

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the quarterly period ended December 31, 2003
Commission file number 0-9993

MICROS SYSTEMS, INC.

(Exact name of Registrant as specified in its charter)

MARYLAND

52-1101488

(State of incorporation)

(I.R.S. Employer Identification Number)

7031 Columbia Gateway Drive, Columbia, Maryland 21046-2289

(Address of principal executive offices)

(Zip code)

Registrant's telephone number, including area code: 443-285-6000

Indicate by 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 report(s)), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

Indicate by check mark whether the Registrant is an Accelerated Filer (as defined in Rule 12b-2 of the Securities Exchange Act of 1934).

YES NO

As of January 31, 2004, there were 18,368,475 shares of Common Stock, \$0.025 par value, outstanding.

MICROS SYSTEMS, INC. AND SUBSIDIARIES
Form 10-Q
For the Quarter Ended December 31, 2003

Part I - Financial Information

Item 1. Financial Statements

General

The information contained in this report is furnished for the Registrant, MICROS Systems, Inc., and its subsidiaries (referred to collectively herein as "MICROS" or the "Company"). In the opinion of management, the information in this report contains all adjustments, consisting only of normal recurring adjustments, which are necessary for a fair statement of the results for the interim periods presented. The financial information presented herein should be read in conjunction with the financial statements included in the Registrant's Form 10-K for the fiscal year ended June 30, 2003, as filed with the Securities and Exchange Commission.

MICROS SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited, in thousands)

	<u>December 31,</u> <u>2003</u>	<u>June 30,</u> <u>2003</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$61,288	\$45,682
Accounts receivable, net of allowance for doubtful accounts of \$12,188 at December 31, 2003 and \$10,648 at June 30, 2003	91,945	98,700
Inventories, net of allowance for obsolescence of \$6,428 at December 31, 2003 and \$5,900 at June 30, 2003	33,780	31,864
Deferred income taxes	9,160	7,885
Prepaid expenses and other current assets	<u>17,595</u>	<u>17,860</u>
Total current assets	213,768	201,991
Property, plant and equipment, net of accumulated depreciation and amortization of \$55,798 at December 31, 2003 and \$50,931 at June 30, 2003	19,387	20,179
Deferred income taxes, non-current	30,851	32,003
Goodwill and intangible assets, net of accumulated amortization of \$31,332 at December 31, 2003 and \$29,516 at June 30, 2003	73,516	74,270
Purchased and internally developed software costs, net of accumulated amortization of \$27,714 at December 31, 2003 and \$23,487 at June 30, 2003	36,650	38,089
Other investments	-	10
Other assets	<u>4,019</u>	<u>3,473</u>
Total assets	<u>\$378,191</u>	<u>\$370,015</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank lines of credit	\$2,231	\$10,185
Current portion of long term debt	-	363
Current portion of capital lease obligations	138	106
Accounts payable	25,539	24,177
Accrued expenses and other current liabilities	49,070	44,240
Income taxes payable	5,015	10,102
Deferred income taxes	608	501
Deferred service revenue	<u>35,908</u>	<u>38,538</u>
Total current liabilities	118,509	128,212
Capital lease obligations, net of current portion	199	198
Deferred income taxes, non-current	11,504	11,495
Other non-current liabilities	1,278	6,510
Commitments and contingencies		
Minority interests	2,448	2,372
Shareholders' equity:		
Common stock, \$0.025 par; authorized 50,000 shares; issued and outstanding 18,236 at December 31, 2003 and 18,018 at June 30, 2003	456	450
Capital in excess of par	73,160	69,644
Retained earnings	165,699	152,381
Accumulated other comprehensive income (loss)	<u>4,938</u>	<u>(1,247)</u>
Total shareholders' equity	<u>244,253</u>	<u>221,228</u>
Total liabilities and shareholders' equity	<u>\$378,191</u>	<u>\$370,015</u>

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

MICROS SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited, in thousands, except per share data)

	Three Months Ended December 31,		Six Months Ended December 31,	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Revenue:				
Hardware	\$34,300	\$32,852	\$68,246	\$62,865
Software	19,975	17,207	36,764	29,470
Service	<u>62,979</u>	<u>46,986</u>	<u>118,661</u>	<u>92,464</u>
Total revenue	<u>117,254</u>	<u>97,045</u>	<u>223,671</u>	<u>184,799</u>
Cost of sales:				
Hardware	24,717	23,525	48,457	45,164
Software	4,507	3,723	8,840	6,949
Service	<u>26,958</u>	<u>22,222</u>	<u>53,167</u>	<u>43,698</u>
Total cost of sales	<u>56,182</u>	<u>49,470</u>	<u>110,464</u>	<u>95,811</u>
Gross margin	61,072	47,575	113,207	88,988
Selling, general and administrative expenses	38,129	32,682	73,691	62,126
Research and development expenses	7,160	4,248	13,334	9,135
Depreciation and amortization	<u>2,430</u>	<u>2,129</u>	<u>4,747</u>	<u>4,175</u>
Total operating expenses	<u>47,719</u>	<u>39,059</u>	<u>91,772</u>	<u>75,436</u>
Income from operations	13,353	8,516	21,435	13,552
Non-operating income (expense):				
Interest income	274	420	513	815
Interest expense	(508)	(225)	(698)	(585)
Other income (expense), net	<u>1,535</u>	<u>(5)</u>	<u>1,641</u>	<u>(664)</u>
Total non-operating income (expense)	1,301	190	1,456	(434)
Income before taxes, minority interests and equity in net earnings of affiliates	14,654	8,706	22,891	13,118
Income tax provision	<u>5,935</u>	<u>3,570</u>	<u>9,271</u>	<u>5,247</u>
Income before minority interests and equity in net earnings of affiliates	8,719	5,136	13,620	7,871
Minority interests and equity in net earnings of affiliates	<u>(148)</u>	<u>(205)</u>	<u>(302)</u>	<u>(245)</u>
Net income	<u>\$8,571</u>	<u>\$4,931</u>	<u>\$13,318</u>	<u>\$7,626</u>
Net income per common share:				
Basic	<u>\$0.47</u>	<u>\$0.28</u>	<u>\$0.74</u>	<u>\$0.44</u>
Diluted	<u>\$0.45</u>	<u>\$0.28</u>	<u>\$0.70</u>	<u>\$0.43</u>
Weighted-average number shares outstanding:				
Basic	<u>18,177</u>	<u>17,398</u>	<u>18,107</u>	<u>17,436</u>
Diluted	<u>19,159</u>	<u>17,612</u>	<u>19,058</u>	<u>17,707</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 Six Months Ended December 31, 2003
(Unaudited, in thousands)

	Common Stock		Capital in Excess of Par	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	<u>Shares</u>	<u>Amount</u>				
Balance, June 30, 2003	18,018	\$450	\$69,644	\$152,381	\$(1,247)	\$221,228
Comprehensive income:						
Net income	--	--	--	13,318	--	13,318
Foreign currency translation adjustments	==	==	==	==	<u>6,185</u>	<u>6,185</u>
Total comprehensive income	--	--	--	13,318	6,185	19,503
Stock issued upon exercise of options	405	10	7,143	--	--	7,153
Repurchases of stock	(187)	(4)	(6,833)	--	--	(6,837)
Income tax benefit from stock options exercised	--	--	<u>3,206</u>	--	--	<u>3,206</u>
Balance, December 31, 2003	<u>18,236</u>	<u>\$456</u>	<u>\$73,160</u>	<u>\$165,699</u>	<u>\$4,938</u>	<u>\$244,253</u>

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

MICROS SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Condensed and unaudited, in thousands)

	<u>Six Months Ended December 31,</u>	
	<u>2003</u>	<u>2002</u>
Net cash flows provided by operating activities:	<u>\$30,284</u>	<u>\$7,856</u>
Cash flows from investing activities:		
Purchases of property, plant and equipment	(3,128)	(3,233)
Proceeds from dispositions of property, plant and equipment	3	71
Internally developed software	(2,322)	(1,828)
Proceeds from sale of subsidiary	-	286
Purchases of other investments	<u>(500)</u>	-
Net cash used in investing activities	(5,947)	(4,704)
Cash flows from financing activities:		
Principal payments on line of credits	(11,544)	(12,887)
Proceeds from lines of credit	3,279	2,240
Principal payments on pre-acquisition shareholder loan	(363)	-
Principal payments on long-term debt and capital lease obligations	(48)	(93)
Dividends to minority owners	(161)	-
Repurchases of stock	(6,837)	(3,510)
Proceeds from issuance of stock	<u>7,153</u>	<u>129</u>
Net cash used in financing activities	<u>(8,521)</u>	<u>(14,121)</u>
Effect of exchange rate changes on cash	<u>(210)</u>	<u>15</u>
Net increase (decrease) in cash and cash equivalents	15,606	(10,954)
Cash and cash equivalents at beginning of period	<u>45,682</u>	<u>66,638</u>
Cash and cash equivalents at end of period	<u>\$61,288</u>	<u>\$55,684</u>

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

MICROS SYSTEMS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Quarter Ended December 31, 2003
(Unaudited, \$ in thousands, except per share data)

1. Basis of Presentation

The accompanying consolidated financial statements of MICROS Systems, Inc. and its subsidiaries (collectively, the "Company") have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). This Quarterly Report on Form 10-Q should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended June 30, 2003. Certain information and footnote disclosures which are normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to SEC rules and regulations. The information reflects all normal and recurring adjustments that, in the opinion of management, are necessary for a fair presentation of the financial position of the Company, and its results of operations for the interim periods set forth herein. The results for the three- and six- months ended December 31, 2003 are not necessarily indicative of the results to be expected for the full year or any future period. Certain amounts previously reported have been reclassified to conform to current year presentation.

2. Stock-based compensation

The Company has incentive and non-qualified stock options outstanding that were granted to directors, officers, and other 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. Substantially all of 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. Currently, all outstanding options expire ten years from the date of grant.

The Company applies the intrinsic value based method of accounting prescribed by Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees," in accounting for the stock option awards. The Company has not recognized any related compensation expense in the consolidated statements of operations because the fair value of the stock underlying the options granted did not exceed the exercise price of the options on the date of grant. If compensation expense had been determined based on the weighted-average estimate of the fair value of each option granted consistent with the provisions of SFAS No. 123, "Accounting for Stock-Based Compensation", as amended by SFAS No. 148, the Company's net income would be reduced to pro forma amounts as follows:

	Three Months Ended December 31,		Six Months Ended December 31,	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Net income - as reported	\$8,571	\$4,931	\$13,318	\$7,626
Add: stock-based compensation expense included in reported net income, net of tax	-	-	-	-
Deduct: total stock-based employee compensation expense determined under the fair value method, net of tax	<u>(1,219)</u>	<u>(1,321)</u>	<u>(2,487)</u>	<u>(3,313)</u>
Net income - pro forma	<u>\$7,352</u>	<u>\$3,610</u>	<u>\$10,831</u>	<u>\$4,313</u>
Basic net income per share				
As reported	\$0.47	\$0.28	\$0.74	\$0.44
Pro forma	\$0.40	\$0.21	\$0.60	\$0.25
Diluted net income per share				
As reported	\$0.45	\$0.28	\$0.70	\$0.43
Pro forma	\$0.38	\$0.21	\$0.57	\$0.24

The weighted average fair value of each option granted for the second quarter of fiscal year 2004 and 2003 was \$21.75 and \$11.15, respectively. The weighted average fair value of each option granted for the first six months of fiscal year 2004 and 2003 was \$21.65 and \$11.18, respectively. The fair value of each option

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grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2003	2002	2003	2002
Risk-free interest rate	3.7%	2.9%	3.7%	2.9%
Expected life	6.0 years	6.0 years	6.0 years	6.0 years
Expected volatility	50%	50%	50%	50%
Expected dividend yield	0%	0%	0%	0%

The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option-pricing models require the input of highly subjective assumptions including the expected stock price volatility. The Company uses projected volatility rates, which are based upon historical volatility rates, trended into future years. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, existing models, including the Black-Scholes option-pricing model, do not necessarily provide a reliable single measure of the fair value of employee stock options.

3. Acquisitions

On May 1, 2003, the Company acquired Datavantage Corporation ("Datavantage"), a privately held software application developer and system integrator specializing in the specialty and apparel retail market, for total purchase price of approximately \$52,300. The consideration consisted of \$33,800 in cash (\$28,600 paid at closing and \$5,200 to be paid 18 months after closing subject to certain holdback rights), approximately \$300 in transaction costs and 719,360 shares of MICROS common stock, valued at approximately \$18,200. The following unaudited pro forma summary presents the consolidated results of operations as if the acquisition had occurred as of July 1, 2002.

The summary includes adjustments for amortization of intangible assets, interest expense on any debt incurred to fund the acquisition, and the tax effect of these adjustments that would have been incurred had such acquisition occurred as of July 1, 2002. These unaudited pro forma results have been prepared for comparative purposes only and do not purport to be indicative of what would have occurred had the acquisition and other transactions been made as of that date or results which may occur in the future.

	Three Months Ended December 31, 2002			
	Historical MICROS	Historical Datavantage	Pro forma Adjustments	Pro forma Consolidated
Revenue	\$97,045	\$11,629	\$ -	\$108,674
Net Income	\$4,931	\$1,404	\$(371)	\$5,964
Net Income per common share				
Basic	\$0.28			\$0.33
Diluted	\$0.28			\$0.33
Weighted average shares outstanding				
Basic	17,398		719	18,117
Diluted	17,612		719	18,331

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	Six Months Ended December 31, 2002			
	Historical MICROS	Historical Datavantage	Pro forma Adjustments	Pro forma Consolidated
Revenue	\$184,799	\$21,910	\$ -	\$206,709
Net Income	\$7,626	\$2,789	\$(557)	\$9,858
Net Income per common share				
Basic	\$0.44			\$0.54
Diluted	\$0.43			\$0.54
Weighted average shares outstanding				
Basic	17,436		719	18,155
Diluted	17,707		719	18,426

4. Inventories

The components of inventories are as follows:

	December 31, 2003	June 30, 2003
Raw materials	\$8,014	\$8,368
Work-in-process	70	146
Finished goods	<u>32,124</u>	<u>29,250</u>
Total inventory	40,208	37,764
Reserve for obsolescence	<u>(6,428)</u>	<u>(5,900)</u>
Net inventory	<u>\$33,780</u>	<u>\$31,864</u>

5. Recent accounting standards

On December 17, 2003, the Securities and Exchange Commission ('SEC') issued Staff Accounting Bulletin No. 104 ('SAB 104'), 'Revenue Recognition,' which supersedes SAB 101, 'Revenue Recognition in Financial Statements.' SAB 104's primary purpose is to rescind accounting guidance contained in SAB 101 related to multiple element revenue arrangements, superseded as a result of the issuance of Emerging Issues Task Force ('EITF') Issue No. 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables."

Additionally, SAB 104 rescinds the SEC's 'Revenue Recognition in Financial Statements Frequently Asked Questions and Answer' issued with SAB 101 that had been codified in SEC Topic 13, 'Revenue Recognition.'

In January 2003, the Financial Accounting Standards Board ('FASB') issued Interpretation No. 46 ('FIN 46'), 'Consolidation of Variable Interest Entities,' which addresses consolidation by business enterprises of variable interest entities that either: (1) do not have sufficient equity investment at risk to permit the entity to finance its activities without additional subordinated financial support, or (2) the equity investors lack an essential characteristic of a controlling financial interest. The provisions of FIN 46 are effective immediately for all arrangements entered into after January 31, 2003. For those arrangements made prior to January 31, 2003, the provisions of FIN No. 46 are required to be adopted at the beginning of the first interim period or annual period beginning after December 15, 2003. As of December 31, 2003, the Company does not have any entities that require disclosure or new consolidation as a result of adopting the provisions of FIN 46.

In November 2002, the FASB issued Interpretation No. 45 ('FIN 45'), 'Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others.' This

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interpretation requires that a guarantor recognize a liability for the fair value of the obligation undertaken in issuing the guarantee at the inception of the guarantee. The adoption of FIN 45 had no impact on the results of operations of the Company.

The Company has applied the disclosure provisions of FIN 45 to its agreements that contain guarantee or indemnification clauses. These disclosure provisions expand those required by FASB Statement No. 5, "Accounting for Contingencies", by requiring a guarantor to disclose certain types of guarantees, even if the likelihood of requiring the guarantor's performance is remote. The following is a description of arrangements in which the Company is the guarantor.

The Company is a party to a variety of customer agreements pursuant to which it may be obligated to indemnify its customer with respect to certain matters. Typically, these obligations arise in the context of contracts entered into by the Company, under which the Company may agree to defend and hold harmless its customer from and against losses arising from a breach of representations and covenants related to such matters as title to the assets sold, certain intellectual property rights, and violations of law. In each of these circumstances, payment by the Company is conditioned on the customer making an adverse claim pursuant to the procedures specified in the particular contract, which procedures typically allow the Company to challenge the customer's claims. Further, the Company's obligations under these agreements may be limited in terms of time and/or amount, and, in some instances, the Company may have recourse against independent third parties in connection with customer's contract indemnity claims.

It is not possible to predict the maximum potential amount of future payments under these or similar agreements, due to the conditional nature of these obligations and the unique facts and circumstances involved in each particular agreement. To date, the Company has not incurred material expense under these agreements and has not accrued any amounts relating to such provisions.

6. Net income per share

Basic net income per common share is computed by dividing net income by the weighted average number of shares outstanding. Diluted net income per share includes the dilutive effect of stock options.

A reconciliation of the weighted average number of common shares outstanding assuming dilution is as follows:

	Three Months Ended December 31,		Six Months Ended December 31,	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Net income	<u>\$8,571</u>	<u>\$4,931</u>	<u>\$13,318</u>	<u>\$7,626</u>
Average common shares outstanding	18,177	17,398	18,107	17,436
Dilutive effect of outstanding stock options	<u>982</u>	<u>214</u>	<u>951</u>	<u>271</u>
Average common shares outstanding assuming dilution	<u>19,159</u>	<u>17,612</u>	<u>19,058</u>	<u>17,707</u>
Basic net income per share	<u>\$0.47</u>	<u>\$0.28</u>	<u>\$0.74</u>	<u>\$0.44</u>
Diluted net income per share	<u>\$0.45</u>	<u>\$0.28</u>	<u>\$0.70</u>	<u>\$0.43</u>
Anti-dilutive weighted shares excluded from reconciliation	757	2,232	768	1,662

7. Segment reporting data

The Company develops, manufactures, sells and services point-of-sale computer systems, property management systems, central reservation and central information systems products for the hospitality industry and information technology solutions for the specialty and general merchandise retail industry. MICROS is organized and operates in two segments: U.S. and International. The International segment is primarily in Europe, the Pacific Rim and Latin America. For purposes of applying SFAS No. 131,

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“Disclosures about Segments of an Enterprise and Related Information,” management views the U.S. and International segments separately in operating the business, although the products and services are similar for each segment.

A summary of the Company’s operating segments is as follows:

	Three Months Ended December 31,		Six Months Ended December 31,	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Revenues ⁽¹⁾ :				
United States	\$64,557	\$53,286	\$128,026	\$103,454
International	69,164	58,231	126,208	106,757
Intersegment eliminations	<u>(16,467)</u>	<u>(14,472)</u>	<u>(30,563)</u>	<u>(25,412)</u>
Total revenues	<u>\$117,254</u>	<u>\$97,045</u>	<u>\$223,671</u>	<u>\$184,799</u>
Income before taxes, minority interests and equity in net earnings of affiliates ⁽¹⁾ :				
United States	\$6,566	\$1,838	\$9,868	\$2,417
International	21,151	17,711	37,201	29,328
Intersegment eliminations	<u>(13,063)</u>	<u>(10,843)</u>	<u>(24,178)</u>	<u>(18,627)</u>
Total income before taxes, minority interests and equity in net earnings of affiliates	<u>\$14,654</u>	<u>\$8,706</u>	<u>\$22,891</u>	<u>\$13,118</u>
Identifiable assets ⁽²⁾ :		December 31, <u>2003</u>	June 30, <u>2003</u>	
United States		\$181,446	\$186,748	
International		<u>196,745</u>	<u>183,267</u>	
Total identifiable assets		<u>\$378,191</u>	<u>\$370,015</u>	

- (1) Amounts based on the location of the customer.
(2) Amounts based on the location of the selling entity.

8. Shareholders’ equity

In fiscal year 2002, the Board of Directors authorized the purchase of up to one million shares of the Company’s common stock. A summary of the cumulative number of whole shares purchased and retired through December 31, 2003, is as follows. Since the inception of the re-purchase program, we have incurred approximately \$26 in fees related to the program.

	Whole Shares	Average Purchase Price	Principal
Total shares purchased as of June 30, 2003	377,841	\$24.59	\$9,291
Shares purchased from July 1–December 31, 2003	<u>186,510</u>	\$36.67	<u>6,838</u>
Total shares purchased as of December 31, 2003	<u>564,351</u>	\$28.58	<u>\$16,129</u>

9. Legal proceedings

On October 9, 2003, MICROS entered into a settlement agreement in connection with alleged breaches under a vendor development agreement. The total settlement amount, net of legal fees, was \$1.7 million, which includes approximately \$1.2 million in cash and approximately \$0.5 million in credits for future development services that MICROS may, in its discretion, use over the next two years. The net cash payment of approximately \$1.2 million was recorded as non-operating income.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations – Second Quarter and Six-Month Comparisons

MICROS recorded diluted net income of \$0.45 per common share in the second quarter of fiscal year 2004, compared with diluted net income of \$0.28 per common share in the second quarter of fiscal year 2003. For the six-months ended December 31, 2003, diluted net income was \$0.70 per common share compared with diluted net income of \$0.43 per common share for the six-months ended December 31, 2002. The quarter and year to date increases were mainly due to increased sales volume, including sales from the new subsidiary, Datavantage, which was acquired on May 1, 2003. Datavantage accounted for diluted net income of \$0.10 and \$0.17 per common share for the three- and six-months ended December 31, 2003, respectively.

Revenue increased \$20.2 million to \$117.3 million in the second quarter of fiscal year 2004 compared to \$97.0 million in the second quarter of fiscal year 2003. For the first six months of fiscal year 2004, revenue increased \$38.9 million or 21.0% to \$223.7 million. Of the increases, the U.S. reporting unit accounted for \$13.7 million and \$28.2 million while the international reporting unit accounted for \$6.5 million and \$10.7 million for the three- and six-month period ended December 31, 2003, respectively. The increase in the U.S. was mainly due to sales from Datavantage.

An analysis of the sales mix by reporting segments is as follows (note: amounts are net of intersegment eliminations and based on location of the selling entity):

(in thousands)	U.S.		International		U.S.		International	
	Three Months Ended		Three Months Ended		Six Months Ended		Six Months Ended	
	December 31,		December 31,		December 31,		December 31,	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Hardware	\$21,864	\$20,496	\$12,436	\$12,356	\$44,286	\$39,731	\$23,960	\$23,134
Software	11,075	8,252	8,900	8,955	20,538	14,352	16,226	15,118
Service	<u>32,287</u>	<u>22,769</u>	<u>30,692</u>	<u>24,217</u>	<u>62,376</u>	<u>44,919</u>	<u>56,285</u>	<u>47,545</u>
Total Revenue	<u>\$65,226</u>	<u>\$51,517</u>	<u>\$52,028</u>	<u>\$45,528</u>	<u>\$127,200</u>	<u>\$99,002</u>	<u>\$96,471</u>	<u>\$85,797</u>

An analysis of the corporate sales mix as a percentage of total revenue is as follows:

	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Hardware	29.3%	33.9%	30.5%	34.0%
Software	17.0%	17.7%	16.4%	16.0%
Service	<u>53.7%</u>	<u>48.4%</u>	<u>53.1%</u>	<u>50.0%</u>
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Hardware revenue increased primarily due to increased volume of computer equipment and the new Workstation 4 unit, which was released in the fourth quarter of fiscal year 2003. The increase in Workstation 4 was offset, to a degree, by a decrease in the sale of PC Workstations. The decrease in PC Workstations is partially due to the replacement with the newer and less expensive Workstation 4. Software revenue increased primarily from the sale of Datavantage's suite of software products, third party software, and Opera. Service revenue increased primarily due to increased support revenues from the continued expansion of the MICROS customer base as well as the recurring support revenue of existing customers and the addition of professional services provided by Datavantage.

Datavantage's hardware, software and service revenues for the second quarter were \$3.5 million, \$3.2 million and \$7.0 million, respectively. Year to date revenues were \$6.3 million, \$5.6 million and \$13.5 million, respectively.

Overall cost of sales, as a percentage of revenue, decreased to 47.9% for the second quarter of fiscal year 2004 from 51.0% in the prior year. For the first six months of fiscal year 2004 and 2003, cost of sales, as a percentage of revenue, was 49.4% and 51.9%, respectively.

Cost of sales for hardware, as a percentage of related revenue, increased to 72.0% in the second quarter of fiscal year 2004 compared to 71.6% for the same quarter a year earlier. The slight increase was mainly due to the increase in sales volume for third-party computer equipment, which generates lower margins. For the first six months of fiscal year 2004, hardware costs, as a percentage of related revenue, decreased slightly to 71.0% from 71.8% in the prior year. This decrease was primarily due to the year to date sales of Workstation 4, released in the fourth quarter of fiscal year 2003.

Software costs, as a percentage of related revenue, increased to 22.6% in the second quarter of fiscal year 2004 compared to 21.6% for the same quarter a year earlier. For the first six months of fiscal year 2004, software costs increased to 24.0% from 23.6% in the prior year. The quarter and year to date increases were mainly attributed to an increase in software amortization costs from Datavantage and the strengthening of the EURO.

Service costs as a percentage of related revenue decreased to 42.8% in the second quarter of fiscal year 2004 compared to 47.3% for the same quarter a year earlier. For the first six months of fiscal year 2004, service costs, as a percentage of related revenue, decreased to 44.8% from 47.3% a year earlier. The quarter and year to date decreases were attributed to Datavantage's high margins in their service products.

Selling, general and administrative expenses increased by \$5.4 million or 16.7% in the second quarter of fiscal year 2004 compared to the same period last year. On a year to date basis, selling, general and administrative expenses increased by \$11.6 million or 18.6%. The quarter and year to date increases were mainly due to the increase in salaries and related expenses, increase in outside consulting services for a large new roll out program and related foreign exchange increases. Of the increases, Datavantage contributed \$3.7 million and \$7.6 million for the three- and six-month period ended December 31, 2003, respectively. As a percentage of revenue, selling, general and administrative expenses decreased to 32.5% and 33.0% in the three- and six- months ended December 31, 2003 from 33.7% and 33.6% in the same periods of the previous year, respectively.

Research and development ("R&D") expenses consist primarily of labor costs less capitalized software development costs. In the second quarter of fiscal year 2004, R&D expenses increased \$2.9 million, or 68.6%, compared to the same period last year. On a year to date basis, R&D expenses increased \$4.2 million, or 46.0%, compared to the same period last year. The quarter and year to date increases were mainly due to Datavantage and the write off of an unreleased product of \$0.8 million. Datavantage contributed \$1.4 million of the quarterly increase and \$2.9 million of the year to date increase. As a percentage of revenue, R&D expenses increased to 6.1% in second quarter of fiscal year 2004 compared to 4.4% in the second quarter of fiscal year 2003. On a year to date basis, R&D expenses was 6.0% and 4.9% of revenue for fiscal year 2004 and 2003, respectively. A comparative summary of R&D activities is as follows (\$ in thousands):

	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
R&D Expense	\$7,160	\$4,248	\$13,334	\$9,135
Capitalized Software Development Costs	<u>914</u>	<u>950</u>	<u>2,322</u>	<u>1,828</u>
Total	<u>\$8,074</u>	<u>\$5,198</u>	<u>\$15,656</u>	<u>\$10,963</u>

Depreciation and amortization expense increased by \$0.3 million or 14.1% in second quarter of fiscal year 2004 compared to the same period last year. On a year to date basis, depreciation and amortization increased by \$0.6 million or 13.7% compared to the same period last year. The quarter and year to date increases were mainly due to Datavantage.

Income from operations for the second quarter of fiscal year 2004 was \$13.4 million, or 11.4% of revenue, compared to \$8.5 million, or 8.8% of revenue, in the second quarter of fiscal year 2003. For the first six months of fiscal year 2004, income from operations was \$21.4 million, or 9.6% of revenue, compared to \$13.6 million, or

7.3% of revenue in the same period of the prior year. The quarter and year to date increases were mainly due to the overall increase in sales volume, including sales from the new subsidiary, Datavantage, acquired in May 2003. Datavantage's contribution to the overall income from operations was \$3.6 million, or 26.9%, and \$5.4 million, or 25.2%, for the second quarter and first six months of fiscal year 2004, respectively.

Non-operating income increased \$1.1 million to \$1.3 million in the second quarter of fiscal year 2004. On a year to date basis, non-operating income increased \$1.9 million to \$1.5 million. The quarter and year to date increases were mainly due to a legal settlement in the net amount of approximately \$1.2 million.

Income before taxes increased \$5.9 million to \$14.7 million in the second quarter of fiscal year 2004. On a year to date basis, income before taxes increased \$9.8 million to \$22.9 million.

The effective tax rate for the second quarter of fiscal year 2004 and 2003 was 40.5% and 41.0%, respectively. The year to date effective tax rate for fiscal year 2004 and 2003 was 40.5% and 40.0%, respectively. Prior year's second quarter effective tax rate was higher to adjust to the year to date tax rate for fiscal year 2003.

Critical Accounting Policies

The Company's discussion and analysis of its financial condition and results of operations are based on the consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. On an ongoing basis, the Company evaluates its estimates, including those that impact revenue recognition and those related to capitalized software, intangible assets, allowance for doubtful accounts, allowance for obsolescence, income taxes, contingencies and litigation. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Management believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of the consolidated financial statements.

Revenue recognition

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred or the services have been provided to the customer, the fee is fixed or determinable, and collectibility is reasonably assured. In instances where the customer specifies final acceptance, revenue is deferred until all acceptance criteria are met. The Company reduces revenue for estimated customer returns and allowances.

Hardware

Revenue from hardware sales is recognized at the time of shipment.

Software

If a third party can install the software, revenue is recognized when shipped, with an appropriate deferral for any undelivered software contract elements. However, if the Company is the sole party that has the proprietary knowledge to install the software, revenue is recognized upon installation and when ready to go live, with an appropriate deferral for any undelivered software contract elements. This deferral is earned when significant obligations no longer exist.

Service

Service contract and hosting revenue is initially recorded as deferred service revenue and is recognized on a pro rata basis over the contract term. Revenue for the installation of the product, programming and the training of customers' staff is recognized as the work is performed. Revenue from customer-specific development work is recognized under the completed contract method.

Multiple-element arrangements

The Company enters into transactions that include multiple-element arrangements, which may include any combination of hardware, software and/or services. When some elements are delivered prior to others in an arrangement and all of the following criteria are met, revenue for the delivered elements is recognized upon delivery of such item. Otherwise, revenue is deferred until the delivery of the last element.

- Vendor-specific objective evidence (VSOE) of fair value of undelivered elements;
- The functionality of delivered elements is not dependent on the undelivered elements;
- Delivery of the element(s) represents the culmination of the earning process.

Capitalized software development costs

Software development costs, for software products to be licensed to others, 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 on a product-by-product basis until the product is available for general release to customers, at which time amortization begins. 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.

Long-lived Assets

Intangible Assets Other than Goodwill

The Company reviews its long-lived assets (other than goodwill) for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company assesses the recoverability of the long-lived assets (other than goodwill) by comparing the estimated undiscounted cash flows associated with the related asset or group of assets against their respective carrying amounts. The amount of an impairment, if any, is calculated based on the excess of the carrying amount over the fair value of those assets.

At December 31, 2003, the net book value of Intangible Assets Other than Goodwill was approximately \$13.3 million. The Company did not recognize any impairment loss during the three- and six- months ended December 31, 2003.

Goodwill

The Company adopted Statement of Financial Accounting Standard ('SFAS') No. 142, 'Goodwill and Other Intangible Assets' on July 1, 2001. This standard requires that goodwill no longer be amortized, and instead, be tested for impairment on an annual basis (or whenever events occur which may indicate possible impairment). The Company performs the impairment analysis on an annual basis during the first quarter of its fiscal year. This analysis requires management to make a series of critical assumptions to: (1) evaluate whether any impairment exists, and (2) measure the amount of impairment.

In testing for a potential impairment of goodwill, SFAS 142 requires the Company to: (1) allocate goodwill to the various reporting units to which the acquired goodwill relates; (2) estimate the fair value of those reporting units to which goodwill relates; and (3) determine the carrying value (book value) of those reporting units. Furthermore, if the estimated fair value is less than the carrying value for a reporting unit, SFAS 142 requires the estimation of the fair value of all identifiable assets and liabilities of the reporting unit, in a manner similar to a purchase price allocation for an acquired business. Only after this process is completed, is the amount of goodwill impairment determined. The Company estimated the fair value of its U.S. and international reporting units using the discounted cash flow method.

The process of evaluating the potential impairment of goodwill is highly subjective and requires significant judgment at many points during the analysis. In estimating the fair value of the reporting units with recognized goodwill for the purposes of our annual or periodic analyses, the Company makes estimates and judgments about the future cash flows of these businesses. The cash flow forecasts are based on assumptions that are consistent with the plans and estimates used to manage the underlying reporting units. MICROS also considers

its market capitalization (adjusted for unallocated monetary assets such as cash, marketable debt securities and debt) on the date the analysis is performed.

The Company completed the first step of its annual impairment analysis in the first quarter of fiscal year 2004. As the estimated fair value of the U.S. and international reporting units exceed the carrying values, the Company concluded there was no impairment of goodwill. As of December 31, 2003, the net book value of goodwill for the U.S. and international reporting unit was \$51.8 million and \$8.4 million, respectively.

Allowance for doubtful accounts

The Company maintains allowances for doubtful accounts for estimated losses that may result from the inability of our customers to make required payments. These allowances are based on customer payment practices and history, inquiries, credit reports from third parties and other financial information. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Income taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to the differences between the financial statement carrying amounts and the tax basis of assets and liabilities. Deferred tax assets and liabilities are measured using the enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on the deferred tax assets and liabilities of a change in tax rate is recognized in income in the period that includes the enactment date. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts more likely than not to be realized. If the Company determines that it will not be able to realize all or part of its net deferred tax asset in the future, an adjustment to the deferred tax asset would be charged to income in the period such determination is made.

Foreign currency translation

The financial statements of the Company'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 not in U.S. dollars are translated at the quarter-end exchange rates, while revenues and expenses are translated at month-end exchange rates during 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).

Liquidity and Capital Resources

Effective July 17, 2003, the Company (and its subsidiaries) entered into two new credit agreements (the "Credit Agreements") which in the aggregate offer a \$65.0 million multi-currency committed line of credit, expiring on July 31, 2005. The lenders (the "Lenders") under the Credit Agreements are Bank of America, N.A., Wachovia Bank, N.A., and US Bank. Simultaneously upon entering into the Credit Agreements, the Company entered into: (i) a security agreement, pursuant to which the Lenders have a security interest in all inventory and receivables located in the United States; and (ii) a pledge agreement and irrevocable stock powers, pursuant to which the Company pledges stock to the Lenders in certain subsidiaries. Interest due under the Credit Agreements is calculated as follows: (i) if the advance is made in U.S. dollars, the greater of the Federal Funds Rate, plus 50 basis points, or the Bank of America prime rate, plus an additional 25 to 150 basis points, depending upon the Company's consolidated earnings before interest, taxes, depreciation and amortization ("EBITDA") for the immediately preceding four calendar quarters; and (ii) if the advance is made in a foreign currency, the LIBOR rate for the applicable denominated currency, plus an additional 150 to 250 basis points, depending upon the Company's consolidated EBITDA for the immediately preceding four calendar quarters. The Credit Agreements also require the Company to satisfy certain financial covenants and limits the Company's ability to assume additional debt and pay cash dividends. The Lenders under the Credit Agreements have not alleged any breaches thereunder by MICROS. Additionally, the Credit Agreements impose upon the Company certain commitment fees on the unused portion of the line of credit.

The Company also has a credit relationship with a European bank in the amount of EUR 1.0 million (approximately \$1.3 million at the December 31, 2003 exchange rate). Under the terms of this facility, the Company may borrow in the form of either a line of credit or term debt. As the Company has significant international operations, its Euro-denominated borrowings do not represent a significant foreign exchange risk. On an overall basis, the Company monitors its cash and debt positions in each currency in an effort to reduce its foreign exchange risk.

As of December 31, 2003, the total outstanding balance on the lines of credit is \$2.2 million consisting of: ZAR (South African Rand) 4.0 million (approximately \$0.6 million at the December 31, 2003 exchange rate), SEK (Swedish Krona) 7.5 million (approximately \$1.0 million at the December 31, 2003 exchange rate), and JPY (Japanese Yen) 60.0 million (approximately \$0.6 million at the December 31, 2003 exchange rate). As of December 31, 2003, the Company has approximately \$64.1 million available to borrow. The line of credit balance decreased from \$10.2 million at June 30, 2003 to \$2.2 million at December 31, 2003 mainly due to the Company's positive cash flow.

Net cash provided by operating activities for fiscal year 2004 was \$30.3 million versus \$7.9 million for fiscal year 2003. The Company used \$5.9 million for investing activities, including \$5.4 million for the purchase of property, plant, and equipment and internally developed software and \$0.5 million for the purchase of long-term investments. The Company used \$8.5 million for financing activities, consisting primarily of net payments on the line of credit of \$8.3 million, proceeds from the issuance of stock of \$7.2 million offset by \$6.8 million in the repurchase of the Company's stock. All cash is being retained for the operation and expansion of the business and the repurchase of the Company's stock.

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 or converted into term debt, are sufficient to provide the working capital needs of the Company for the next 12 months. The Company anticipates that its property, plant and equipment expenditures for fiscal year 2004 will be approximately \$1.0 million higher than in fiscal year 2003.

Off-balance sheet arrangements

The Company does not have any off-balance sheet arrangements (as defined in the applicable regulations) that have or are reasonably likely to have a current or future effect on the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources that is material to investors.

Summary

In light of current market conditions, and world political and economic uncertainty, it is difficult to determine whether the Company can continue to enjoy revenue and profitability growth in the next year. Accordingly, there can be no assurance that any particular level of growth is reasonable or 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 service offerings, and the Company expects product and service margins to decline. There can be no assurance that the Company will be able to increase sufficiently sales of its higher margin products, including software, to prevent future declines in the Company's overall gross margin.

Moreover, MICROS's financial results in any single quarter are dependent upon the timing and size of customer orders and the shipment of products for large orders. Large software orders from customers may account for more than an insignificant portion of earnings in any quarter. The customers with whom MICROS does the largest amount of business are expected to vary from year to year as a result of the timing for the roll-out of each customer's system. Furthermore, if a customer delays or accelerates its delivery requirements or a product's completion is delayed or accelerated, revenues expected in a given quarter may be deferred or accelerated into subsequent or earlier quarters.

The market price of MICROS Common Stock is volatile, and may be subject to significant fluctuations in response to variations in MICROS's quarterly operating results and other factors such as announcements of technological

developments or new products by MICROS, customer roll-outs, technological advances by existing and new competitors, and general market conditions in the hospitality and retail industries. In addition, conditions in the stock market in general and shares of technology companies in particular have experienced significant price and volume fluctuations which have at times been unrelated to the operating performance of companies.

Moreover, some of the statements contained herein not based on historic facts are forward looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended, 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: political and world instability created by the threat of subsequent terrorist attacks, which gravely impacts the travel and tourism industries; product demand and market acceptance, including demand and acceptance for the new OPERA products; implementation of a cost-effective service structure capable of servicing increasingly complex software systems in increasingly more remote locations; achieving increased sales of higher margin software products; risks and uncertainties associated with the Company's recent acquisition of Datavantage; hiring and retention of qualified employees with sufficient technical expertise; unexpected currency fluctuations; impact of competitive products and pricing on margins; product development delays; technological difficulties associated with new product releases; and managing expenses, including those over which the Company exercises little or no control, such as health care costs. These and other risks are disclosed in the Company's releases and SEC filings, including in the section titled "Business and Investment Risks; Information Relating to Forward-Looking Statements", in the Company's Annual Report on Form 10-K for the Fiscal Year ended June 30, 2003.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

MICROS's significant international business and presence exposes the Company to a multitude of market risks, such as currency, interest rate and political risks. With respect to currency risk, the Company transacts business in 22 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. Recent weakness in certain Latin American currencies, including the Argentine Peso and the Brazilian Real, has adversely impacted the financial performance of the Company. Strength in the Euro has helped to bolster sales and profitability in Europe; any subsequent decline will adversely impact year over year growth comparisons.

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.

Further, the Company is subject to political risk, due in part to instability in the Middle East and the worldwide threat of terrorism, especially in developing countries with uncertain or unstable political structures or regimes. Contributing to this risk factor is the adverse impact that political instability has on the travel and tourism industries. The Company is also subject to the effects of, and changes in, laws and regulations, other activities of governments, agencies and similar organizations.

Item 4. Controls and Procedures

As of the end of the period covered by this quarterly report, the Company has conducted an evaluation of the effectiveness of the design and operation of the Company's "Disclosure Controls and Procedures" (as defined in Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934). This evaluation was carried out under the supervision of the Company's management, including A.L. Giannopoulos, MICROS's Chairman, Chief Executive Officer and President, and Gary C. Kaufman, MICROS's Executive Vice President and Chief Financial Officer. Disclosure Controls and Procedures are designed with the objective of ensuring that information required to be disclosed in the reports MICROS files or submits under the Securities Exchange Act of 1934 (Exchange Act), such as this quarterly report, is recorded, processed, summarized and reported within the time periods specified in the

SEC's rules and forms. Disclosure Controls and Procedures are also designed with the objective of ensuring that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

The Company does not expect that its Disclosure Controls and Procedures will prevent all errors and all fraud. Despite its level of sophistication, detail and thoroughness, a disclosure control system can provide only reasonable, not absolute, assurance that the objectives of the control system are satisfied. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been or will be detected.

The evaluation of MICROS's Disclosure Controls and Procedures included a review of the controls' objectives and design, and the controls' implementation and operational procedures. In the course of this evaluation, MICROS sought to identify and analyze the manner in which it collects information and requires its employees from the four worldwide regional headquarters (North America, Latin America, Europe/Africa/Middle East, and Asia Pacific) to produce such information. Once the information is collected, the Company evaluated how the information is analyzed for purposes of determining if, how, when and where to disclose such information. Finally, MICROS analyzed the forms and guidelines it has developed internally that are disseminated to all operations, and are required to be resubmitted to the finance operation. These forms and documents are designed to elicit pertinent financial and non-financial information from the operations on a worldwide basis.

MICROS has evaluated and will continue periodically to evaluate its Disclosure Controls and Procedures. Based on its most recent evaluations, MICROS has concluded that, as of the end of the period covered by this quarterly report, its Disclosure Controls and Procedures currently in place are effective at such reasonable assurance level that material information relating to MICROS would be made known to the Chairman, President and Chief Executive Officer, and the Executive Vice President and Chief Financial Officer on a timely basis.

MICROS SYSTEMS, INC. AND SUBSIDIARIES
Form 10-Q
For the Quarter Ended December 31, 2003

Part II - Other Information

Item 1. Legal Proceedings

MICROS is and has been involved in legal proceedings arising in the normal course of business. 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.

Items 2 (Changes in Securities and Use of Proceeds) and 3 (Defaults Upon Senior Securities).

No events occurred during the quarter covered by the report that would require a response to any of these items.

Item 4. Submission of Matters to a Vote of Security Holders

The annual meeting of shareholders was held on November 21, 2003. A quorum was present (in person and/or by proxy) and shareholders voted on the following matters:

1. Election of Directors

The management of the Company nominated a slate of six persons to serve on the Board of Directors. No other nominations were made. The nominees received the following votes:

<u>Nominee</u>	<u>For</u>	<u>Vote Withheld (Abstain)</u>
A.L. Giannopoulos	15,766,855	290,480
Louis M. Brown, Jr.	15,454,506	602,829
B. Gary Dando	15,794,137	263,198
John G. Puente	15,342,592	714,743
Dwight S. Taylor	15,405,402	651,933
William S. Watson	15,351,465	705,870

The entire slate of directors nominated was elected by a majority of the shares present in person or represented by proxy and entitled to vote.

2. Selection of Independent Public Accountants

The Board of Directors of the Company selected PricewaterhouseCoopers LLP as the independent public accountants for the Company for the fiscal year ending June 30, 2004. A proposal to approve the selection of PricewaterhouseCoopers LLP was approved by a majority of the shares present in person or represented by proxy and entitled to vote. A total of 15,009,219 shares voted in the affirmative; a total of 1,033,091 shares voted in the negative; and a total of 15,025 shares abstained from the vote.

3. Approval of Amendment to Stock Option Plan

The Board of Directors proposed an amendment to the 1991 Stock Option Plan, which served to authorize the issuance of an additional 600,000 shares of Common Stock. The shareholders approved the proposed amendment to the 1991 Stock Option Plan, with 11,456,217 shares in the affirmative, 2,174,785 shares in the negative, 46,792 shares affirmatively abstained, and 2,379,541 shares not voting.

Item 5. Other Information

On January 28, 2004, the Board of Directors at a scheduled Board meeting unanimously approved (with Mr. Giannopoulos abstaining from the vote) the Sixth Amendment to the Employment Agreement between A.L. Giannopoulos and the Company dated June 30, 1995, as previously amended by the First Amendment dated February 6, 1997, the Second Amendment dated February 1, 1998, the Third Amendment dated September 8, 1999, the Fourth Amendment dated November 19, 2001, and the Fifth Amendment dated November 15, 2002 (the agreement as amended hereinafter referred to as the "Agreement"). The Sixth Amendment extends the term of the Agreement for two more years, until June 30, 2009, and provides for compensation for the extended term.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

10a Sixth Amendment to the Employment Agreement between the Company and A.L. Giannopoulos dated January 28, 2004.

31.1 Certification by CEO pursuant to Rule 13A-14 or 15D of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification by CFO pursuant to Rule 13A-14 or 15D of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification by CEO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification by CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K

Report on Form 8-K was filed on October 31, 2003, regarding the release of financial results for the first fiscal quarter for fiscal year 2004 ended September 30, 2003.

Report on Form 8-K was filed on January 30, 2004, regarding the release of financial results for the second fiscal quarter for fiscal year 2004 ended December 31, 2003.

Pursuant to the requirements 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.
(Registrant)

February 17, 2004

/s/ Gary C. Kaufman
Gary C. Kaufman
Executive Vice President,
Finance and Administration/
Chief Financial Officer

February 17, 2004

/s/ Cynthia A. Russo
Cynthia A. Russo
Vice President and Corporate Controller

SIXTH AMENDMENT TO EMPLOYMENT AGREEMENT

This Sixth Amendment to the Employment Agreement is effective the 28th day of January, 2004 (the "Sixth Amendment"), by and between MICROS SYSTEMS, INC., a Maryland corporation, with offices located at 7031 Columbia Gateway Drive, Columbia, Maryland 21046-2289 (hereinafter referred to as the "Company"), and A. L. GIANNOPOULOS, whose address is 7031 Columbia Gateway Drive, Columbia, Maryland 21046-2289 (hereinafter referred to as the "Executive").

WHEREAS, the Executive and the Company entered into an Employment Agreement dated June 1, 1995, as amended by the First Amendment dated February 6, 1997, the Second Amendment dated February 1, 1998, the Third amendment dated September 8, 1999, the Fourth Amendment dated November 19, 2001, and the Fifth Amendment dated November 15, 2002 (the agreement as amended hereinafter referred to as the "Agreement"); and

WHEREAS, the parties hereto would like to amend the Agreement pursuant to this Sixth Amendment in an effort to induce the Executive to continue to render services to the Company for an extended term.

NOW, THEREFORE, the Company and the Executive, for good and valuable consideration, and pursuant to the terms, conditions, and covenants contained herein, hereby agree as follows:

1. Section 3 of the Agreement, captioned "Term", shall be deleted in its entirety and the following new language inserted in lieu thereof:

"The term of this Agreement shall commence upon the day and year first above written ("Commencement Date") and shall continue until June 30, 2009, unless sooner terminated, as provided herein."

2. Section 4 of the Agreement, captioned "Salary", is amended by appending to the existing salary chart the following new rows:

Period	Salary
July 1, 2007 through June 30, 2008	\$1,250,000
July 1, 2008 through June 30, 2009	\$1,500,000

3. Section 5 of the Agreement, captioned "Bonuses", is amended by appending to the existing bonus chart the following new rows:

Fiscal Year Ending	Target Bonus
June 30, 2008	\$600,000
June 30, 2009	\$750,000

4. The first paragraph of Section 16(c)(3) of the Agreement shall be deleted in its entirety and the following new language inserted in lieu thereof:

"Payment Upon Termination By The Company. If the Company terminates the Executive's employment for any reason other than Good Cause, the Executive shall be entitled to receive from the Company and the Company shall pay to the Executive in one lump sum, within fifteen (15) days following the Executive's termination of employment, all of the salary and Target Bonus payments provided for in Sections 4 and 5 of this Agreement for the period beginning on the date of the Executive's termination of employment and ending on June 30, 2009."

5. The first paragraph of Section 16(c)(4) of the Agreement shall be deleted in its entirety and the following new language inserted in lieu thereof:

“Payment Upon Termination By The Executive. If the Executive terminates his employment with the Company for Good Reason, other than Good Reason described in Section 16(a)(3)a), he shall be entitled to receive from the Company and the Company shall pay to the Executive in one lump sum, within fifteen (15) days following the date of the Executive's termination of employment, all of the salary and Target Bonus payments provided for in Sections 4 and 5 of this Agreement for the period beginning on the date of the Executive's termination and ending on June 30, 2009. If the Executive terminates his employment with the Company for the Good Reason described in Section 16(a)(3)a), then and in such event, he shall be entitled to receive from the Company and the Company shall pay to the Executive in one lump sum, within fifteen (15) days following the date of the Executive's termination of employment, an amount equal to the lesser of (i) all of the salary and Target Bonus payments provided for in Sections 4 and 5 of this Agreement for the period beginning on the date of the Executive's termination and ending on June 30, 2009, or (ii) all of the salary and Target Bonus payments provided for in Sections 4 and 5 of this Agreement for the period commencing on the date of the Executive's termination and ending on the third anniversary of the date of the Executive's termination.”

6. All other provisions of the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Sixth Amendment as of the dates indicated below, the effective date of this Sixth Amendment being the 28th day of January, 2004.

ATTEST:

[Corporate Seal]

WITNESS:

COMPANY:
MICROS SYSTEMS, INC.

By: /s/ Louis M. Brown, Jr.
Louis M. Brown, Jr.
Vice Chairman

(SEAL)

EXECUTIVE:

/s/ A.L. Giannopoulos
A. L. GIANNOPOULOS

CERTIFICATIONS

I, A.L. Giannopoulos, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MICROS Systems, Inc. (the "Registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this Annual Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report.
4. The Registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15 and 15d-15(e)) [*clause omitted pursuant to SEC Release Nos. 33-8238 and 34-47986*] for the Registrant and we have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) [*paragraph omitted pursuant to SEC Release Nos. 33-8238 and 34-47986*];
 - c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

/s/ A.L. Giannopoulos
A.L. Giannopoulos
Chairman, President and
Chief Executive Officer

Date: February 17, 2004

I, Gary C. Kaufman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MICROS Systems, Inc. (the "Registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this Annual Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report.
4. The Registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15 and 15d-15(e)) [*clause omitted pursuant to SEC Release Nos. 33-8238 and 34-47986*] for the Registrant and we have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) [*paragraph omitted pursuant to SEC Release Nos. 33-8238 and 34-47986*];
 - c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

/s/ Gary C. Kaufman
Gary C. Kaufman
Executive Vice President,
Finance and Administration,
and Chief Financial Officer

Date: February 17, 2004

MICROS SYSTEMS, INC.

**Certification of Principal Executive Officer
Pursuant to 18 U.S.C. 1350
(Section 906 of the Sarbanes-Oxley Act of 2002)**

I, A.L. Giannopoulos, Chairman, President and Chief Executive Officer of MICROS Systems, Inc. (‘Registrant’), certify that to the best of my knowledge, based upon a review of the quarterly report on Form 10-Q for the period ended December 31, 2003 of the Registrant (the ‘Report’):

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ A.L. Giannopoulos
Name: A.L. Giannopoulos
Date: February 17, 2004

MICROS SYSTEMS, INC.

**Certification of Principal Financial Officer
Pursuant to 18 U.S.C. 1350
(Section 906 of the Sarbanes-Oxley Act of 2002)**

I, Gary C. Kaufman, Executive Vice President of Finance and Administration and the Chief Financial Officer of MICROS Systems, Inc. (‘Registrant’), certify that to the best of my knowledge, based upon a review of the quarterly report on Form 10-Q for the period ended December 31, 2003 of the Registrant (the ‘Report’):

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Gary C. Kaufman
Name: Gary C. Kaufman
Date: February 17, 2004