

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

<i>(In thousands except per share data)</i>	Feb 28, 2006	May 31, 2006	Aug 31, 2006	Nov 30, 2006	Feb 28, 2007	May 31, 2007	Aug 31, 2007	Nov 30, 2007	Feb 29, 2008	May 31, 2008	Aug 31, 2008	Nov 30, 2008	Fiscal 2005	Fiscal 2006	Fiscal 2007	Fiscal 2008
GAAP income from operations	\$ 8,270	\$ 11,007	\$ 12,187	\$ 9,479	\$ 12,353	\$ 11,289	\$ 17,803	\$ 15,771	\$ 17,148	\$ 20,604	\$ 18,107	\$ 8,524	\$ 59,950	\$ 40,943	\$ 57,216	\$ 64,383
Non-GAAP adjustments:																
Stock-based compensation expense (1)	5,942	5,824	5,108	6,194	5,015	8,814	4,178	4,926	3,970	4,110	3,532	7,706	2,746	23,068	22,933	19,318
Amortization of purchased intangibles	2,907	3,977	4,216	4,408	4,471	4,439	4,316	4,169	4,047	4,166	4,327	6,918	9,399	15,508	17,395	19,458
Impairment of goodwill	-	-	-	-	-	-	-	8,174	-	-	-	-	-	-	8,174	-
Purchase accounting adjustment for deferred revenue	-	-	-	-	-	-	-	-	-	-	-	2,696	-	-	-	2,696
Compensation expense from repurchase of subsidiary stock options	-	-	-	-	-	-	-	-	-	-	-	-	2,803	-	-	-
Stock option investigation-related expenses (2)	-	-	1,304	2,012	1,682	755	896	396	329	267	1,270	1,137	-	3,316	3,729	3,003
Restructuring and acquisition-related expenses	1,534	297	3	15	-	-	-	-	-	-	-	7,043	3,403	1,849	-	7,043
Non-GAAP income from operations	\$ 18,653	\$ 21,105	\$ 22,818	\$ 22,108	\$ 23,521	\$ 25,297	\$ 27,193	\$ 33,436	\$ 25,494	\$ 29,147	\$ 27,236	\$ 34,024	\$ 78,301	\$ 84,684	\$ 109,447	\$ 115,901
GAAP net income	\$ 5,909	\$ 7,718	\$ 8,870	\$ 6,904	\$ 8,738	\$ 8,391	\$ 13,047	\$ 12,104	\$ 12,836	\$ 14,471	\$ 12,537	\$ 6,452	\$ 46,257	\$ 29,401	\$ 42,280	\$ 46,296
Non-GAAP adjustments to income from operations	10,383	10,098	10,631	12,629	11,168	14,008	9,390	17,665	8,346	8,543	9,129	25,500	18,351	43,741	52,231	51,518
Tax impact of the non-GAAP adjustments	(3,347)	(3,105)	(3,621)	(4,103)	(3,663)	(4,633)	(2,992)	(5,820)	(2,618)	(2,648)	(2,695)	(7,962)	(5,994)	(14,176)	(17,108)	(15,923)
Reversal of previously established tax reserve	-	-	-	-	-	-	-	-	-	-	-	-	(3,800)	-	-	-
Non-GAAP net income	\$ 12,945	\$ 14,711	\$ 15,880	\$ 15,430	\$ 16,243	\$ 17,766	\$ 19,445	\$ 23,949	\$ 18,564	\$ 20,366	\$ 18,971	\$ 23,990	\$ 54,814	\$ 58,966	\$ 77,403	\$ 81,891
Weighted average shares - diluted	43,057	43,473	42,901	43,643	43,437	43,636	44,152	44,544	44,174	43,238	42,156	41,141	41,424	43,271	43,943	42,677
GAAP diluted earnings per share	\$0.14	\$0.18	\$0.21	\$0.16	\$0.20	\$0.19	\$0.30	\$0.27	\$0.29	\$0.33	\$0.30	\$0.16	\$1.12	\$0.68	\$0.96	\$1.08
Non-GAAP diluted earnings per share	\$0.30	\$0.34	\$0.37	\$0.35	\$0.37	\$0.41	\$0.44	\$0.54	\$0.42	\$0.47	\$0.45	\$0.58	\$1.32	\$1.36	\$1.76	\$1.92

(1) Stock-based compensation included within:

Cost of licenses	\$ 40	\$ 37	\$ 33	\$ 38	\$ 31	\$ 43	\$ 24	\$ 31	\$ 22	\$ 13	\$ 12	\$ 24	\$ 21	\$ 148	\$ 129	\$ 72
Cost of maintenance and services	450	427	374	441	357	511	286	368	267	226	212	465	202	1,692	1,522	1,170
Sales and marketing	2,224	2,160	1,894	2,281	1,847	2,678	1,499	1,973	1,431	1,419	1,335	2,798	1,050	8,559	7,997	6,982
Product development	1,354	1,335	1,171	1,422	1,151	1,715	960	1,267	919	937	881	1,851	571	5,282	5,093	4,588
General and administrative	1,874	1,865	1,636	2,012	1,629	3,867	1,409	1,287	1,331	1,515	1,092	2,568	902	7,387	8,192	6,506
Total	\$ 5,942	\$ 5,824	\$ 5,108	\$ 6,194	\$ 5,015	\$ 8,814	\$ 4,178	\$ 4,926	\$ 3,970	\$ 4,110	\$ 3,532	\$ 7,706	\$ 2,746	\$ 23,068	\$ 22,933	\$ 19,318

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