

Progress Software Corporation

Reconciliation of Non-GAAP Financial Measures to GAAP

	Feb 28, 2007	May 31, 2007	Aug 31, 2007	Nov 30, 2007	Feb 29, 2008	May 31, 2008	Aug 31, 2008	Nov 30, 2008	Feb 28, 2009	May 31, 2009	Aug 31, 2009	Nov 30, 2009	Fiscal 2007	Fiscal 2008	Fiscal 2009
<i>(In thousands except per share data)</i>															
GAAP income from operations	\$ 12,353	\$ 11,289	\$ 17,803	\$ 15,771	\$ 17,148	\$ 20,604	\$ 18,107	\$ 8,524	\$ 4,719	\$ 11,541	\$ 9,092	\$ 25,780	\$ 57,216	\$ 64,383	\$ 51,132
Non-GAAP adjustments:															
Stock-based compensation expense (1)	5,015	8,814	4,178	4,926	3,970	4,110	3,532	7,706	3,816	4,249	8,849	4,622	22,933	19,318	21,536
Amortization of purchased intangibles	4,471	4,439	4,316	4,169	4,047	4,166	4,327	6,918	7,094	7,543	7,121	6,748	17,395	19,458	28,506
Impairment of goodwill	-	-	-	8,174	-	-	-	-	-	-	-	-	8,174	-	-
Purchase accounting adjustment for deferred revenue	-	-	-	-	-	-	-	2,696	1,548	695	286	142	-	2,696	2,671
Stock option investigation-related expenses (2)	1,682	755	896	396	329	267	1,270	1,137	31	170	(321)	(22)	3,729	3,003	(142)
Restructuring and acquisition-related expenses	-	-	-	-	-	-	-	7,043	5,588	80	(101)	88	-	7,043	5,655
Non-GAAP income from operations	\$ 23,521	\$ 25,297	\$ 27,193	\$ 33,436	\$ 25,494	\$ 29,147	\$ 27,236	\$ 34,024	\$ 22,796	\$ 24,278	\$ 24,926	\$ 37,358	\$ 109,447	\$ 115,901	\$ 109,358
GAAP net income	\$ 8,738	\$ 8,391	\$ 13,047	\$ 12,104	\$ 12,836	\$ 14,471	\$ 12,537	\$ 6,452	\$ 3,652	\$ 6,906	\$ 5,521	\$ 16,676	\$ 42,280	\$ 46,296	\$ 32,755
Non-GAAP adjustments to income from operations	11,168	14,008	9,390	17,665	8,346	8,543	9,129	25,500	18,077	12,737	15,834	11,578	52,231	51,518	58,226
Tax impact of the non-GAAP adjustments	(3,663)	(4,633)	(2,992)	(5,820)	(2,618)	(2,648)	(2,695)	(7,962)	(5,969)	(3,587)	(4,903)	(2,672)	(17,108)	(15,923)	(17,131)
Non-GAAP net income	\$ 16,243	\$ 17,766	\$ 19,445	\$ 23,949	\$ 18,564	\$ 20,366	\$ 18,971	\$ 23,990	\$ 15,760	\$ 16,056	\$ 16,452	\$ 25,582	\$ 77,403	\$ 81,891	\$ 73,850
Weighted average shares - diluted	43,437	43,636	44,152	44,544	44,174	43,238	42,156	41,141	40,521	40,697	41,261	41,687	43,943	42,677	41,041
GAAP diluted earnings per share	\$0.20	\$0.19	\$0.30	\$0.27	\$0.29	\$0.33	\$0.30	\$0.16	\$0.09	\$0.17	\$0.13	\$0.40	\$0.96	\$1.08	\$0.80
Non-GAAP diluted earnings per share	\$0.37	\$0.41	\$0.44	\$0.54	\$0.42	\$0.47	\$0.45	\$0.58	\$0.39	\$0.39	\$0.40	\$0.61	\$1.76	\$1.92	\$1.80

(1) Stock-based compensation included within:

Cost of licenses	\$ 31	\$ 43	\$ 24	\$ 31	\$ 22	\$ 14	\$ 12	\$ 24	\$ 12	\$ 8	\$ 8	\$ 9	\$ 129	\$ 71	\$ 37
Cost of maintenance and services	357	511	286	368	267	226	212	465	237	231	238	242	1,522	1,170	948
Sales and marketing	1,847	2,678	1,499	1,973	1,431	1,418	1,335	2,798	1,488	1,398	1,445	1,499	7,997	6,983	5,830
Product development	1,151	1,715	960	1,267	919	937	881	1,851	944	1,003	1,037	1,057	5,093	4,588	4,041
General and administrative	1,629	3,867	1,409	1,287	1,331	1,515	1,092	2,568	1,135	1,609	6,121	1,815	8,192	6,506	10,680
Total	\$ 5,015	\$ 8,814	\$ 4,178	\$ 4,926	\$ 3,970	\$ 4,110	\$ 3,532	\$ 7,706	\$ 3,816	\$ 4,249	\$ 8,849	\$ 4,622	\$ 22,933	\$ 19,318	\$ 21,536

(2) Amounts are included in general and administrative expenses in the Company's GAAP consolidated statement of operations