acquisition on November 30, 1995, the Company expanded its revenue mix to a higher proportion of revenues denominated in the German Mark and other foreign currencies. In fiscal 1997, the Company experienced a full year's amount of sales from Fidelio and its subsidiaries which have contributed to the further diversification of currencies in comparison to prior years.

Cost of sales, as a percentage of revenue, decreased to 49.1% from 50.7% for fiscal 1997 compared to fiscal 1996. Cost of sales for hardware and software products, as a percentage of related revenue, was 48.4% in fiscal 1997 compared to 52.0% for the same period a year earlier as a result of an increase in higher-margin software sales as a percentage of total hardware and software revenue along with a favorable shift in sales distribution from the indirect to direct sales channels.

Service costs, as a percentage of service revenue, increased to 50.3% in fiscal 1997 compared to 48.2% in fiscal 1996. The increased costs in comparison to fiscal 1996 were primarily due to continued investment in the Company's service organization and the costs associated with training new service personnel.

Selling, general and administrative expenses increased \$12.7 million, or 22.2%, in fiscal 1997 compared to last year. As a percentage of revenue, selling, general and administrative expenses decreased to 30.5% in fiscal 1997 compared to 32.0% in fiscal 1996 as sales grew at a rate in excess of these expenses. The decrease is primarily due to a moderation in the expansion of the Company's corporate infrastructure, along with office and staffing consolidation in various international subsidiaries.

Research and development expenses (exclusive of capitalized software development costs), which consist primarily of labor costs, increased \$4.0 million, or 55.8%, in fiscal 1997 compared to fiscal 1996. As a percentage of revenue, research and development expenses (exclusive of capitalized software development costs) increased to 4.9% in fiscal 1997 compared to 4.0% in fiscal 1996. Actual research and development expenditures, including capitalized software development costs of \$4.3 million in fiscal 1997 increased \$5.9 million, or 61%, compared to the same period a year earlier. As a percentage of revenue, research and development expenditures (inclusive of capitalized software development costs) amounted to 6.8% in fiscal 1997 compared to 5.4% in fiscal 1996. The increase in absolute dollars is primarily due to Fidelio product development.

Purchased in-development software technology was a result of the one-time \$14.8 million charge taken in the second quarter of fiscal 1996 associated with the acquisition of Fidelio.

Income from operations for fiscal 1997 was \$27.8 million, or 12.2% of revenue, compared to income of \$4.0 million in fiscal 1996. Excluding the \$14.8 million charge for the purchase of in-development software technology in the second quarter of fiscal 1996, income from operations for fiscal 1996 was \$18.8 million or 10.6% of revenue. The Company's higher income from operations is primarily due to higher sales and improved gross margins.

Interest income for 1997 decreased \$0.3 million or 44.7%, compared to fiscal 1996. The decrease is due to the use of cash needed for working capital along with a reduction in the Company's average cash balance during fiscal 1997 compared to fiscal 1996 as a result of the Fidelio acquisition. Interest expense decreased \$0.2 million or 12.3%, compared to fiscal 1996. The decrease in interest expense for the period is primarily due to the Company's reduction of its debt obligations.

The effective tax rate for fiscal 1997 is 38.4% compared to 11.0% for fiscal 1996. Excluding the effect of the purchase of in-development software technology expense and the related tax benefit, the effective tax rate for fiscal 1996 would have been 39.0%. The decrease in the tax rate is primarily due to the restoration of U.S. research and development tax credits in 1997. The effective tax rate for fiscal 1998 may be higher than 38.4% due to a shift in the mix of earnings towards countries with higher tax rates.

Comparison of Fiscal 1996 to Fiscal 1995:

The Company recorded net income of \$.30 per common share in fiscal 1996 compared to \$1.46 per common share in fiscal 1995. Fiscal 1996 results include a one-time after tax charge of \$8.1 million, or \$1.01 per common share, for the write-off of purchased in-development software technology acquired in the acquisition of Fidelio. Excluding this one-time after tax charge, net income for fiscal 1996 was \$1.31 per common share.

Revenue for fiscal 1996 was \$178.0 million, an increase of \$66.0 million, or 58.9%, compared to fiscal 1995. Sales increased in every distribution channel worldwide. Sales in the Company's direct distribution channels increased \$60.0 million over fiscal 1995. This increase includes \$41.6 million for PMS hardware, software and related services through the Company's Fidelio subsidiaries, primarily arising in connection with the acquisition of Fidelio on November 30, 1995 and continued market penetration of the Company's PMS distribution offices. Sales of POS hardware, software and related services at the North American district offices increased \$5.9 million over fiscal 1995, including \$3.8 million due to the addition of the Connecticut and Pacific Northwest offices, while continued market share gains in the Company's five European POS subsidiaries added \$8.4 million in fiscal 1996, including the new subsidiary in France purchased in August 1995. POS sales through the indirect sales channels to independent dealers and distributors worldwide increased \$6.0 million in fiscal 1996. The indirect sales channel's growth was reduced by the Company's purchase of certain dealers and distributors. In particular, in fiscal 1996, MICROS acquired its French distributor, certain Fidelio subsidiaries, the Pacific Northwest dealer and a Connecticut dealer, all of which are now part of the direct sales channel.

Hardware and software sales increased 39.5% while service related revenues increased 123.0%. Service revenue in fiscal 1996 grew faster than hardware/software revenue due to the acquisition of Fidelio, which has a higher percentage of service revenue compared to total revenue than does MICROS.

Cost of sales, as a percentage of revenue, increased to 50.7% for fiscal 1996 compared to 50.2% for fiscal 1995. Cost of sales for hardware and software products, as a percentage of related revenue, increased to 52.0% for fiscal 1996 compared to 51.8% for fiscal 1995, primarily due to an increase in sales volume of lower margin products and certain strategic selling price decreases on hardware products, partially offset by a favorable shift in sales distribution from the indirect to direct sales channel, including higher margin Fidelio software sales. Service costs, as a percentage of related revenue, increased in fiscal 1996 to 48.2% from 45.0% in fiscal 1995. The increase is primarily due to higher labor costs for subcontracting installations, and expansion and upgrade of the service organization to address new and anticipated needs.

Selling, general and administrative expenses increased \$24.2 million, or 73.8%, in fiscal 1996 compared to fiscal 1995. As a percentage of revenue, selling, general and administrative expenses increased to 32.0% in fiscal 1996 compared to 29.3% in fiscal 1995. The increases are primarily the result of the continued expansion of the Company's infrastructure, with an increased emphasis on the sales and service organizations, including the acquisitions of Fidelio in November 1995, three U.S. sales and service offices and D.A.C. Systemes/MICROS France and AD-Maintenance Informatique in August 1995.

Research and development expenses (exclusive of capitalized software development costs), which consist primarily of labor costs, increased \$2.4 million, or 50.7%, in fiscal 1996 compared to fiscal 1995. Actual research

and development expenditures, including capitalized software development costs of \$2.4 million in fiscal 1996 and \$0.3 million in fiscal 1995, increased \$4.6 million, or 90.5% in fiscal 1996 compared to fiscal 1995. The increase in absolute dollars is primarily due to the acquisition of Fidelio in November 1995, and the additional staffing required to develop new POS products, including the Company's 3700 POS software, which was released in October 1996.

Purchased in-development software technology was a result of the one-time \$14.8 million charge taken in December 1995 associated with the acquisition of Fidelio.

Income from operations was \$4.0 million, or 2.3% of revenue in fiscal 1996, compared to \$16.5 million, or 14.8% of revenue, in fiscal 1995. Excluding the \$14.8 million charge for the purchase of in-development software technology in the second quarter, income from operations for fiscal year 1996 was \$18.8 million, or 10.6% of revenue. Higher selling, general and administrative expenses and depreciation and amortization expense, in particular those associated with several of the acquisitions consummated during the fiscal year, and lower gross margins adversely impacted income from operations in fiscal 1996.

Interest income decreased \$0.3 million, or 29.0% in fiscal 1996 primarily due to the liquidation of cash investments to purchase Fidelio on November 30, 1995. Interest expense increased \$1.3 million in fiscal 1996 primarily due to the bank lines of credit borrowings outstanding since the end of November 1995 and a term loan outstanding since the end of March 1996.

The effective tax rate for fiscal 1996 is 11.0% compared to 34.9% in fiscal 1995. Excluding the one-time expense for the purchase of in-development software technology and the related tax benefit, the effective tax rate for fiscal 1996 would have been 39.0%. The increase in the tax rate is primarily due to the mix of tax rates on a country-by-country basis and the loss of the U.S. research and development ("R&D") tax credit effective during fiscal 1996 due to the expiration of the tax legislation, which provided a 1.5% credit in fiscal 1995.

Summary

The Company has recently experienced rapid revenue growth at a rate that it believes has significantly exceeded that of the global market for point-of-sale computer systems and property management information systems products for the hospitality industry, fueled in part by the acquisitions consummated in calendar year 1995. Although the Company currently anticipates continued revenue growth at a rate in excess of such market, and therefore an increase in its overall market share, it does not expect to maintain growth at recent levels and there can be no assurance that any particular level of growth can be achieved. In addition, due to the competitive nature of the market, the Company continues to experience gross margin pressure on its products, and the Company expects this to continue. There can be no assurance that the Company will be able to continue to increase sufficiently sales of its higher margin products, including software and services, to prevent future declines in the Company's overall gross margin.

Moreover, some of the statements contained herein not based on historic facts are forward looking statements that involve risks and uncertainties. Past performance is not necessarily a strong or reliable indicator of future performance. Actual results could differ materially from past results, estimates or projections. Some of the additional risks and uncertainties are: product demand and market acceptance, including demand and acceptance for the new 3400 QSA and the new 3700 POS systems; implementation of a service structure capable of servicing increasingly complex software systems in increasingly more remote locations; achieving increased sales of higher margin software products; adverse economic or political conditions; unexpected currency fluctuations; impact of competitive products and pricing on margins; product development delays; technological difficulties associated with new product releases, including those with respect to the Fidelio next generation integrated property management and central reservation system technologies; and controlling expenses. Other risks are disclosed in the Company's releases and SEC filings, including the Company's fiscal 1997 10-Q filings for the quarters ended September 30, December 31, 1996 and March 31, 1997.

Liquidity and Capital Resources

The Company has a \$25.0 million unsecured committed line of credit which was renewed December 31, 1996 for an additional one year period, expiring on December 31, 1997. In addition, the Company obtained additional lines of credit from three European banks as a result of its November 1995 acquisition of Fidelio. It currently maintains one of those original lines of credit in the amount of DM 7 million (approximately \$4.1 million at the June 30, 1997 exchange rate). During fiscal 1997, the Company borrowed against the Commerzbank line of credit; during fiscal 1996, the Company borrowed against all of these lines of credit, while there were no borrowings during fiscal 1995. At June 30, 1997, the Company had borrowed approximately \$11.7 million and has approximately \$17.4 million available. As the Company has significant international operations, its DM-denominated borrowings do not represent a significant foreign exchange risk. The Company does not currently engage in any foreign exchange hedging.

In addition, the Company has long-term debt, both current and non-current, of approximately \$6.2 million as of June 30, 1997. The majority of this debt stems from the Fidelio acquisition.

Net cash provided by operating activities for fiscal 1997 was \$16.4 million versus \$8.7 million for fiscal 1996. Proceeds from the issuance of stock under the Company's stock option plan provided \$0.8 million for fiscal 1997 and \$0.6 million for fiscal 1996. In addition, during fiscal 1997, the Company received proceeds of \$0.6 million relating to non-refundable stock option deposits. The income tax benefit from the exercise of disqualified stock options provided \$0.1 million for fiscal 1997 and \$0.3 million during fiscal 1996. During fiscal 1997, the Company used \$15.3 million for investing activities, including \$13.7 million for the purchase of property, plant and equipment, internally developed software as well as software purchased from a third party and \$2.4 million for business acquisitions. Net financing activities for fiscal 1997 used \$5.0 million, primarily for debt repayment. During fiscal 1996, the Company used \$32.8 million for investing activities, including \$27.0 million used for business acquisitions and \$4.8 million used for the purchase of property, plant, and equipment.

In fiscal 1996, the Company obtained a DM 10.0 million term loan that was used to repay DM 10.0 million on its \$25.0 million line of credit. The Company repaid approximately \$2.1 million of this term debt during fiscal 1997. As a result, the cash position of the Company at June 30, 1997 was \$10.9 million. All cash is being held for the operation and expansion of the business.

The Company anticipates that its cash flow from operations along with available lines of credit, in conjunction with other lines of credit for which the Company may be eligible or lines of credit to be renewed, are sufficient to provide the working capital needs of the Company for the foreseeable future. The Company anticipates that its rate of property, plant and equipment expenditures for fiscal 1998 will be comparable to its fiscal 1997 expenditures.

Financial indicators of the Company's liquidity and capital resources as of June 30, 1997 and 1996 were:

<u>In thousands, except ratios</u>	<u>1997</u>	<u>1996</u>
Cash and cash equivalents	<u>\$10,864</u>	<u>\$15,231</u>
Short term investments	<u>\$0</u>	<u>\$0</u>
Available lines of credit	\$29,100	\$33,500
Outstanding lines of credit	<u>11,740</u>	<u>14,947</u>
Unused bank line of credit	<u>\$17,360</u>	<u>\$18,553</u>
Working capital	<u>\$27,838</u>	<u>\$20,695</u>
Long-term debt and capital lease obligations:		
Current	\$3,056	\$5,362
Non-current	7,079	10,162
Total	<u>\$10,135</u>	<u>\$15,524</u>
Shareholders' equity	<u>\$71,727</u>	<u>\$56,195</u>
Current ratio	<u>1.35</u>	<u>1.31</u>

Inflation

The Company has not experienced any significant impact as a result of inflation.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See Item 14(a) 1 in Part IV.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

<u>Name</u>	<u>Position</u>
T. Paul Armstrong	Senior Vice President and General Manager, Strategic Account Group
Louis M. Brown, Jr.	Director and Chairman of the Board
Daniel Cohen	Director
Jeffery B. Edwards	President, MICROS Fidelio Software GmbH & Co. KG
A.L. Giannopoulos	Director, President and Chief Executive Officer
Frederick F. Goebel	Vice President, Quick Service Restaurant Group
Daniel G. Interlandi	Senior Vice President and General Manager, Table Service Restaurant/Leisure and Entertainment Group
F. Suzanne Jenniches	Director
Gary C. Kaufman	Senior Vice President, Finance and Administration and Chief Financial Officer
Ronald J. Kolson	Executive Vice President and Chief Operating Officer
Thomas L. Patz	Vice President and General Counsel
John G. Puente	Director
Alan M. Voorhees	Director
Roberta J. Watson	Vice President and Controller
Edward T. Wilson	Director

Directors of the Registrant are elected for a term of one year.

Directors and Executive Officers of the Registrant during fiscal 1997:

T. Paul Armstrong, 39, joined the Company in July 1981 as a software engineer. In December 1983, he was promoted to the position of Director, Systems Engineering. In November 1989 he was promoted to Vice President, Research and Development. In October 1993, Mr. Armstrong was named Vice President and Product Manager, Full Service Products. In July 1995, Mr. Armstrong was promoted to Senior Vice President, Research and Development, in April 1996, he was made Senior Vice President and General Manager for the Table Service Restaurant Group, and in April 1997 was named Senior Vice President and General Manager for the Strategic Account Group. Mr. Armstrong is a graduate of Cambridge University, England.

Louis M. Brown, Jr., 54, has been a Director of the Company since 1977. Mr. Brown held the position of President and Chief Executive Officer from January 1986 until his appointment as Chairman of the Board in January 1987. He also serves as President and a director of IDEAS, Inc., a supplier of high technology, custom-engineered products and services. Mr. Brown serves as President and Chief Executive Officer and as a director of Autometric, Inc. and Chairman of Planning Systems, Inc. He is a graduate of The Johns Hopkins University (B.E.S.-E.E.).

Daniel Cohen, 42, has been a Director of the Company since November 1992. Pursuant to a consulting agreement effective July 1, 1997 and expiring December 31, 1998, Mr. Cohen provides consulting services to the Company. Until June 30, 1997, he was Managing Director of Fidelio MICROS France, S.A., a subsidiary of MICROS Systems, Inc. and distributor of the Company's products. Formerly, Mr. Cohen was Managing Director and principal shareholder of D.A.C. Systemes/MICROS France. Mr. Cohen founded D.A.C. Systemes in 1986 and took over the distribution of MICROS products in France, having previously worked for the Company's former distributor in France and having previously started representation of MICROS in Israel. In 1992, the Company acquired a 15% equity interest in D.A.C. Systemes, and the name was changed to D.A.C. Systemes/MICROS France. An additional 8% equity interest was acquired by the Company in fiscal 1994, and the remainder of the stock was acquired by the company in fiscal 1996. Mr. Cohen is a graduate of the Hotel School of Lausanne, Switzerland, from which he holds a Masters degree in Hotel Administration.

Jeffrey B. Edwards, 42, was named President of Fidelio Software GmbH, the Company's wholly-owned subsidiary with headquarters in Munich, Germany, in April 1996. Mr. Edwards has been with the Company since 1994 when he was hired as President of Fidelio Software Corporation, the former U.S. subsidiary of Fidelio Software GmbH. Previously, Mr. Edwards was President and CEO of Action Software Corporation, and COO of Lodgistix, and provided consulting services to various hospitality industry clients. He holds a B.S. degree from the University of Oregon.

A.L. Giannopoulos, 57, has been a Director since March 1992 and was elected President and Chief Executive Officer in May 1993. Effective as of June 1, 1995, Mr. Giannopoulos resigned as General Manager of the Westinghouse Information and Security Systems Divisions, having been with Westinghouse for 30 years, and was hired by the Company pursuant to an Employment Agreement to terminate December 31, 1999. In prior assignments at Westinghouse, Mr. Giannopoulos was General Manager of the Automation Division and National Industrial Systems Sales Force, Industries Group. Mr. Giannopoulos is a graduate of Lamar University with a Bachelor of Science degree in Electrical Engineering.

Frederick F. Goebel, 38, joined the company in March 1996 as General Manager Quick Service Restaurant Group. In May 1997, he was promoted to his present position of Vice President, Quick Service Restaurant Group. For the twelve years prior to coming to MICROS, Mr. Goebel was employed at Par Microsystems Corporation where he held various management positions in its Fast Food Division. Mr. Goebel is a graduate of Clarkson College of Technology, now Clarkson University, with a Bachelor of Science degree in Management and Marketing.

Daniel G. Interlandi, 44, began his career with MICROS in 1980. He has held key sales and management positions at the Company involving district operations, distributors, major accounts, customer service, and served as Product Manager for Full Service Products. He was promoted to Vice President, Full Service Products in May 1993 and to Senior Vice President, Sales & Marketing in September 1993. In April 1996 he was appointed Senior Vice President and General Manager, Leisure and Entertainment Group, and in April 1997 he was appointed Senior Vice President and General Manager, Table Service Restaurant/Leisure and Entertainment Group. Mr. Interlandi is a 1975 graduate of Knox College.

F. Suzanne Jenniches, 49, has been a Director of the Company since October 1996. She is Vice President and General Manager of Automation and Information Systems (AIS) for the Electronic Sensors and Systems Division of Northrop Grumman, which, either directly or through subsidiaries, designs and develops postal automation systems, intelligent material management systems, enterprise management systems, airline reservation systems and information systems for the travel industry, license plate readers, imaging inspection systems, and records management systems. Ms. Jenniches is past president of the national Society of Women Engineers, has served on the board of governors for the American Association of Engineering Societies, and is currently a board member of

the State of Maryland's Greater Baltimore Committee Technology Council. Ms. Jenniches is a graduate of Clarion College and holds a Masters degree in Environmental Engineering from The Johns Hopkins University.

Gary C. Kaufman, 47, served as a Director of the Company from January 1991 until May 1994 when he was appointed to Vice President, Finance and Administration and Chief Financial Officer. Subsequent to June 30, 1996, he was promoted to Senior Vice President, Finance and Administration and Chief Financial Officer. Previously, Mr. Kaufman was Division Controller for Westinghouse Security and Network Services Divisions, having been with Westinghouse for 20 years in various financial positions. Mr. Kaufman is a graduate of the University of Dayton with a Bachelor of Science degree in Accounting and is also a Certified Public Accountant.

Ronald J. Kolson, 43, joined the Company in April 1984 as Controller. In September 1987 he was promoted to Vice President, Finance and Administration and Chief Financial Officer. In 1994, he was promoted to his present position of Executive Vice President and Chief Operating Officer. Mr. Kolson is a graduate of The Pennsylvania State University with a Bachelor of Science Degree in Accounting and is also a Certified Public Accountant.

Thomas L. Patz, 37, joined the Company in August 1995 as General Counsel. In November 1996, he was promoted to his present position of Vice President and General Counsel. Previously, Mr. Patz was Assistant General Counsel of Westinghouse Electric Corporation. Mr. Patz is a 1982 graduate of Brown University with a Bachelor of Arts degree in English, and a 1985 graduate of the University of Virginia School of Law with a degree of Juris Doctor. Mr. Patz is a member of the Maryland State Bar.

John G. Puente, 67, has been a Director since May 1996. He is the Chairman of Tology Networks, Inc., a developer of communications software products. Mr. Puente is on the boards of directors of Orion Network Systems, a company which provides satellite services and facilities, and Primus Telecommunications, a long distance telecommunications service provider. Previously, he was Chairman and Chief Executive Officer of Orion. Prior to joining Orion, Mr. Puente was Vice Chairman of M/A-Com, a supplier of microwave components and systems to the telecommunications industry. He was a founder and Chairman of Digital Communications Corporation (now Hughes Network Systems) and SouthernNet, a fiber optic long distance company which merged to form Telecom USA and was later acquired by MCI. Mr. Puente is a graduate of Polytechnic Institute of New York and now serves on the Board of Trustees of that institution, and he holds a Masters degree from Stevens Institute of Technology. He is Chairman of the Board of Trustees of Capitol College.

Alan M. Voorhees, 74, has been a Director of the Company since 1982. He is Chairman of Summit Enterprises, Inc. of Virginia, a privately-held investment company. Mr. Voorhees also is the Chairman of the Board of Autometric, Inc., and IDEAS, Inc., a supplier of high technology, custom-engineered products and services, and a member of the Board of Directors of Atlantic Southeast Airlines, Inc. Mr. Voorhees is a graduate of Rensselaer Polytechnic Institute and holds a Masters degree from Massachusetts Institute of Technology.

Roberta J. Watson, 36, joined the Company in November 1987 as Manager of Accounting. In March 1990, she was promoted to the position of Controller, and in November 1994, she was promoted to Vice President and Controller. Ms. Watson holds a Bachelor of Science degree in Accounting from the State University of New York and is a Certified Public Accountant.

Edward T. Wilson, 56, has been a Director of the Company since 1981. He is currently a private investment advisor and President of the Fund for Fine Arts. Previously, Mr. Wilson held senior management positions in domestic and international banking with Riggs National Bank, The Bank of America and in trade relations with the U.S. Chamber of Commerce and the U.S. Commerce Department. Mr. Wilson holds a Doctorate in International Relations from The Johns Hopkins University.

Information relating to filings made pursuant to Section 16 of the Securities Exchange Act of 1934 will be set forth in the Company's Proxy Statement, and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION AND TRANSACTIONS

The information required by Item 11 will be set forth in the Company's Proxy Statement under the caption "Executive Compensation", and such information is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Set forth below is the number of shares of the Company's Common Stock and the percentage of the total outstanding shares beneficially owned by each director of the Company, the Chief Executive Officer, the four other most highly compensated executive officers, all directors and executive officers as a group, and all persons beneficially owning 5% or more of the Company's Common Stock as of August 29, 1997. Also set forth below is the address of each 5% beneficial owner.

<u>Individual or Group (1)</u>	Number of Shares of Common Stock Beneficially Owned as of August 29, 1997 (2)	(3)	Percent of Class
Louis M. Brown, Jr. Director, Chairman of the Board	23,500	(3)	Less than 1%
Daniel Cohen Director	10,000		Less than 1%
A. L. Giannopoulos Director, President and Chief Executive Officer	22,332	(4)	Less than 1%
John G. Puente Director	3,000		Less than 1%
Alan M. Voorhees Director	40,000	(5)	Less than 1%
Edward T. Wilson Director	19,900	(6)	Less than 1%
F. Suzanne Jenniches Director	180		Less than 1%
Jeffrey B. Edwards President, MICROS Fidelio Software GmbH and Co. KG	7,666	(7)	Less than 1%
Daniel Interlandi Senior Vice President and General Manager, Table Service Restaurants/Leisure & Entertainment Group	19,487	(8)	Less than 1%
Gary C. Kaufman Senior Vice President, Finance and Administration and Chief Financial Officer	13,133	(9)	Less than 1%
Ronald J. Kolson Executive Vice President and Chief Operating Officer	53,333	(10)	Less than 1%
Directors and Executive Officers as a Group (15 persons, including the above-named persons)	264,463	(11)	3.3%
 RCM Capital Management 4 Embarcadero Center, Suite 3000 San Francisco, CA 94111	 1,197,000		 14.7%
 SAFECO Asset Management Company SAFECO Plaza Seattle, WA 98185	 1,133,214		 14.0%

(1) As of August 29, 1997, CEDE & Co., nominee for Stock Clearing Corporation, Box 20, Bowling Green Station, New York, New York, a central certificate service, held of record 7,699,172 Shares 96.3% of the outstanding shares of Common Stock. Those shares are believed to be owned beneficially by a large number of beneficial owners and, except as indicated in this table, the Company is not aware of any other individual or group owning beneficially more than 5% of the outstanding Common Stock.

(2) Information with respect to beneficial ownership is based on information furnished by each shareholder. Sole voting and sole investing power is exercised by each individual.

(3) Includes options to purchase 13,000 shares exercisable within 60 days.

- (4) Includes options to purchase 19,332 shares exercisable within 60 days.
- (5) Does not include 60,000 shares held by irrevocable trusts created for the benefit of the adult children of Mr. Voorhees, with respect to which he disclaims any beneficial interest.
- (6) Does not include 26,000 shares held in custody for the children of Mr. Wilson, with respect to which he disclaims any beneficial interest.
- (7) Includes options to purchase 7,666 shares exercisable within 60 days.
- (8) Includes options to purchase 15,333 shares exercisable within 60 days.
- (9) Includes options to purchase 12,333 shares exercisable within 60 days. Mr. Kaufman disclaims any beneficial interest in 600 shares of Common Stock, not included here, held in custody for his dependent children.
- (10) Includes options to purchase 16,333 shares exercisable within 60 days.
- (11) Includes stock options for the purchase of 119,495 shares of Common Stock which are exercisable as of or within 60 days of August 29, 1997 and assumes 8,118,163 shares outstanding upon the exercise of such options.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Westinghouse, as an incentive to 11 key officers to remain with the Company for a period of two years following June 1, 1995, agreed to make payments to such officers aggregating up to approximately \$1.25 million, payable in three equal installments promptly after such date and on the first and second anniversaries of such date (subject to the officer remaining employed by the Company on the relevant payment date). In June 1995, the first installment of \$409,100 was paid for these key officers of the Company. In June 1996, the second installment of \$360,800, reduced by \$48,300 from the June 1995 payment due to the resignation of one of the eleven key officers, was paid by Westinghouse. The final installment of \$360,800 was paid in June 1997. Even though such payments were entirely funded by Westinghouse and did not require any use of the Company's cash, for accounting purposes, they are required to be reflected as compensation expense in the Company's financial statements.

The Company has purchased certain raw materials and has contracted for certain sub-assembly operations through Westinghouse to take advantage of more competitive pricing available through off-shore manufacturing locations. The Company estimates that it has purchased approximately \$195,000, in such materials and labor from Westinghouse during fiscal 1996, for the period from July through September 1995, as no related party relationship existed after September 1995.

For the period from July through September 1995, during which a related party relationship existed between the Company and Westinghouse, the Company purchased from Westinghouse and its subsidiaries for approximately \$170,000 other products and services provided to the Company, including insurance coverage, office space, consulting, office furniture, and telecommunications services.

During fiscal 1996, the Company sold approximately \$344,000 in products to D.A.C. Systemes/MICROS France, under the same terms and conditions offered to other independently-owned dealers/distributors of the Company. D.A.C. Systemes/MICROS France was principally owned by Daniel Cohen, a Director of the Company, until August 25, 1995, when MICROS acquired controlling interest. The fiscal 1996 activity covers only the period from July through August 1995, since sales are eliminated as intercompany after that date. During fiscal 1997 and 1996, the Company compensated Mr. Cohen \$208,000 and \$97,000, respectively.

During fiscal 1997 and 1996, the Company compensated Louis M. Brown, Jr., Chairman of the Board, \$226,300 and \$216,500, respectively, for consulting services provided to the Company. Effective June 30, 1995, the Company and Mr. Brown entered into a Consulting Agreement terminating June 30, 2000, pursuant to which Mr. Brown is to provide on the average 20 hours per week of consulting services to the Company in exchange for a base consulting fee commencing at \$150,000 plus a target bonus of \$70,000, with annual adjustments.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

	<u>Page No.</u>
(a) The following documents are filed as a part of this report:	
1. Financial Statements:	
Report of Independent Accountants	26
Consolidated balance sheets as of June 30, 1997 and 1996	27
Consolidated statements of operations for the years ended June 30, 1997, 1996 and 1995	28
Consolidated statements of shareholders' equity for the years ended June 30, 1997, 1996 and 1995	29
Consolidated statements of cash flows for the years ended June 30, 1997, 1996 and 1995	30
Notes to consolidated financial statements	32
2. Financial Statement Schedules:	
Schedule II, Valuation and qualifying accounts and reserves	46
All other schedules are omitted because they are not applicable, or not required, or the required information is included in the financial statements or notes thereto.	
3. Exhibits:	
2.1 Purchase and Transfer Agreement dated November 30, 1995, is incorporated herein by reference to Exhibit 2.1 to the Form 8-K filed December 14, 1995.	
2.2 Agreement dated May 12, 1993 is incorporated herein by reference to Exhibit 2.2 to the Form 8-K filed December 14, 1995.	
3(i). Articles of Incorporation of the Company as in effect on the date hereof is incorporated herein by reference to Exhibit 3 to the Annual Report on Form 10-K of the Company for the Fiscal Year ended June 30, 1990.	
3(ii). By-laws of the Company as in effect on the date hereof is incorporated herein by reference to Exhibit 3 to the Annual Report on Form 10-K of the Company for the Fiscal Year ended June 30, 1990.	
10a1. Amendment and Restatement of MICROS Systems, Inc. Stock Option Plan is incorporated herein by reference to Exhibit 4.1 to the Registration Statement on Form S-8 of the Company filed on February 16, 1990.	

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K (continued)

- 10a2. First Amendment to the Amendment and restatement of MICROS Systems, Inc. Stock Option Plan constituting Exhibit 10a1 hereto is incorporated herein by reference to Exhibit 4.2 to the Registration Statement on Form S-8 of the Company filed on February 16, 1990.
- 10b1. MICROS Systems, Inc. 1991 Stock Option Plan as amended, is incorporated herein by reference to Exhibit A to the Proxy Statement of the Company for the 1993 Annual Meeting of Shareholders.
- 10b2. MICROS Systems, Inc. 1991 Stock Option Plan as amended, is incorporated herein by reference to Exhibit A to the Proxy Statement of the Company for the 1995 Annual Meeting of Shareholders.
- 10b3. MICROS Systems, Inc. 1991 Stock Option Plan as amended, is incorporated herein by reference to Exhibit A to the Proxy Statement of the Company for the 1996 Annual Meeting of Shareholders.
- 10c. Underwriting Agreement dated July 6, 1995 by and among MICROS Systems, Inc., Westinghouse Electric Corporation, Westinghouse Holdings Corporation, J.P. Morgan Securities, Inc., Morgan Stanley & Co. Incorporated and Smith Barney, Inc. is incorporated herein by reference to Exhibit 10d to the Annual Report on Form 10-K of the Company for the Fiscal Year ended June 30, 1995.
- 10d. Employment Agreement dated June 1, 1995 between MICROS Systems, Inc. and A.L. Giannopoulos is incorporated herein by reference to Exhibit 10e to the Annual Report on Form 10-K of the Company for the Fiscal Year ended June 30, 1995.
- 10e. Consulting Agreement dated June 30, 1995 between MICROS Systems, Inc. and Louis M. Brown, Jr. is incorporated herein by reference to Exhibit 10f to the Annual Report on Form 10-K of the Company for the Fiscal Year ended June 30, 1995.
- 10f. Employment Agreement dated August 25, 1995 between MICROS Systems, Inc. and Daniel Cohen is incorporated herein by reference to Exhibit 10g to the Annual Report on Form 10-K of the Company for the Fiscal Year ended June 30, 1995.
- 10g. MICROS Systems, Inc. Bonus and Incentive Plan is incorporated herein by reference to Exhibit 10 to the Quarterly Report on Form 10-Q of the Company for the period ended September 30, 1994.
- 10h. Employment Agreement dated May 28, 1997 between MICROS Systems, Inc. and Gary C. Kaufman.
- 10i. Employment Agreement dated May 28, 1997 between MICROS Systems, Inc. and Ronald J. Kolson.
- 10j. Consulting Agreement dated July 1, 1997 between MICROS Systems, Inc. and Daniel Cohen.
- 11. Statement Regarding Computation of Earnings Per Share.
- 21. Subsidiaries of the Company.
- 23. Consent of Independent Accountants.
- 27. Financial Data Schedule.

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K (continued)

- 99.1 Final Statements of Acquired Business is incorporated herein by reference to Exhibit 99.1 to the Form 8-K/A filed February 13, 1996.
- 99.2 Proforma Financial Information is incorporated herein by reference to Exhibit 99.2 to the Form 8-K/A filed February 13, 1996.

(b) Reports on form 8-K:

No reports on Form 8-K have been filed during the fourth quarter of the fiscal year ended June 30, 1997.

The annual report will be mailed to shareholders prior to the annual meeting scheduled for November 21, 1997.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of MICROS Systems, Inc.,

In our opinion, the consolidated financial statements listed in the index appearing under Item 14(a)(1) and (2) on page 23 present fairly, in all material respects, the financial position of MICROS Systems, Inc. and its subsidiaries at June 30, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 1997, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse LLP

Linthicum, Maryland
September 3, 1997

MICROS SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
as of June 30, 1997 and 1996
(in thousands, except per share data)

	<u>1997</u>	<u>1996</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$10,864	\$15,231
Accounts receivable, net of allowance for doubtful accounts of \$2,508 in 1997 and \$2,016 in 1996	64,541	49,250
Inventories	23,855	15,138
Deferred income taxes	3,437	3,899
Prepaid expenses and other current assets	<u>5,053</u>	<u>4,420</u>
Total current assets	107,750	87,938
Property, plant and equipment, net	19,297	15,623
Deferred income taxes, non-current	5,026	5,580
Goodwill and intangible assets, net of accumulated amortization of \$5,731 in 1997 and \$3,346 in 1996	20,806	20,746
Purchased and internally developed software costs, net of accumulated amortization of \$4,825 in 1997 and \$2,650 in 1996	9,872	6,287
Other assets	<u>799</u>	<u>662</u>
Total assets	<u>\$163,550</u>	<u>\$136,836</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank lines of credit	\$11,740	\$14,947
Current portion of long-term debt	2,846	5,210
Current portion of capital lease obligations	210	152
Accounts payable	16,797	12,726
Accrued expenses and other current liabilities	30,567	23,927
Income taxes payable	5,182	986
Deferred service revenue	<u>12,570</u>	<u>9,295</u>
Total current liabilities	79,912	67,243
Long-term debt, net of current portion	3,368	6,312
Capital lease obligations, net of current portion	3,711	3,850
Deferred income taxes	3,321	2,588
Minority interests	<u>1,511</u>	<u>648</u>
Total liabilities	91,823	80,641
Commitments and contingencies		
Shareholders' equity:		
Common stock, \$.025 par; authorized 10,000 shares; issued and outstanding 7,992 shares in 1997 and 7,944 shares in 1996	200	199
Capital in excess of par	18,103	16,253
Retained earnings	56,126	39,794
Accumulated foreign currency translation adjustments	<u>(2,702)</u>	<u>(51)</u>
Total shareholders' equity	71,727	56,195
Total liabilities and shareholders' equity	<u>\$163,550</u>	<u>\$136,836</u>

The accompanying notes are an integral part of the consolidated financial statements.

MICROS SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
for the years ended June 30, 1997, 1996 and 1995
(in thousands, except per share data)

	<u>1997</u>	<u>1996</u>	<u>1995</u>
Revenue:			
Hardware and software	\$148,801	\$119,854	\$85,929
Service	<u>79,368</u>	<u>58,195</u>	<u>26,092</u>
Total revenue	<u>228,169</u>	<u>178,049</u>	<u>112,021</u>
Costs and expenses:			
Cost of sales			
Hardware and software	72,070	62,270	44,513
Service	<u>39,921</u>	<u>28,028</u>	<u>11,751</u>
Total cost of sales	111,991	90,298	56,264
Selling, general and administrative expenses	69,685	57,024	32,817
Research and development expenses	11,170	7,171	4,758
Purchased in-development software technology (Note 2)	--	14,770	--
Depreciation and amortization	<u>7,487</u>	<u>4,755</u>	<u>1,640</u>
Total costs and expenses	<u>200,333</u>	<u>174,018</u>	<u>95,479</u>
Income from operations	27,836	4,031	16,542
Non-operating income (expense):			
Interest income	461	833	1,173
Interest expense	(1,445)	(1,648)	(369)
Other income (expense), net	<u>774</u>	<u>(55)</u>	<u>476</u>
Income before taxes and minority interests and equity in net earnings of affiliates	27,626	3,161	17,822
Income taxes	<u>10,616</u>	<u>347</u>	<u>6,175</u>
Income before minority interests and equity in net earnings of affiliates	17,010	2,814	11,647
Minority interests and equity in net earnings of affiliates	<u>(678)</u>	<u>(422)</u>	<u>(70)</u>
Net income	<u>\$16,332</u>	<u>\$2,392</u>	<u>\$11,577</u>
Net income per common and common equivalent share	<u>\$2.03</u>	<u>\$0.30</u>	<u>\$1.46</u>
Weighted-average number of common and common equivalent shares outstanding	<u>8,050</u>	<u>8,006</u>	<u>7,952</u>

The accompanying notes are an integral part of the consolidated financial statements.

MICROS SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
for the years ended June 30, 1997, 1996 and 1995
(in thousands)

	Common Stock		Capital in Excess of Par	Retained Earnings	Accum. Foreign Currency Transl. Adjust.	Total
	Shares	Amount				
Balance, June 30, 1994	7,787	195	13,761	25,825	157	39,938
Stock issued upon exercise of options	72	1	352	--	--	353
Income tax benefit from stock options exercised	--	--	361	--	--	361
Net income for the year	--	--	--	11,577	--	11,577
Foreign currency translation adjustment	--	--	--	--	812	812
Capital contribution from Westinghouse	--	--	409	--	--	409
Balance, June 30, 1995	7,859	196	14,883	37,402	969	53,450
Stock issued upon exercise of options	85	3	644	--	--	647
Income tax benefit from stock options exercised	--	--	329	--	--	329
Net income for the year	--	--	--	2,392	--	2,392
Foreign currency translation adjustment	--	--	--	--	(1,020)	(1,020)
Capital contribution from Westinghouse	--	--	361	--	--	361
Other	--	--	36	--	--	36
Balance, June 30, 1996	7,944	\$199	\$16,253	\$39,794	\$(51)	\$56,195
Stock issued upon exercise of options	48	1	760	--	--	761
Non-refundable stock option deposit	--	--	583	--	--	583
Income tax benefit from stock options exercised	--	--	146	--	--	146
Net income for the year	--	--	--	16,332	--	16,332
Foreign currency translation adjustment	--	--	--	--	(2,651)	(2,651)
Capital contribution from Westinghouse	--	--	361	--	--	361
Balance, June 30, 1997	<u>7,992</u>	<u>\$200</u>	<u>\$18,103</u>	<u>\$56,126</u>	<u>\$(2,702)</u>	<u>\$71,727</u>

The accompanying notes are an integral part of the consolidated financial statements.

MICROS SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the years ended June 30, 1997, 1996 and 1995
(in thousands)

	<u>1997</u>	<u>1996</u>	<u>1995</u>
Cash flows from operating activities:			
Net income	\$16,332	\$2,392	\$11,577
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	7,487	4,755	1,640
Amortization of capitalized software	1,723	1,494	490
Charge for purchase of in-development software	--	14,770	--
Provision for losses on accounts receivable	1,279	473	697
Provision for inventory obsolescence	621	446	502
Undistributed earnings from equity investment and minority interests	678	422	70
Provision for deferred income taxes	1,203	(6,039)	(261)
Currency gain on equity investment and loan receivable	--	(189)	(188)
Changes in assets and liabilities:			
Increase in accounts receivable	(19,014)	(6,779)	(8,240)
Increase in inventories	(9,996)	(3,193)	(1,529)
Increase in prepaid expenses and other assets	(1,557)	(882)	(1,213)
Increase in accounts payable	4,299	871	2,612
Increase (decrease) in accrued expenses and other current liabilities	4,828	(1,071)	5,472
Increase (decrease) in income taxes payable	4,412	(118)	(314)
Increase in deferred service revenue	4,112	1,316	1,661
Total adjustments	<u>75</u>	<u>6,276</u>	<u>1,399</u>
Net cash provided by operating activities	<u>16,407</u>	<u>8,668</u>	<u>12,976</u>
Cash flows from investing activities:			
Purchases of property, plant and equipment	(8,100)	(4,822)	(2,589)
Proceeds from dispositions of property, plant and equipment	160	112	2
Capitalized software development costs	(4,319)	(2,437)	(286)
Purchase of third party software	(1,250)	--	--
Purchase of net district assets	--	--	(206)
Purchase of equity interest in investees	--	--	(3,482)
Sale (purchase) of short-term investments	--	3,170	(3,170)
(Loan) proceeds to affiliates	--	(2,347)	3,223
Loan to investee	--	--	(604)
Dividends received from affiliates	--	581	210
Proceeds from sale of affiliates	600	--	--
Net cash paid for acquisitions	<u>(2,407)</u>	<u>(27,036)</u>	<u>--</u>
Net cash used in investing activities	<u>(15,316)</u>	<u>(32,779)</u>	<u>(6,902)</u>
Cash flows from financing activities:			
Principal payments on line of credit	(1,924)	(11,152)	--
Principal payments on long-term debt	(4,761)	(2,756)	(233)
Principal payments on capital lease obligations	(198)	(154)	(88)
Proceeds from issuance of stock	760	646	353
Proceeds from non-refundable stock option deposit	583	--	--
Proceeds from long-term debt	--	8,075	--
Proceeds from line of credit	--	20,742	--
Income tax benefit from stock options exercised	146	329	361
Capital contributions from Westinghouse and other	<u>361</u>	<u>397</u>	<u>409</u>
Net cash provided by financing activities	<u>(5,033)</u>	<u>16,127</u>	<u>802</u>

The accompanying notes are an integral part of the consolidated financial statements.

MICROS SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
for the years ended June 30, 1997, 1996 and 1995
(in thousands)

	<u>1997</u>	<u>1996</u>	<u>1995</u>
Effect of exchange rate changes on cash	(425)	--	--
Net (decrease) increase in cash and cash equivalents	\$(4,367)	\$(7,984)	\$6,876
Cash and cash equivalents at beginning of year	<u>15,231</u>	<u>23,215</u>	<u>16,339</u>
Cash and cash equivalents at end of year	<u>\$10,864</u>	<u>\$15,231</u>	<u>\$23,215</u>
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	<u>\$1,329</u>	<u>\$1,247</u>	<u>\$368</u>
Income taxes	<u>\$6,410</u>	<u>\$5,761</u>	<u>\$6,470</u>

Supplemental schedule of noncash financing and investing activities (in thousands):

In June 1997, the Company purchased, through its wholly-owned Australian Fidelio subsidiary located in Brisbane, certain assets from Ausdata Pty Limited ("Ausdata"), an Australian company (see Note 2 of Notes to Consolidated Financial Statements).

In October 1996, the Company purchased the remaining 30% interest in one of its majority-owned subsidiaries for \$399, payable \$80 at closing and \$319 in equal annual installments over the next four years, beginning October 1, 1997. The note bears interest at the prime rate and is adjusted annually each October 1st.

The purchase of district assets in fiscal 1995 included cash payments of \$206 and the issuance of a promissory note in the amount of \$235, with annual payments through April 1999. The unamortized discount on the note, based on an imputed annual interest rate of 8.75%, is \$12 at June 30, 1997.

In August 1995, the Company purchased the remaining 77% of D.A.C. Systemes/MICROS France and AD-Maintenance Informatique ("ADMI") for FF 14,000 (approximately \$2,800 at exchange rates in effect at the date of purchase), payable FF 8,000 at closing and FF 6,000 over the next four years, plus potential additional payments based on earnings over the next four years. The unamortized discount on the note, based on an imputed annual interest rate of 8.75% is \$79 at June 30, 1997.

The accompanying notes are an integral part of the consolidated financial statements.

MICROS SYSTEMS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share data)

1. Description of business and summary of significant accounting policies:

Description of business

MICROS is a leading worldwide designer, manufacturer, supplier and servicer of point-of-sale ("POS") systems, property management systems ("PMS") and central reservation systems ("CRS") software for hospitality providers, including full service and quick service restaurants, restaurants located in hotels and other lodging establishments, casinos, sports arenas, theme parks, hotels, motels and resorts. (References to "MICROS" or the "Company" herein include the operations of MICROS Systems, Inc. and its subsidiaries on a consolidated basis.)

Basis of preparation

The consolidated financial statements are prepared in accordance with generally accepted accounting principles which requires the use of estimates made by the Company's management. Actual results may differ from those estimates.

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. The earnings in consolidated MICROS subsidiaries are recorded net of minority interests. Investments in 20%-through 50%-owned affiliated companies in which the Company exercises significant influence over operating and financial affairs are included under the equity method. Otherwise, investments are included at cost. All significant intercompany accounts and transactions have been eliminated.

Foreign currency translation

The financial statements of MICROS's non-U.S. operations are translated into U.S. dollars for financial reporting purposes. The assets and liabilities of non-U.S. operations whose functional currencies are other than the U.S. dollar are translated at rates of exchange at fiscal year-end, and revenues and expenses are translated at average exchange rates for the fiscal year. The cumulative translation effects are reflected in shareholders' equity. Gains and losses on transactions denominated in other than the functional currency of an operation are reflected in other income (expense).

Revenue recognition

Revenue from hardware sales is recognized at the time of shipment with a provision for estimated returns and allowances. Revenue from licensed software sales is recognized when shipped, with an appropriate deferral for post-contract customer support. This deferral is earned when significant obligations no longer exist. Revenue from the installation of products is recognized upon the completion of the installation of the product as acknowledged by the customer. Service contract revenue is initially recorded as deferred service revenue and is reflected in operating income on a pro rata basis over the contract term.

Cash equivalents

The Company considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined principally by the first-in, first-out method.

Property, plant and equipment

Property, plant and equipment are stated at cost. Maintenance and repairs are charged to expense as incurred, and the costs of additions and betterments are capitalized. Depreciation is provided in amounts which amortize costs over the useful lives of the related assets, generally three to ten years for equipment and forty years for building and building improvements, utilizing the straight-line method. Leasehold improvements are amortized over the terms of the respective leases or useful lives of the improvements, whichever is shorter.

Warranties

A majority of the Company's products are under warranty for defects in material and workmanship for a one-year period. The Company establishes an accrual for estimated warranty costs at the time of sale.

Capitalized computer software development costs

Software development costs incurred prior to establishing technological feasibility are charged to operations and included in research and development costs. Software development costs incurred after establishing technological feasibility, and purchased software costs, are capitalized and amortized on a product-by-product basis when the product is available for general release to customers. Annual amortization, charged to cost of sales, is the greater of the amount computed using the ratio that current gross revenues for a product bear to the total of current and anticipated future gross revenues for that product, or the straight-line method over the remaining estimated economic life of the product.

Research and development costs

Expenditures for research and development not capitalized as described above are charged to operations as incurred.

Goodwill and intangible assets

Goodwill represents the excess of purchase price over the fair value of the net assets of acquired subsidiaries and investees. Goodwill and intangible assets are stated on the basis of cost and are amortized on a straight line basis over their estimated periods of benefit, none of which exceeds 10 years. Recoverability is assessed annually or whenever adverse events and changes in circumstances indicate that undiscounted cash flows previously anticipated warrant reassessment.

Financing costs related to long-term debt

Costs associated with obtaining long-term debt are deferred and amortized over the term of the related debt.

Advertising costs

The Company's policy for accounting for advertising is to expense costs as incurred. Advertising expenses for fiscal 1997, 1996 and 1995, were \$2,577, \$2,590 and \$1,601, respectively.

Income taxes

Deferred tax liabilities and assets are recognized for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities.

Net income per common and common equivalent share

Net income per common and common equivalent share is computed based on the weighted-average number of common and dilutive common equivalent shares outstanding during each year. For purposes of this computation, the Company's dilutive outstanding stock options are considered common stock equivalents.

Fair value of financial instruments

The carrying amounts of the Company's financial instruments reflected in the consolidated balance sheet at June 30, 1997 approximate their respective fair values.

Reclassifications

Certain balances have been reclassified to conform to 1997 presentation.

2. Acquisitions:

Ausdata

On June 3, 1997, the Company, through its wholly-owned Australian Fidelio subsidiary located in Brisbane, acquired certain assets from Ausdata Pty Limited ("Ausdata"), an Australian company. The purchased assets relate to the distribution of MICROS POS products in Australia. As part of the transaction, MICROS assumed all distribution rights in Australia, and hired approximately 24 Ausdata employees. The purchase price consisted of a base payment in the amount of approximately Australian \$4.8 million (equal to US\$3.6 million at exchange rates at the time of the acquisition), Australian \$1.4 million (equal to U.S. \$1.1 million at exchange rates at the time of the acquisition) was paid at closing and the remainder of which is payable in fiscal 1998, and an earn-out payment, earnable over three years if certain financial targets are exceeded. Goodwill and other intangible assets as a result of this transaction were Australian \$4.8 million (U.S. \$3.6 million at the exchange rate in effect at the date of purchase) which is being amortized over a period of seven and six years, respectively. The Company currently intends to consolidate MICROS and Fidelio operations in Sydney, while continuing to maintain a presence in Melbourne and Brisbane. The pro forma effects of this acquisition are immaterial and are not presented herein.

Fidelio Software GmbH

On November 30, 1995, the Company acquired the remaining 70% of Fidelio Software GmbH ("Fidelio") for DM 40,000 (approximately \$28,500 at the exchange rate as of the date of acquisition) in a transaction which has been accounted for under the purchase method (the "Acquisition"). In fiscal 1993, 15% of the capital stock of Fidelio had been acquired and an additional 15% was acquired in October 1994; the carrying value of this 30% investment at the date of the Acquisition was \$7,700.

The Company engaged a nationally recognized, independent appraisal firm to express an opinion on the fair market value of the Fidelio assets acquired to serve as a basis for allocation of the purchase price for the remaining 70% to various classes of assets. The appraisal included identifiable intangible assets as well

as software technology. After the Company's allocation of the purchase price for the acquisition, including \$1,700 of acquisition liabilities incurred, and elimination of the carrying value of the initial 30% investment, Fidelio's assets and liabilities were recorded on a consolidated basis at the date of acquisition:

Tangible net assets (liabilities)	\$(3,200)
Identifiable intangible assets	2,000
Current software products	3,800
Purchased in-development software technology	14,770
Goodwill (excess of purchase price over fair value of net assets acquired)	<u>20,500</u>
	<u>\$37,870</u>

The tangible net assets (liabilities) consist primarily of cash, accounts receivable, inventory, property and equipment and liabilities assumed. The identifiable intangible assets are being amortized on a straight-line basis over periods ranging from seven to nine years. All goodwill related to Fidelio, including approximately \$5,000 remaining from the initial 30% purchase, is being amortized over nine years.

The software technology valuation was accomplished through the application of an income approach. Projected debt-free income, revenue net of provision for operating expenses, income taxes and returns on requisite assets were discounted to a present value. This approach was used for each of the Fidelio product lines. Software technology was divided into two categories:

1. "Current products", representing software products currently in the marketplace as of the acquisition date, and software in the development stage which had reached technological feasibility.
2. "Purchased in-development software technology", representing products in the development stage not considered to have reached technological feasibility.

The fair market value of the purchased current products was determined to be \$3,800. This amount was recorded as an asset and is being amortized over a maximum of four remaining years based on the greater of the ratio that the current gross revenues from the product bear to the total of current and anticipated future gross revenues for that product or straight-line amortization.

Purchased in-development software technology included the value of products still in the development stage and not considered to have reached the technological feasibility stage. As a result of the valuation, the fair market value of the purchased in-development software technology was determined to be \$14,770. In accordance with the applicable accounting rules, this amount was expensed upon acquisition in the second quarter of fiscal 1996.

Unaudited pro forma information for the twelve-month periods ended June 30, 1996 and 1995, as if the acquisition had occurred on the first day of those periods, but excluding the one-time write-off of the purchased in-development software technology discussed above, is shown below. Such pro forma information also reflects the pro forma effects of Fidelio's acquisition of 100% of the common stock of Executive Technologies of Southwest Florida, Inc. in October 1995 for \$4,000.

	<u>Twelve Months Ended June 30,</u>	
	<u>1996</u>	<u>1995</u>
	(unaudited)	
Revenue	\$202,700	\$158,100
Net Income	\$10,300	\$11,200
Net income per share	\$1.29	\$1.41

D.A.C. Systemes/MICROS France and AD-Maintenance Informatique ("ADMI")

On August 25, 1995, the Company purchased from Daniel Cohen (a director of the Company) and his family, the remaining 77% of D.A.C. Systemes/MICROS France and AD-Maintenance Informatique

("ADMI") for FF 14,000 (approximately \$2,800 at exchange rates in effect at the date of purchase), payable FF 8,000 at closing and FF 6,000 over the next four years, plus potential additional payments based on earnings over the next four years. In addition, Mr. Cohen was granted a five year employment contract at FF 600 (approximately \$119 at exchange rates in effect at the date of purchase) per year plus a bonus based on future operating results. Goodwill recorded as a result of this transaction was \$1,000 which is being amortized over 9 years. The pro forma effects of this acquisition are immaterial and are not presented herein.

3. Inventories:

The components of inventories are as follows:

	<u>1997</u>	<u>1996</u>
Raw materials	\$7,594	\$3,528
Work-in-process	3,515	2,955
Finished goods	<u>12,746</u>	<u>8,655</u>
	<u>\$23,855</u>	<u>\$15,138</u>

4. Property, plant and equipment:

The components of property, plant and equipment are as follows:

	<u>1997</u>	<u>1996</u>
Land	\$1,583	\$1,583
Buildings	5,235	5,235
Building improvements	354	320
Machinery and equipment	21,156	15,218
Furniture and fixtures	4,802	5,742
Leasehold improvements	<u>1,470</u>	<u>857</u>
	\$34,600	28,955
Accumulated depreciation and amortization	<u>(15,303)</u>	<u>(13,332)</u>
Net property, plant and equipment	<u>\$19,297</u>	<u>\$15,623</u>

5. Line of credit:

The Company has a \$25.0 million multi-currency unsecured committed line of credit with NationsBank, N.A. ("NationsBank"), effective November 21, 1995, and expiring on December 31, 1997. The Company has the one-time option to convert the line of credit into a three-year secured term loan upon expiration of the line of credit. Interest due under the line of credit will be calculated as follows: (i) in the event the advance is in U.S. dollars, at the option of the Company, either the bank's prime rate minus one half of one percent (.50%) per annum, or the LIBOR rate plus one and one eighth percent (1.125%) per annum; or (ii) in the event the advance is made in a currency other than the U.S. dollar, the LIBOR rate for the applicable denominated currency selected, plus one and one eighth percent (1.125%) per annum. Interest due under the three-year secured term loan shall be, at the option of the Company, the prime rate or the treasury bill rate (adjusted to a constant maturity of three years) plus two and one quarter percent (2.25%). During fiscal 1996, the Company had drawn under the existing line of credit DM 30.0 million, which was utilized to fund the acquisition of the remaining stock in Fidelio at the end of November 1995. Under the terms of the current loan agreement, the Company may borrow up to \$25.0 million less the amount of outstanding letters of credit. Amounts outstanding under the line are payable on demand and are not secured by the assets of the Company. The agreement requires the Company to satisfy certain financial covenants. In addition, the agreement limits the incurrence of additional indebtedness and restricts the Company's payment of dividends other than stock dividends.

The Company used the full proceeds of a DM 10.0 million term loan to reduce the DM 30.0 million borrowing under the NationsBank line of credit (see Note 6). Accordingly, as of June 30, 1997, the borrowing under the NationsBank line of credit was DM 20.0 million (approximately \$11.7 million at the June 30, 1997 exchange rate).

Prior to November 21, 1995, the Company had a line of credit with NationsBank, with a borrowing capacity of \$15.0 million. There were no borrowings under the \$15.0 million line of credit.

Further, during fiscal 1997 Fidelio maintained three unsecured committed lines of credit with BFH Bank, Hypobank and Commerzbank. Fidelio's line of credit with Commerzbank continues to be in place, but Fidelio no longer maintains lines of credit with BHF Bank and Hypobank as of May 31, 1997. DM 7.0 million (approximately \$4.1 million at the June 30, 1997 exchange rate), is available in the Commerzbank line of credit. No borrowings existed under this line of credit as of June 30, 1997. Certain Fidelio subsidiaries maintain additional lines of credit, none of which is considered material.

At June 30, 1997, for all of its lines of credit, the Company had borrowed approximately \$11.7 million and has approximately \$17.4 million available.

6. Long-term debt:

The components of long-term debt are as follows:

	June 30, 1997		1997	1996
	<u>Interest Rates</u>	<u>Maturities</u>		
Term loan	5.30%	April 1999	\$ 3,419	\$6,016
Variable rate note	5.70%	2006	1,071	1,201
Term loan	7.25%	June 1997	0	813
Notes payable	5.75-8.75%	1999-2000	1,724	3,080
All other	Various	1997-2002	<u>0</u>	<u>412</u>
			6,214	11,522
Less current portion			<u>2,846</u>	<u>5,210</u>
			<u>\$ 3,368</u>	<u>\$ 6,312</u>

On March 29, 1996, the Company acquired a DM 10.0 million term loan, of which DM 5.8 million is outstanding at June 30, 1997 (approximately \$3.4 million at the June 30, 1997 exchange rate), from Commerzbank. Under the loan, payments of principal and accrued interest at a fixed rate of 5.3% are due at the end of each month, beginning April 1996, for the next 36 months. The Company used the full proceeds to reduce the DM 30.0 million borrowing under the NationsBank line of credit.

The variable rate note relates to the Company's Industrial Revenue Bond obligation used to purchase one of the buildings it occupies in Beltsville, Maryland. The interest rate on the debt is a variable rate set weekly by the bank who purchased the bond. The maximum rate is 15%, and on June 30, 1997 the effective interest rate was approximately 5.70%. The Company is repaying the debt in equal monthly principal payments plus interest through January 2006. The loan, which is collateralized by property, plant and equipment, is subject to certain debt covenants.

Prior to the Fidelio acquisition, Fidelio obtained a 7.25% term loan with BHF Bank for DM 1,850, maturing June 1997. Under the loan, quarterly payments of principal and accrued interest at a fixed rate of 7.25% commenced in 1995. Proceeds of this term loan were used by Fidelio in 1995 for a strategic acquisition in 1995 prior to MICROS's acquisition of Fidelio. This loan has been repaid in full at June 30, 1997.

The notes payable relate to obligations incurred by the Company in connection with various strategic acquisitions. The notes carry interest rates ranging from 5.75% to 8.75%, with varying installment payments through October 2000. The aggregate unamortized discount on these notes, based on their respective imputed interest rates, is \$99 at June 30, 1997.

Annual maturities of long-term debt are as follows:

<u>Year ended June 30,</u>	<u>Amount</u>
1998	\$ 2,846

1999	2,059
2000	483
2001	219
2002	130
2003 and thereafter	<u>477</u>
	<u>\$ 6,214</u>

7. Accrued expenses and other current liabilities:

The components of accrued expenses and other current liabilities are as follows:

	<u>1997</u>	<u>1996</u>
Compensation and related taxes	\$7,369	\$6,185
Commissions	4,872	3,974
Quantity discounts and credits due customers	3,945	4,269
Deposits received from customers	4,239	1,963
VAT and sales taxes	1,026	1,514
Acquisition reserves	139	1,008
Payments due for acquisitions	2,500	--
Accrued payables and other	<u>6,477</u>	<u>5,014</u>
	<u>\$30,567</u>	<u>\$23,927</u>

8. Commitments and contingencies:

Leases

The Company and its subsidiaries lease office space and equipment under operating leases expiring at various dates through 2002. Rent expense under these leases for fiscal 1997, 1996 and 1995 was \$4,852, \$3,153, and \$1,348, respectively.

The Company and its subsidiaries lease office and warehouse space under capital leases expiring at various dates through 2009. The Company's primary capital lease commenced January 1994 and expires in 2009. The cost of these assets is included in land and building at \$1,000 and \$2,840 respectively, at June 30, 1997 and 1996. Accumulated depreciation on the building at June 30, 1997 and 1996 was \$248 and \$177, respectively.

Future minimum lease commitments at June 30, 1997 are as follows:

<u>Year ending June 30,</u>	<u>Operating Leases</u>	<u>Capital Leases</u>
1998	\$4,846	\$447
1999	2,985	490
2000	1,605	419
2001	446	420
2002	244	442
2003 and thereafter	<u>0</u>	<u>3,404</u>
	<u>\$10,126</u>	<u>5,622</u>
Less amount representing interest at 7%		<u>1,701</u>
Current portion		<u>3,921</u>
		<u>210</u>
Long-term obligation under capital lease		<u>\$3,711</u>

Legal proceedings

MICROS is and has been involved in legal proceedings arising in the normal course of business. On March 25, 1997, Budgetel Inns, Inc. ("Budgetel") filed suit against MICROS in the United States Federal District Court in the Eastern District of Wisconsin. Budgetel alleges, among other things, that MICROS breached a March 1993 software support agreement by failing to provide full support to this software package licensed to Budgetel in 1993. MICROS will defend against Budgetel's allegations, and has moved to have certain of the causes of action dismissed. While the ultimate outcome of litigation is uncertain, and while litigation is inherently difficult to predict, the Company is of the opinion, based upon presently available information and the advice of counsel concerning pertinent legal matters, that any resulting liability should not have a material adverse effect on the Company's results of operations or financial position.

9. Stock options:

The Company has incentive and non-qualified stock options outstanding which were granted to a director, officers and other key employees pursuant to authorization by the Board of Directors. The exercise price of all options equals the market value on the date of the grant. The options granted are exercisable pursuant to a three-year vesting schedule whereby one-third of the options vest upon the first anniversary of the grant, the second third of the options vest upon the second anniversary of the grant, and the final third of the options vest upon the third anniversary of the grant. All options expire either five or ten years from the date of grant. The Company applies the intrinsic value based method of accounting prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," in accounting for the stock option awards. Accordingly, the Company has not recognized any related compensation expense in the consolidated statements of income.

The following table summarizes the status of, and changes in, the Company's stock option plans during the past three years:

	<u>Stock Options</u>	<u>Weighted-average Exercise Price</u>	<u>Options Exercisable</u>	<u>Weighted-average Exercise Price</u>
Balance, June 30, 1994	196	\$6.55		
Options granted	216	29.99		
Options canceled	(3)	7.80		
Options exercised	(72)	4.94		
Balance, June 30, 1995	337	21.90	<u>99</u>	<u>\$6.97</u>
Options granted	99	26.00		
Options canceled	(22)	28.61		
Options exercised	(85)	7.58		
Balance, June 30, 1996	329	26.42	<u>109</u>	<u>\$22.19</u>
Options granted	718	31.40		
Options canceled	(32)	26.28		
Options exercised	(48)	15.82		
Balance, June 30, 1997	<u>967</u>	\$30.65	<u>146</u>	<u>\$28.52</u>

Additional information regarding stock options outstanding at June 30, 1997 is as follows:

<u>Range of Exercise Prices</u>	<u>Options Outstanding</u>			<u>Options Exercisable</u>	
	<u>Shares</u>	<u>Weighted Average Price</u>	<u>Weighted Average Remaining Contractual Life (in years)</u>	<u>Shares</u>	<u>Weighted Average Price</u>
\$8.625 to \$26.375	222	\$24.23	3.92	33	\$23.46
\$29.5625	375	\$29.56	9.40	--	--
\$29.6875 to \$39.3125	192	\$30.69	3.42	113	\$29.98
\$40.875	<u>178</u>	\$40.88	4.98	--	--
\$8.625 to \$40.875	<u>967</u>	\$30.65	6.14	<u>146</u>	\$28.52

SFAS No. 123, "Accounting for Stock-Based Compensation," requires the Company to make certain disclosures as if the fair value based method of accounting had been applied to the Company's stock option grants made subsequent to fiscal 1995. Accordingly, the Company estimated the grant-date fair value of each option awarded in fiscal years 1996 and 1997 using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	<u>1997</u>	<u>1996</u>
Risk-free interest rate	6.1%	6.3%
Expected life	4.5 years	3.5 years
Expected volatility	50%	44%
Expected dividend yield	0%	0%

Had fiscal 1997 and fiscal 1996 compensation cost been determined including the weighted-average estimate of the fair value of each option granted of \$14.50 in fiscal 1997 and \$11.10 in fiscal 1996, the Company's net income would be reduced to pro forma amounts of \$14,859 in fiscal 1997 and \$2,340 in fiscal 1996. Pro forma earnings per share would be \$1.85 in fiscal 1997 and \$0.29 in fiscal 1996. The Company believes that these pro forma disclosures are not representative of the effects on reported net income and earnings per share for future years because no consideration has been made for options granted prior to fiscal 1996 and the options vest over three years.

10. Income taxes:

Pretax accounting income for the years ended June 30 was taxed under the following jurisdictions:

	<u>1997</u>	<u>1996</u>	<u>1995</u>
United States	\$12,511	\$13,853	\$16,549
Non-U.S.	<u>15,115</u>	<u>(10,692)</u>	<u>1,273</u>
	<u>\$27,626</u>	<u>\$ 3,161</u>	<u>\$17,822</u>

The components of income tax expense are:

	<u>1997</u>	<u>1996</u>	<u>1995</u>
Current:			
Federal	\$3,802	\$4,920	\$5,207
State	339	398	654
Foreign	<u>5,272</u>	<u>1,068</u>	<u>574</u>
	<u>9,413</u>	<u>6,386</u>	<u>6,435</u>
Deferred:			
Federal	(27)	128	(220)
State	(4)	23	(40)
Foreign	<u>1,234</u>	<u>(6,190)</u>	<u>--</u>
	<u>1,203</u>	<u>(6,039)</u>	<u>(260)</u>
	<u>\$10,616</u>	<u>\$ 347</u>	<u>\$6,175</u>

The total tax provision is different from the amount that would have been recorded by applying the U.S. statutory federal income tax rate to income before taxes. The reconciliation of these differences is as follows:

	<u>1997</u>	<u>1996</u>	<u>1995</u>
At statutory rate	35.0%	35.0%	35.0%
Increase (decrease) resulting from:			
U.S. federal surtax reduction	(0.4)	(3.1)	(.6)
State taxes, net of federal tax benefit	.8	8.2	2.4
Research tax credits	(1.5)	--	(1.5)
Foreign Sales Corporation tax benefit	(1.7)	(8.2)	(1.6)
Effect of tax rates in foreign jurisdictions	5.6	(41.0)	1.1
Permanent differences	1.0	15.0	.8
Other	<u>(.4)</u>	<u>5.1</u>	<u>(.7)</u>
Effective tax rate	<u>38.4%</u>	<u>11.0%</u>	<u>34.9%</u>

Appropriate U.S. taxes have been provided for earnings of subsidiary companies that are expected to be remitted to the parent company. The cumulative amount of unremitted earnings from international subsidiaries that is expected to be indefinitely reinvested is approximately \$7,100 at June 30, 1997.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. At June 30, 1997 and 1996, the Company had potential tax benefits of \$386 related to U.S. net operating loss carryforwards for income tax purposes. The tax loss carryforwards (if not utilized against taxable income) expire beginning 2005 and continue through 2009. A valuation allowance of \$386 has been provided at June 30, 1997 and 1996 to offset the related deferred tax assets due to uncertainty of realizing the benefit of the loss carryforwards. The operating loss carryforwards were acquired as part of a purchase of a subsidiary, and any realization of the operating loss carryforwards will result in a reduction of goodwill recorded as part of that acquisition. The following summarizes the significant components of the Company's deferred tax assets and liabilities:

	<u>1997</u>	<u>1996</u>
Bad debt	\$877	\$654
Accruals not currently deductible for tax	1,063	2,015

Inventory	1,317	972
Net operating loss carryforward	386	386
Purchased in-development software technology write-off	4,817	5,580
Other	<u>389</u>	<u>258</u>
Total deferred tax assets	<u>8,849</u>	<u>9,865</u>
Depreciation	(443)	(453)
Capitalized software development costs	(2,470)	(1,788)
Other	<u>(408)</u>	<u>(347)</u>
Total deferred tax liabilities	<u>(3,321)</u>	<u>(2,588)</u>
Net operating loss carryforward valuation allowance	<u>(386)</u>	<u>(386)</u>
Net deferred tax asset	<u>\$5,142</u>	<u>\$6,891</u>

11. Other income (expense) net:

Other income (expense) is comprised of the following items:

	<u>1997</u>	<u>1996</u>	<u>1995</u>
Foreign exchange gain (loss), net	\$256	\$189	\$328
Gain on sale of investment	219	--	--
Other, net	<u>299</u>	<u>(244)</u>	<u>148</u>
	<u>\$774</u>	<u>\$(55)</u>	<u>\$476</u>

Other income, net includes primarily service charges on accounts receivable and prompt payment discounts.

12. Related party transactions:

Westinghouse, as an incentive to 11 key officers to remain with the Company for a period of two years following June 1, 1995, agreed to make payments to such officers aggregating up to approximately \$1.25 million, payable in three equal installments promptly after such date and on the first and second anniversaries of such date (subject to the officer remaining employed by the Company on the relevant payment date). In June 1995, the first installment of \$409 was paid for these key officers of the Company. In June 1996, the second installment of \$361, reduced by \$48 from the June 1995 payment due to the resignation of one of the eleven key officers, was paid by Westinghouse. The final installment of \$361 was paid in June 1997. Even though such payments were entirely funded by Westinghouse and did not require any use of the Company's cash, for accounting purposes, they are required to be reflected as compensation expense in the Company's financial statements.

The Company has purchased certain raw materials and has contracted for certain sub-assembly operations through Westinghouse to take advantage of more competitive pricing available through off-shore manufacturing locations. The Company estimates that it has purchased approximately \$195, in such materials and labor from Westinghouse during fiscal 1996 for the period from July through September 1995, as no related party relationship existed after September 1995.

For the period from July through September 1995, during which a related party relationship existed between the Company and Westinghouse, the Company purchased from Westinghouse and its subsidiaries for approximately \$170 other products and services provided to the Company, including insurance coverage, office space, consulting, office furniture, and telecommunications services.

During fiscal 1996, the Company sold approximately \$344 in products to D.A.C. Systemes/MICROS France, under the same terms and conditions offered to other independently-owned dealers/distributors of

the Company. D.A.C. Systemes/MICROS France was principally owned by Daniel Cohen, a Director of the Company, until August 25, 1995, when MICROS acquired controlling interest. The fiscal 1996 activity covers only the period from July through August 1995, since sales are eliminated as intercompany after that date. During fiscal 1997 and 1996, the Company compensated Mr. Cohen \$208 and \$97, respectively.

During fiscal 1997 and 1996, the Company compensated Louis M. Brown, Jr., Chairman of the Board, \$226 and \$217, respectively, for consulting services provided to the Company. Effective June 30, 1995, the Company and Mr. Brown entered into a Consulting Agreement terminating on June 30, 2000, pursuant to which Mr. Brown is to provide on the average 20 hours per week of consulting services to the Company in exchange for a base consulting fee commencing at \$150 plus a target bonus of \$70, with annual adjustments.

13. Employee benefit plan:

The Company sponsors an employee savings plan which conforms to the provisions of Section 401(k) of the Internal Revenue Code. The Plan covers substantially all full-time employees and allows employees to voluntarily defer a certain percentage of their income through contributions to the Plan. Prior to January 1, 1995, the Company elected to contribute to the Plan at its discretion. Effective January 1, 1995, the Company matches fifty percent of the first five percent of each participating employee's voluntary contributions. Furthermore, the Company may elect to make additional contributions, at its discretion. Company contributions were made during the years ended June 30, 1997, 1996 and 1995 totaling \$487, \$649 and \$346, respectively.

The Company does not have any obligations to past or present employees related to post employment benefits.

14. Geographic information:

The Company develops, manufactures, sells and services point-of-sale computer systems, property management systems and central reservation systems products for the hospitality industry. Foreign sales aggregated approximately 51%, 48% and 33%, of revenue in fiscal 1997, 1996 and 1995, respectively. MICROS products are distributed in the U.S. and internationally, primarily in Europe and the Pacific Rim, through independent Dealer/Distributors and company-owned sales and service offices. The Company's principal customers are lodging and food service-related businesses. Economic risks are similar for these businesses in that consumers generally spend more time lodging and dining away from home in robust economies and less time in slow or recessionary economies. The Company's experience with the collections of trade receivables and the sales growth pattern follow general economic conditions. No significant concentration of credit risk exists within any geographic area.

Operations in different geographic areas are as follows:

	<u>Net Revenue</u>		
	<u>1997</u>	<u>1996</u>	<u>1995</u>
United States (1)	\$113,130	\$ 96,084	\$76,914
International (2)	<u>115,039</u>	<u>81,965</u>	<u>35,107</u>
Net revenue	<u>\$228,169</u>	<u>\$178,049</u>	<u>\$112,021</u>

	<u>Income From Operations</u>		
	<u>1997</u>	<u>1996</u>	<u>1995</u>
United States (1)	\$11,769	\$9,076	\$11,493
International (2) (3)	<u>16,067</u>	<u>9,725</u>	<u>5,049</u>
Income from operations (3)	<u>\$27,836</u>	<u>\$18,801</u>	<u>\$16,542</u>

	<u>Identifiable Assets</u>		
	<u>1997</u>	<u>1996</u>	<u>1995</u>
United States	\$108,566	\$97,449	\$74,419
International (2)	<u>54,984</u>	<u>39,387</u>	<u>15,225</u>
Total assets	<u>\$163,550</u>	<u>\$136,836</u>	<u>\$89,644</u>

- (1) Included in United States Net Revenue are export sales amounting to \$2,076, \$2,702 and \$1,526 for each of the respective years.
- (2) The International geographic area is principally comprised of operations in Europe and the Pacific Rim.
- (3) Excluded from fiscal 1996 income from operations is a charge for purchased in-development software technology in the amount of \$14,770 relating to the acquisition of Fidelio.

15. Quarterly financial information (unaudited):

Quarterly financial information for fiscal 1997 and 1996 is presented in the following tables:

<u>1997</u>	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>
Revenue	<u>\$47,516</u>	<u>\$55,957</u>	<u>\$56,710</u>	<u>\$67,986</u>
Gross margin	<u>\$24,144</u>	<u>\$28,284</u>	<u>\$30,479</u>	<u>\$33,271</u>
Income from operations	<u>\$4,400</u>	<u>\$7,493</u>	<u>\$7,934</u>	<u>\$8,009</u>
Net income	<u>\$2,327</u>	<u>\$4,011</u>	<u>\$4,464</u>	<u>\$5,530</u>
Net income per common and common equivalent share	<u>\$0.29</u>	<u>\$0.50</u>	<u>\$0.55</u>	<u>\$0.68</u>
<u>Stock Prices (in dollars)</u>				
High	31-1/4	35-3/4	40-3/4	42
Low	18-3/4	28	28-3/4	30

<u>1996</u>	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>
Revenue	<u>\$32,360</u>	<u>\$42,888</u>	<u>\$47,305</u>	<u>\$55,496</u>
Gross margin	<u>\$15,961</u>	<u>\$21,190</u>	<u>\$23,399</u>	<u>\$27,201</u>
Income (loss) from operations	<u>\$4,514</u>	<u>\$(9,413)</u>	<u>\$2,728</u>	<u>\$6,202</u>
Net income (loss)	<u>\$3,254</u>	<u>\$(5,088)</u>	<u>\$1,182</u>	<u>\$3,044</u>
Net income (loss) per common and common equivalent share	<u>\$0.41</u>	<u>\$(0.63)</u>	<u>\$0.15</u>	<u>\$0.38</u>
<u>Stock Prices (in dollars)</u>				
High	39-1/2	49-3/4	53-3/4	33
Low	31	32-3/4	23	20-1/4

The Company has never paid a dividend. Its current policy is to retain earnings and use funds for the operation and expansion of its business. In addition, certain indebtedness restricts the amount of cash dividends which may be payable.

MICROS SYSTEMS, INC. AND SUBSIDIARIES
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
for the years ended June 30, 1997, 1996 and 1995 (in thousands)

Description	Balance at beginning of period	Charged to expenses	Deductions	Other (1)	Balance at end of period
Year ended June 30, 1997:					
Allowance for doubtful accounts	\$2,016	\$1,279	\$933	\$146	\$2,508
Reserve for inventory obsolescence	<u>1,605</u>	<u>621</u>	<u>544</u>	<u>(31)</u>	<u>1,651</u>
	<u>\$3,621</u>	<u>\$1,900</u>	<u>\$1,477</u>	<u>\$115</u>	<u>\$4,159</u>
Year ended June 30, 1996:					
Allowance for doubtful accounts	\$1,229	\$473	\$(45)	\$269	\$2,016
Reserve for inventory obsolescence	<u>1,318</u>	<u>445</u>	<u>148</u> (2)	<u>(10)</u>	<u>1,605</u>
	<u>\$2,547</u>	<u>\$918</u>	<u>\$103</u>	<u>\$259</u>	<u>\$3,621</u>
Year ended June 30, 1995:					
Allowance for doubtful accounts	\$764	\$697	\$232	\$-	\$1,229
Reserve for inventory obsolescence	<u>973</u>	<u>503</u>	<u>158</u> (2)	<u>--</u>	<u>1,318</u>
	<u>\$1,737</u>	<u>\$1,200</u>	<u>\$390</u>	<u>\$-0-</u>	<u>\$2,547</u>

- (1) Primarily related to the Company's acquisitions of foreign subsidiaries and translation.
(2) Material scrapped or otherwise disposed.

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MICROS SYSTEMS, INC.

Date: 9-29-97 By: s/Gary C. Kaufman
 Gary C. Kaufman
 Senior Vice President, Finance and
 Administration/Chief Financial
 Officer

Date: 9-29-97 By: s/Roberta J. Watson
 Roberta J. Watson
 Vice President and Controller

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant, and in the capacities and on the dates indicated.

<u>Name</u>	<u>Title</u>	
<u>s/Louis M. Brown, Jr.</u> ----- Louis M. Brown, Jr.	Director and Chairman of the Board	<u>9-29-97</u>
<u>s/A. L. Giannopoulos</u> ----- A. L. Giannopoulos	Director and President Chief Executive Officer	<u>9-29-97</u>
<u>s/Ronald J. Kolson</u> ----- Ronald J. Kolson	Executive Vice President Chief Operating Officer	<u>9-29-97</u>
<u>s/Gary C. Kaufman</u> ----- Gary C. Kaufman	Senior Vice President Finance and Administration Chief Financial Officer	<u>9-29-97</u>
<u>s/Daniel Cohen</u> ----- Daniel Cohen	Director	<u>9-29-97</u>
<u>s/Alan M. Voorhees</u> ----- Alan M. Voorhees	Director	<u>9-29-97</u>
<u>s/Edward T. Wilson</u> ----- Edward T. Wilson	Director	<u>9-29-97</u>
<u>s/John G. Puente</u> ----- John G. Puente	Director	<u>9-29-97</u>
<u>s/F. Suzanne Jenniches</u> ----- F. Suzanne Jenniches	Director	<u>9-29-97</u>

EXHIBIT INDEX

- 2.1 Purchase and Transfer Agreement dated November 30, 1995, is incorporated herein by reference to Exhibit 2.1 to the Form 8-K filed December 14, 1995.
- 2.2 Agreement dated May 12, 1993 is incorporated herein by reference to Exhibit 2.2 to the Form 8-K filed December 14, 1995.
- 3(i). Articles of Incorporation of the Company as in effect on the date hereof is incorporated herein by reference to Exhibit 3 to the Annual Report on Form 10-K of the Company for the Fiscal Year ended June 30, 1990.
- 3(ii). By-laws of the Company as in effect on the date hereof is incorporated herein by reference to Exhibit 3 to the Annual Report on Form 10-K of the Company for the Fiscal Year ended June 30, 1990.
- 10a1. Amendment and Restatement of MICROS Systems, Inc. Stock Option Plan is incorporated herein by reference to Exhibit 4.1 to the Registration Statement on Form S-8 of the Company filed on February 16, 1990.
- 10a2. First Amendment to the Amendment and restatement of MICROS Systems, Inc. Stock Option Plan constituting Exhibit 10a1 hereto is incorporated herein by reference to Exhibit 4.2 to the Registration Statement on Form S-8 of the Company filed on February 16, 1990.
- 10b1. MICROS Systems, Inc. 1991 Stock Option Plan as amended, is incorporated herein by reference to Exhibit A to the Proxy Statement of the Company for the 1993 Annual Meeting of Shareholders.
- 10b2. MICROS Systems, Inc. 1991 Stock Option Plan as amended, is incorporated herein by reference to Exhibit A to the Proxy Statement of the Company for the 1995 Annual Meeting of Shareholders.
- 10b3. MICROS Systems, Inc. 1991 Stock Option Plan as amended, is incorporated herein by reference to Exhibit A to the Proxy Statement of the Company for the 1996 Annual Meeting of Shareholders.
- 10c. Underwriting Agreement dated July 6, 1995 by and among MICROS Systems, Inc., Westinghouse Electric Corporation, Westinghouse Holdings Corporation, J.P. Morgan Securities, Inc., Morgan Stanley & Co. Incorporated and Smith Barney, Inc. is incorporated herein by reference to Exhibit 10d to the Annual Report on Form 10-K of the Company for the Fiscal Year ended June 30, 1995.
- 10d. Employment Agreement dated June 1, 1995 between MICROS Systems, Inc. and A.L. Giannopoulos is incorporated herein by reference to Exhibit 10e to the Annual Report on Form 10-K of the Company for the Fiscal Year ended June 30, 1995.
- 10e. Consulting Agreement dated June 30, 1995 between MICROS Systems, Inc. and Louis M. Brown, Jr. is incorporated herein by reference to Exhibit 10f to the Annual Report on Form 10-K of the Company for the Fiscal Year ended June 30, 1995.
- 10f. Employment Agreement dated August 25, 1995 between MICROS Systems, Inc. and Daniel Cohen is incorporated herein by reference to Exhibit 10g to the Annual Report on Form 10-K of the Company for the Fiscal Year ended June 30, 1995.

EXHIBIT INDEX (continued)

- 10g. MICROS Systems, Inc. Bonus and Incentive Plan is incorporated herein by reference to Exhibit 10 to the Quarterly Report on Form 10-Q of the Company for the period ended September 30, 1994.
- 10h. Employment Agreement dated May 28, 1997 between MICROS Systems, Inc. and Gary C. Kaufman.
- 10i. Employment Agreement dated May 28, 1997 between MICROS Systems, Inc. and Ronald J. Kolson.
- 10j. Consulting Agreement dated July 1, 1997 between MICROS Systems, Inc. and Daniel Cohen.
- 11. Statement Regarding Computation of Earnings Per Share.
- 21. Subsidiaries of the Company.
- 23. Consent of Independent Accountants.
- 27. Financial Data Schedule.
- 99.1 Final Statements of Acquired Business is incorporated herein by reference to Exhibit 99.1 to the Form 8-K/A filed February 13, 1996.
- 99.2 Proforma Financial Information is incorporated herein by reference to Exhibit 99.2 to the Form 8-K/A filed February 13, 1996.

EXHIBIT 11 - COMPUTATION OF EARNINGS PER SHARE

MICROS SYSTEMS, INC. AND SUBSIDIARIES
 COMPUTATION OF EARNINGS PER SHARE
 for the years ended June 30, 1997, 1996 and 1995
 (in thousands, except per share data)

	<u>1997</u>	<u>1996</u>	<u>1995</u>
Weighted-average number of common shares	7,959	7,897	7,835
Dilutive effect of outstanding stock options	<u>91</u>	<u>109</u>	<u>117</u>
Weighted-average number of common and common equivalent shares outstanding	<u>8,050</u>	<u>8,006</u>	<u>7,952</u>
Net income	<u>\$16,332</u>	<u>\$2,392</u>	<u>\$11,577</u>
Net income per common and common equivalent share	<u>\$2.03</u>	<u>\$0.30</u>	<u>\$1.46</u>

EXHIBIT 21 - SUBSIDIARIES

MICROS SYSTEMS, INC. SUBSIDIARIES

<u>Name of Subsidiary</u>	<u>Jurisdiction of Incorporation</u>
MICROS Fidelio Australia	Australia
MICROS Foreign Sales Corporation	Barbados
Merchant Information Solutions, Ltd.	Canada
MICROS of Delaware, Inc.	Delaware
MSI Delaware, Inc.	Delaware
MICROS-Fidelio Software Deutschland GmbH	Federal Republic of Germany
MICROS Systems Holdings GmbH	Federal Republic of Germany
MICROS Systems Services GmbH	Federal Republic of Germany
Fidelio Cruise GmbH	Federal Republic of Germany
MICROS Fidelio Software GmbH & Co. KG.	Federal Republic of Germany
Fidelio Technologies, Inc.	Florida
Fidelio-MICROS France, S.A.	France
Fidelio Hong Kong	Hong Kong
Fidelio India Private Ltd.	India
MICROS Fidelio Italia S.r.l.	Italy
Merchant Information Solutions, Inc.	Maryland
Fidelio Nordic Norway A/S	Norway
MICROS Fidelio Software Portugal, ULDA	Portugal
Fidelio Software (Pte) Ltd.	Singapore
Fidelio South Africa (Pty.) Ltd.	South Africa
MICROS-Fidelio Hispania	Spain
Fidelio Nordic Sweden	Sweden
MICROS Systems AG (Ltd.)	Switzerland
Fidelio Software Thailand Co. Ltd.	Thailand
MICROS Fidelio U.K Limited	United Kingdom

The Company has additional subsidiaries, which considered in the aggregate as a single subsidiary, do not constitute a significant subsidiary.

EXHIBIT 23 - CONSENT OF INDEPENDENT ACCOUNTANTS

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Forms S-8 (No. 333-17725, No. 333-05125, No. 33-69782, No. 33-44481 and No. 33-33535) of MICROS Systems, Inc. of our report dated September 3, 1997, appearing on page 26 of this Form 10-K.

PRICE WATERHOUSE LLP
Linthicum, Maryland
September 29, 1997

EXHIBIT 27 - FINANCIAL DATA SCHEDULE

<ARTICLE> 5

<LEGEND>

THIS FINANCIAL DATA SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONDENSED CONSOLIDATED BALANCE SHEET AND RELATED STATEMENT OF INCOME AS OF JUNE 30, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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