

Progress Software Corporation
Reconciliation of Non-GAAP Financial Measures to GAAP

<i>(In thousands except per share data)</i>	Feb 28, 2007	May 31, 2007	Aug 31, 2007	Nov 30, 2007	Feb 29, 2008	May 31, 2008	Aug 31, 2008	Nov 30, 2008	Feb 28, 2009	May 31, 2009	Fiscal 2006	Fiscal 2007	Fiscal 2008	YTD 2008	YTD 2009
GAAP income from operations	\$ 12,353	\$ 11,289	\$ 17,803	\$ 15,771	\$ 17,148	\$ 20,604	\$ 18,107	\$ 8,524	\$ 4,719	\$ 11,541	\$ 40,943	\$ 57,216	\$ 64,383	\$ 37,752	\$ 16,260
Non-GAAP adjustments:															
Stock-based compensation expense (1)	5,015	8,814	4,178	4,926	3,970	4,110	3,532	7,706	3,816	4,249	23,068	22,933	19,318	8,080	8,065
Amortization of purchased intangibles	4,471	4,439	4,316	4,169	4,047	4,166	4,327	6,918	7,094	7,543	15,508	17,395	19,458	8,213	14,637
Impairment of goodwill	-	-	-	8,174	-	-	-	-	-	-	-	8,174	-	-	-
Purchase accounting adjustment for deferred revenue	-	-	-	-	-	-	-	2,696	1,548	695	-	-	2,696	-	2,243
Stock option investigation-related expenses (2)	1,682	755	896	396	329	267	1,270	1,137	31	170	3,316	3,729	3,003	596	201
Restructuring and acquisition-related expenses	-	-	-	-	-	-	-	7,043	5,588	80	1,849	-	7,043	-	5,668
Non-GAAP income from operations	\$ 23,521	\$ 25,297	\$ 27,193	\$ 33,436	\$ 25,494	\$ 29,147	\$ 27,236	\$ 34,024	\$ 22,796	\$ 24,278	\$ 84,684	\$ 109,447	\$ 115,901	\$ 54,641	\$ 47,074
GAAP net income	\$ 8,738	\$ 8,391	\$ 13,047	\$ 12,104	\$ 12,836	\$ 14,471	\$ 12,537	\$ 6,452	\$ 3,652	\$ 6,906	\$ 29,401	\$ 42,280	\$ 46,296	\$ 27,307	\$ 10,558
Non-GAAP adjustments to income from operations	11,168	14,008	9,390	17,665	8,346	8,543	9,129	25,500	18,077	12,737	43,741	52,231	51,518	16,889	30,814
Tax impact of the non-GAAP adjustments	(3,663)	(4,633)	(2,992)	(5,820)	(2,618)	(2,648)	(2,695)	(7,962)	(5,969)	(3,587)	(14,176)	(17,108)	(15,923)	(5,266)	(9,556)
Non-GAAP net income	\$ 16,243	\$ 17,766	\$ 19,445	\$ 23,949	\$ 18,564	\$ 20,366	\$ 18,971	\$ 23,990	\$ 15,760	\$ 16,056	\$ 58,966	\$ 77,403	\$ 81,891	\$ 38,930	\$ 31,816
Weighted average shares - diluted	43,437	43,636	44,152	44,544	44,174	43,238	42,156	41,141	40,521	40,697	43,271	43,943	42,677	43,706	40,609
GAAP diluted earnings per share	\$0.20	\$0.19	\$0.30	\$0.27	\$0.29	\$0.33	\$0.30	\$0.16	\$0.09	\$0.17	\$0.68	\$0.96	\$1.08	\$0.62	\$0.26
Non-GAAP diluted earnings per share	\$0.37	\$0.41	\$0.44	\$0.54	\$0.42	\$0.47	\$0.45	\$0.58	\$0.39	\$0.39	\$1.36	\$1.76	\$1.92	\$0.89	\$0.78

(1) Stock-based compensation included within:

Cost of licenses	\$ 31	\$ 43	\$ 24	\$ 31	\$ 22	\$ 13	\$ 12	\$ 24	\$ 12	\$ 8	\$ 148	\$ 129	\$ 71	\$ 35	\$ 20
Cost of maintenance and services	357	511	286	368	267	226	212	465	237	231	1,692	1,522	1,170	493	468
Sales and marketing	1,847	2,678	1,499	1,973	1,431	1,419	1,335	2,798	1,488	1,398	8,559	7,997	6,983	2,850	2,886
Product development	1,151	1,715	960	1,267	919	937	881	1,851	944	1,003	5,282	5,093	4,588	1,856	1,947
General and administrative	1,629	3,867	1,409	1,287	1,331	1,515	1,092	2,568	1,135	1,609	7,387	8,192	6,506	2,846	2,744
Total	\$ 5,015	\$ 8,814	\$ 4,178	\$ 4,926	\$ 3,970	\$ 4,110	\$ 3,532	\$ 7,706	\$ 3,816	\$ 4,249	\$ 23,068	\$ 22,933	\$ 19,318	\$ 8,080	\$ 8,065

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