UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

[Mark One]

[x] **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2004

OR

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

For the transition period from ____________ to ____________

Commission File Number: 0-23999

MANHATTAN ASSOCIATES, INC.

(Exact Name of Registrant as Specified in Its Charter)

Georgia	**58-2373424**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
2300 Windy Ridge Parkway, Suite 700 **Atlanta, Georgia**	**30339**
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code: (770) 955-7070

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 reports) and (2) has been subject to such filing requirements for the past 90 days. Yes [x] No [ ]

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes [x] No [ ]

The number of shares of the Issuer's class of capital stock outstanding as of August 6, 2004, the latest practicable date, is as follows: 30,098,392 shares of common stock, $0.01 par value per share.

MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES
FORM 10-Q
Quarter Ended June 30, 2004

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PART I

FINANCIAL INFORMATION

Item 1. Financial Statements.

MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)

	December 31, 2003	June 30, 2004
		(unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 140,964	$ 137,500
Short-term investments	4,992	19,399
Accounts receivable, net of allowance for doubtful accounts of $3,181 and $3,517 at December 31, 2003 and June 30, 2004, respectively	40,790	47,450
Prepaid expenses and other current assets	6,713	8,976
Total current assets	193,459	213,325
Property and equipment, net	12,152	12,205
Long-term investments	9,447	12,599
Acquisition-related intangible assets, net	10,942	9,879
Goodwill, net	31,688	31,905
Other assets	6,331	6,756
Total assets	$ 264,019	$286,669
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 5,235	$ 7,042
Accrued liabilities	3,617	3,970
Accrued compensation and benefits	6,702	6,101
Current portion of capital lease obligations	132	122
Income taxes payable	1,470	2,236
Deferred revenue	17,937	22,268
Total current liabilities	35,093	41,739
Deferred income taxes	396	356
Long-term portion of capital lease obligations	288	218
Shareholders' equity:		
Preferred stock, no par value; 20,000,000 shares authorized, no shares issued or outstanding at December 31, 2003 and June 30, 2004	—	—
Common stock, $.01 par value; 100,000,000 shares authorized, 30,086,164 and 30,158,542 shares issued and outstanding at December 31, 2003 and June 30, 2004, respectively	301	302
Additional paid-in capital	143,766	148,537
Retained earnings	83,653	95,950
Accumulated other comprehensive income	720	676
Deferred compensation	(198)	(1,109)
Total shareholders' equity	228,242	244,356
Total liabilities and shareholders' equity	$ 264,019	$286,669

See accompanying Notes to Condensed Consolidated Financial Statements.

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Item 1. Financial Statements (continued)

MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(unaudited and in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2004	2003	2004
Revenue:				
Software and hosting fees	$11,357	$ 13,784	$21,516	$ 26,090
Services	33,385	36,328	63,625	69,934
Hardware and other	5,455	5,858	11,153	11,239
Recovery relating to bankrupt customer	848	—	848	—
Total revenue	51,045	55,970	97,142	107,263
Costs and Expenses:				
Cost of software and hosting fees	1,222	850	2,345	1,673
Cost of services	14,084	16,523	26,850	31,619
Cost of hardware and other	4,629	5,071	9,556	9,649
Research and development	7,007	7,449	13,761	14,803
Sales and marketing	8,608	8,942	16,180	16,862
General and administrative	5,869	6,437	11,603	12,811
Amortization of acquisition-related intangibles	825	891	1,588	1,761
Restructuring charge	893	—	893	—
Total costs and expenses	43,137	46,163	82,776	89,178
Operating income	7,908	9,807	14,366	18,085
Other income, net	1,055	304	1,612	693
Income before income taxes	8,963	10,111	15,978	18,778
Income tax provision	3,174	3,491	5,649	6,481
Net income	$ 5,789	$ 6,620	$ 10,329	$ 12,297
Basic net income per share	$ 0.20	$ 0.22	$ 0.35	$ 0.41
Diluted net income per share	$ 0.19	$ 0.21	$ 0.34	$ 0.39
Weighted average number of shares:				
Basic	29,332	30,178	29,206	30,015
Diluted	30,688	31,403	30,564	31,367

See accompanying Notes to Condensed Consolidated Financial Statements.

Item 1. Financial Statements (continued)

MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited and in thousands)

	Six Months Ended June 30,	
	2003	2004
Operating activities:		
Net income	$ 10,329	$ 12,297
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,947	3,458
Amortization of acquisition-related intangibles	1,588	1,761
Stock compensation	10	465
Tax benefit of options exercised	5,784	6,266
Deferred income taxes	(589)	(1,346)
Changes in operating assets and liabilities:		
Accounts receivable, net	(613)	(6,700)
Other assets	(1,411)	(1,394)
Accounts payable and accrued liabilities	(2,006)	1,562
Income taxes	137	784
Deferred revenue	4,836	4,333
Net cash provided by operating activities	22,012	21,486
Investing activities:		
Purchase of property and equipment	(3,976)	(3,539)
Net maturities (purchases) of investments	41,148	(17,611)
Purchase price adjustment relating to the ReturnCentral acquisition	(563)	(467)
Purchase price adjustment relating to the StreamSoft acquisition	—	(170)
Payments in connection with the acquisition of Avere	—	(232)
Net cash provided (used in) by investing activities	36,609	(22,019)
Financing activities:		
Payment of capital lease obligations	(114)	(80)
Purchase of Manhattan common stock	—	(5,991)
Proceeds from issuance of common stock from options exercised	4,382	3,121
Net cash provided (used in) by financing activities	4,268	(2,950)
Foreign currency impact on cash	(122)	19
Net change in cash and cash equivalents	62,767	(3,464)
Cash and cash equivalents at beginning of period	64,664	140,964
Cash and cash equivalents at end of period	$ 127,431	$ 137,500
Supplemental cash flow disclosures:		
Net cash paid for income taxes	$ 244	$ 165
Cash paid for interest	$ 10	$ 9
Non-cash transaction:		
Issuance of restricted stock	$ —	$ 1,375

See accompanying Notes to Condensed Consolidated Financial Statements.

MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements
June 30, 2004
(unaudited)

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required for complete financial statements. In the opinion of our management, these condensed consolidated financial statements contain all normal adjustments considered necessary for a fair presentation of the financial position at June 30, 2004, the results of operations for the three and six month periods ended June 30, 2003 and 2004 and changes in cash flows for the six month periods ended June 30, 2003 and 2004. The results for the three and six month periods ended June 30, 2004 are not necessarily indicative of the results to be expected for the full year. These statements should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2003.

2. Principles of Consolidation

The accompanying consolidated financial statements include our accounts and the accounts of our wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

3. Revenue Recognition

Our revenue is derived from (i) Software and Hosting Fees, which consist of revenue from the licensing and hosting of software and revenue from funded research and development efforts; (ii) Services Revenue, which consist of fees from consulting, implementation and training services (collectively, “professional services”), plus customer support services and software enhancement subscriptions; and (iii) Hardware and Other Revenue, which consists of sales of hardware and reimbursed project expenses.

Revenue recognition rules for software companies are very complex. Although we follow very specific and detailed guidelines in measuring revenue, the application of those guidelines requires judgment including: (i) whether a software arrangement includes multiple elements, and if so, whether vendor-specific objective evidence of fair value exists for those elements; (ii) whether customizations or modifications of the software are significant; and (iii) whether the software fee is collectible. For arrangements that require the use of the percentage of completion method, the complexity of the estimation process and issues related to the assumptions, risks and uncertainties inherent with the application of the percentage of completion method of accounting affect the amounts of revenue and related expenses reported in our consolidated financial statements. A number of internal and external factors can affect our estimates, including labor rates, utilization and efficiency variances and specification and testing requirement changes.

We recognize software fees in accordance with Statement of Position No. 97-2, “Software Revenue Recognition” (“SOP 97-2”), as amended by Statement of Position No. 98-9, “Software Revenue Recognition, With Respect to Certain Transactions” (“SOP 98-9”). Under SOP 97-2, we recognize software license revenue when the following criteria are met: (1) a signed contract is obtained; (2) delivery of the product has occurred; (3) the license fee is fixed or determinable; and (4) collectibility is

3. Revenue Recognition (continued)

probable. SOP 98-9 requires recognition of revenue using the "residual method" when (1) there is vendor-specific objective evidence of the fair values of all undelivered elements in a multiple-element arrangement that is not accounted for using long-term contract accounting; (2) vendor-specific objective evidence of fair value does not exist for one or more of the delivered elements in the arrangement; and (3) all revenue-recognition criteria in SOP 97-2 other than the requirement for vendor-specific objective evidence of the fair value of each delivered element of the arrangement are satisfied. For those contracts that contain significant customization or modifications, license revenue is recognized under the percentage of completion method. We estimate the percentage of completion utilizing hours incurred to date as a percentage of total estimated hours to complete the project. We provide for project losses in their entirety in the period in which they become known. Hosting fees, which consist of fees for the license of our software and maintenance of the software and related hardware, are generally paid in advance and recognized ratably over the term of the hosting arrangement. We occasionally enter into funded research and development agreements for the enhancement of existing products or for the development of new products. Revenues from these funded development efforts are recognized under the percentage of completion method and included in the software and hosting fees line item in our condensed consolidated statements of income. The costs associated with the funded development efforts are included in the cost of software and hosting fees line item in our condensed consolidated statements of income.

Most of our software arrangements include professional services. Professional services revenues are generally accounted for separately from the software license revenues because the arrangements qualify as "service transactions" as defined by SOP 97-2. The most significant factors considered in determining whether the revenue should be accounted for separately include the nature of the services (*i.e.*, consideration of whether the services are essential to the functionality of the licensed product), degree of risk, availability of services from other vendors and timing of payments. Fees from professional services performed by us are generally billed on an hourly basis, and revenue is recognized as the services are performed. From time to time, we will enter into professional services agreements in which billings are limited to contractual maximums or based upon a fixed-fee for portions of or all of the engagement. Revenue related to fixed-fee based contracts is recognized on a percent complete basis based on the hours incurred. Project losses are provided for in their entirety in the period in which they become known. Fees from customer support services and software enhancement subscriptions are generally paid in advance and recognized as revenue ratably over the term of the agreement, typically 12 months.

Hardware revenue is generated from the resale of a variety of hardware products, developed and manufactured by third parties, which are integrated with and complementary to our software solutions. These products include computer equipment, radio frequency terminal networks, RFID chip readers, bar code printers and scanners and other peripherals. We generally purchase hardware from our vendors only after receiving an order from a customer, and revenue is recognized upon shipment by the vendor to the customer.

4. Investments

Our investments in marketable securities consist of debt instruments of the U.S. Treasury, U.S. government agencies and corporate commercial paper. Investments with original maturities of less than 90 days are classified as cash equivalents, investments with original maturities of greater than 90 days but mature in less than one year are classified as short-term investments, and those with maturities of greater than one year are classified as long-term investments. Our long-term investments consist of debt instruments of U.S. government agencies and mature after one year through five years.

5. Stock-Based Compensation

We account for our stock-based compensation plan for stock issued to employees under Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and, accordingly, record deferred compensation for options granted at an exercise price below the fair value of the underlying stock. The deferred compensation is presented as a component of equity in the accompanying consolidated balance sheets and is amortized over the periods to be benefited, generally the vesting period of the options. Effective in fiscal year 1996, we adopted the pro forma disclosure option for stock-based compensation issued to employees pursuant to Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123").

Pro forma information regarding net income and net income per share is required by SFAS No. 123, which requires that the information be determined as if we had accounted for our employee stock option grants under the fair value method required by SFAS No. 123. The fair value of each option grant has been estimated as of the date of grant using the Black-Scholes option pricing model. The following pro forma information adjusts the net income and net income per share of common stock for the impact of SFAS No. 123:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2004	2003	2004
	(in thousands)		(in thousands)	
Net income:				
As reported	$ 5,789	$ 6,620	$ 10,329	$ 12,297
Add: Stock-based employee compensation expense included in reported net income	4	372	10	465
Deduct: Stock-based employee compensation expense determined under the fair-value method for all awards	$ (8,339)	$(6,563)	$(13,481)	$(12,326)
Pro forma in accordance with SFAS No. 123	$(2,546)	$ 429	$ (3,142)	$ 436
Basic net income per share:				
As reported	$ 0.20	$ 0.22	$ 0.35	$ 0.41
Pro forma in accordance with SFAS No. 123	$ (0.09)	$ 0.01	$ (0.11)	$ 0.01
Diluted net income per share:				
As reported	$ 0.19	$ 0.21	$ 0.34	$ 0.39
Pro forma in accordance with SFAS No. 123	$ (0.09)	$ 0.01	$ (0.11)	$ 0.01

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6. Comprehensive Income

Comprehensive income includes net income, foreign currency translation adjustments and unrealized gains and losses on investments that have been previously excluded from net income and reflected in shareholders' equity.

The following table sets forth the calculation of comprehensive income:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2004	2003	2004
	(in thousands)		(in thousands)	
Net income	$ 5,789	$6,620	$10,329	$12,297
Other comprehensive income (loss), net of tax:				
Unrealized gain (loss) on investments, net of taxes	16	(45)	2	(34)
Foreign currency translation adjustment, net of taxes	194	(115)	173	(10)
Total other comprehensive income (loss), net of taxes	210	(160)	175	(44)
Comprehensive income	$5,999	$ 6,460	$ 10,504	$ 12,253

7. Net Income Per Share

Basic net income per share is computed using net income divided by the weighted average number of shares of common stock outstanding ("Weighted Shares") for the period presented. Diluted net income per share is computed using net income divided by Weighted Shares plus common equivalent shares ("CESs") outstanding for each period presented using the treasury stock method.

The following is a reconciliation of the shares used in the computation of net income per share:

	Three Months Ended June 30, 2003		Three Months Ended June 30, 2004	
	Basic	Diluted	Basic	Diluted
	(in thousands)		(in thousands)	
Weighted Shares	29,332	29,332	30,178	30,178
Effect of CESs	—	1,356	—	1,225
	30,178	30,688	30,178	31,403

	Six Months Ended June 30, 2003		Six Months Ended June 30, 2004	
	Basic	Diluted	Basic	Diluted
	(in thousands)		(in thousands)	
Weighted Shares	29,206	29,206	30,015	30,015
Effect of CESs	—	1,358	—	1,352
	29,206	30,564	30,015	31,367

Weighted average shares issuable upon the exercise of stock options that were not included in the calculation of diluted earnings per share were 2,890,838 and 1,303,222 for the three months ended June 30, 2003 and 2004, respectively, and 3,089,053 and 1,362,538 for the six months ended June 30, 2003 and 2004, respectively. Such shares were not included because they were antidilutive.

8. Geographic Information

Geographic revenue information is based on the location of the customer. Long-lived asset information is based on the physical location of the assets at the end of each of the periods.

Revenue by geographic region/country was as follows (in thousands):

	Three Months Ended June 30, 2003	Three Months Ended June 30, 2004
United States	$ 41,815	$ 43,228
Europe	7,295	10,868
Rest of world	1,935	1,874
Total international	9,230	12,742
Total revenue	$ 51,045	$ 55,970

	Six Months Ended June 30, 2003	Six Months Ended June 30, 2004
United States	$ 78,271	$ 83,848
Europe	16,114	18,121
Rest of world	2,757	5,294
Total international	18,871	23,415
Total revenue	$ 97,142	$ 107,263

Total international long-lived assets, which include assets in the United Kingdom, Netherlands, Germany, India, Japan and Australia, were approximately $3.8 million and $4.2 million as of December 31, 2003 and June 30, 2004, respectively.

9. Acquisition

On January 23, 2004, we acquired certain assets of Avere, Inc. (“Avere”), a provider of order management software. We acquired substantially all of the assets of Avere for a purchase price of approximately $230,000 in cash plus a potential earnout based upon the total Avere software fees recognized by us during the period starting on December 31, 2003 and ending on December 31, 2005. The earnout payment, if any, will be calculated as the following percentages of all Avere software fees recognized during the earnout period: (i) 25% of the Avere software fees greater than $200,000 and up to and including $2 million; (ii) 30% of the Avere software fees greater than $2 million and up to and including $4 million; and (iii) 35% of the Avere software fees greater than $4 million. The entire purchase price has been recorded as acquired developed technology and is being amortized over the greater of the amount computed using (a) the ratio that current gross revenues for a product bear to the total of current and anticipated future gross revenues for that product or (b) the straight-line method over the remaining five-year estimated economic life of the product, including the period being reported on.

10. New Accounting Pronouncement

In January 2003, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 46 ("FIN 46"), *Consolidation of Variable Interest Entities — An Interpretation of Accounting Research Bulletin No. 51.* In December 2003, the FASB issued a revision to FIN 46 ("FIN 46R"), to clarify some of the provisions of FIN 46 to exempt certain entities from its requirements. FIN 46 requires the consolidation of entities in which an enterprise absorbs a majority of the entity's expected losses, receives a majority of the entity's expected residual returns, or both, as a result of ownership, contractual interests or other financial interests in the entity. FIN 46 is effective for all new variable interest entities created or acquired after January 31, 2003. For variable interest entities created or acquired prior to February 1, 2003, the provisions of FIN 46 must be applied during the first interim or annual period beginning after March 15, 2004. We adopted this guidance on March 31, 2004. We do not currently have relationships that require us to consolidate or disclose information about variable interest entities.

In March 2004, the FASB approved the consensus reached on the Emerging Issues Task Force (EITF) Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments." The objective of this Issue is to provide guidance for identifying impaired investments. EITF 03-1 also provides new disclosure requirements for investments that are deemed to be temporarily impaired. The accounting provisions of EITF 03-1 are effective for all reporting periods beginning after June 15, 2004, while the disclosure requirements are effective only for annual periods ending after June 15, 2004. We believe that the adoption of EITF 03-1 will not have a material effect on our condensed consolidated statements of income, financial position or liquidity.

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

Forward-Looking Statements

Certain statements contained in this filing are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, including but not limited to statements related to plans for future business development activities, anticipated costs of revenues, product mix and service revenues, research and development and selling, general and administrative activities, and liquidity and capital needs and resources. When used in this report, the words "expect," "anticipate," "intend," "plan," "believe," "seek," "estimate," and similar expressions are generally intended to identify forward-looking statements. You should not place undue reliance on these forward-looking statements, which reflect our opinions only as of the date of this Quarterly Report. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. For further information about these and other factors that could affect our future results, please see Exhibit 99.1 to our Annual Report on Form 10-K for the year ended December 31, 2003. Investors are cautioned that any forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those contemplated by such forward-looking statements.

Overview

We are a global leader in providing supply chain execution and optimization solutions. Our integrated logistics solutions leverage a comprehensive set of applications that can be implemented as an integrated whole or as individual point solutions to better manage the supply chain. This platform for logistics is comprised of various applications including warehouse management, transportation management, distributed order management, reverse logics and trading partner management along with Radio Frequency Identification ("RFID"), performance management and event management. Our solution offering is comprised of software, services, and hardware.

Our warehouse management solutions manage the processes that take place within the distribution center, from receipt of goods to fulfillment of orders, and include applications for optimizing labor and slotting. With our transportation management solutions companies can optimally procure, plan and execute transportation services across transportation modes, such as air, ship and truck. Our distributed order management solution enables companies to balance supply with demand and source goods to meet customer needs in a timely and cost effective manner. With our reverse logistics management solution companies can effectively manage the returns process and improve net asset recovery. The trading partner management solution provides Web-based synchronization between trading partners, improving communication and visibility across the entire supply chain. Our RFID solution offers a flexible, scalable, and modular solution that provides an integration and reporting platform between RFID chip readers and supply chain execution and enterprise resource planning systems. Finally, our performance management applications include event management, alerting, and reporting modules, which use analytic tools and alerting processes to monitor and proactively respond to events within the supply chain cycle, analyze historical and operational data and generate reports.

In addition to our software, we also offer a variety of services to enhance the value we provide customers. Our offerings include design, configuration, implementation, training, product assessment, customer support, hardware, consulting services and software enhancement subscriptions.

Critical Accounting Policies and Estimates

The condensed consolidated financial statements include accounts of both our subsidiaries and us. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions in certain circumstances that affect amounts reported in the accompanying consolidated financial statements and related footnotes. In preparing these financial statements, management has made its best estimates and judgments of certain amounts included in the financial statements, giving due consideration to materiality. We do not believe there is a great likelihood that materially different amounts would be reported related to the accounting policies described below. However, application of these accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates.

Revenues and Revenue Recognition

Our revenue is derived from (i) Software and Hosting Fees, which consist of revenue from the licensing and hosting of software and revenue from funded research and development efforts; (ii) Services Revenue, which consist of fees from consulting, implementation and training services (collectively, "professional services"), plus customer support services and software enhancement subscriptions; and (iii) Hardware and Other Revenue, which consists of sales of hardware and reimbursed project expenses.

Revenue recognition rules for software companies are very complex. Although we follow very specific and detailed guidelines in measuring revenue, the application of those guidelines requires judgment including: (i) whether a software arrangement includes multiple elements, and if so, whether vendor-specific objective evidence of fair value exists for those elements; (ii) whether customizations or modifications of the software are significant; and (iii) whether the software fee is collectible. For arrangements that require the use of the percentage of completion method, the complexity of the estimation process and issues related to the assumptions, risks and uncertainties inherent with the application of the percentage of completion method of accounting affect the amounts of revenue and related expenses reported in our consolidated financial statements. A number of internal and external factors can affect our estimates, including labor rates, utilization and efficiency variances and specification and testing requirement changes.

We recognize software fees in accordance with Statement of Position No. 97-2, "Software Revenue Recognition" ("SOP 97-2"), as amended by Statement of Position No. 98-9, "Software Revenue Recognition, With Respect to Certain Transactions" ("SOP 98-9"). Under SOP 97-2, we recognize software license revenue when the following criteria are met: (1) a signed contract is obtained; (2) delivery of the product has occurred; (3) the license fee is fixed or determinable; and (4) collectibility is probable. SOP 98-9 requires recognition of revenue using the "residual method" when (1) there is vendor-specific objective evidence of the fair values of all undelivered elements in a multiple-element arrangement that is not accounted for using long-term contract accounting; (2) vendor-specific objective evidence of fair value does not exist for one or more of the delivered elements in the arrangement; and (3) all revenue-recognition criteria in SOP 97-2 other than the requirement for vendor-specific objective evidence of the fair value of each delivered element of the arrangement are satisfied. For those contracts that contain significant customization or modifications, license revenue is recognized under the percentage of completion method. We estimate the percentage of completion utilizing hours incurred to date as a percentage of total estimated hours to complete the project. We provide for project losses in their entirety in the period in which they become known. Hosting fees, which consist of fees for the license of our software and maintenance of the software and related hardware, are generally paid in advance and recognized ratably over the term of the hosting arrangement. We occasionally enter into

funded research and development agreements for the enhancement of existing products or for the development of new products. Revenues from these funded development efforts are recognized under the percentage of completion method and included in the software and hosting fees line item in our condensed consolidated statements of income. The costs associated with the funded development efforts are included in the cost of software and hosting fees line item in our condensed consolidated statements of income.

Most of our software arrangements include professional services. Professional services revenues are generally accounted for separately from the software license revenues because the arrangements qualify as “service transactions” as defined by SOP 97-2. The most significant factors considered in determining whether the revenue should be accounted for separately include the nature of the services (*i.e.*, consideration of whether the services are essential to the functionality of the licensed product), degree of risk, availability of services from other vendors and timing of payments. Fees from professional services performed by us are generally billed on an hourly basis, and revenue is recognized as the services are performed. From time to time, we will enter into professional services agreements in which billings are limited to contractual maximums or based upon a fixed-fee for portions of or all of the engagement. Revenue related to fixed-fee based contracts is recognized on a percent complete basis based on the hours incurred. Project losses are provided for in their entirety in the period in which they become known. Fees from customer support services and software enhancement subscriptions are generally paid in advance and recognized as revenue ratably over the term of the agreement, typically 12 months.

Hardware revenue is generated from the resale of a variety of hardware products, developed and manufactured by third parties, which are integrated with and complementary to our software solutions. These products include computer equipment, radio frequency terminal networks, RFID chip readers, bar code printers and scanners and other peripherals. We generally purchase hardware from our vendors only after receiving an order from a customer, and revenue is recognized upon shipment by the vendor to the customer.

Accounts Receivable

We continuously monitor collections and payments from our customers and maintain an allowance for estimated credit losses based upon our historical experience and any specific customer collection issues that we have identified. Additions to the allowance for doubtful accounts generally represent a sales allowance on services revenue, which are recorded to operations as a reduction to services revenue. While such credit losses have historically been within our expectations and the provisions established, we cannot guarantee that we will continue to experience the same credit loss rates that we have in the past. Our top five customers in aggregate accounted for 17% and 13% of total revenue for the six months ended June 30, 2003 and 2004, respectively. No single customer accounted for more than 10% of revenue in the six months ended June 30, 2003 and 2004.

Valuation of long-lived and intangible assets and goodwill

Our business acquisitions have resulted in, and future acquisitions typically will result in, the recording of goodwill, which represents the excess of the purchase price over the fair value of assets acquired, as well as capitalized technology and other definite-lived intangible assets.

In accordance with Statement of Financial Accounting Standards (“SFAS”) No. 142, *Goodwill and Other Intangible Assets*, we do not amortize goodwill and other intangible assets with indefinite lives. In lieu of amortization, we perform annual impairment reviews. We performed the annual review of our goodwill and other intangible assets for impairment as of December 31, 2003, and did not identify any asset impairment as a result of the review. We will continue to test for impairment on an annual

basis as of December 31, or on an interim basis if circumstances change that would indicate the possibility of an impairment. The impairment review requires an analysis of future projections and assumptions about our operating performance. Should such review indicate the assets are impaired, we would record an expense for the impaired assets.

We evaluate long-lived assets based on the net future cash flow expected to be generated from the asset on an undiscounted basis whenever significant events or changes in circumstances occur that indicate that the carrying amount of an asset may not be recoverable. In addition, expected future operating losses from discontinued operations are reported as discontinued operations in the period incurred. In addition, more dispositions may qualify for discontinued operations treatment. This is in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* , which superseded SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of* , and certain aspects of APB 30, "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual, and Infrequently Occurring Events and Transactions," with regard to reporting the effects of a disposal of a segment of a business.

Income Taxes

We provide for the effect of income taxes on our financial position and results of operations in accordance with Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes*. Under this accounting pronouncement, income tax expense is recognized for the amount of taxes payable or refundable for the current year and for deferred tax liabilities and assets for the future tax consequences of events that have been recognized in an entity's financial statements or tax returns. Management must make significant assumptions, judgments and estimates to determine our current provision for income taxes and also our deferred tax assets and liabilities and any valuation allowance to be recorded against our net deferred tax assets. Our judgments, assumptions and estimates relative to the current provision for income tax take into account current tax laws, our interpretation of current tax laws and possible outcomes of current and future audits conducted by foreign and domestic tax authorities. Changes in tax law or our interpretation of tax laws and the resolution of current and future tax audits could significantly impact the amounts provided for income taxes in our financial position and results of operations. Our assumptions, judgments and estimates relative to the value of our net deferred tax assets take into account predictions of the amount and category of future taxable income. Actual operating results and the underlying amount and category of income in future years could render our current assumptions, judgments and estimates of recoverable net deferred taxes inaccurate, thus materially impacting our financial position and results of operations.

Results of Operations

Overview

Our primary goal is to expand our position as a leading provider of supply chain execution and optimization solutions by delivering integrated, modular solutions to our customers to increase revenue and earnings. For the balance of 2004, we plan to continue to enhance our solutions, expand globally and further develop our sales and marketing, including strategic alliances and indirect sales channels. Our success could be limited by several factors, including spending on information technology, the timely release of quality new products and releases, continued market acceptance of our solutions and the introduction of new products by existing or new competitors.

We have begun to see some improvement in the environment for capital spending on information technology. However, we continue to experience many effects of a weak spending environment for information technology in the United States and Europe, in the form of delayed and cancelled buying decisions by customers for our software, services and hardware, deferrals by customers of service engagements previously scheduled and pressure by our customers and competitors to discount our offerings. We believe that a deterioration in the current business climates or continued delay in capital spending within the United States and/or other geographic regions in which we operate, principally the United Kingdom and continental Europe, could have a material adverse impact on our future operations. There remains uncertainty as to the future macro-economic and business environmental conditions, making forecasting difficult.

Quarter Ended June 30, 2004 Compared to Quarter Ended June 30, 2003

Revenue

	Quarter Ended June 30, 2003	% Change 2003 to 2004	Quarter Ended June 30, 2004
Software and hosting fees	$ 11,357	21%	$ 13,784
Percentage of total revenue	22%		25%
Services	33,385	9%	36,328
Percentage of total revenue	65%		65%
Hardware and other	5,455	7%	5,858
Percentage of total revenue	11%		10%
Recovery relating to bankrupt customer	848	(100%)	—
Total revenue	$ 51,045	10%	$ 55,970

Our revenue consists of fees generated from the licensing and hosting of software; fees from professional services, customer support services and software enhancement subscriptions; and sales of complementary radio frequency and computer equipment, which are considered non-strategic. We believe our revenue growth from 2003 to 2004 is attributable to several factors, including, among others, increased sales of our expanded product suite, geographic expansion, our market leadership positions as to breadth of product offerings and financial stability and a compelling return on investment proposition for our customers.

Software and hosting fees. The increase in software and hosting fees from the quarter ended June 30, 2003 to the quarter ended June 30, 2004 was primarily due to increased sales of our transportation and RFID solutions and increased sales of supply chain execution systems outside of North America.

Services revenue. The increase in services revenue from the second quarter of 2003 to the second quarter of 2004 was principally due to: (i) an increase in engagements required to implement the increased amount of software sold and to upgrade existing customers to more current versions of our offerings; and (ii) renewals of customer support services and software enhancement subscription agreements on a growing installed base. During the economic downturn, we have experienced some pricing pressures with regard to our services. We believe that the pricing pressures are attributable to global macro-economic conditions and competitive pressures.

Hardware and other. Sales of hardware are non-strategic and largely dependent upon customer-specific desires, which fluctuate from quarter to quarter. Sales of hardware remained consistent at approximately $3.8 million in the second quarters of 2003 and 2004. Reimbursements for out-of-pocket expenses are required to be classified as revenue and are included in hardware and other revenue. For the quarters ended June 30, 2003 and 2004, reimbursements by customers for out-of-pocket expenses were approximately $1.7 million and $2.1 million, respectively. The increase in reimbursed out-of-pocket expenses is due to increased travel related to the increase in services projects.

Recovery relating to Bankrupt Customer. On January 22, 2002, a significant customer for 2001 filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code. As a result of the filing, the uncertainties around the bankruptcy proceedings and the ultimate timing of payment, we recorded an allowance of $4.3 million in 2001 to effectively defer revenues arising in the fourth quarter of 2001 from the significant customer, but unpaid at the time of the bankruptcy declaration. In September 2002, the United States Bankruptcy Court for the Northern District of Illinois Eastern Division authorized the significant customer's request to assume the software license, services, support and enhancement agreement. Upon receiving the final cash settlement in June 2003, subsequent to the significant customer emerging from bankruptcy, we recovered the remaining $848,000 of the allowance during the second quarter of 2003. The recovery was recorded as a separate revenue line item in the condensed consolidated statements of income and a reduction to the allowance for doubtful accounts in the condensed consolidated balance sheets during the second quarter of 2003.

Costs and Expenses

	Quarter Ended June 30, 2003	% Change 2003 to 2004	Quarter Ended June 30, 2004
Cost of software and hosting fees	$ 1,222	(30%)	$ 850
Percentage of software and hosting fees	11%		6%
Cost of services	14,084	17%	16,523
Percentage of services revenue	42%		45%
Cost of hardware and other	4,629	10%	5,071
Percentage of hardware and other revenue	85%		87%
Research and development	7,007	6%	7,449
Percentage of total revenue	14%		13%
Sales and marketing	8,608	4%	8,942
Percentage of total revenue	17%		16%
General and administrative	5,869	10%	6,437
Percentage of total revenue	12%		12%
Amortization of acquisition-related intangibles	825	8%	891
Percentage of total revenue	2%		2%
Restructuring charge	893	(100%)	—
Percentage of total revenue	2%		0%

Cost of Software and Hosting Fees. Cost of software and hosting fees consists of the costs associated with software reproduction; hosting services; funded development; media, packaging and delivery, documentation and other related costs; royalties on third-party software sold with or as part of our products; and the amortization of capitalized research and development costs. The decrease in cost of software fees, as a percentage of software and hosting fees and in absolute dollars, in the second quarter of 2004 was attributable to lower telecommunication costs associated with hosting our software solutions and lower costs relating to funded development efforts. In addition, during the second quarter of 2003, there was approximately $100,000 of amortization expense associated with capitalized development costs, which were fully amortized by the end of 2003.

Cost of Services. Cost of services consists primarily of salaries and other personnel-related expenses of employees dedicated to professional and technical services and customer support services. The increase in cost of services in the quarter ended June 30, 2004 was principally due to an increase in salary-related costs resulting from an increase of 16% in the number of personnel dedicated to the delivery of professional and technical services during the second quarter of 2004. The decrease in the services gross margin was attributable to lower average billing rates due to competitive pricing pressure, as discussed above, and increased costs due to international expansion and training.

Cost of Hardware and other. Cost of hardware increased from approximately $2.9 million in the second quarter of 2003 to approximately $3.0 million in the second quarter of 2004. Cost of hardware and other includes out-of-pocket expenses to be reimbursed by customers of approximately $1.7 million and $2.1 million for the quarters ended June 30, 2003 and 2004, respectively. The increase in reimbursed out-of-pocket expenses is due to increased travel related to the increase in services projects.

Research and Development. Research and development expenses primarily consist of salaries and other personnel-related costs for personnel involved in our research and development activities. The increase in research and development expenses in the quarter ended June 30, 2004 was principally attributable to: (i) an increase in the average number of full-time and contracted personnel dedicated to our ongoing research and development activities, including personnel related to transportation management; (ii) the expansion of our offshore development center in India; and (iii) annual compensation increases of approximately 5% in May 2004. The number of research and development personnel related to our offshore development center increased from 137 at June 30, 2003 to 196 at June 30, 2004. Our principal research and development activities during 2004 focused on the expansion and integration of new products acquired and the synchronized product release, which included expanded product functionality, interoperability and testing.

Computer software development costs are charged to research and development expense until technological feasibility is established, after which remaining software production costs are capitalized. We have defined technological feasibility as the point in time at which we have a detailed program design or a working model of the related product, depending upon the type of development effort. For the quarters ended June 30, 2003 and 2004, we capitalized no research and development costs because the costs incurred following the attainment of technological feasibility for the related software product through the date of general release were insignificant.

Sales and Marketing. Sales and marketing expenses include salaries, commissions, travel and other personnel-related costs of sales and marketing personnel and the costs of our marketing and alliance programs and related activities. The increase in sales and marketing expenses from the second quarter of 2003 to the second quarter of 2004 was principally attributable to: (i) greater incentive

compensation paid on a greater level of sales; and (ii) continued global expansion of our sales and marketing programs as we enter and expand our presence in new markets.

General and Administrative. General and administrative expenses consist primarily of salaries and other personnel-related costs of executive, financial, human resources, information technology and administrative personnel, as well as facilities, depreciation, legal, insurance, accounting and other administrative expenses. The increase in general and administrative expenses during the quarter ended June 30, 2004 was principally attributable to an increase in salary-related costs resulting from an increase of approximately 14% in the number of general and administrative personnel, primarily from our international expansion. Depreciation expense is included in general and administrative expenses and amounted to $1.8 million and $1.7 million during the quarters ended June 30, 2003 and 2004, respectively.

Amortization of Acquisition-Related Intangibles. We have recorded goodwill and other acquisition-related intangible assets as part of the purchase accounting associated with various acquisitions, including the acquisitions of Logistics.com, Inc. ("Logistics.com") in December 2002, ReturnCentral, Inc. ("ReturnCentral") in June 2003, Streamsoft, L.L.C. ("Streamsoft") in October 2003, and Avere in January 2004. The slight increase in the amortization of acquisition-related intangibles that have finite lives and are separable from goodwill in the second quarter of 2004 was attributable to amortization expense associated with the acquisitions of ReturnCentral, Streamsoft, and Avere. Effective January 1, 2002, we adopted SFAS No. 142, which requires that goodwill and certain intangible assets no longer be amortized to earnings, but instead be tested for impairment at least annually.

Restructuring Charge. During the quarter ended June 30, 2003, we recorded a restructuring charge relating to an internal reorganization of $0.9 million, or 2% of total revenue. The reorganization more closely aligned our customer advocates with our implementation teams, and our customer support organization with our technical teams. The charge consisted primarily of severance payments. All payments in connection with the charge were made by the end of 2003.

	Quarter Ended June 30, 2003	% Change 2003 to 2004	Quarter Ended June 30, 2004
Income from operations	$ 7,908	24%	$ 9,807
Percentage of total revenue	15%		18%
Other income, net	1,055	(71%)	304
Percentage of total revenue	2%		1%
Income tax provision	3,174	10%	3,491
Percentage of income before income taxes	35%		35%

Income from Operations. The increase in operating income from the quarter ended June 30, 2003 to the quarter ended June 30, 2004 represents a combination of growth in higher margin software and services fees and improved efficiencies throughout our business.

Other Income, Net. Other income, net includes interest income and interest expense and foreign currency gains and losses. Interest income increased from approximately $340,000 in the second quarter of 2003 to approximately $480,000 in the second quarter of 2004 due to an increase in funds invested. The weighted-average interest rate on investment securities at June 30, 2003 and June 30, 2004 was approximately 1.2%. We recorded a net foreign currency gain of $710,000 in the three months ended June 30, 2003, compared to a net foreign currency loss of $175,000 in the three months ended June 30,

2004. The foreign currency gain and loss resulted primarily from the fluctuation of the U.S. dollar relative to the British Pound and Euro.

Income Tax Provision. Our effective income tax rates were 35.4% and 34.5% in the quarters ended June 30, 2003 and 2004, respectively. Our effective income tax rate takes into account the source of taxable income, domestically by state and internationally by country, and available income tax credits. The decrease in the tax rate in 2004 was attributable to an increase in income generated in countries with lower tax rates along with an increase in the utilization of research and development credits. The provisions for income taxes for the quarters ended June 30, 2003 and 2004 do not include the $3.6 million and $3.3 million of tax benefits realized from stock options exercised during the quarters, respectively. These tax benefits reduce our income tax liabilities and are included in additional paid-in capital.

Six Months Ended June 30, 2004 Compared to Six Months Ended June 30, 2003

Revenue

	Six Months Ended June 30, 2003	% Change 2003 to 2004	Six Months Ended June 30, 2004
Software and hosting fees	$ 21,516	21%	$ 26,090
Percentage of total revenue	22%		24%
Services	63,625	10%	69,934
Percentage of total revenue	66%		65%
Hardware and other	11,153	1%	11,239
Percentage of total revenue	11%		11%
Recovery relating to bankrupt customer	848	(100%)	—
Total revenue	$ 97,142	10%	$ 107,263

Software and hosting fees. The increase in software and hosting fees from the six months ended June 30, 2003 to the six months ended June 30, 2004 was primarily due to increased sales of our suite of products including warehouse, transportation and trading partner management solutions and increased sales of supply chain execution systems outside of North America.

Services revenue. The increase in services revenue from 2003 to 2004 was principally due to: (i) an increase in engagements required to implement the increased amount of software sold and to upgrade existing customers to more current versions of our offerings; and (ii) renewals of customer support services and software enhancement subscription agreements on a growing installed base. As discussed above, we have experienced some pricing pressures with regard to our services. We believe that the pricing pressures are attributable to global macro-economic conditions and competitive pressures.

Hardware and other. Sales of hardware are non-strategic and largely dependent upon customer-specific desires, which fluctuate from quarter to quarter. Sales of hardware decreased from approximately $8.2 million in the first six months of 2003 to approximately $7.6 million in the first six months of 2004. The decrease in hardware sales was attributable to customers' desires in the current macro-economic environment to buy hardware from other suppliers offering greater discounts. Reimbursements for out-of-pocket expenses are required to be classified as revenue and are included in

hardware and other revenue. For the six months ended June 30, 2003 and 2004, reimbursements by customers for out-of-pocket expenses were approximately $3.0 million and $3.7 million, respectively. The increase in reimbursed out-of-pocket expenses is due to increased travel related to the increase in services projects.

Costs and Expenses

	Six Months Ended June 30, 2003	% Change 2003 to 2004	Six Months Ended June 30, 2004
Cost of software and hosting fees	$ 2,345	(29%)	$ 1,673
Percentage of software and hosting fees	11%		6%
Cost of services	26,850	18%	31,619
Percentage of services revenue	42%		45%
Cost of hardware and other	9,556	1%	9,649
Percentage of hardware and other revenue	86%		86%
Research and development	13,761	8%	14,803
Percentage of total revenue	14%		14%
Sales and marketing	16,180	4%	16,862
Percentage of total revenue	17%		16%
General and administrative	11,603	10%	12,811
Percentage of total revenue	12%		12%
Amortization of acquisition-related intangibles	1,588	11%	1,761
Percentage of total revenue	2%		2%
Restructuring charge	893	(100%)	—
Percentage of total revenue	1%		0%

Cost of Software and Hosting Fees. Cost of software and hosting fees consists of the costs associated with software reproduction; hosting services; funded development; media, packaging and delivery, documentation and other related costs; royalties on third-party software sold with or as part of our products; and the amortization of capitalized research and development costs. The decrease in cost of software fees, as a percentage of software and hosting fees and in absolute dollars, in 2004 was attributable to lower telecommunication costs associated with hosting our software solutions and lower costs relating to funded development efforts. In addition, during the six months ended June 30, 2003, there was approximately $200,000 of amortization expense associated with capitalized development costs, which were fully amortized by the end of 2003.

Cost of Services. Cost of services consists primarily of salaries and other personnel-related expenses of employees dedicated to professional and technical services and customer support services. The increase in cost of services in the six months ended June 30, 2004 was principally due to an increase in salary-related costs resulting from an increase of 16% in the number of personnel dedicated to the delivery of professional and technical services during 2004. The decrease in the services gross margin was attributable to lower average billing rates due to competitive pricing pressure, as discussed above, and increased costs due to international expansion and training.

Cost of Hardware and other. Cost of hardware decreased from approximately $6.6 million in the six months ended June 30, 2003 to approximately $5.9 million in the six months ended June 30, 2004 as a direct result of lower sales of hardware. Cost of hardware and other includes out-of-pocket expenses to be reimbursed by customers of approximately $3.0 million and $3.7 million for the six months ended June 30, 2003 and 2004, respectively. The increase in reimbursed out-of-pocket expenses is due to increased travel related to the increase in services projects.

Research and Development. Research and development expenses primarily consist of salaries and other personnel-related costs for personnel involved in our research and development activities. The increase in research and development expenses in the six months ended June 30, 2004 was principally attributable to: (i) an increase in the average number of full-time and contracted personnel dedicated to our ongoing research and development activities, including personnel related to transportation management; (ii) the expansion of our offshore development center in India; and (iii) annual compensation increases of approximately 5% in May 2004. The number of research and development personnel related to our offshore development center increased from 137 at June 30, 2003 to 196 at June 30, 2004. Our principal research and development activities during 2004 focused on the expansion and integration of new products acquired and the synchronized product release, which included expanded product functionality, interoperability and testing.

Computer software development costs are charged to research and development expense until technological feasibility is established, after which remaining software production costs are capitalized. We have defined technological feasibility as the point in time at which we have a detailed program design or a working model of the related product, depending upon the type of development effort. For the six months ended June 30, 2003 and 2004, we capitalized no research and development costs because the costs incurred following the attainment of technological feasibility for the related software product through the date of general release were insignificant.

Sales and Marketing. Sales and marketing expenses include salaries, commissions, travel and other personnel-related costs of sales and marketing personnel and the costs of our marketing and alliance programs and related activities. The increase in sales and marketing expenses from 2003 to 2004 was principally attributable to: (i) greater incentive compensation paid on a greater level of sales; and (ii) continued global expansion of our sales and marketing programs.

General and Administrative. General and administrative expenses consist primarily of salaries and other personnel-related costs of executive, financial, human resources, information technology and administrative personnel, as well as facilities, depreciation, legal, insurance, accounting and other administrative expenses. The increase in general and administrative expenses during the six months ended June 30, 2004 was principally attributable to an increase in salary-related costs resulting from an increase of approximately 14% in the number of general and administrative personnel, primarily from our international expansion. Depreciation expense is included in general and administrative expenses and amounted to $3.8 million and $3.6 million during the six months ended June 30, 2003 and 2004, respectively.

Amortization of Acquisition-Related Intangibles. We have recorded goodwill and other acquisition-related intangible assets as part of the purchase accounting associated with various acquisitions, including the acquisitions of Logistics.com in December 2002, ReturnCentral in June 2003, Streamsoft in October 2003, and Avere in January 2004. The slight increase in the amortization of acquisition-related intangibles that have finite lives and are separable from goodwill in 2004 was attributable to amortization expense associated with the acquisitions of ReturnCentral, Streamsoft, and

Avere. Effective January 1, 2002, we adopted SFAS No. 142, which requires that goodwill and certain intangible assets no longer be amortized to earnings, but instead be tested for impairment at least annually.

Restructuring Charge. During the six months ended June 30, 2003, we recorded a restructuring charge relating to an internal reorganization of $0.9 million, or 1% of total revenue. The reorganization more closely aligned our customer advocates with our implementation teams, and our customer support organization with our technical teams. The charge consisted primarily of severance payments. All payments in connection with the charge were made by the end of 2003.

	Six Months Ended June 30, 2003	% Change 2003 to 2004	Six Months Ended June 30, 2004
Income from operations	$ 14,366	26%	$ 18,085
Percentage of total revenue	15%		17%
Other income, net	1,612	(57%)	693
Percentage of total revenue	2%		1%
Income tax provision	5,649	15%	6,481
Percentage of income before income taxes	35%		35%

Income from Operations. The increase in operating income from the six months ended June 30, 2003 to the six months ended June 30, 2004 represents a combination of growth in higher margin software and services fees and improved efficiencies throughout our business.

Other Income, Net. Other income, net includes interest income and interest expense and foreign currency gains and losses. Interest income increased from approximately $780,000 in the first six months of 2003 to approximately $880,000 in the first six months of 2004 due to an increase in funds invested. The weighted-average interest rate on investment securities at June 30, 2003 and June 30, 2004 was approximately 1.2%. We recorded a net foreign currency gain of $830,000 in the six months ended June 30, 2003, compared to a net foreign currency loss of $185,000 in the six months ended June 30, 2004. The foreign currency gain and loss resulted primarily from the fluctuation of the U.S. dollar relative to the British Pound and Euro.

Income Tax Provision. Our effective income tax rates were 35.4% and 34.5% in the six months ended June 30, 2003 and 2004, respectively. Our effective income tax rate takes into account the source of taxable income, domestically by state and internationally by country, and available income tax credits. The decrease in the tax rate in 2004 was attributable to an increase in income generated in countries with lower tax rates along with an increase in the utilization of research and development credits. The provisions for income taxes for the six months ended June 30, 2003 and 2004 do not include the $5.8 million and $6.0 million of tax benefits realized from stock options exercised during the six month periods, respectively. These tax benefits reduce our income tax liabilities and are included in additional paid-in capital.

Liquidity and Capital Resources

We have funded our operations primarily through cash generated from operations. As of June 30, 2004, we had approximately $169.5 million in cash, cash equivalents and investments, as compared to approximately $155.4 million at December 31, 2003.

Our operating activities provided cash of approximately $22.0 million for the six months ended June 30, 2003 and $21.5 million for the six months ended June 30, 2004. Cash from operating activities for the six months ended June 30, 2004 arose principally from operating income, increases in prepayments of professional services, customer support services and software enhancement subscriptions, and income tax benefits arising from exercises of stock options by employees, offset by an increase in accounts receivable. Days sales outstanding increased to 77 days at June 30, 2004 from 76 days at December 31, 2003.

Our investing activities provided cash of approximately $36.6 million for the six months ended June 30, 2003 and used cash of approximately $22.0 million for the six months ended June 30, 2004. Our use of cash for investing activities for the six months ended June 30, 2004 was to purchase approximately $3.5 million of capital equipment to support our business and infrastructure and the net purchases of investments of approximately $17.6 million.

Our financing activities provided cash of approximately $4.3 million for the six months ended June 30, 2003 and used cash of approximately $3.0 million for the six months ended June 30, 2004. The principal use of cash for financing activities for the six months ended June 30, 2004 was to purchase approximately $6.0 million of Manhattan common stock, partially off-set by the proceeds from the issuance of common stock pursuant to the exercise of stock options.

We believe there are opportunities to grow our business through the acquisition of complementary and synergistic companies, products and technologies. Any material acquisition could result in a decrease to our working capital depending on the amount, timing and nature of the consideration to be paid. The board of directors has approved a stock repurchase program covering up to $20 million of our common stock over a period ending no later than July 21, 2005. We expect to fund purchases under the program through existing cash, cash equivalents and investments.

We believe that our existing liquidity and expected cash flows from operations will satisfy our capital requirements for the foreseeable future. We believe that existing balances of cash, cash equivalents and short-term investments will be sufficient to meet our working capital and capital expenditure needs at least for the next twelve months, although there can be no assurance that this will be the case.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Foreign Business

Our international business is subject to risks typical of an international business, including, but not limited to: differing economic conditions, changes in political climate, differing tax structures, other regulations and restrictions, and foreign exchange rate volatility. Our international operations currently include business activity out of offices in the United Kingdom, Holland, Germany, France, Australia, Japan, China, Singapore and India. When the U.S. dollar strengthens against a foreign currency, the

value of our sales and expenses in that currency converted to U.S. dollars decreases. When the U.S. dollar weakens, the value of our sales and expenses in that currency converted to U.S. dollars increases.

We recognized a foreign exchange rate gain of approximately $830,000 and a foreign exchange rate loss of approximately $185,000 during the six months ended June 30, 2003 and 2004, respectively. Foreign exchange rate transaction gains and losses are classified in “Other income, net” on our Condensed Consolidated Statements of Income. A fluctuation of 10% in the period end exchange rates at June 30, 2004 relative to the U.S. dollar would result in approximately a $680,000 change in the reported foreign currency loss for the six months ended June 30, 2004.

Interest Rates

We invest our cash in a variety of financial instruments, including taxable and tax-advantaged floating rate and fixed rate obligations of corporations, municipalities, and local, state and national governmental entities and agencies. These investments are denominated in U.S. dollars. Cash balances in foreign currencies overseas are derived from operations.

Investments in both fixed rate and floating rate interest earning instruments carry a degree of interest rate risk. Fixed rate securities may have their fair market value adversely impacted due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. Due in part to these factors, our future investment income may fall short of expectations due to changes in interest rates, or we may suffer losses in principal if forced to sell securities that have seen a decline in market value due to changes in interest rates. The weighted-average interest rate on investment securities held at June 30, 2003 and June 30, 2004 was approximately 1.2%. The fair value of cash equivalents and investments held at June 30, 2004 was $161.1 million. Based on the average investments outstanding during 2004, an increase or decrease of 25 basis points would result in an increase or decrease to interest income of approximately $200,000 from the reported interest income for the six months ended June 30, 2004.

Item 4. Controls and Procedures.

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. As of the end of the period covered by this report, our Chief Executive Officer and Chief Financial Officer evaluated, with the participation of management, the effectiveness of our disclosure controls and procedures. Based on the evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are effective. There were no changes in our internal control over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II

OTHER INFORMATION

Item 1. Legal Proceedings.

Many of our installations involve products that are critical to the operations of our clients' businesses. Any failure in our products could result in a claim for substantial damages against us, regardless of our responsibility for such failure. Although we attempt to limit contractually our liability for damages arising from product failures or negligent acts or omissions, there can be no assurance the limitations of liability set forth in our contracts will be enforceable in all instances. We are not currently a party to any material legal proceeding that would require disclosure under this Item.

Item 2. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities.

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
April 1 - April 30, 2004	—	$ —	—	$ 20,000,000
May 1 - May 31, 2004	221,500	$ 27.05	221,500	$ 14,009,180
June 1 - June 30, 2004	—	$ —	—	$ 14,009,180
Total	221,500	$ 27.05	221,500	$ 14,009,180

Item 3. Defaults Upon Senior Securities.

No events occurred during the quarter covered by the report that would require a response to this item.

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

(a) The Annual Meeting of Shareholders (the "Annual Meeting") of the Company was held on May 21, 2004. There were present at the Annual Meeting, in person or by proxy, holders of 29,185,220 shares (or 96.5%) of the common stock entitled to vote.

(b) The following directors were elected to hold office for a term expiring at the 2007 Annual Meeting or until their successors are elected and qualified, with the vote for each director being reflected below:

Name	Votes For	Votes Withheld
John J. Huntz, Jr.	27,731,050	1,454,170
Thomas E. Noonan	26,426,065	2,759,155

The affirmative vote of the holders of a plurality of the outstanding shares of common stock represented at the Annual Meeting was required to elect each director.

(c) The appointment of Ernst & Young LLP as independent public auditors to audit the consolidated financial statements of the Company and its subsidiaries for the year ending December 31, 2004, was ratified with 28,691,272 affirmative votes cast, 492,406 negative votes cast and 1,541 abstentions. The affirmative vote of the holders of a majority of the outstanding shares of common stock represented at the Annual Meeting was required to ratify the appointment of Ernst & Young LLP.

Item 5. Other Information.

No events occurred during the quarter covered by the report that would require a response to this item.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

Exhibit 10.1	Executive Non-Competition and Severance Agreement, by and between the Registrant and Jeffrey S. Mitchell, dated June 22, 2004.
Exhibit 10.2	Form of Indemnification Agreement with certain directors and officers of the Registrant.
Exhibit 31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 32*	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Report filed on Form 8-K.

On April 22, 2004, the Company filed a Current Report on Form 8-K providing disclosure on Items 7 and Item 12 of that Form.

* In accordance with Release No. 34-47986, this Exhibit is hereby furnished to the SEC as an accompanying document and is not deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that Section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933.

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SIGNATURES

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.

	MANHATTAN ASSOCIATES, INC.
Date: August 9, 2004	/s/ Peter F. Sinisgalli
	Peter F. Sinisgalli Chief Executive Officer, President and Director (Principal Executive Officer)
Date: August 9, 2004	/s/ Edward K. Quibell
	Edward K. Quibell Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)

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EXHIBIT INDEX

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EXHIBIT 10.1

EXECUTIVE NON-COMPETITION AND SEVERANCE AGREEMENT

The purpose of this letter is to set forth certain terms by and between Manhattan Associates, Inc, a Georgia corporation ("Company"), and Jeffrey S. Mitchell ("Executive") with respect to the subject matter herein, and supercedes any other terms relating to such subject matter. In the event of a conflict between this agreement and any other, the terms herein shall control. Capitalized terms not defined herein shall have the meanings ascribed to them in the Agreement.

NOW, THEREFORE, for good and valuable consideration, the sufficiency of which is hereby acknowledged, and in consideration of the mutual promises and covenants set forth in this agreement, the parties agree as follows:

1. Employment. Company has agreed to employ Executive as Executive Vice President, Sales and Marketing in accordance with the terms and conditions set forth herein and Executive has accepted such employment.

2. Base Salary. Effective January 1, 2004, Company shall pay to Executive a base salary ("Base Salary") of $20,833.33 per month ($250,000.00 annualized), subject to all standard employment deductions, which amount may be increased annually at the discretion of the Chief Executive Officer, President or Board of Directors.

3. Performance-Related Bonus. Executive shall be eligible to receive a performance-related bonus of $390,000.00 per year and subject to all standard employment deductions. The bonus criteria shall be discussed with Executive, but determined in the sole discretion of the Company. In addition to the above, Executive shall receive a one-time bonus of $100,000 payable in April 2004 and an additional bonus of $90,000.00 payable on April 21, 2006. These bonuses are in lieu of any other bonuses Executive may have been entitled to receive, including any other bonus for fiscal year 2003. Thereafter, the bonus shall be paid as determined by the Company. In the event Executive is not an employee in good standing with Company on the date of any bonus is payable, he shall not be entitled to receive such payment.

4. Stock. Executive shall receive a grant of $100,000 of restricted stock of Company based on the closing date of February 5, 2004 which shall equal 3,630 shares, vesting in Three (3) equal installments on January 1, 2005, January 1, 2006 and January 1, 2007.

5. Stock Options. The Executive has received the option (the "Option") to purchase 100,000 shares of Company, at a price of $26.64 vesting in Twelve (12) equal quarterly installments beginning on March 31, 2004. All Options are granted pursuant to the Manhattan Associates, Inc. Option Plan (the "Option Plan"). The options will vest in accordance with the stock option certificate given for each grant. Executive shall be considered for additional annual awards of Options and any such award shall be at the sole discretion of the Board of Directors.

6. Severance. In the event of a termination or Constructive Termination (as defined below) by the Company or its successors, other than a termination for cause, Executive shall receive a severance payment equal to Twelve (12) months of Executive's then current base salary, subject to all standard deductions, payable in Twelve (12) equal monthly payments from date of termination, including COBRA payments

for Executive's family for medical and dental coverage. Company's obligation to make the severance payment shall be conditioned upon Executive's (i) execution of a release agreement in a form reasonably acceptable to the Company, and consistent with the terms of this agreement and any other Agreements, whereby Executive releases the Company from any and all liability and claims of any kind, and (ii) compliance with the restrictive covenants and all post-termination obligations contained in this agreement. Further, in the event of a termination, other than a termination for cause, Executive shall have thirty (30) days in which to exercise his vested options. In the event of a voluntary termination, no severance shall be due.

7. Cause. For purposes of this agreement, Cause shall include but not be limited to an act or acts or an omission to act by the Executive involving (i) willful and continual failure to substantially perform his duties with the Company (other than a failure resulting from the Executive's Disability) and such failure continues after written notice to the Executive providing a reasonable description of the basis for the determination that the Executive has failed to perform his duties, (ii) indictment for a criminal offense other than misdemeanors not disclosable under the federal securities laws, (iii) breach of this agreement in any material respect and such breach is not susceptible to remedy or cure or has not already materially damaged the Company, or is susceptible to remedy or cure and no such damage has occurred, is not cured or remedied reasonably promptly after written notice to the Executive providing a reasonable description of the breach, or (iv) conduct that the Board of Directors of the Company has determined, in good faith, to be dishonest, fraudulent, unlawful or grossly negligent or which is not in compliance with the Company's Code of Conduct or similar applicable set of standards or conduct and business practices set forth in writing and provided to the Executive prior to such conduct.

8. Constructive Termination. For purposes of this Agreement, Constructive Termination shall mean a situation where (A) (i) the Executive is

no longer serving as Executive Vice President of the Company, the Executive is directed to report to someone other than the Chief Executive Officer or President, the Executive is not timely paid his compensation under this Agreement or the assignment to the Executive of any duties or responsibilities which are inconsistent with the status, title, position or responsibilities of such positions (which assignment is not rescinded after the Company receives written notice from the Executive providing a reasonable description of such inconsistency); (ii) after a Change of Control, the Company's headquarters being outside of the greater Atlanta area or the Company requiring the Executive to be based at any place outside a 30-mile radius from the principal location from which the Executive served as an employee of the Company immediately prior to the Change of Control; (iii) after a Change of Control, the failure by the Company to provide the Executive with compensation and benefits substantially comparable, in the aggregate, to those provided for under the employee benefit plans, programs and practices in effect immediately prior to the Change of Control (other than stock option and other equity based compensation plans); (iv) after a Change of Control, the insolvency or the filing (by any party including the Company) of a petition for bankruptcy of the Company; or (v) after a Change of Control, the failure of

the Company to obtain an agreement from any successor or assignee of the Company to assume and agree to perform this Agreement unless such successor or assignee is bound to the performance of this Agreement as a matter of law; provided however, that the aforementioned situations will not be deemed to be a Constructive Termination hereunder until such time as the Executive has given written notice to the Chief Executive Officer or President of the situation constituting a "Constructive Termination" hereunder, and the Chief Executive Officer or President has failed to cure such situation within thirty (30) days following receipt of such written notice, and (B) the Executive terminates his employment with the Company.

9. Change of Control. In the event of a Change of Control of the Company, as defined below, all Options granted under this agreement, whether vested or non-vested shall vest as of the date of the Change of Control. "Change of Control" shall mean the happening of an event that shall be deemed to have occurred upon the earliest to occur of the following events: (i) the date the stockholders of the Company (or the Board, if stockholder action is not required) approve a plan or other arrangement pursuant to which the Company will be dissolved or liquidated; (ii) the date the stockholders of the Company (or the Board, if stockholder action is not required) approve a definitive agreement to sell or otherwise dispose of all or substantially all of the assets of the Company; or (iii) the date the stockholders of the Company (or the Board, if stockholder action is not required) and the stockholders of the other constituent corporations (or their respective boards of directors, if and to the extent that stockholder action is not required) have approved a definitive agreement to merge or consolidate the Company with or into another corporation, other than, in either case, a merger or consolidation of the Company in which holders of shares of the Company's voting capital stock immediately prior to the merger or consolidation will have at least fifty percent (50%) of the ownership of voting capital stock of the surviving corporation immediately after the merger or consolidation (on a fully diluted basis), which voting capital stock is to be held by each such holder in the same or substantially similar proportion (on a fully diluted basis) as such holder's ownership of voting capital stock of the Company immediately before the merger or consolidation.

10. Non-Competition. As a condition to any payment based on a termination, Executive agrees that he will not work for any of the direct competitors to Company listed in Schedule A for a period of Twelve (12) months from the date of termination without written consent of Employer. Further, Executive agrees that he will not recruit or hire, another employee of Employer for a period of Twelve (12) months from the date of termination or cause another employee of Employer to be hired by any competitor of Employer for a period of Twelve (12) months from the date of termination.

11. Effect of violations by Executive. Executive agrees and understands that any action by him in violation of this agreement shall void Employer's payment to the Executive of all bonuses, severance monies and benefits provided for herein and shall require immediate repayment by the Executive of the value of all consideration paid to Executive by Employer pursuant to this agreement, and shall further require Executive to pay all reasonable costs and attorneys' fees in defending any action Executive brings, plus any other damages to which the Employer may be entitled.

12. Severability. If any provision, or portion thereof, of this agreement is held invalid or unenforceable under applicable

statute or rule of law, only that provision shall be deemed omitted from this agreement, and only to the extent to which it is held invalid and the remainder of this agreement shall remain in full force and effect.

13. This Second Modification shall be governed under the laws of the United States.

[SIGNATURES ON NEXT PAGE]

I have read this Second Modification, I understand its contents, and I willingly, voluntarily, and knowingly accept and agree to the terms and conditions of this agreement. I acknowledge and represent that I received a copy of this agreement on June 22, 2004.

EXECUTIVE:

/s/ Jeffrey S. Mitchell	6/22/04
Jeffrey S. Mitchell	Date

EMPLOYER:

/s/ Peter F. Sinisgalli	6/22/04
Peter F. Sinisgalli President and Chief Operating Officer	Date

ATTACHMENT A

Aldata
American Software
Catalyst International
EXE Technologies/SSA Global
FASCOR
Genco
HK Systems
Highjump/3M
Heyde
IBS
IMI
Infoscan
Intentia
Interlink
Irista
J.D. Edwards
IRMS (Integrated Warehousing Solutions)
Lily Software
Logility
MARC
Majure Data
MCBA

OMI International, Inc.
Optum Software
Oracle
PCS
Provia
QSSI
Radcliffe Datahorse
Radio Beacon
Red Prairie/LIS
Retek
RLM
RT Systems
Robocom Systems, Inc.
SAP
Savant (parent ExecutivePerformance Systems - EPS Development)
Scandata Systems
Swisslog
TecsysV3 Systems
Vertex
Yantra
Manugistics
I2
G-Log
Kewill
Nistevo
Elogex
NTE
Descartes
GT Nexus
LeanLogistics

EXHIBIT 10.2

FORM OF INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT is made on this ____ day of _______, 2004, between MANHATTAN ASSOCIATES, INC., a Georgia corporation ("Manhattan") and ___________________ ("Indemnitee").

W I T N E S S E T H:

WHEREAS, Indemnitee is [an officer] [a member of the Board of Directors] of Manhattan and in such capacity performs a valuable service for Manhattan;

WHEREAS, Manhattan's Bylaws authorize Manhattan to indemnify its [officers] [directors] in accordance with Section [14-2-851 (DIRECTORS)] [14-2-857 (OFFICERS)] of the Official Code of Georgia Annotated (the "Statute");

WHEREAS, the Statute contemplates that contracts may be entered into between Manhattan and [its officers] [each of the members of its Board of Directors] with respect to indemnification; and

WHEREAS, in order to encourage Indemnitee to continue to serve as [an officer] [a member of the Board of Directors] and to perform other designated services for Manhattan at its request, Manhattan has determined and agreed to enter into this Agreement with Indemnitee;

NOW, THEREFORE, in consideration of Indemnitee's continued service as [an officer] [a director] of Manhattan and the performance of such other services as requested by Manhattan, the parties hereby agree as follows:

1. INDEMNITY OF INDEMNITEE. Manhattan shall defend, hold harmless and indemnify Indemnitee to the full extent permitted by the provisions of the Statute, as currently in effect or as it may hereafter be amended, or by the provisions of any other statute authorizing or permitting such indemnification, whether currently in effect or hereafter adopted.

2. ADDITIONAL INDEMNITY. Subject to the provisions of Section 3 hereof, Manhattan shall defend, hold harmless and indemnify Indemnitee in the event Indemnitee was, is or is threatened to be made a named defendant or respondent in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative and whether formal or informal (including any such action, suit or proceeding brought by or in the right of Manhattan), by reason of the fact that he is or was [an officer] [a director] of Manhattan, or is or was serving at the request of Manhattan as a director, officer, employee, agent or consultant of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against any obligation to pay a judgment, settlement, penalty, fine (including an excise tax assessed with respect to an employment benefit plan), expenses (including attorneys' fees) and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding. For purposes of this Section 2, Indemnitee shall be considered to be serving under an employee benefit plan at the request of Manhattan if his duties to Manhattan also impose duties on, or otherwise involve services by, him to the plan or to participants in or beneficiaries of the plan.

3. LIMITATIONS ON ADDITIONAL INDEMNITY. No indemnity pursuant to Section 2 hereof shall be paid by Manhattan to the extent of any liabilities incurred in a proceeding in which Indemnitee is adjudged liable to Manhattan or is subjected to injunctive relief in favor of Manhattan:

(1) for any appropriation in violation of his duties, of any business opportunity of Manhattan;

(2) for acts or omissions which involve intentional misconduct or a knowing violation of law;

(3) for the types of liability set forth in O.C.G.A. Section 14-2-832; or

(4) for any transaction from which Indemnitee received any improper personal benefit.

4. NOTIFICATION AND DEFENSE OF CLAIM.

(a) Promptly after receipt by Indemnitee of notice of the commencement of any action, suit or proceeding, Indemnitee will, if a claim in respect thereto is to be made against Manhattan under this Agreement, notify Manhattan of the commencement thereof, but the failure to so notify Manhattan will not relieve it from any liability which it may have to Indemnitee otherwise under this Agreement. With respect to any such action, suit or proceeding as to which Indemnitee so notifies Manhattan:

(i) Manhattan will be entitled to participate therein at its own expense; and

(ii) except as otherwise provided below, to the extent that it may desire, Manhattan may assume the defense thereof.

(b) After notice from Manhattan to Indemnitee of its election to assume the defense thereof, Manhattan will not be liable to Indemnitee under this Agreement for any legal or other expenses subsequently incurred by Indemnitee in connection with the defense thereof other than reasonable costs of investigation or as otherwise provided below. Indemnitee shall have the right to employ counsel of his choosing in such action, suit or proceeding but the fees and expenses of such counsel incurred after notice from Manhattan of its assumption of the defense thereof shall be at the expense of Indemnitee unless (i) the employment of counsel by Indemnitee has been authorized in writing by Manhattan, (ii) Manhattan and Indemnitee shall reasonably conclude that there may be a conflict of interest between Manhattan and Indemnitee in the conduct of the defense of such action, or (iii) Manhattan shall not in fact have employed counsel to assume the defense of such action, in each of which case the reasonable fees and expenses of Indemnitee's counsel shall be paid by Manhattan.

(c) Manhattan shall not be liable to Indemnitee under this Agreement for any amounts paid in settlement of any threatened or pending action, suit or proceeding without its prior written consent. Manhattan shall not settle any such action, suit or proceeding in any manner which would impose any penalty or limitation on Indemnitee without Indemnitee's prior written consent. Neither Manhattan nor Indemnitee will unreasonably withhold its or his consent to any proposed settlement.

5. PREPAYMENT OF EXPENSES. Unless Indemnitee otherwise elects, expenses incurred in defending any civil or criminal action, suit or proceeding shall be paid by Manhattan in advance of the final disposition of such action, suit or proceeding upon receipt by Manhattan of a written affirmation of Indemnitee's good faith belief that his conduct does not constitute behavior of the kind described in Section 3 of this Agreement and a written undertaking by Indemnitee, executed personally or on his behalf, to repay any advances if it is ultimately determined that he is not entitled to be indemnified by Manhattan under this Agreement. At Indemnitee's election, such expenses shall be paid directly by Manhattan to the professionals, service providers or other persons

from which they were incurred and not to Indemnitee as reimbursement for payments made by Indemnitee to such persons. In any event, any such payment is, and shall be deemed to be, a payment in the ordinary course of business pursuant to the preexisting terms of this Agreement, which Agreement terms and payments are a necessary and appropriate commitment and expense of Manhattan in order to secure the services of Indemnitee.

6. CONTINUATION OF INDEMNITY. All agreements and obligations of Manhattan contained in this Agreement shall continue during the period in which Indemnitee is [an officer] [a member of the Board of Directors] of Manhattan and shall continue thereafter so long as Indemnitee shall be subject to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, and whether formal or informal, by reason of the fact that Indemnitee was [an officer] [a director] of Manhattan or is or was serving at the request of Manhattan as a director, officer, employee, agent or consultant of another corporation, partnership, joint venture, trust or other enterprise.

7. RELIANCE. Manhattan has entered into this Agreement in order to induce Indemnitee to continue as [an officer] [a member of the Board of Directors of Manhattan] and acknowledges that Indemnitee is relying upon this Agreement in continuing in such capacity.

8. SEVERABILITY. Each of the provisions of this Agreement is a separate and distinct agreement and independent of the others, so that if any provision hereof shall be held to be invalid or unenforceable for any reason, such invalidity or unenforceability shall not affect the validity or enforceability of the other provisions hereof.

9. GENERAL.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of Georgia.

(b) Neither this Agreement nor any rights or obligations hereunder shall be assigned or transferred by Indemnitee.

(c) This Agreement shall be binding upon Indemnitee and upon Manhattan, its successors and assigns, including successors by merger or consolidation, and shall inure to the benefit of Indemnitee, his heirs, personal representatives and permitted assigns and to the benefit of Manhattan, its successors and assigns.

(d) No amendment, modification or termination of this Agreement shall be effective unless in writing signed by both parties hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on and as of the day and year first above written.

INDEMNITEE:	MANHATTAN ASSOCIATES, INC.
By: ------------------------------------	By: ---------------------------------
Name (Print): --------------------------	Title: ------------------------------
Date: ---------------------------------	Date: -------------------------------

EXHIBIT 31.1

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14(a)/15d-14(a), AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Peter F. Sinisgalli, Chief Executive Officer of Manhattan Associates, Inc. (the “registrant”), certify that:

1. I have reviewed this quarterly report on Form 10-Q of 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 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 officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and 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) 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

(c) 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 (the registrant’s fourth fiscal quarter in the case of an annual report) 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 officer(s) 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 the registrant’s board of directors (or persons performing the equivalent functions):

(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.

Dated this 9th day of August, 2004.

/s/ Peter F. Sinisgalli

Peter F. Sinisgalli, Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO RULE 13a-14(a)/15d-14(d), AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Edward K. Quibell, Chief Financial Officer of Manhattan Associates, Inc. (the "registrant"), certify that:

1. I have reviewed this quarterly report on Form 10-Q of 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 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 officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and 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) 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

(c) 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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 officer(s) 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 the registrant's board of directors (or persons performing the equivalent functions):

(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.

Dated this 9th day of August, 2004.

/s/ Edward K. Quibell

Edward K. Quibell, Chief Financial Officer

EXHIBIT 32

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

This Certificate is being delivered pursuant to the requirements of Section 1350 of Chapter 63 (Mail Fraud) of Title 18 (Crimes and Criminal Procedures) of the United States Code and shall not be relied on by any person for any other purpose.

The undersigned, who are the Chief Executive Officer and Chief Financial Officer, respectively, of Manhattan Associates, Inc. (the "Company"), hereby each certify that, to the undersigned's knowledge:

The Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 30, 2004 (the "Report"), which accompanies this Certification, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and all information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated this 9th day of August, 2004.

/s/ Peter F. Sinisgalli

Peter F. Sinisgalli, Chief Executive Officer

/s/ Edward K. Quibell

Edward K. Quibell, Chief Financial Officer