Annual Report 1999

PROGRESS SOFTWARE

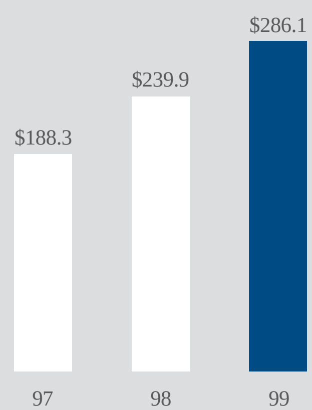
Financial Highlights

(In thousands, except per share data)	1999	1998	1997
Revenue	$286,147	$239,890	$188,314
Income from operations	$ 46,704	$ 30,027	$ 9,313*
Net income	$ 34,991	$ 22,758	$ 9,682*
Diluted earnings per share**	$ 0.89	$ 0.59	$ 0.27*
Cash and short-term investments	$158,665	$113,999	$ 93,485

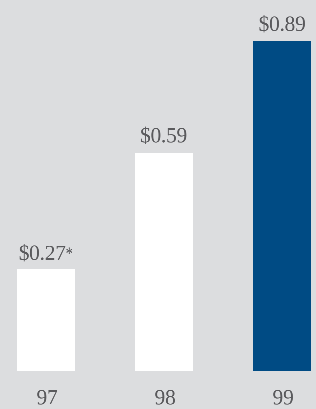
* *Excludes non-recurring charges related to the acquisition of Apptivity of $11.5 million or $0.31 per diluted share.*

** *All per share amounts have been restated to reflect the 2-for-1 stock split on January 21, 2000.*

Revenue (In millions)



Earnings per share



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Corporate Profile

Our Business

Progress Software Corporation is a leading supplier of application development, deployment and management technology, Internet and intranet enabling technologies, and support services to business, industry and government worldwide. To compete in a volatile, global, technology-driven economy, businesses need applications built and deployed within an architecture that is as flexible as fast-changing markets demand. Our products and services address these challenges by boosting developer productivity; by delivering applications with lower total cost of ownership, and by maximizing performance and availability. Progress Software-based applications can evolve as business evolves, take advantage of new technologies, and put management back in control of the business.

Our Mission

To deliver superior software products and services that empower our partners and customers to dramatically improve their development and deployment of quality applications worldwide.

Our Products and Services

Progress Software offers several product lines. Our Progress® product line is an integrated, component-based visual development environment for building and deploying multi-tier, enterprise-class business applications. Our other product lines enable the development and deployment of distributed, multi-tier Java™ Internet business applications, and make it easy to measure, monitor, and manage Internet, intranet, and extranet solutions. To gain the benefits of a total solution, Progress Software offers professional services from our worldwide consulting, education and technical support organizations.

Our Markets

Progress Software sells products and services worldwide to organizations that develop and use mission-critical enterprise business applications. More than half of our worldwide revenue is realized in partnership with more than 2,000 Independent Software Vendors (ISVs) and Application Service Providers (ASPs) who market applications that utilize our technology. Our ISVs and ASPs deliver more than $2 billion in Internet and networked business applications annually across diverse markets such as manufacturing, distribution, retail, and health care. We also sell technology to the Information Technology (IT) organizations of businesses and governments. With more than 400,000 Progress licenses deployed worldwide, Progress Software operates throughout North America, Latin America, Europe, Middle East, Africa (EMEA) and the Asia/Pacific region.

To Our Employees, Customers and Shareholders:

For Progress Software, this past fiscal year was a record in revenue, operating income, and earnings per share, continuing our record of consistent profitability. This is an achievement of which any company can be proud, one that we are determined to extend through close cooperation with our partners and customers.

Progress Software is extremely well-positioned to continue to capitalize on several major industry trends. First, the market for packaged business applications remains strong. We are helping our ISVs capitalize on this growth as they sell best-of-breed applications. Second, distributed and multi-tiered architectures are the model for companies that want to maximize the performance and flexibility of their business applications. Our historical strengths and our most recent offerings combine to ensure that applications based on our technologies can fulfill these requirements. Third, we are leading the new Application Service Provider (ASP) market. This market has been created by two factors: more companies now require access to high-quality software applications, and the Internet has expanded business computing's opportunities and demands. With our highly successful ASPEN™ initiative, we are helping to quickly launch hundreds of our ISVs into this market. Fourth, companies increasingly require application integration, both among their internal applications and data sources and across the Internet for business-to-business (B2B) integration—all of which is possible with Progress Software's Universal Application Architecture (UAA).

Progress Software's ASPEN Initiative

Progress Software was the first company to market with a complete set of products, technologies, and partnerships to enable ISVs to offer their applications over the Internet as Application Service Providers. ASP applications are accessed over the Internet on a subscription basis, allowing organizations to quickly and economically gain access to high-quality application functionality. Progress Software ISVs are leading the market as they ASP-enable their applications for new markets, particularly among small and mid-tier organizations.

Internet Business-to-Business Applications

With the introduction of Progress® SonicMQ™, an Internet messaging server based on the Java Message Service (JMS) standard, the company deepened its Internet product offerings and continued to deliver on its long-term UAA strategy. The first standalone Internet messaging server from a major software vendor, SonicMQ gives developers a robust, standards-based way to meet increasing scalability demands for B2B applications.

RDBMS User Base Continues to Grow

Progress Software's Enterprise RDBMS has strengthened its lead as the number one embedded database. Progress® RDBMS owners benefit from our continuing development efforts, which have nearly doubled the number of potential concurrent users, increased support for databases to the double-digit petabyte range, and increased linear scalability and raw performance with patent-pending technology. Even with these dramatic enhancements, the Progress RDBMS still has the lowest total cost of ownership over a five-year period when compared with competing products from Microsoft® and Oracle® (Aberdeen Group, November 1999).

Future Proof Business Applications

Our major focus continues to be protecting the business application investments of our customers—making their applications "Future Proof™". With all our product releases, we offer a standards-based path for building and deploying functionally rich, distributed, integrated multi-tier applications—which, among other things, enables our ISVs to take advantage of the emerging ASP and Internet B2B market opportunities. Our Future Proof technologies also enable companies to automate business functions for competitive advantage, wherever those functions reside, in or beyond the enterprise—and enable Progress Software-based applications to continually incorporate and integrate advances in software technology.

We look forward to assisting our partners and customers in building, deploying and managing the world's best Internet business applications.

On behalf of the employees and management team at Progress Software Corporation,

Joseph W. Alsop
President
January 21, 2000

Progress Software: Putting Technology's Advances to Work

On behalf of our customers, Progress Software actively monitors the future of emerging technologies. We then design and build reliable products and services that enable application developers and end users to take advantage of the best in new technologies. Applications built with Progress Software products: help businesses quickly and efficiently become Internet-ready; allow organizations to move data and link applications wherever needed to connect employees, partners, suppliers, and customers via standards-based application servers, data servers, and messaging software; and enable businesses to prepare for inevitable changes with open, standards-based technologies and architectures.

Enterprise-Class Business Solutions

Hundreds of thousands of organizations around the world already rely on applications based on Progress Software technology to gain an edge in the market. Often they started by automating back-office functions such as human resources, inventory control, manufacturing, or payroll, using any of the more than 5,000 business applications sold by Progress Software ISVs. Next they may aim their applications outward, enabling Web catalogs and electronic storefronts, supply chain communications, or customer service applications. Then they face the challenge of flexibly connecting business functions—both integrating internal applications and then connecting them to the business functions of customers, suppliers, or partners.

The Internet: New Opportunities, New Demands

The Internet explosion has raised new possibilities and greater expectations for B2B transactions. Until now, most businesses and organizations have used the Internet to connect with end-user customers for business-to-consumer (B2C) opportunities. Even greater rewards lie ahead for those businesses that can communicate flexibly with other enterprises via the Internet or extranets. The Internet widens each business's horizon, so that any organization anywhere—an Irish telecommunications provider, a Brazilian parts manufacturer, an Australian software distributor—can reach customers around the world, around the clock.

But at the same time, expectations are much higher. The Internet has increased demand for flexibility, efficiency, 24x7 availability, and nearly instantaneous customer service. To respond efficiently and reliably, an organization's business applications must connect and coordinate transactions seamlessly, on time and on demand—whether within or beyond the organization's four walls.

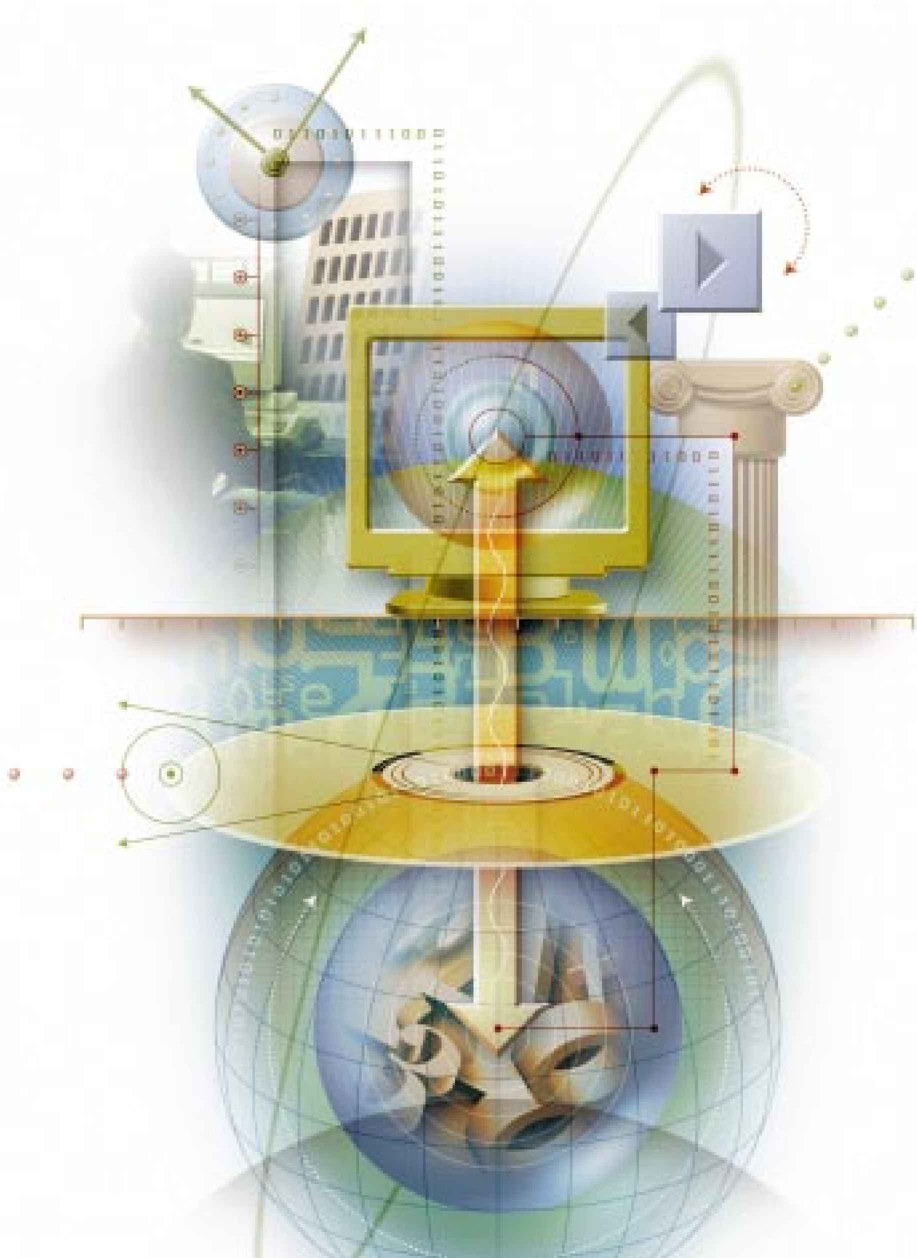
Progress Software: Reaching Any Client, Any Data Source, Any Application, Any Business

To remain competitive, businesses must meet the Internet challenge. They must develop, deploy, and manage the business applications that drive seamless B2B connections that exploit the Internet's new worldwide opportunities.

The Internet can be used most effectively when standards-based technologies link existing data and applications—including legacy or custom applications that may not have been built for interoperability—with the very latest functionality, whether inside or outside the organization. New applications must be built so that their core business logic can: draw on and use any existing technology; exchange information with any relevant application; communicate with any business anywhere; and be poised for the future, ready to integrate any advantageous applications or technologies as they become available. With Future Proof business logic, an organization can realize the full benefit of information and transactions circulating within and beyond the organization itself—and can thus profitably benefit from the Internet's opportunities. Progress Software technology delivers precisely the capabilities that help organizations reach these business goals.

Build, Buy, Subscribe: Cost-Effective Delivery of Sophisticated Applications

Progress Software enables sophisticated business applications to be built, bought, or acquired as a service. As a result, complex application functionality is available to a broader group of businesses, including those that have not traditionally been able to cost justify large-scale IT investments. This strategy means that an organization can take advantage of three options in accessing business applications. When packaged functionality does not already exist, or when a company seeks to out-distance the competition with unique capabilities that go beyond any commercial software package's offerings, organizations can use Progress Software technologies to quickly and efficiently build or customize application functionality that is easy to deploy, maintain, and enhance for a competitive edge. Or organizations can buy one or more of the 5,000 plus packaged applications commercially available worldwide from more than 2,000 Progress Software ISVs, thus gaining standard or customizable functionality for immediate business benefit.



"Progress Software's base of ISVs is unique in the application market. These ISVs have applications that are very desirable in the ASP marketplace. Progress Software has demonstrated the ability to craft a wide range of ASP partnerships.
In a very short period of time, the company has become a leader in this emerging market."

Clare Gillan, Vice President , International Data Corporation, November 1999

"With the ASPEN Program, we are able to take advantage of Progress Software's leading position in the ASP marketplace, and to leverage the low total cost of ownership (TCO) and robustness of their technology to make our applications more widely accessible."

Mike Wilke, President of Wilke/Thornton, October 1999

Progress Software has pioneered a new option: businesses can now access complex applications as a service from ASPs, and thus *subscribe* to applications over the Internet or other wide-area networks, rather than licensing software. This option dramatically accelerates time to benefit and reduces prohibitive up-front and ongoing IT costs.

The Application Service Provider Revolution

Businesses today can acquire access to sophisticated business applications over the Internet as a service, for a use-based fee. This breakthrough means that any business, even small- and medium-sized businesses, can benefit from best-of-breed packaged applications more cost-effectively than they can by buying and maintaining the hardware, databases, applications, and scarce and expensive IT staff required for in-house support. Using browsers or other thin-client access, users gain quick and cost-effective access to high-performance business solutions hosted by ASPs. The user interface is all that needs to reside on end-users' desktops; their software application executes centrally on the ASP's host. Activity might be as simple as subscribing to an HR application—or it might be as complex as subscribing to a business portal that enables participation in a fully-integrated, B2B supply chain of orders, confirmations, delivery notices, and invoices.

Smaller organizations can now afford a higher level of sophisticated functionality, whenever and wherever needed—gaining the opportunity to better compete in the global marketplace.

ASPEN: Progress Software Enables its ISVs to Lead as ASPs

Through our ASPEN Program, Progress Software is launching and supporting our ISVs in the emerging ASP business. Trailblazing companies are expanding their business opportunities and staking their claim in this new market by offering their applications as services to customers. As ASPs, these partners manage everything necessary to guarantee that subscribers gain 24x7 application access.

ASPs have distinct advantages when they use Progress Software technology because of its low TCO; its scalability for unlimited growth; and its roadmap into technology's future. Further, Progress Software's technology enables our ISVs to build ASP applications that offer both rich standalone functionality and the flexible, on-line business-to-business communications that will be increasingly required in the Internet age.

The ASP opportunity is exploding. Forrester Research estimates the "application rental market" will be more than $11.3 billion by the year 2003. Progress Software's ASPEN Program offers the technology, services, and partnerships that our ISVs need to be successful in this new and rapidly growing e-application marketplace, reaching customers that could not afford their products before.

Progress Software: Used by Sixty Percent of the *Fortune 100*

Whether by building, buying, or subscribing, organizations around the world ensure their success by trusting critical business operations to applications based on Progress Software technology. In doing so, they join the ranks of such prominent companies as Cannondale, Cargill, Inc., Cigna, Foxwoods Resort Casino (owned and operated by the Mashantucket Pequot Tribal Nation), Iron Mountain, Mercedes-Benz, MindSpring, Sodexho Marriott Services, and Trader OnLine. In fact, 60% of the *Fortune 100* employ applications based on Progress Software technology.

You Can Benefit from a Progress Software-Based Application Because it Delivers... High Productivity

For those companies interested in building or customizing applications, development products from Progress Software allow developers to be extremely productive as they create, test, deploy, and update applications, thus reducing time to deployment. Companies relying on applications built with Progress Software technologies find those applications easy to install, use, customize, maintain, and update.

Flexibility: Universal Application Architecture

Progress Software's UAA means that applications built with Progress Software technology can be used anywhere, any time—on almost any hardware platform, operating system, or end-user device. Progress Software technologies are designed so that the business logic is interface-independent, which is critical to companies that want to stay competitive in an ever-changing technology environment. As a result, applications based on Progress Software can draw on and use virtually any installed technology and any legacy data; exchange information and business logic with any relevant application; communicate with any business anywhere; and integrate any new and advantageous applications or technologies.

That flexibility frees organizations to deploy their applications whenever, however, and wherever they may be needed. Business logic might be deployed as an Internet application, a character application, and a client/server application. An application can exchange information, transactions, and data with any other application, either within or outside the organization. As business requirements evolve, Progress Software-based applications can easily migrate, quickly adapt to new trends, and incorporate new technologies as required—making Progress Software-based applications Future Proof.

Lowest Cost of Ownership

Progress Software-based applications are simple to deploy, usually require no dedicated administrator, and have a low resource footprint. Maintenance and updates can be performed while the database and application remain online. The result is applications with the lowest TCO in the industry. And the lower the cost of ownership, the faster the return on investment.

Scalability: Growing As Required

When companies expand or acquire other companies, their applications must be ready to support new users efficiently. And when businesses offer application access over extranets or the Internet, those applications must be ready for unpredictable fluctuations in user access—responding consistently, regardless of traffic. Progress Software-based applications can be used by one or more than ten thousand concurrent users, without any change in the technology. As a result, companies can remain confident that as they grow, and move their applications to the Internet, their applications will accommodate business requirements with the same fast and reliable response.

Standards-Based Technology

Progress Software is helping to create the most up-to-the-minute standards for openness and interoperability. Progress Software is a leading participant in many major and emerging industry standards, including the NCITS H2 Database and NCITS L2 Codes and Character Sets standards group; the World Wide Web Consortium (W3C), including the XML subcommittees; the Unicode Consortium; the Transaction Processing Performance Council (TPPC); the Object Management Group (OMG); the ASP Industry Consortium (ASPIC); the Enterprise Integration Council; CommerceNet; and on the boards that set the latest EJB and JMS standards

“In the U.S. alone, B2B electronic commerce revenues will grow to more than a trillion dollars, compared to B2C’s $108 Billion.”

Forrester Research, April 1999

“Doing business over the Internet demands high performance, low latency, and reliable data exchange across large networked systems within the enterprise and B2B… For organizations that need to interconnect disparate systems for e-Business, Progress Software’s SonicMQ product is one of the first JMS implementations that can meet this requirement.”

Hurwitz Group, Inc., October 1999

and specifications. Our technologies are developed to meet such industry standards as JMS, XML, SQL, and EJB. As a result, companies using applications based on Progress Software technologies can be confident these applications will interoperate effectively with other applications and networked services.

The Future of the Internet: Business-to-Business Applications

Today, most Internet business applications connect businesses to individual consumers, for what is called B2C transactions. As e-commerce matures, however, businesses will increasingly use the Internet to manage transactions with other organizations, customers, suppliers, or partners—far more quickly, efficiently, and flexibly than can be done today. Internet B2B readiness will soon become a business requirement. The entire flow of business transactions between companies will be handled over the Internet. Some of this occurs today via EDI or other proprietary, hard-wired or hard-coded interfaces and networks. But emerging technologies—such as XML and JMS—make it possible to handle the same B2B communications far more flexibly and economically.

Progress Software is the first to meet this requirement by delivering a fully open, standards-based technology that enables flexible B2B transactions: Progress SonicMQ. It enables Internet applications to connect and disconnect as required, while still being able to exchange messages when necessary. And it enables senders and receivers to exchange documents (orders, invoices, payroll records, and so on) that differ—and yet to use all the information those documents contain. SonicMQ makes reliable, high-speed B2B interactions possible today.

While Internet business may be challenging, integrating separate applications within one organization can be just as important and difficult—and can be solved through the same flexible and accommodating approach. Businesses must enable internal applications to seamlessly share data and business logic. With applications built on Progress Software technology, information can move anywhere, any time—inside or outside the organization’s four walls.

Professional Services: Consulting, Education and Technical Services

From installation and configuration through customization and integration, customers want services that guarantee successful implementation, ongoing enhancement, and global technical support for their competitive-edge applications. That's precisely what our customers and ASPs/ISVs get from Progress Software Professional Services: a total business solution, with support available 24x7.

Progress Software's Consulting Services organization offers highly skilled project management, custom development, programming, implementation, Internet services, migration services and more. Progress Software Education Services delivers programs that answer the challenges commonly faced by our customers, enabling developers to reduce development cycles and time to market. And Progress Software Technical Support offers timely, reliable and cost-efficient assistance, on a global basis.

Progress Software Products

Progress Software continues to deliver our traditional strengths with:

- Intuitive development tools that empower developers to deliver high-quality applications—faster and more productively.
- Reliable, high-performance deployment products—such as application servers, databases, and Internet messaging servers—that are essential to successful use of the application and result in a lower TCO, and extended application lifecycles.
- Products that ensure overall network and application quality through measuring, monitoring and management.

All Progress Software product lines continually integrate open standards while delivering outstanding performance.

Development Technologies: Progress Apptivity Developer

Progress® Apptivity™ Developer is the industry's premier integrated application environment (IAE) for building and deploying multi-tier Java-based business applications for the Internet. Apptivity Developer offers a highly productive, component-based development environment that is fully compliant with Java and Internet standards, Enterprise JavaBeans (EJB), XML, enhanced SQL, HTML, and more. Apptivity Developer is the ideal framework within which to build high-performance, multi-tier, highly scalable, business-to-business or Internet-enabled Java applications.

Progress ProVision Plus and Progress WebSpeed

Application developers today require an easy-to-use integrated toolset that enables them to develop code once and deliver it to Internet browsers, client/server, character terminals, Windows/GUI, or Java clients. Today they can reach that goal using the integrated development environment of Progress® ProVision™ Plus through Progress® AppBuilder™ and Progress WebSpeed® Workshop. The power of Progress WebSpeed technology gives developers the fastest way to build e-commerce applications, whether that means Internet-based communications with customers and other businesses or browser-based networking among the organization's internal applications. Among ProVision Plus's latest advances is the ability to build multilingual applications that enable clients from anywhere in the world to communicate with each other—each in their own language—for the truly global enterprise.

Deployment Technologies: Application Servers

Application servers form a middle tier between the database and the user interface. Because application servers offer prebuilt code and services that handle common application and network functions, developers can much more efficiently create business applications for a multi-tier architecture. Companies using Progress Software application servers benefit from a multi-tier architecture's improved performance, and find that their applications easily integrate with other applications, both within and outside the company.

Progress Apptivity Server

Progress® Apptivity™ Server is a leading standards-based application server. Support for XML and enhanced SQL functionality make it easy to deploy data-centric B2B and e-commerce applications and to enable custom, vendor-specific queries to enterprise databases. The Progress Apptivity Server is by far the highest-performing and most scalable Java application server. This was confirmed by a recent *PC Week* benchmark in which the Apptivity Application Server outperformed its nearest competitor, running 50 to 100 percent faster while generating dynamic Web pages, handling large numbers of concurrent users, and demonstrating near-linear scalability.

"Application servers from Microsoft Corp., Progress Software Corp., Sybase Inc. and the Sun Microsystems Inc./Netscape Communications Corp. alliance are the performance and capacity leaders in the biggest, most thorough tests of application servers ever conducted..."

PCWeek, July 1999

"SonicMQ is an exciting product for Progress Software as it provides their customers with a standards-based messaging service that they can use as a platform for integration—which is key to effective business to business e-commerce."

Gary Barnett of OVUM Ltd., December 1999

Progress Open AppServer

Progress® Open AppServer™ makes it possible to deploy scalable, high-performance applications that can run in heterogeneous environments—and that can flexibly integrate both existing investments and the latest technologies. With the Open AppServer, developers build and deliver open and scalable Internet and networked multi-tiered applications—making it possible for virtually any data source, any business logic, and any client to communicate seamlessly. The Progress Open AppServer has consistently increased its scalability and reliability, recently adding such capabilities as asynchronous processing, XML integration, and support for dynamic queries and data mining. These further steps toward our UAA vision increasingly enable the flexible communication necessary for B2B and e-commerce transactions in a global economy.

Progress SonicMQ

Progress SonicMQ is a fast, flexible, scalable Internet messaging server designed to simplify the development and integration of today's highly distributed enterprise applications and Internet- or extranet-based business transactions. As the first such product from a leading vendor, SonicMQ is the only standards-based Internet messaging server that fully complies with JavaSoft's JMS and WC3's XML specifications—and does so while meeting the most demanding performance requirements of B2B e-commerce.

Messaging allows distributed applications to exchange data and business logic with each other asynchronously. At its core stands an Internet messaging server, which manages the constant flow of business events between applications. The messaging server is like a postmaster who will deliver reliably, even if the message must be preserved until a disconnected receiver returns online. Messages marked for guaranteed delivery will arrive once, and only once, at the subscriber's address. SonicMQ lets developers quickly establish and maintain an efficient high-performance messaging structure that can handle the most complex business logic flow requirements without compromising application functionality.

Progress RDBMS

The Progress RDBMS enterprise database, with its proven performance, reliability, small resource footprint, portability, and linear scalability, remains the leading embedded database today. Designed specifically for businesses' online transaction processing applications, the Progress RDBMS runs so smoothly that it generally requires no full-time database administrator. Recent advances include dramatic performance improvements—breaking 600,000 transactions per minute—with a patent-pending technology called Concurrent Commit Lock Protocol, which increases parallelism within the storage engine. The Progress RDBMS continues to expand maximum database size and concurrent user support so that the only limitations in growth are in the underlying hardware platform, not the database software.

Progress DataServers

Progress DataServers offer seamless and scalable interoperability with virtually any database, including those from such vendors as Oracle, Microsoft, Sybase, Informix, and IBM. Using data servers, all applications and components created with Progress Software technologies can communicate not just with the Progress RDBMS but also with legacy systems or other data sources.

Internet Service Quality: Network and Application Management Solutions

E-commerce applications require fast, secure, and highly reliable Internet infrastructures as well as predictable performance. While the rapidly growing Internet offers businesses more global opportunities as well as new ways of delivering higher-capacity applications, it also means businesses now rely on networks that are more unpredictable, more complex, and subject to new kinds of security breaches.

Progress Software helps businesses meet these new challenges. We offer open, standards-based software to ensure service quality by measuring and monitoring the availability and performance of Internet applications with Progress® IPQoS.™ This is especially critical in the new ASP market, as application service providers often have contractual obligations to keep their applications available 24x7. IT professionals can use Internet Service Quality (ISQ) software to track Internet application usage and to continuously monitor the network for any unusual or suspicious activity.

Moving Ahead with Progress Software

Through the intelligent use of new information technologies, companies will continue to find ways to gain competitive advantage and reduce costs. Progress Software already supports the critical technology trends that will be increasingly exploited for business benefits.

ASPs Offering Business Portals for Broader Supply Chain Access

Not every company looks to its IT systems for competitive advantage. For many small to mid-tier businesses, simple survival in an increasingly competitive market requires that they have access to robust, scalable, standalone business applications, which today they may subscribe to through ASPs. In the future, they will need not only these standalone applications but also integrated B2B connections simply to participate in the broader market. ASPs, with the benefit of Progress Software technology, are today beginning to offer subscription access to standalone applications. Tomorrow they will be offering integrated suites of applications and B2B links particular to vertical industries. For example, a small crafts manufacturer may want to sell to large retail chains, but the barrier to entry is high. But if several manufacturers subscribe to a Progress Software partner's ASP business portal, they may gain not only a suite of financial and logistics applications but also integration with that mega-retailer's ordering, invoicing, and arrival notification systems. Suddenly small and mid-tier businesses will be able to thrive—and can benefit from the economies of scale and technology opportunities previously unattainable.

Progress Software is leading the trend toward offering software applications as services over the Internet—whether that's from a company that offers its IT systems to its supply chain partners as value-added services, or from an ASP offering software as services to its subscribers. While the motivation and sequence of these two evolutions toward business portals are different, the underlying technology required will be the same. Both must be built on integrated suites of applications and Internet B2B connections—which can be created with the full line of Progress Software's standards-based, Future Proof technology.

Enabling the Future

Progress Software's Future Proof technologies and ASP initiatives are combining to boost and extend our lead in the quickly growing Internet business application marketplace. In 2000 and beyond, Progress Software will extend the functionality, performance and ease of deployment of all its technology, program, and service offerings to support subscription access to integrated application functionality that can operate across the Internet anywhere, any time. Thus we will continue to bring our partners and customers the business advantages available in today's—and tomorrow's—information technologies.

Financial Information

Selected Consolidated Financial Data

The following selected consolidated financial data should be read in conjunction with the consolidated financial statements and related notes:

(In thousands, except per share data)	Year Ended November 30,				
	1999	1998	1997	1996	1995
Statement of Operations Data:					
Revenue:					
Software licenses	$131,499	$113,312	$ 95,579	$ 93,178	$110,785
Maintenance and services	154,648	126,578	92,735	83,512	69,350
Total revenue	286,147	239,890	188,314	176,690	180,135
Costs and expenses:					
Cost of revenue	68,133	56,038	41,238	38,539	31,896
Sales and marketing	104,809	96,832	87,570	87,830	79,546
Product development	38,339	30,154	26,991	23,951	24,175
General and administrative	28,162	26,839	23,202	21,909	18,813
Non-recurring charges	-	-	11,537	-	2,373
Total costs and expenses	239,443	209,863	190,538	172,229	156,803
Income (loss) from operations	46,704	30,027	(2,224)*	4,461	23,332**
Other income, net	4,739	3,941	5,356	3,869	3,169
Income before provision for income taxes	51,443	33,968	3,132 *	8,330	26,501**
Provision for income taxes	16,452	11,210	4,739	2,833	9,817
Net income (loss)	$ 34,991	$ 22,758	$ (1,607) *	$ 5,497	$ 16,684**
Basic earnings (loss) per share	$1.01	$0.66	$(0.04)*	$0.14	$0.44**
Weighted average shares outstanding (basic)	34,488	34,458	36,336	38,468	38,022
Diluted earnings (loss) per share	$0.89	$0.59	$(0.04)*	$0.14	$0.41**
Weighted average shares outstanding (diluted)	39,212	38,560	36,336	39,666	40,514
Balance Sheet Data:					
Cash and short-term investments	$158,665	$113,999	$ 93,485	$ 97,323	$ 92,338
Working capital	111,616	69,188	67,760	84,207	85,271
Total assets	256,554	206,708	171,733	173,188	175,736
Long-term debt, including current portion	-	-	-	122	162
Shareholders' equity	142,311	102,693	96,439	113,793	113,481

Note: All share and per share amounts have been restated to reflect the two-for-one stock split on January 21, 2000.

* Includes non-recurring charges related to the acquisition of Apptivity Corporation of $11.5 million or $0.31 per diluted share. Excluding these non-recurring items, net income would have been $9.7 million or $0.27 per diluted share. See Note 2 of Notes to Consolidated Financial Statements.

** Includes a non-recurring charge for purchase of in-process software development of $2.4 million or $0.06 per diluted share. Excluding this non-recurring item, net income would have been $19.1 million or $0.47 per diluted share.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Statement

The Private Securities Litigation Reform Act of 1995 contains certain safe harbors regarding forward-looking statements. From time to time, information provided by the Company or statements made by its directors, officers or employees may contain "forward-looking" information which involves risks and uncertainties. Actual future results may differ materially. Statements indicating that the Company "expects," "estimates," "believes," "is planning" or "plans to" are forward-looking, as are other statements concerning future financial results, product offerings or other events that have not yet occurred. There are several important factors which could cause actual results or events to differ materially from those anticipated by the forward-looking statements. Such factors are described in greater detail below under the heading "Factors That May Affect Future Results" and include, but are not limited to, the receipt and shipment of new orders, the timely release of enhancements to the Company's products, the growth rates of certain market segments, the positioning of the Company's products in those market segments, market acceptance of the application service provider distribution model, variations in the demand for customer service and technical support, pricing pressures and the competitive environment in the software industry, business and consumer use of the Internet, and the Company's ability to penetrate international markets and manage its international operations. Although the Company has sought to identify the most significant risks to its business, the Company cannot predict whether, or to what extent, any of such risks may be realized, nor can there be any assurance that the Company has identified all possible issues which the Company might face.

Results of Operations

The Company's total revenue in fiscal 1999 increased 19% from its total revenue in fiscal 1998. The Company's net income increased 54% from $22.8 million in fiscal 1998 to $35.0 million in fiscal 1999. The Company's total revenue in fiscal 1998 increased 27% from its total revenue in fiscal 1997. The Company's net income increased 135% from $9.7 million, excluding non-recurring, acquisition-related charges, in fiscal 1997 to $22.8 million in fiscal 1998. After including the effect of the non-recurring charges of $11.5 million related to the acquisition of Apptivity Corporation (Apptivity), the Company recorded a net loss of $1.6 million in fiscal 1997.

The following table sets forth certain income and expense items as a percentage of total revenue, and the percentage change in dollar amounts of such items compared with the corresponding period in the previous fiscal year.

	Percentage of Total Revenue			Period-to-Period Change	
				1999	1998
	Year Ended November 30,			Compared	Compared
	1999	1998	1997	to 1998	to 1997
Revenue:					
Software licenses	46%	47%	51%	16%	19%
Maintenance and services	54	53	49	22	36
Total revenue	100	100	100	19	27
Costs and expenses:					
Cost of software licenses	5	4	5	31	1
Cost of maintenance and services	19	19	17	20	47
Sales and marketing	37	41	47	8	11
Product development	13	13	14	27	12
General and administrative	10	11	12	5	16
Non-recurring charges	-	-	6	-	-
Total costs and expenses	84	88	101	14	10
Income (loss) from operations	16	12	(1)	56	*
Other income, net	2	2	3	20	(26)
Income before provision for income taxes	18	14	2	51	985
Provision for income taxes	6	5	3	47	137
Net income (loss)	12%	9%	(1)%	54	*

* Not meaningful

Fiscal 1999 Compared to Fiscal 1998

The Company's total revenue increased 19% from $239.9 million in fiscal 1998 to $286.1 million in fiscal 1999. Total revenue would have increased by 23% in fiscal 1999 from fiscal 1998 if exchange rates had been constant as compared to the exchange rates in effect in fiscal 1998.

Software license revenue increased 16% from $113.3 million in fiscal 1998 to $131.5 million in fiscal 1999. The increase in software license revenue is attributable to greater acceptance of the Company's products, including Progress Version 8 and Progress Version 9, the latest versions of the Company's flagship development and deployment product set, and, to a lesser extent, new Internet–focused products such as Progress WebSpeed and Progress Apptivity. Progress Version 9 was released in December 1998. The Company also experienced an increase in sales to Independent Software Vendors (ISVs), value-added resellers who resell the Company's products in conjunction with the sale of their applications. The increase in sales to ISVs is primarily due to greater deployment revenue from database, application server, dataservers and reporting tools products.

Maintenance and services revenue increased 22% from $126.6 million in fiscal 1998 to $154.6 million in fiscal 1999. The increase in maintenance and services revenue was primarily the result of growth in the Company's installed customer base, renewal of maintenance contracts and increased consulting revenue. The Company is dedicating more resources to its service business in order to take advantage of the market opportunities associated with companies Web-enabling their business applications and buying packaged applications and engaging service providers to customize such packages.

Total revenue generated in markets outside North America increased 28% from $137.0 million in fiscal 1998 to $175.0 million in fiscal 1999 and represented 61% of total revenue in fiscal 1999 as compared to 57% in fiscal 1998. Revenue growth was strong in all regions outside of North America in fiscal 1999 with growth rates of 27% in Europe, Middle East and Africa (EMEA), 28% in Latin America and 30% in Asia Pacific. Revenue in North America increased 8% in fiscal 1999 as compared to fiscal 1998. The decrease in the growth rate in North America from fiscal 1998 was primarily due to a slowdown in revenue from certain ISVs, especially in the enterprise resource planning (ERP) sector, and a slowdown in consulting. Total revenue generated in markets outside North America would have represented 62% of total revenue in fiscal 1999 if exchange rates had been constant as compared to the exchange rates in effect in fiscal 1998.

Cost of software licenses consists primarily of cost of product media, documentation, duplication, packaging, royalties and amortization of capitalized software costs. Cost of software licenses increased 31% from $10.1 million in fiscal 1998 to $13.2 million in fiscal 1999 and increased as a percentage of software license revenue from 9% to 10%. The dollar and percentage increases were due to an increase in documentation costs and higher royalty expense for products and technologies licensed from third parties. Cost of software licenses as a percentage of software license revenue can vary depending upon the relative product mix in a given period.

Cost of maintenance and services consists primarily of costs of providing customer technical support, education and consulting. Cost of maintenance and services increased 20% from $46.0 million in fiscal 1998 to $54.9 million in fiscal 1999, but remained the same percentage of maintenance and services revenue in each year at 36%. The dollar increase was due primarily to an increase in the technical support, consulting and education staff and related expenses and greater usage of third-party contractors to fulfill demand for consulting services in fiscal 1999 as compared to fiscal 1998. The Company increased its technical support, education, and consulting staff from 282 at the end of fiscal 1998 to 373 at the end of fiscal 1999. The Company expects its headcount for technical support, consulting and education to continue to increase in fiscal 2000 primarily due to the need to satisfy increased demand for consulting services. However, there can be no assurance that the Company will be successful in recruiting and retaining such personnel.

Sales and marketing expenses increased 8% from $96.8 million in fiscal 1998 to $104.8 million in fiscal 1999, but decreased as a percentage of total revenue from 41% to 37%. The percentage decrease was due to increased productivity from the Company's sales and marketing efforts. The dollar increase in sales and marketing expenses was due to an increase in headcount in the sales, sales support and marketing staff and an increase in the level of discretionary marketing spending for trade shows, advertising campaigns, direct mail solicitations and other events. The headcount increase was primarily to support international growth and new products. Worldwide sales and marketing headcount increased from 476 at the end of fiscal 1998 to 519 at the end of fiscal 1999.

Product development expenses increased 27% from $30.2 million in fiscal 1998 to $38.3 million in fiscal 1999 and remained approximately the same percentage of total revenue at 13%. The dollar increase was primarily due to an increase in average compensation costs as well as increased headcount to support continued new product development efforts. The major product development efforts in fiscal 1999 primarily related to the development of new products such as Progress SonicMQ and the next versions of the Company's various product lines, including Progress Version 9.1 and Progress Apptivity. The product development staff increased from 225 at the end of fiscal 1998 to 242 at the end of fiscal 1999.

The Company capitalized $2.0 million of software development costs in fiscal 1998 and $0.5 million in fiscal 1999 in accordance with Statement of Financial Accounting Standards (SFAS) No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed" (SFAS 86). The amounts capitalized represented 6% of total product development costs in fiscal 1998 and 1% in fiscal 1999. The decrease in the percentage capitalized in fiscal 1999 was due to the stages of completion of the Company's various development projects. Capitalized software costs are amortized over the estimated life of the product (generally four years) in an amount equal to the greater of the amount computed using the ratio of current revenue to total expected revenue in the product's life or straight line and amounts amortized are included in cost of software licenses.

General and administrative expenses include the costs of the finance, human resources, legal, information systems and administrative departments of the Company. General and administrative expenses increased 5% from $26.8 million in fiscal 1998 to $28.2 million in fiscal 1999, but decreased as a percentage of total revenue from 11% to 10% due to expense control. The dollar increase in general and administrative expenses was primarily due to higher staff levels and average personnel costs, partially offset by lower amounts for bad debt expense and amortization of goodwill. The Company increased its administrative staff from 191 at the end of fiscal 1998 to 205 at the end of fiscal 1999.

Income from operations increased as a percentage of total revenue from 12% in fiscal 1998 to 16% in fiscal 1999. The increase in operating income as a percentage of revenue was due to continued expense control over selling, marketing and administrative expenses and improved sales productivity, especially overseas. International operations contributed 53% of the total operating income in fiscal 1999 versus 32% in fiscal 1998.

Other income increased 20% from $3.9 million in fiscal 1998 to $4.7 million in fiscal 1999. The increase in fiscal 1999 as compared to fiscal 1998 was primarily due to an increase in interest income from higher average cash balances and a smaller foreign currency exchange loss.

The Company's effective tax rate was 32% in fiscal 1999 compared to 33% in fiscal 1998. The decrease in the effective tax rate in fiscal 1999 from fiscal 1998 was primarily due to a decrease in taxes on foreign source income in excess of the US federal tax rate. See Note 7 of Notes to Consolidated Financial Statements. The Company expects its effective tax rate to remain at approximately 32% in fiscal 2000.

Fiscal 1998 Compared to Fiscal 1997

The Company's total revenue increased 27% from $188.3 million in fiscal 1997 to $239.9 million in fiscal 1998. Total revenue would have increased by 30% in fiscal 1998 from fiscal 1997 if exchange rates had been constant as compared to the exchange rates in effect in fiscal 1997.

Software license revenue increased 19% from $95.6 million in fiscal 1997 to $113.3 million in fiscal 1998. The increase in software license revenue in fiscal 1998 as compared to fiscal 1997 was due to greater acceptance of the Progress Version 8 product family and, to a lesser extent, new Internet-focused products such as Progress WebSpeed and Progress Apptivity. Progress Version 8.3, released in May 1998, provided customers with increased capabilities through its 32-bit architecture and enhanced database and reporting tools features. The Company also experienced an increase in sales to ISVs. The increase in sales to ISVs was primarily due to greater deployment revenue from database, dataservers and reporting tools products.

Maintenance and services revenue increased 36% from $92.7 million in fiscal 1997 to $126.6 million in fiscal 1998. The maintenance and services revenue increase was primarily a result of growth in the Company's installed customer base, greater demand for consulting services and renewal of maintenance contracts. The Company dedicated more resources to its service businesses in order to take advantage of the market opportunities associated with companies buying packaged applications and engaging service providers to customize such packages.

Total revenue generated in markets outside North America increased 23% from $111.5 million in fiscal 1997 to $137.0 million in fiscal 1998 and represented 57% of total revenue in fiscal 1998 as compared to 58% in fiscal 1997. Total revenue generated in markets outside North America would have represented 58% of total revenue in fiscal 1998 if exchange rates had been constant as compared to the exchange rates in effect in fiscal 1997.

Cost of software licenses increased 1% from $10.0 million in fiscal 1997 to $10.1 million in fiscal 1998, but decreased as a percentage of software license revenue from 10% to 9%. The percentage decrease was due to lower documentation costs and lower amortization expense from capitalized software costs.

Cost of maintenance and services increased 47% from $31.2 million in fiscal 1997 to $46.0 million in fiscal 1998 and increased as a percentage of maintenance and services revenue from 34% to 36%. The percentage increase was due primarily to a change in the mix of maintenance and service revenue as consulting revenue increased at a greater rate than maintenance revenue and education revenue. Consulting revenue generally has a lower margin than either maintenance or education revenue due to the amount of resources required to produce such revenue. The dollar increase was due primarily to an increase in the technical support, consulting and education staff in fiscal 1998 as compared to fiscal 1997 and greater usage of third-party contractors to fulfill demand for consulting services. The Company increased its technical support, education, and consulting staff from 230 at the end of fiscal 1997 to 282 at the end of fiscal 1998.

Sales and marketing expenses increased 11% from $87.6 million in fiscal 1997 to $96.8 million in fiscal 1998, but decreased as a percentage of total revenue from 47% to 41%. The percentage decrease in sales and marketing expenses was primarily due to improved productivity as revenue increased at a greater rate than sales and marketing expenses during fiscal 1998 as compared to fiscal 1997. The dollar increase in sales and marketing expenses was primarily due to increased headcount and higher average compensation costs, including commissions, for the sales, sales support and marketing staff. Worldwide sales and marketing headcount increased from 454 at the end of fiscal 1997 to 476 at the end of fiscal 1998.

Product development expenses increased 12% from $27.0 million in fiscal 1997 to $30.2 million in fiscal 1998, but decreased as a percentage of total revenue from 14% to 13%. The dollar increase was primarily due to increased personnel costs. The increase in personnel costs was primarily due to higher average compensation costs and increased headcount to support continued new product development efforts. The major product development efforts in fiscal 1998 related to the development of the next versions of the Company’s various product lines, including Progress Version 9.0, Progress Apptivity Versions 2 and 3 and various new products for the Internet Software Quality (ISQ) product line. The Company capitalized $1.9 million of software development costs in fiscal 1997 and $2.0 million in fiscal 1998. The product development staff increased from 199 at the end of fiscal 1997 to 225 at the end of fiscal 1998.

General and administrative expenses increased 16% from $23.2 million in fiscal 1997 to $26.8 million in fiscal 1998, but decreased as a percentage of total revenue from 12% to 11%. The dollar increase in general and administrative expenses was primarily due to higher staff levels and average personnel costs and increased goodwill charges resulting from recent acquisitions. The Company increased its administrative staff from 180 at the end of fiscal 1997 to 191 at the end of fiscal 1998.

Income from operations increased as a percentage of total revenue from (1)% in fiscal 1997 (including non-recurring charges of $11.5 million related to the acquisition of Apptivity) to 12% in fiscal 1998. Excluding the non-recurring charges, income from operations in fiscal 1997 was 5% of total revenue.

In fiscal 1997, the Company acquired all of the outstanding stock of Apptivity, a developer of Java-based application development tools, for approximately $11.2 million, consisting of $3.8 million in cash, $1.4 million in assumed and other liabilities, the issuance of 1,186,970 shares of common stock valued at $5.5 million and the assumption of stock options valued at $0.5 million. The acquisition has been accounted for as a purchase, and accordingly, the results of operations have been included in the Company's operating results from the date of acquisition. The allocation of the purchase price included $10.8 million to in-process software development which was charged to operations as part of the non-recurring charges in the third quarter of fiscal 1997. Additionally, the Company recorded a non-recurring charge of $0.7 million for the writedown of certain capitalized software costs and other intangible assets to fair value after evaluating the impact of the acquisition upon the Company's future operating plans.

Excluding the non-recurring charges, income from operations increased due to continued sales productivity improvement and expense control, especially in North America and EMEA. These increases in fiscal 1998 were partially offset by operating losses in regions outside of North America and EMEA, primarily in Latin America, as the Company invested in expanding its presence in the region.

Other income decreased 26% from $5.4 million in fiscal 1997 to $3.9 million in fiscal 1998. The decrease was primarily due to foreign currency gains in fiscal 1997 versus foreign currency losses in fiscal 1998 and lower amounts from the minority interest in fiscal 1998, offset to some extent by higher interest income. The foreign currency gain in fiscal 1997 related primarily to gains from the Company's foreign currency hedging programs. Minority interest included as a component of other income (expense) reflects the portion of the income or loss in the Company's joint venture in Japan which is attributable to the 49% minority interest. The increase in interest income was due to higher average cash balances in fiscal 1998 as compared to fiscal 1997.

The Company's effective tax rate was 33% in fiscal 1998 compared to 151% in fiscal 1997. The decrease in the effective tax rate in fiscal 1998 from fiscal 1997 was due to nondeductible expenses related to the acquisition of Apptivity in fiscal 1997. Excluding these nondeductible expenses, the Company's effective tax rate for fiscal 1997 was 34%.

Liquidity and Capital Resources

At the end of fiscal 1999, the Company's cash and short-term investments totaled $158.7 million. The increase in the balance of $44.7 million since the end of fiscal 1998 resulted from cash generated from operations and proceeds from stock issuance under the stock purchase plan and exercise of options, partially offset by common stock repurchases and capital expenditures.

In fiscal years 1999, 1998 and 1997, the Company generated $61.1 million, $58.5 million and $33.7 million, respectively, in cash from operations. The increase in each year was primarily due to higher net income, partially offset by the timing of payments related to accounts payable and other accrued liabilities, smaller increases in the deferred revenue balance and changes in the accounts receivable balance. Accounts receivable increased each year primarily due to revenue growth. The Company's accounts receivable days sales outstanding were 55 days, 53 days and 61 days at the end of fiscal years 1999, 1998 and 1997, respectively. The improvement from fiscal 1997 was due to more effective collection efforts in fiscal 1999 and fiscal 1998.

In fiscal years 1999, 1998 and 1997, the Company purchased $9.3 million, $10.0 million and $10.0 million, respectively, of property and equipment, which consisted primarily of computer equipment and software, furniture and fixtures and leasehold improvements. The level of property and equipment purchases resulted primarily from continued growth of the business and replacement of older equipment. The Company financed these purchases primarily from cash generated from operations. See Note 4 of Notes to Consolidated Financial Statements.

In fiscal years 1999, 1998 and 1997, the Company purchased and retired 2,042,238 shares, 3,500,970 shares and 4,702,800 shares, respectively, of its common stock for $24.8 million, $33.2 million and $26.6 million, respectively. The Company financed these purchases primarily from cash generated from operations.

In September 1999, the Board of Directors authorized, for the period October 1, 1999 through September 30, 2000, the purchase of up to 10,000,000 shares of the Company's common stock, at such times when the Company deems such purchases to be an effective use of cash. Shares that are repurchased may be used for various purposes including the issuance of shares pursuant to the Company's stock option plans. At November 30, 1999, approximately 9,975,000 shares of common stock remained available for repurchase under this authorization.

In December 1997, the Company, through a wholly-owned subsidiary, acquired certain assets of its distributor in Brazil for $5.0 million. The acquisition was accounted for as a purchase, and accordingly, the results of operations are included in the Company's operating results from the date of acquisition. The purchase price was allocated primarily to goodwill, which is being amortized over a seven-year period. If this acquisition had been made at the beginning of the earliest period presented, the effect on the consolidated financial statements would not have been significant.

The Company is subject to various legal proceedings and claims, either asserted or unasserted, which arise in the ordinary course of business. While the outcome of these claims cannot be predicted with certainty, management does not believe that the outcome of any of these legal matters will have a material adverse effect on the Company's consolidated financial position or results of operations.

The Company believes that existing cash balances together with funds generated from operations will be sufficient to finance the Company's operations and meet its foreseeable cash requirements (including planned capital expenditures, lease commitments and other long-term obligations) through the next twelve months.

New Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board (FASB) issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133) which establishes standards for derivative instruments and hedging activities. SFAS 133 requires an entity to recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. SFAS 133 requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met and that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting. SFAS 133 is effective for fiscal years beginning after June 15, 2000. The Company will adopt SFAS 133 in the first quarter of fiscal 2001. The Company is currently evaluating this statement, but does not expect the adoption of SFAS 133 to have a material effect on the Company's consolidated financial position or results of operations.

Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to a variety of risks, including changes in interest rates affecting the return on its investments and foreign currency fluctuations. The Company has established policies and procedures to manage its exposure to fluctuations in interest rates and foreign currency exchange.

The Company's exposure to market rate risk for changes in interest rates relates to the Company's investment portfolio. The Company has not used derivative financial instruments in its investment portfolio. The Company places its investments with high quality issuers and has policies limiting, among other things, the amount of credit exposure to any one issuer. The Company limits default risk by purchasing only investment-grade securities. The Company's investments are all fixed rate instruments. In addition, the Company has classified all its debt securities as available for sale. This classification reduces the income statement exposure to interest rate risk. Information about the Company's investment policies and portfolio is in Notes 1 and 3 of Notes to Consolidated Financial Statements.

The Company has entered into foreign exchange option and forward contracts to hedge certain transactions of selected foreign currencies (mainly in Europe and Asia Pacific) against fluctuations in exchange rates. The Company has not entered into foreign exchange option and forward contracts for speculative or trading purposes. The Company's accounting policies for these contracts are based on the Company's designation of the contracts as hedging transactions. The criteria the Company uses for designating a contract as a hedge include the contract's effectiveness in risk reduction and matching of derivative instruments to the underlying transactions. Market value increases and decreases on the foreign exchange option and forward contracts are recognized in income in the same period as gains and losses on the underlying transactions. The Company operates in certain countries where there are limited forward currency exchange markets and thus the Company has unhedged transaction exposures in these currencies. The Company generally does not hedge the net assets of its international subsidiaries. Information about the Company's foreign currency option contracts is set forth in Note 1 of Notes to Consolidated Financial Statements.

Year 2000

The Year 2000 presented potential concerns and issues for the Company as well as other companies in the information technology industry. In general, Year 2000 readiness issues in computer software and hardware systems relate to the use of two digit date formats, instead of four digits, to represent a particular year.

The Company established a global project team to coordinate the Company's Year 2000 readiness efforts and address the impact of the Year 2000 date transition on its operations. The project team met regularly and reported to an executive steering committee composed of the Chief Financial Officer, the General Counsel and the General Manager for Worldwide Field Operations. The Company's initial Year 2000 readiness plans encompassed four phases. The first phase was an inventory and assessment of the Company's internal systems.

The second phase was testing such systems for Year 2000 readiness. The third phase was remediation, representing the repair or replacement of any non-compliant hardware or software, and the fourth phase was contingency planning and preparation. The Company completed all phases and has not experienced any disruptions in its internal operations or systems, both information technology (IT) and non-IT systems, related to the Year 2000. These systems are based primarily on the Company's own software products with respect to applications and also include third-party software and hardware technology.

The Company believes that the most current versions of its products, including available patches, have not been adversely affected by the Year 2000 date change. The Company did not test products that were retired on or before January 1, 2000. The Company encouraged customers who are using such products to either upgrade to a more current version or conduct their own testing to determine if continued use of such products allows them to meet their own Year 2000 readiness objectives.

The Company has not experienced an increase in technical support calls since the new year related to Year 2000 readiness issues. However, there can be no assurance that the Company will not experience unanticipated negative consequences or material costs caused by undetected errors or defects in its products. While the Company believes that the most current versions of its products are Year 2000 ready, other factors may result in an application created using the Company's products not being Year 2000 ready. Some of these factors include improper programming techniques used in creating the application or non-compliance of the underlying hardware or operating system on which the software runs. The Company does not believe that it would be liable in such events. However, due to the unprecedented nature of potential litigation related to Year 2000 readiness as discussed in the industry and popular press, the most likely worst case scenario is that the Company would be subject to litigation. It is uncertain whether or to what extent the Company may be affected by such litigation.

All costs related to Year 2000 issues were expensed as incurred. Costs for addressing Year 2000 readiness issues were not material. Most of these expenses represented time spent by employees. The Company also continually upgrades and improves its facilities and IT systems. Such costs are integrated into the operating budgets of each geographic area or function and are not separately maintained as Year 2000-related expenses.

Factors That May Affect Future Results

The Company operates in a rapidly changing environment that involves certain risks and uncertainties, some of which are beyond the Company’s control. The following discussion highlights some of these risks. In addition, risks and uncertainties related to Year 2000 issues are described above under the heading “Year 2000.”

The Company may experience significant fluctuations in future quarterly operating results that may be caused by many factors. Some of these factors include changes in demand for the Company's products, introduction, enhancement or announcement of products by the Company and its competitors, market acceptance of new products, size and timing of significant orders, budgeting cycles of customers, mix of distribution channels, mix of products and services sold, mix of international and North American revenues, fluctuations in currency exchange rates, changes in the level of operating expenses, changes in the Company's sales incentive plans, customer order deferrals in anticipation of new products announced by the Company or its competitors and general economic conditions. Revenue forecasting is uncertain, in large part, because the Company generally ships its products shortly after receipt of orders. Most of the Company's expenses are relatively fixed, including costs of personnel and facilities, and are not easily reduced. Thus, an unexpected reduction in the Company's revenue, or a decrease in the rate of growth of such revenue, would have a material adverse effect on the profitability of the Company.

The Company develops, markets and supports application development, deployment and management software. Its core product line, Progress, is composed primarily of Progress ProVision, Progress RDBMS, Progress WebSpeed, Progress Open AppServer and Progress DataServers. In December 1998, the Company began shipping the latest major enhancement to the Progress product line, Progress Version 9.0. The Progress Apptivity product line consists of Apptivity Developer and Apptivity Server. The Company began commercial shipments of Progress Apptivity Version 3.2 in October 1999. The Company began commercial shipments of Progress SonicMQ, an Internet messaging server, in December 1999. The ISQ product line is a set of software products that measure, monitor and manage the availability, performance and recoverability of enterprise networks and ensure overall system and application quality. Progress IPQoS Version 2.0, the latest ISQ product, began shipping in March 1999. The Company believes that the Progress product set, Progress SonicMQ, Progress Apptivity, and the ISQ product set have features and functionality that enable the Company to compete effectively with other vendors of application development products. Ongoing enhancements to these product lines will be required to enable the Company to maintain its competitive position. There can be no assurance that the Company will be successful in developing and marketing enhancements to its products on a timely basis, or that the enhancements will adequately address the changing needs of the marketplace. Delays in the release of enhancements could have a material adverse effect on the Company's business, financial condition and operating results.

The Company has derived most of its revenue from its core product line, Progress, and other products that complement Progress and are generally licensed only in conjunction with Progress. Accordingly, the Company's future results depend on continued market acceptance of Progress and any factor adversely affecting the market for Progress could have a material adverse effect on the Company's business and its financial results.

Future results also depend upon the Company's continued successful distribution of its products through its ISV channel and may be impacted by downward pressure on pricing, which may not be offset by increases in volume. ISVs utilize technology from the Company to create their applications and resell the Company's products along with their own applications. Any adverse effect on their business related to competition, pricing and other factors could have a material adverse effect on the Company's business, financial condition and operating results.

The Company experiences significant competition from a variety of sources with respect to the marketing and distribution of its products. Many of these competitors have greater financial, marketing or technical resources than the Company and may be able to adapt more quickly to new or emerging technologies and changes in customer requirements or to devote greater resources to the promotion and sale of their products than can the Company. Increased competition could make it more difficult for the Company to maintain its market presence.

In addition, current and potential competitors may make strategic acquisitions or establish cooperative relationships among themselves or with third parties, thereby increasing their ability to deliver products that address the needs of the Company's prospective customers. Current and potential competitors also may be more successful than the Company in having their products or technologies widely accepted. There can be no assurance that the Company will be able to compete successfully against current and future competitors and its failure to do so could have a material adverse effect upon the Company's business, prospects, financial condition and operating results.

The Company is devoting significant resources to enabling its ISVs to move their applications to the Application Service Provider (ASP) distribution model by providing a combination of technology, professional services and partnerships. The ASP distribution model enables ISVs to rent their business applications to end-user organizations over the Internet or through other thin-client technologies. The ASP market is new and evolving. There can be no assurance that the ASP model will become a viable market for business applications or that the Company will be successful in penetrating this new market.

The Company hopes that Progress SonicMQ, Progress Apptivity, the ISQ product set and other new products and services will contribute positively to the Company's future results. The market for Internet transaction processing products and other Internet business-to-business products is highly competitive. Global e-commerce and online exchange of information on the Internet and other similar open wide area networks continue to evolve. There can be no assurance that the Company's products will be successful in penetrating these new and evolving markets.

Overlaying the risks associated with the Company's existing products and enhancements are ongoing technological developments and rapid changes in customer requirements. The Company's future success will depend upon its ability to develop and introduce in a timely manner new products that take advantage of technological advances and respond to new customer requirements. The Company is currently developing new products intended to help organizations meet the future needs of application developers. The development of new products is increasingly complex and uncertain, which increases the risk of delays. There can be no assurance that the Company will be successful in developing new products incorporating new technology on a timely basis, or that its new products will adequately address the changing needs of the marketplace. The marketplace for these new products is intensely competitive and characterized by low barriers to entry. As a result, new competitors possessing technological, marketing or other competitive advantages may emerge and rapidly acquire market share.

Approximately 58% of the Company's total revenue in fiscal 1999, as compared to 53% in fiscal 1998, was attributable to international sales made through its subsidiaries. Because a substantial portion of the Company's total revenue is derived from such international operations which are primarily conducted in foreign currencies, changes in the value of these foreign currencies relative to the United States dollar may affect the Company's results of operations and financial position. The Company engages in certain currency-hedging transactions intended to reduce the effect of fluctuations in foreign currency exchange rates on the Company's results of operations. However, there can be no assurance that such hedging transactions will materially reduce the effect of fluctuations in foreign currency exchange rates on such results. If for any reason exchange or price controls or other restrictions on the conversion of foreign currencies were imposed, the Company's business could be adversely affected.

Other potential risks inherent in the Company's international business generally include longer payment cycles, greater difficulties in accounts receivable collection, unexpected changes in regulatory requirements, export restrictions, tariffs and other trade barriers, difficulties in staffing and managing foreign operations, political instability, reduced protection for intellectual property rights in some countries, seasonal reductions in business activity during the summer months in Europe and certain other parts of the world and potentially adverse tax consequences. Any one of these factors could adversely impact the success of the Company's international operations. There can be no assurance that one or more of such factors will not have a material adverse effect on the Company's future international operations, and, consequently, on the Company's business, financial condition and operating results.

The Company's future success will depend in large part upon its ability to attract and retain highly skilled technical, managerial and marketing personnel. Competition for such personnel in the software industry is intense. There can be no assurance that the Company will continue to be successful in attracting and retaining the personnel it requires to successfully develop new and enhanced products and to continue to grow and operate profitably.

The Company's success is heavily dependent upon its proprietary software technology. The Company relies principally on a combination of contract provisions and copyright, trademark, patent and trade secret laws to protect its proprietary technology. Despite the Company's efforts to protect its proprietary rights, unauthorized parties may attempt to copy aspects of the Company's products or to obtain and use information that the Company regards as proprietary. Policing unauthorized use of the Company's products is difficult. There can be no assurance that the steps taken by the Company to protect its proprietary rights will be adequate to prevent misappropriation of its technology or independent development by others of similar technology.

In addition, litigation may be necessary in the future to enforce the Company's intellectual property rights, to protect the Company's trade secrets, to determine the validity and scope of the proprietary rights of others, or to defend against claims of infringement. Although the Company believes that its products and technology do not infringe on any existing proprietary rights of others, there can be no assurance that third parties will not assert infringement claims in the future. Such litigation could result in substantial costs and diversion of resources and could have a material adverse effect on the Company's business, financial condition and operating results.

The Company also utilizes certain technology which it licenses from third parties, including software which is integrated with internally developed software and used in the Company's products to perform key functions. There can be no assurance that functionally similar technology will continue to be available on commercially reasonable terms in the future.

The market price of the Company's common stock, like that of other technology companies, is highly volatile and is subject to wide fluctuations in response to quarterly variations in operating results, announcements of technological innovations or new products by the Company or its competitors, changes in financial estimates by securities analysts or other events or factors. The Company's stock price may also be affected by broader market trends unrelated to the Company's performance.

Consolidated Balance Sheets

(In thousands, except share data)	November 30, 1999	November 30, 1998
Assets		
Current assets:		
Cash and equivalents	$ 81,651	$ 50,155
Short-term investments	77,014	63,844
Accounts receivable (less allowances of $7,259 in 1999 and $7,147 in 1998)	47,952	40,779
Other current assets	9,406	9,855
Deferred income taxes	9,836	8,415
Total current assets	225,859	173,048
Property and equipment, net	20,594	22,458
Capitalized software costs, net	3,155	4,742
Other assets	6,946	6,460
Total	$256,554	$206,708
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 14,041	$ 12,461
Accrued compensation and related taxes	24,344	23,041
Income taxes payable	8,723	10,276
Other accrued liabilities	8,962	8,140
Deferred revenue	58,173	49,942
Total current liabilities	114,243	103,860
Minority interest in subsidiary	-	155
Commitments and contingent liabilities		
Shareholders' equity:		
Preferred stock, $.01 par value; authorized, 1,000,000 shares; issued, none		
Common stock, $.01 par value, and additional paid-in capital; authorized, 75,000,000 shares in 1999 and 50,000,000 shares in 1998; issued and outstanding, 35,552,862 shares in 1999 and 34,180,582 shares in 1998	40,491	18,966
Retained earnings	103,904	84,115
Accumulated other comprehensive loss	(2,084)	(388)
Total shareholders' equity	142,311	102,693
Total	$256,554	$206,708

See notes to consolidated financial statements.

Consolidated Statements of Operations

(In thousands, except per share data)	Year Ended November 30,		
	1999	1998	1997
Revenue:			
Software licenses	$131,499	$113,312	$ 95,579
Maintenance and services	154,648	126,578	92,735
Total revenue	286,147	239,890	188,314
Costs and expenses:			
Cost of software licenses	13,188	10,085	10,000
Cost of maintenance and services	54,945	45,953	31,238
Sales and marketing	104,809	96,832	87,570
Product development	38,339	30,154	26,991
General and administrative	28,162	26,839	23,202
Non-recurring charges	-	-	11,537
Total costs and expenses	239,443	209,863	190,538
Income (loss) from operations	46,704	30,027	(2,224)
Other income (expense):			
Interest income	5,054	4,529	3,756
Foreign currency gain (loss)	(374)	(632)	1,135
Minority interest	155	113	556
Other expense	(96)	(69)	(91)
Total other income, net	4,739	3,941	5,356
Income before provision for income taxes	51,443	33,968	3,132
Provision for income taxes	16,452	11,210	4,739
Net income (loss)	$ 34,991	$ 22,758	$ (1,607)
Basic earnings (loss) per share	$1.01	$0.66	$(0.04)
Weighted average shares outstanding (basic)	34,488	34,458	36,336
Diluted earnings (loss) per share	$0.89	$0.59	$(0.04)
Weighted average shares outstanding (diluted)	39,212	38,560	36,336

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

(In thousands)	Comprehensive Income (Loss)	Common Stock and Additional Paid-in Capital: Number of Shares	Common Stock and Additional Paid-in Capital: Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance, December 1, 1996		37,898	$ 41,435	$ 72,280	$ 78	$113,793
Exercise of employee stock options		942	4,163			4,163
Issuance of stock under ESPP		112	511			511
Repurchase of common stock		(4,703)	(26,553)			(26,553)
Stock option compensation			16			16
Tax benefits from stock plans			488			488
Issuance of stock in connection with Apptivity acquisition		1,187	5,437			5,437
Stock options assumed in connection with Apptivity acquisition			522			522
Unrealized gains on investments	$ 4				4	4
Translation adjustments	(335)				(335)	(335)
Net loss	(1,607)			(1,607)		(1,607)
Comprehensive loss	$ (1,938)					
Balance, November 30, 1997		35,436	26,019	70,673	(253)	96,439
Exercise of employee stock options		2,126	11,159			11,159
Issuance of stock under ESPP		120	919			919
Repurchase of common stock		(3,501)	(23,901)	(9,316)		(33,217)
Tax benefits from stock plans			4,770			4,770
Unrealized gains on investments	$ 258				258	258
Translation adjustments	(393)				(393)	(393)
Net income	22,758			22,758		22,758
Comprehensive income	$ 22,623					
Balance, November 30, 1998		34,181	18,966	84,115	(388)	102,693
Exercise of employee stock options		3,197	18,541			18,541
Issuance of stock under ESPP		217	2,070			2,070
Repurchase of common stock		(2,042)	(9,626)	(15,202)		(24,828)
Stock option compensation			81			81
Tax benefits from stock plans			10,459			10,459
Unrealized losses on investments	$ (699)				(699)	(699)
Translation adjustments	(997)				(997)	(997)
Net income	34,991			34,991		34,991
Comprehensive income	$ 33,295					
Balance, November 30, 1999		35,553	$ 40,491	$103,904	$(2,084)	$142,311

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(In thousands)	Year Ended November 30,		
	1999	1998	1997
Cash flows from operating activities:			
Net income (loss)	$ 34,991	$ 22,758	$ (1,607)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization of property and equipment	10,641	10,750	10,596
Non-recurring charges	-	-	11,537
Allowances for accounts receivable	2,098	3,617	1,807
Amortization of capitalized software costs	2,101	1,771	2,072
Amortization of intangible assets	586	1,032	241
Deferred income taxes	(2,013)	(4,834)	(2,950)
Minority interest in subsidiary	(155)	(113)	(556)
Non-cash compensation	81	-	16
Changes in operating assets and liabilities, net of effects from acquisitions:			
Accounts receivable	(12,458)	(8,702)	(4,905)
Other current assets	(311)	(2,326)	(2,120)
Accounts payable and accrued expenses	5,258	8,854	9,252
Income taxes payable	8,905	8,609	3,908
Deferred revenue	11,331	17,062	6,359
Total adjustments	26,064	35,720	35,257
Net cash provided by operating activities	61,055	58,478	33,650
Cash flows from investing activities:			
Purchases of investments available for sale	(59,606)	(57,025)	(33,809)
Maturities of investments available for sale	45,631	47,033	31,238
Sales of investments available for sale	-	440	15,068
Purchase of property and equipment	(9,331)	(10,038)	(10,048)
Capitalized software costs	(514)	(1,968)	(1,864)
Acquisitions, net of cash acquired	-	(5,000)	(3,847)
Decrease (increase) in other non-current assets	(578)	(24)	59
Net cash used for investing activities	(24,398)	(26,582)	(3,203)
Cash flows from financing activities:			
Proceeds from issuance of common stock	20,611	12,078	4,674
Repurchase of common stock	(24,828)	(33,217)	(26,553)
Contributions from minority interest	-	-	603
Payment of obligations under capital leases	-	-	(116)
Net cash used for financing activities	(4,217)	(21,139)	(21,392)
Effect of exchange rate changes on cash	(944)	(53)	(476)
Net increase in cash and equivalents	31,496	10,704	8,579
Cash and equivalents, beginning of year	50,155	39,451	30,872
Cash and equivalents, end of year	$ 81,651	$ 50,155	$ 39,451

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Note 1: Nature of Business and Summary of Significant Accounting Policies

The Company

Progress Software Corporation (the Company) develops, markets and distributes application development, deployment and management technology and Internet and intranet enabling technologies to business, industry and government worldwide. The Company also provides consulting, education and support to its customers through its worldwide professional services organization.

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany balances and transactions have been eliminated.

Foreign Currency Translation

For foreign operations with the local currency as the functional currency, assets and liabilities are translated into U.S. dollars at the exchange rate on the balance sheet date. Income and expense items are translated at average rates of exchange prevailing during each period. Translation adjustments are accumulated in a separate component of shareholders' equity.

For foreign operations with the U.S. dollar as the functional currency, monetary assets and liabilities are translated into U.S. dollars at the exchange rate on the balance sheet date. Nonmonetary assets and liabilities are remeasured into U.S. dollars at historical exchange rates. Income and expense items are translated at average rates of exchange prevailing during each period. Translation adjustments are recognized currently as a component of foreign currency gain or loss.

The Company enters into foreign exchange option contracts which are designated as effective hedges on certain transactions in selected foreign currencies. The purpose of the Company's foreign exposure management policies and practices is to attempt to minimize the impact of exchange rate fluctuations on the Company's results of operations. The option contracts are structured such that the cost to the Company cannot exceed the premium paid for such contracts. Premiums are recognized ratably over the contract period as a component of foreign currency gain or loss. Increases and decreases in market value gains on such contracts are recognized currently as a component of foreign currency gain or loss. The notional principal amount of outstanding foreign exchange option contracts at November 30, 1999 was $71.8 million. Unrealized market value gains on such contracts were immaterial at November 30, 1999. Major U.S. multinational banks are counterparties to the option contracts.

Minority Interest in Subsidiary

Minority interest in subsidiary represents the joint venture partners' proportionate share of the equity in Progress Software K.K. (PSKK), a Japanese joint stock corporation established in January 1995 to market and support the Company's products in Japan. At November 30, 1999, the Company owned 51% of the capital stock of PSKK.

Revenue Recognition

Software license revenue is recognized upon shipment of the product provided that the license fee is fixed and determinable, persuasive evidence of an arrangement exists and collection is probable. Maintenance revenue is deferred and recognized ratably over the term of the agreement. Revenue from services, primarily consulting and customer education, is recognized as the related services are performed. The Company follows the American Institute of Certified Public Accountants Statement of Position 97-2, "Software Revenue Recognition" and its amendments. The application of this statement at the beginning of fiscal 1998 did not have a material effect on the revenue recognition practices of the Company.

Cash Equivalents and Short-Term Investments

Cash equivalents include short-term, highly liquid investments purchased with remaining maturities of three months or less. Short-term investments, which consist primarily of municipal and U.S. Treasury obligations and corporate debt securities purchased with remaining maturities of more than three months, are classified as investments available for sale and stated at fair value. Aggregate unrealized holding gains and losses are included as a component of accumulated other comprehensive income (loss) in shareholders' equity.

Supplemental Cash Flow Information

In fiscal years 1999, 1998 and 1997, the Company paid $9.5 million, $7.2 million and $3.8 million in income taxes, respectively. The Company had the following noncash financing activities: income tax benefit from employees' exercise of stock options of $10.5 million, $4.8 million and $0.5 million in fiscal years 1999, 1998 and 1997, respectively, and stock issued and options assumed in the acquisition of Apptivity of $6.0 million in fiscal 1997.

Concentration of Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of cash, short-term investments and trade receivables. The Company has cash investment policies which, among other things, limit investments to investment-grade securities. The Company performs ongoing credit evaluations of its customers and the risk with respect to trade receivables is further mitigated by the diversity, both by geography and by industry, of its customer base.

Fair Value of Financial Instruments

The carrying amount of cash, accounts receivable and accounts payable approximates fair value due to the short-term nature of these instruments. The fair value of investments available for sale is based on current market value (Note 3).

Property and Equipment

Property and equipment is recorded at cost. Depreciation and amortization is provided on the straight-line method over the estimated useful lives (three to ten years) of the related assets or the remaining terms of leases, whichever is shorter.

Capitalization of Software Costs

The Company capitalizes certain internally generated software development costs after technological feasibility of the product has been established. Capitalized software costs also include amounts paid for purchased software which has reached technological feasibility. Such costs are amortized over the estimated life of the product (generally four years) in an amount equal to the greater of the amount computed using the ratio of current revenue to total expected revenue in the product's life or straight line. The Company continually compares the unamortized costs of capitalized software to the expected future revenues for the products. If the unamortized costs exceed the expected future net realizable value, the excess amount is written off. Accumulated amortization was approximately $9.0 million and $6.9 million at November 30, 1999 and 1998, respectively.

Intangible Assets

Intangible assets, included in other assets, primarily represent goodwill and are recorded at cost. Such costs are amortized over periods ranging from three to seven years. Accumulated amortization was approximately $1.1 million and $1.2 million at November 30, 1999 and 1998, respectively.

Investment in Related Party

The Company has a 7% ownership stake, on a fully-diluted basis, in EasyAsk, Inc., a privately-held software company whose president is on the board of directors of the Company. The investment in EasyAsk, Inc., accounted for using the cost method, approximated $0.8 million and $0.6 million at November 30, 1999 and 1998, respectively, and is included in other assets.

Stock-Based Compensation Plans

The Company accounts for its stock option plans and its employee stock purchase plan in accordance with the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25). In accordance with Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation" (SFAS 123), the Company provides additional pro forma disclosures (Note 5).

Income Taxes

The Company provides for deferred income taxes resulting from temporary differences between financial and taxable income. Such differences arise primarily from depreciation, accruals, deferred revenue, capitalized software costs, tax loss carryforwards and allowances for accounts receivable. No provision for U.S. income taxes has been made for the undistributed earnings of non-U.S. subsidiaries, as these earnings have been permanently reinvested or would be principally offset by foreign tax credits. Cumulative undistributed foreign earnings were approximately $20.1 million at November 30, 1999.

Earnings Per Share

Basic earnings per share is calculated using the weighted average number of common shares outstanding. Diluted earnings per share is computed on the basis of the weighted average number of common shares outstanding plus the effect of outstanding stock options using the treasury stock method. Earnings per share for all years presented herein have been restated to reflect the stock split (Note 5).

Comprehensive Income

Effective December 1, 1998, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 130, "Reporting Comprehensive Income," which requires presentation of the components of comprehensive income, including unrealized gains and losses on investments and foreign currency translation adjustments. Accumulated foreign currency translation losses, net of taxes, were approximately $1.9 million and $0.9 million at November 30, 1999 and 1998, respectively. Accumulated unrealized gains (losses) on short-term investments, net of taxes, were approximately $(0.2) million and $0.5 million at November 30, 1999 and 1998, respectively.

New Accounting Pronouncement

In June 1998, the Financial Accounting Standards Board (FASB) issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133) which establishes standards for derivative instruments and hedging activities. SFAS 133 requires an entity to recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. SFAS 133 requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met and that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting. SFAS 133 is effective for fiscal years beginning after June 15, 2000. The Company will adopt SFAS 133 in the first quarter of fiscal 2001. The Company is currently evaluating this statement, but does not expect the adoption of SFAS 133 to have a material effect on the Company's consolidated financial position or results of operations.

Note 2: Business Combinations and Non-Recurring Charges

In December 1997, the Company, through a wholly-owned subsidiary, acquired certain assets of its distributor in Brazil for $5.0 million. The acquisition was accounted for as a purchase, and accordingly, the results of operations are included in the Company's operating results from the date of acquisition. The purchase price was allocated primarily to goodwill, which is being amortized over a seven-year period. If this acquisition had been made at the beginning of the earliest year presented, the effect on the consolidated financial statements would not have been significant.

In July 1997, the Company acquired all of the outstanding stock of Apptivity Corporation (Apptivity), a developer of Java-based application development tools, for approximately $11.2 million, consisting of $3.8 million in cash, $1.4 million in assumed and other liabilities, the issuance of 1,186,970 shares of common stock valued at $5.5 million and the assumption of stock options valued at $0.5 million. The acquisition has been accounted for as a purchase, and accordingly, the results of operations have been included in the Company's operating results from the date of acquisition. The allocation of the purchase price included $10.8 million to in-process software development which was charged to operations as part of the non-recurring charges in the third quarter of fiscal 1997. Additionally, the Company recorded a non-recurring charge of $0.7 million for the writedown of certain capitalized software costs and other intangible assets to fair value after evaluating the impact of the acquisition upon the Company's future operating plans. If this acquisition had been made at the beginning of fiscal year 1997, the effect on the consolidated financial statements would not have been significant.

Note 3: Cash and Short-Term Investments

A summary of the Company's investments available for sale by major security type at November 30, 1999 was as follows:

(In thousands) Security Type:	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Corporate debt securities	$ 56,460	-	-	$ 56,460
Obligations of states and political subdivisions	59,841	$55	$(326)	59,570
U.S. government obligations	7,051	5	(36)	7,020
Total	$123,352	$60	$(362)	$123,050

The fair value of debt securities at November 30, 1999, by contractual maturity, was as follows:

(In thousands)	
Due in one year or less (including $46,036 classified as cash equivalents)	$ 83,621
Due after one year	39,429
Total	$123,050

A summary of the Company's investments available for sale by major security type (including $23.1 million classified as cash equivalents) at November 30, 1998 was as follows:

(In thousands) Security Type:	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Corporate debt securities	$22,864	-	-	$22,864
Obligations of states and political subdivisions	57,212	$341	$(28)	57,525
U.S. government obligations	6,323	190	-	6,513
Total	$86,399	$531	$(28)	$86,902

Note 4: Property and Equipment

Property and equipment consisted of the following:

(In thousands)	November 30, 1999	November 30, 1998
Equipment and software	$52,686	$46,989
Furniture and fixtures	6,295	5,919
Leasehold improvements	9,891	9,082
Total	68,872	61,990
Less accumulated depreciation and amortization	48,278	39,532
Property and equipment, net	$20,594	$22,458

Note 5: Shareholders' Equity

Preferred Stock

The Board of Directors is authorized to establish one or more series of preferred stock and to fix and determine the number and conditions of preferred shares, including dividend rates, redemption and/or conversion provisions, if any, preference and voting rights. At November 30, 1999, the Board of Directors has not authorized any series of preferred stock.

Common Stock

On December 17, 1999, the Board of Directors approved a two-for-one common stock split in the form of a stock dividend. Shareholders received one additional share for each share held. Such distribution was made on January 21, 2000 to shareholders of record at the close of business on January 7, 2000. All share and per share amounts for all years presented have been restated to reflect the split.

In fiscal years 1999, 1998 and 1997, the Company purchased and retired 2,042,238 shares, 3,500,970 shares and 4,702,800 shares, respectively, of its common stock for $24.8 million, $33.2 million and $26.6 million, respectively.

In September 1999, the Board of Directors authorized, for the period October 1, 1999 through September 30, 2000, the purchase of up to 10,000,000 shares of the Company's common stock, at such times when the Company deems such purchases to be an effective use of cash. Shares that are repurchased may be used for various purposes including the issuance of shares pursuant to the Company's stock option plans. At November 30, 1999, approximately 9,975,000 shares of common stock remained available for repurchase under this authorization.

Stock Options

In April 1992, the shareholders adopted and approved the 1992 Incentive and Nonqualified Stock Option Plan (1992 Plan) and terminated the 1984 Incentive Stock Option Plan (1984 Plan). Options granted and outstanding under the 1984 Plan remain outstanding and are exercisable in accordance with their terms, but no further options will be granted under the 1984 Plan. In August 1994, the shareholders of the Company adopted and approved the 1994 Stock Incentive Plan (1994 Plan) and the 1993 Directors' Stock Option Plan (Directors' Plan). The Directors' Plan permitted certain option grants to non-employee directors.

In April 1997, the shareholders of the Company adopted and approved the 1997 Stock Incentive Plan (1997 Plan). Upon the approval of the 1997 Plan, the Directors' Plan was terminated. Options granted and outstanding under the Directors' Plan remain outstanding and are exercisable in accordance with their terms, but no further options will be granted under the Directors' Plan. The 1994 and 1997 Plans permit the granting of stock incentive awards to officers, members of the Board of Directors, employees and consultants. Awards under the 1994 and 1997 Plans may include stock options (both incentive and non-qualified), grants of conditioned stock, unrestricted grants of stock, grants of stock contingent upon the attainment of performance goals and stock appreciation rights. However, no awards other than incentive and non-qualified stock options were granted under the 1994 and 1997 plans in fiscals years 1999, 1998 and 1997.

In April 1999, the shareholders of the Company adopted and approved an increase of 3,000,000 shares of Common Stock authorized for issuance under the 1997 Plan. A total of 17,040,000 shares are issuable under the 1992, 1994 and 1997 Plans, of which approximately 3,118,000 shares were available for grant at November 30, 1999.

A summary of stock option activity under the plans is as follows:

(In thousands, except per share data)	Number of Shares	Weighted Average Exercise Price Per Share
Options outstanding, December 1, 1996	8,598	$5.45
Granted	3,200	4.92
Exercised	(942)	4.43
Canceled	(1,778)	5.49
Options outstanding, November 30, 1997	9,078	5.36
Granted	3,196	7.72
Exercised	(2,126)	5.25
Canceled	(428)	4.92
Options outstanding, November 30, 1998	9,720	6.17
Granted	2,560	12.43
Exercised	(3,197)	5.80
Canceled	(1,175)	7.24
Options outstanding, November 30, 1999	7,908	8.19

At the end of fiscal years 1999, 1998 and 1997, the Company had 2,854,000 shares, 3,808,000 shares and 3,640,000 shares of exercisable options, respectively, with weighted average exercise prices of $6.66, $5.81 and $5.67 per share, respectively.

For various exercise price ranges, weighted average characteristics of outstanding stock options at November 30, 1999 were as follows:

(In thousands, except per share data)	Options Outstanding		
		Weighted Average	
Range of Exercise Price:	Number of Shares	Remaining Life (in years)	Weighted Average Exercise Price
$ 0.22- 1.67	12	4.00	$ 0.67
4.50- 6.23	2,690	6.20	5.17
6.54- 7.23	2,240	7.04	7.20
9.00-12.19	1,168	9.08	9.79
12.69-16.69	1,798	9.24	12.95
$ 0.22-16.69	7,908	7.55	$ 8.19

(In thousands, except per share data)	Options Exercisable	
Range of Exercise Price:	Number of Shares	Weighted Average Exercise Price
$ 0.22- 1.67	8	$ 0.83
4.50- 6.23	1,524	5.21
6.54- 7.23	956	7.20
9.00-12.19	178	9.81
12.69-16.69	188	12.93
$ 0.22-16.69	2,854	$ 6.66

Employee Stock Purchase Plan

The 1991 Employee Stock Purchase Plan (ESPP), as amended in April 1998, permits eligible employees to purchase up to a maximum of 1,500,000 shares of common stock of the Company at 85% of the lesser of the market value of such shares at the beginning of a 27-month offering period or the end of each three-month segment within such offering period. During fiscal years 1999, 1998 and 1997, 217,002 shares, 120,412 shares and 112,436 shares, respectively, were issued with a weighted average purchase price of $9.54, $7.63 and $4.55 per share, respectively, under the ESPP. At November 30, 1999, approximately 711,000 shares were available and reserved for issuance under the ESPP.

Pro Forma Disclosures

The pro forma disclosures are required to be determined as if the Company had accounted for its stock-based compensation arrangements granted subsequent to November 30, 1995 under the fair value method of SFAS 123.

The fair value of options and ESPP shares granted in fiscal years 1999, 1998 and 1997 reported below has been estimated at the date of grant using a Black-Scholes option valuation model with the following ranges of assumptions:

	Year Ended November 30,		
Stock Purchase Plan:	1999	1998	1997
Expected volatility	35.1-65.0%	29.2-44.1%	39.1-53.1%
Risk-free interest rate	4.1-5.4%	5.0-5.2%	5.1-5.3%
Expected life in years	1.1	0.6	0.5
Expected dividend yield	None	None	None

	Year Ended November 30,		
Stock Options:	1999	1998	1997
Expected volatility	46.5-47.5%	43.2-45.6%	43.0-44.1%
Risk-free interest rate	4.5-6.2%	4.7-5.7%	5.9-6.8%
Expected life in years	6.0	6.5	6.6
Expected dividend yield	None	None	None

For purposes of the pro forma disclosure, the estimated fair value of options is amortized to expense over the vesting period. Had compensation costs for options and ESPP shares been determined based on the Black-Scholes option valuation model as prescribed by SFAS 123, pro forma net income (loss) and pro forma diluted earnings (loss) per share would have been:

(In thousands, except per share data)	Year Ended November 30,		
	1999	1998	1997
Pro forma net income (loss)	$31,072	$20,870	$(3,040)
Pro forma diluted earnings (loss) per share	$0.79	$0.54	$(0.08)

The Black-Scholes option valuation model was developed for use in estimating fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. The Company's options have characteristics significantly different from those of traded options, and changes in the subjective input assumptions can materially affect the fair value estimate. Based on the above assumptions, the weighted average estimated fair value of options granted in fiscal years 1999, 1998 and 1997 was $6.59, $4.03 and $2.79 per share, respectively. The weighted average estimated fair value for shares issued under the ESPP in fiscal years 1999, 1998 and 1997 was $4.43, $3.08 and $2.05 per share, respectively.

The effect on pro forma net income (loss) and pro forma diluted earnings (loss) per share in fiscal years 1999, 1998 and 1997 is not necessarily indicative of the effects on pro forma net income and pro forma diluted earnings per share in future years.

Note 6: Retirement Plan

The Company maintains a retirement plan covering all U.S. employees under Section 401(k) of the Internal Revenue Code. Company contributions to the plan are at the discretion of the Board of Directors and totaled approximately $2.5 million, $2.4 million and $1.8 million for fiscal years 1999, 1998 and 1997, respectively.

Note 7: Income Taxes

The components of pretax income (loss) were as follows:

(In thousands)	Year Ended November 30,		
	1999	1998	1997
United States	$37,527	$29,236	$(1,402)
Non-U.S.	13,916	4,732	4,534
Total	$51,443	$33,968	$ 3,132

The provisions for income taxes were comprised of the following:

(In thousands)	Year Ended November 30,		
	1999	1998	1997
Current:			
Federal	$11,571	$11,419	$ 5,226
State	2,109	2,015	467
Foreign	4,785	2,610	1,996
Total current	18,465	16,044	7,689
Deferred:			
Federal	(1,902)	(3,448)	(2,316)
State	(378)	(684)	(454)
Foreign	267	(702)	(180)
Total deferred	(2,013)	(4,834)	(2,950)
Total	$16,452	$11,210	$ 4,739

The tax effects of significant items comprising the Company's deferred taxes were as follows:

(In thousands)	November 30,	
	1999	1998
Deferred tax liabilities:		
Capitalized software costs	$ (589)	$(1,112)
Total deferred tax liabilities	(589)	(1,112)
Deferred tax assets:		
Accounts receivable	2,713	2,826
Depreciation and amortization	2,559	1,688
Other current assets	1,044	720
Accrued compensation	699	70
Deferred revenue	2,657	2,784
Tax loss carryforwards	1,982	1,461
Accrued liabilities and other	2,272	1,869
Total deferred tax assets	13,926	11,418
Valuation allowance	(1,211)	(1,315)
Total	$12,126	$ 8,991

The valuation allowance applies to deferred tax assets, primarily net operating loss carryforwards, in the U.S. and in certain foreign jurisdictions where realization is not assured. The change in the valuation allowance of $0.1 million, $0.0 million and $0.4 million in fiscal years 1999, 1998 and 1997, respectively, primarily related to tax loss carryforwards. Noncurrent deferred taxes of $2.3 million and $0.6 million were included in other assets at November 30, 1999 and 1998, respectively.

The Company has net operating loss carryforwards of $3.4 million expiring on various dates through 2012 and $1.9 million which can be carried forward indefinitely.

A reconciliation of the U.S. federal statutory rate to the effective tax rate was as follows:

	Year Ended November 30,		
	1999	1998	1997
Tax at U.S. federal statutory rate	35.0%	35.0%	35.0%
Non-U.S	1.7	4.3	16.2
Foreign sales corporation	(4.5)	(4.5)	(3.5)
Research credits	(1.2)	(2.9)	(4.8)
State income taxes, net	2.2	2.5	8.5
Tax-exempt interest	(1.6)	(2.0)	(23.3)
Nondeductible in-process software development	-	-	117.3
Other	0.4	0.6	5.9
Total	32.0%	33.0%	151.3%

Note 8: Operating Leases

The Company leases certain facilities and equipment under noncancelable operating lease arrangements. Future minimum rental payments at November 30, 1999 under these leases are as follows:

(In thousands)

2000	$ 8,454
2001	7,165
2002	5,331
2003	2,540
2004	1,884
Thereafter	5,306
Total	$ 30,680

Total rent expense under all operating leases was approximately $7.4 million, $7.0 million and $6.2 million for fiscal years 1999, 1998 and 1997, respectively.

Note 9: Litigation

The Company is subject to various legal proceedings and claims, either asserted or unasserted, which arise in the ordinary course of business. While the outcome of these claims cannot be predicted with certainty, management does not believe that the outcome of any of these legal matters will have a material adverse effect on the Company's consolidated financial position or results of operations.

Note 10: Business Segment and International Operations

In June 1997, the Financial Accounting Standards Board (FASB) issued SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information" (SFAS 131). SFAS 131 requires public companies to report financial and descriptive information about their reportable operating segments, and also establishes standards for related disclosures about products and services, geographic areas and major customers. Generally, financial information is required to be reported on the basis used internally by the chief operating decision-maker to evaluate segment performance and determine resource allocation. The Company operates in a single segment consisting of the development, marketing and support of application development, deployment and management software.

The Company's revenues are derived from licensing its products, and from related services, which consist of maintenance and consulting and training. Information relating to product and service revenue from external customers is as follows:

(In thousands)	Year Ended November 30,		
	1999	1998	1997
Revenue from unaffiliated customers:			
Licenses	$131,499	$113,312	$ 95,579
Maintenance	104,230	83,613	66,064
Consulting and education	50,418	42,965	26,671
Total	$286,147	$239,890	$188,314

Revenue attributed to North America includes shipments to customers in the United States and Canada and licensing to certain multinational organizations. Revenue from Europe, Middle East, and Africa (EMEA), Latin America and Asia Pacific includes shipments to customers in each region, not including certain multinational organizations, plus export shipments into each region that are billed from the United States. Information relating to revenue from external customers from different geographical areas is as follows:

(In thousands)	Year Ended November 30,		
	1999	1998	1997
Revenue from unaffiliated customers:			
North America	$111,081	$102,893	$ 76,847
EMEA	128,012	100,507	80,501
Latin America	28,577	22,269	16,415
Asia Pacific	18,477	14,221	14,551
Total	$286,147	$239,890	$188,314

Revenue from the United Kingdom totaled $34.0 million, $24.0 million and $15.9 million for fiscal years 1999, 1998 and 1997, respectively. No other country outside of the United States exceeded 10% of the Company's consolidated total revenue in any year presented. Long-lived assets totaled $18.1 million, $20.6 million and $21.5 million in the United States and $7.2 million, $7.7 million and $7.3 million outside of the United States for fiscal years 1999, 1998 and 1997, respectively. No other individual country exceeded 10% of the Company's consolidated long-lived assets.

Independent Auditors' Report

Deloitte & Touche

To the Board of Directors and Shareholders of Progress Software Corporation:

We have audited the accompanying consolidated balance sheets of Progress Software Corporation and its subsidiaries as of November 30, 1999 and 1998, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended November 30, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Progress Software Corporation and its subsidiaries as of November 30, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended November 30, 1999, in conformity with generally accepted accounting principles.

Deloitte & Touche LLP

Boston, Massachusetts
December 17, 1999 (January 21, 2000 as to the effects of the stock split in Note 5)

Selected Quarterly Financial Data (unaudited)

(In thousands, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1999:				
Revenue	$ 67,145	$70,750	$70,159	$78,093
Income from operations	9,655	10,385	10,616	16,048
Net income	7,097	7,840	8,277	11,777
Diluted earnings per share	0.18	0.20	0.22	0.30
1998:				
Revenue	$ 54,146	$57,106	$59,482	$69,156
Income from operations	4,868	5,939	7,968	11,252
Net income	3,547	4,673	6,161	8,377
Diluted earnings per share	0.10	0.12	0.16	0.21

Note: All per share amounts have been restated to reflect the two-for-one stock split on January 21, 2000.

Market for Registrant's Common Equity and Related Shareholder Matters

The following table sets forth, for the periods indicated, the range of high and low trade prices for the Company's common stock as reported by the Nasdaq Stock Market. The Company's common stock is traded on the market under the Nasdaq symbol "PRGS."

	Year Ended November 30,			
	1999		1998	
	High	Low	High	Low
First Quarter	$19.19	$12.38	$ 9.34	$ 6.29
Second Quarter	17.63	9.94	11.54	8.46
Third Quarter	16.88	12.10	14.00	9.00
Fourth Quarter	21.25	13.94	13.59	8.63

Note: All share prices have been restated to reflect the two-for-one stock split on January 21, 2000.

The Company has not declared or paid cash dividends on its common stock and does not plan to pay cash dividends to its shareholders in the near future. The Company presently intends to retain its earnings to finance further growth of its business. As of December 31, 1999, the Company's common stock was held by approximately 5,500 shareholders of record or through nominee or street name accounts with brokers.

Corporate Information

Officers

Joseph W. Alsop
President

Joseph A. Andrews
Vice President, Human Resources

David H. Benton, Jr.
Vice President and Corporate Controller

Stephen M. Brady
Vice President, Asia Pacific Operations

Margot M. Carlson-Delogne
Vice President, Corporate Marketing

Stephen R. Casella
Vice President, Technology

Richard F. Catalano
Vice President, Information Technology

Alan C. Facey
Vice President, North American Operations

Richard R. Forberg
Vice President, SonicMQ Product Marketing

James D. Freedman
Vice President and General Counsel

David G. Ireland
Vice President and General Manager,
Worldwide Field Operations

George Kassabgi
Vice President, Apptivity Development and Product Management

Manuel E. Marrero
Vice President, Latin American Operations

Michael J. Mitsock
Vice President, ASP Business Unit

Gregory J. O'Connor
Vice President, SonicMQ Engineering and Product Management

Richard D. Reidy
Vice President, Products

Norman R. Robertson
Vice President, Finance and Administration and
Chief Financial Officer

Peter G. Sliwkowski
Vice President, Progress Development and Product Management

Jaap H. Smit
Vice President, Europe, Middle East, Africa Operations

Edward C. Sugrue
Vice President, Worldwide Customer Support and Services

Directors

Joseph W. Alsop
President, Progress Software Corporation

Larry R. Harris
President, EasyAsk, Inc.

Roger J. Heinen, Jr.
Director, various companies

Michael L. Mark
Director, various companies

Arthur J. Marks
General Partner, New Enterprise Associates

Scott A. McGregor
Senior Vice President, Philips Semiconductors, Inc.

Amram Rasiel
Director, various companies

Form 10-K and Other Investor Information

A copy of the Company's Form 10-K filed with the Securities and Exchange Commission and copies of the Quarterly Reports may be obtained without charge by calling +1 781 280-4450 or upon written request to:

Investor Relations
Progress Software Corporation
14 Oak Park
Bedford, Massachusetts 01730
E-mail: finance-info@progress.com
http://www.progress.com

Common Stock
Common stock of Progress Software Corporation trades on the Nasdaq Stock Market under the symbol "PRGS."

Annual Meeting of Shareholders of the Company will be held at
10:00 a.m. on April 20, 2000 at:
Progress Software Corporation
14 Oak Park
Bedford, Massachusetts 01730

Independent Auditors
Deloitte & Touche LLP
Boston, Massachusetts

Legal Counsel
Foley, Hoag & Eliot LLP
Boston, Massachusetts

Transfer Agent and Registrar
EquiServe–Boston EquiServe Division
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Canton, Massachusetts 02021

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Brisbane
Melbourne (Malvern East)
Sydney (Pymble)

Austria
Vienna (Voesendorf)

Bahrain
Salihiya (*Synergy Systems*)

Barbados
Bridgetown (*Regional Business Systems*)

Belgium
Brussels (Zaventem)

Bermuda
Hamilton (*Business Systems, Ltd.*)
Hamilton (*SoftPro System Services*)

Bolivia
La Paz (*A.T.I.*)

Brazil
Sao Paulo

Bulgaria
Sofia (*CTC, Ltd.*)

Cameroon
Yaounde (*CGICOM*)

Canada
Calgary, Alberta
Toronto, Ontario (Mississauga)
Vancouver, B.C.

Chile
Santiago (*CYMA, S.A.*)

China
Beijing
Hong Kong

Colombia
Bogota

Costa Rica
San Jose (*Reinsa*)

Croatia
Varazdin (*Infodesign*)

Cyprus
Nicosia (*4th GL Prodata*)

Czech Republic
Prague

Denmark
Copenhagen (Ballerup)

Ecuador
Quito (*Unisysdata, S.A.*)

Estonia
Tallinn (*IC Systems*)

Finland
Helsinki (Espoo)

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Lyon
Paris

Germany
Cologne
Munich
Stuttgart

Greece
Athens (*Singular, S.A.*)

Guatemala
Guatemala City
(*Soluciones de Centro America, S.A.*)

Honduras
Tegucigalpa (*Prosoft S. de R.L. de C.V.*)

Hungary
Budapest (*Online, Ltd.*)

Iceland
Reykjavik (*Taeknival*)

India
New Delhi (*JK Technosoft*)

Indonesia
Jakarta (*PT Programa Reka Piranti*)

Israel
Tel Aviv (*Moding Ltd., Netanya*)

Italy
Milan

Ivory Coast
Abidjan (*Informatique Development*)

Japan
Tokyo

Jordan
Amman (*GCEsoft*)

Korea
Seoul (*C & C Enterprise Co., Ltd.*)

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Vilnius (*Baltic Amadeus*)

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Capelle a/d IJssel

New Zealand
Auckland (*Team Progress*)

Nigeria
Lagos (*Inlaks Computers*)

Norway
Oslo (Billingstadsletta)

Pakistan
Karachi
(*Alrashid Microcomputers (pvt) Ltd.*)

Panama
Panama City
(*Original Software & Consult, Inc.*)

Peru
Lima (*Soluciones Progress, S.A.*)

Philippines
Manila (*First Technologies Phils. Inc.*)

Poland
Warsaw

Portugal
Lisbon (*ENS*, Leca de Palmeira)

Puerto Rico
San Juan (*Computer Distributors, Inc.*,)
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Riyadh (*Saudico Electronics System*)

Singapore

Slovakia
Bratislava (*Nitra, TTC s.r.o.*)

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Stockholm (Kista)

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Taipei (*Ivan Information Technology Company*)

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Tunis (*Discovery Informatiques*)

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(*P+ Veritabani ve Yazilim Hizmetteri Ltd.*)

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Dallas, Texas (Irving)
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