SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

[X] Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the Quarterly Period Ended May 31, 2000

OR

[ ] Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Commission File Number: 0-19417

PROGRESS SOFTWARE CORPORATION
(Exact name of registrant as specified in its charter)

MASSACHUSETTS	04-2746201
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

14 Oak Park
Bedford, Massachusetts 01730
(Address of principal executive offices)
Telephone Number: (781) 280-4000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and, (2) has been subject to such filing requirements for the past 90 days:

Yes X No

As of July 9, 2000, there were 35,638,000 shares of the Registrant's Common Stock, $.01 par value per share, outstanding.

PROGRESS SOFTWARE CORPORATION

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED MAY 31, 2000

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

PROGRESS SOFTWARE CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)
(Unaudited)

	May 31, 2000	November 30, 1999
ASSETS		
Current assets:		
Cash and equivalents	$101,276	$ 81,651
Short-term investments	67,332	77,014
Accounts receivable (less allowances of $7,269 in 2000 and $7,259 in 1999)	49,636	47,952
Other current assets	14,297	9,406
Deferred income taxes	10,782	9,836
Total current assets	243,323	225,859
Property and equipment-net	21,417	20,594
Capitalized software costs-net	2,828	3,155
Other assets	9,558	6,946
Total	$277,126	$256,554
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 11,295	$ 14,041
Accrued compensation and related taxes	15,802	24,344
Income taxes payable	11,746	8,723
Other current liabilities	10,524	8,962
Deferred revenue	70,465	58,173
Total current liabilities	119,832	114,243
Commitments and contingent liabilities		
Shareholders' equity:		
Preferred stock, $.01 par value; authorized, 1,000 shares; issued, none	--	--
Common stock and additional paid in capital, $.01 par value; authorized, 100,000 shares in 2000 and 75,000 in 1999; issued 35,648 in 2000 and 35,553 shares in 1999	41,616	40,491
Retained earnings	118,982	103,904
Accumulated other comprehensive loss	(3,304)	(2,084)
Total shareholders' equity	157,294	142,311
Total	$277,126	$256,554

See notes to condensed consolidated financial statements.

PROGRESS SOFTWARE CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)
(Unaudited)

	Three Months Ended May 31,		Six Months Ended May 31,	
	2000	1999	2000	1999
Revenue:				
Software licenses	$26,135	$ 32,124	$ 59,372	$ 65,253
Maintenance and services	41,265	38,626	80,159	72,642
Total revenue	67,400	70,750	139,531	137,895
Costs and expenses:				
Cost of software licenses	2,279	3,140	5,040	6,246
Cost of maintenance and services	13,659	13,198	27,650	25,711
Sales and marketing	23,880	27,131	49,918	52,914
Product development	9,446	9,895	19,805	19,189
General and administrative	7,079	7,001	14,415	13,795
Total costs and expenses	56,343	60,365	116,828	117,855
Income from operations	11,057	10,385	22,703	20,040
Other income (expense):				
Interest income	2,038	1,199	3,848	2,406
Foreign currency gain (loss)	998	(43)	893	(549)
Minority interest	--	35	--	94
Other income (expense)	11	(46)	(5)	(25)
Total other income	3,047	1,145	4,736	1,926
Income before provision for income taxes	14,104	11,530	27,439	21,966
Provision for income taxes	4,513	3,690	8,780	7,029
Net income	$ 9,591	$ 7,840	$ 18,659	$ 14,937
Basic earnings per share	$ 0.27	$ 0.23	$ 0.52	$ 0.43
Weighted average shares (basic)	35,736	34,436	35,703	34,540
Diluted earnings per share	$ 0.24	$ 0.20	$ 0.46	$ 0.38
Weighted average shares (diluted)	40,039	38,858	40,353	39,502

See notes to condensed consolidated financial statements.

PROGRESS SOFTWARE CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended May 31, 2000	Six Months Ended May 31, 1999
Cash flows from operating activities:		
Net income	$ 18,659	$ 14,937
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	4,775	5,379
Amortization of capitalized software costs	852	1,081
Amortization of intangible assets	360	329
Deferred income taxes	(966)	(361)
Minority interest	--	(94)
Other noncash charges	285	30
Changes in operating assets and liabilities:		
Accounts receivable	(3,560)	(5,157)
Other current assets	(5,002)	(909)
Accounts payable and accrued expenses	(8,766)	(4,986)
Income taxes payable	4,737	995
Deferred revenue	14,327	8,539
Total adjustments	7,042	4,846
Net cash provided by operating activities	25,701	19,783
Cash flows from investing activities:		
Purchases of investments available for sale	(28,417)	(32,857)
Maturities of investments available for sale	37,794	24,069
Purchases of property and equipment	(5,914)	(4,588)
Capitalized software costs	(525)	(181)
Acquisition of distributor	(2,100)	--
Increase in other noncurrent assets	(1,570)	(1,606)
Net cash used for investing activities	(732)	(15,163)
Cash flows from financing activities:		
Proceeds from issuance of common stock	4,122	8,108
Repurchase of common stock	(8,128)	(22,408)
Net cash used for financing activities	(4,006)	(14,300)
Effect of exchange rate changes on cash	(1,338)	309
Net increase (decrease) in cash and equivalents	19,625	(9,371)
Cash and equivalents, beginning of period	81,651	50,155
Cash and equivalents, end of period	$ 101,276	$ 40,784
Supplemental disclosure of noncash financing activities:		
Income tax benefit from employees' exercise of stock options	$ 1,473	$ 3,774

See notes to condensed consolidated financial statements.

PROGRESS SOFTWARE CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared by Progress Software Corporation (the Company) pursuant to the rules and regulations of the Securities and Exchange Commission regarding interim financial reporting. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements and should be read in conjunction with the audited financial statements included in the Company's Annual Report and Form 10-K for the fiscal year ended November 30, 1999.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements have been prepared on the same basis as the audited financial statements, and include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results of the interim periods presented. The operating results for the interim periods presented are not necessarily indicative of the results expected for the full fiscal year.

All share and per share information reflects the impact of the two-for-one stock split which was effective on January 21, 2000.

The Company operates in a single segment consisting of the development, marketing and support of application development, deployment and management software.

2. Income Taxes

The Company provides for income taxes at the end of each interim period based on the estimated effective tax rate for the full fiscal year. Cumulative adjustments to the tax provision are recorded in the interim period in which a change in the estimated annual effective rate is determined.

3. 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.

4. Comprehensive Income

Comprehensive income includes foreign currency translation gains and losses, net of tax, and unrealized gains and losses on equity securities, net of tax, that have been previously excluded from net income and reflected instead in stockholders' equity. The following tables set forth the calculation of comprehensive income on an interim basis:

	Three Months Ended May 31, 2000	Three Months Ended May 31, 1999
Net income	$ 9,591	$ 7,840
Foreign currency translation adjustments	(695)	1,213
Unrealized holding losses on investments	(130)	(288)
Total comprehensive income	$ 8,766	$ 8,765

	Six Months Ended May 31, 2000	1999
Net income	$18,659	$14,937
Foreign currency translation adjustments	(914)	(552)
Unrealized holding losses on investments	(306)	(339)
Total comprehensive income	$17,439	$14,046

5. Acquisition

In January 2000, the Company, through a wholly-owned subsidiary, acquired certain assets of its distributor in South Africa for $2.1 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 will be 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 material.

6. 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.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

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 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	
	Three Months Ended		Six Months Ended			
	May 31, 2000	May 31, 1999	May 31, 2000	May 31, 1999	Three Month Period	Six Month Period
Revenue:						
Software licenses	39%	45%	43%	47%	(19)%	(9)%
Maintenance and services	61	55	57	53	7	10
Total revenue	100	100	100	100	(5)	1
Costs and expenses:						
Cost of software licenses	3	4	4	4	(27)	(19)
Cost of maintenance and services	20	19	21	19	3	8
Sales and marketing	36	38	36	38	(12)	(6)
Product development	14	14	14	14	(5)	3
General and administrative	11	10	10	10	1	4
Total costs and expenses	84	85	85	84	(7)	(1)
Income from operations	16	15	15	15	6	13
Other income	5	1	4	1	166	146
Income before provision for income taxes	21	16	20	16	22	25
Provision for income taxes	7	5	7	5	22	25
Net income	14%	11%	13%	11%	22%	25%

The Company's total revenue decreased 5% from $70.8 million in the second quarter of fiscal 1999 to $67.4 million in the second quarter of fiscal 2000. The Company's total revenue increased 1% from $137.9 million in the first six months of fiscal 1999 to $139.5 million in the first six months of fiscal 2000. Software license revenue decreased 19% from $32.1 million in the second quarter of fiscal 1999 to

$26.1 million in the second quarter of fiscal 2000. Software license revenue decreased 9% from $65.3 million in the first six months of fiscal 1999 to $59.4 million in the first six months of fiscal 2000.

The decrease in software license revenue in the second quarter and in the first six months of fiscal 2000 was due to a slowdown in revenue from Independent Software Vendors (ISVs), especially those in the enterprise resource planning or ERP sector. In addition, the Company's license revenue was adversely affected by the strong dollar, especially relative to the Euro. The decrease in license revenue for the first six months was also affected by a shift in the buying patterns of customers due to a purchasing slowdown around the millenium changeover. Software license revenue from development products, such as Progress ProVision, and most deployment products, including Progress RDBMS, decreased year over year. Partially offsetting the softness in these product groups were new Internet-focused products, primarily Progress WebSpeed and to a lesser extent Progress SonicMQ, which significantly increased year over year. However, these products currently represent a small percentage of total software license revenue.

Maintenance and services revenue increased 7% from $38.6 million in the second quarter of fiscal 1999 to $41.3 million in the second quarter of fiscal 2000. Maintenance and services revenue increased 10% from $72.6 million in the first six months of fiscal 1999 to $80.2 million in the first six months of fiscal 2000. 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 businesses in order to take advantage of the market opportunities associated with companies buying packaged applications and engaging service providers to Web-enable, customize or integrate such packages with other applications.

Total revenue generated in markets outside North America decreased 1% from $41.5 million in the second quarter of fiscal 1999 to $41.4 million in the second quarter of fiscal 2000. Such revenue represented 61% of total revenue in the second quarter of fiscal 2000 as compared to 59% of total revenue in the second quarter of fiscal 1999. Total revenue generated in markets outside North America would have represented 63% of total revenue in the second quarter of fiscal 2000 if exchange rates had been constant as compared to the exchange rates in effect in the second quarter of fiscal 1999. On a constant currency basis, total revenue in the second quarter of fiscal 2000 would have been the same as in the second quarter of fiscal 1999 versus the 5% decrease reported.

Total revenue generated in markets outside North America increased 5% from $83.1 million in the first six months of fiscal 1999 to $86.9 million in the first six months of fiscal 2000. Such revenue represented 62% of total revenue in the first six months of fiscal 2000 as compared to 60% in the first six months of fiscal 1999. Total revenue generated in markets outside North America would have represented 64% of total revenue in the first six months of fiscal 2000 if exchange rates had been constant as compared to the exchange rates in effect in the first six months of fiscal 1999. On a constant currency basis, total revenue would have increased by 7% versus the 1% reported in the first six months of fiscal 2000.

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 decreased 27% from $3.1 million in the second quarter of fiscal 1999 to $2.3 million in the second quarter of fiscal 2000 and decreased as a percentage of software license revenue from 10% to 9%. Cost of software licenses decreased 19% from $6.2 million in the first six months of fiscal 1999 to $5.0 million in the first six months of fiscal 2000 and decreased as a percentage of software license revenue from 10% to 8%. The dollar and percentage decreases were primarily due to lower documentation and media costs and, to a lesser extent, lower amortization expense from previously capitalized software costs.

Cost of maintenance and services consists primarily of costs of providing customer technical support, education and consulting. Cost of maintenance and services increased 3% from $13.2 million in the second quarter of fiscal 1999 to $13.7 million in the second quarter of fiscal 2000, but decreased as a percentage of maintenance and services revenue from 34% to 33%. Cost of maintenance and services increased 8% from $25.7 million in the first six months of fiscal 1999 to $27.7 million in the first six months of 2000, but decreased as a percentage of maintenance and services revenue from 35% to 34%. The slight margin percentage improvement was primarily due to maintenance revenue increasing at a faster rate than the related support costs in fiscal 2000 as compared to fiscal 1999. The dollar increase was due primarily to an increase in the technical support, consulting and education staff in the first half of fiscal 2000 as compared to the first half of fiscal 1999. The Company expects its headcount for technical support, consulting and education to continue to increase through the remainder of fiscal 2000 primarily due to the need to satisfy increased demand for consulting and education services. However, there can be no assurance that the Company will be successful in recruiting and retaining such personnel.

Sales and marketing expenses decreased 12% from $27.1 million in the second quarter of fiscal 1999 to $23.9 million in the second quarter of fiscal 2000 and decreased as a percentage of total revenue from 38% to 36%. Sales and marketing expenses decreased 6% from $52.9 million in the first six months of fiscal 1999 to $49.9 million in the first six months of fiscal 2000 and decreased as a percentage of total revenue from 38% to 36%. The percentage decrease was due to the Company's efforts to manage sales and marketing expenses at a rate of growth below the rate of revenue growth. Excluding the impact of expenses associated with its two upcoming user conferences, the Company is planning to increase sales and marketing expenses at a slower rate of growth than revenue during the remainder of fiscal 2000. The dollar decrease in the second quarter and first half of fiscal 2000 as compared to the corresponding periods of fiscal 1999 was also due to the timing of the Company's user conference event in fiscal 1999 and a decrease in the level of discretionary marketing spending. The amount of discretionary marketing expenses can vary from period to period depending on the timing of significant trade shows, advertising campaigns and direct mail solicitations. An increase in personnel and related expenses from slightly higher headcount partially offset these decreases in the first six months of fiscal 2000 as compared to the first six months of fiscal 1999.

Product development expenses decreased 5% from $9.9 million in the second quarter of fiscal 1999 to $9.4 million in the second quarter of fiscal 2000, but remained the same percentage of total revenue in each period. Product development expenses increased 3% from $19.2 million in the first six months of fiscal 1999 to $19.8 million in the first six months of fiscal 2000 and remained the same percentage of total revenue in each period. The decrease in expenses in the second quarter was primarily due to lower headcount and the use of fewer outside contractors. Major product development efforts in the first half of fiscal 2000 primarily related to the development of the next versions of the Company's various product lines, including Progress Version 9.1 and Progress SonicMQ. Capitalized software costs represented approximately 1% of total product development spending in the second quarter of fiscal 2000 and fiscal 1999. Capitalized software costs represented 3% of total product development spending in the first half of fiscal 2000 versus 1% in the first half of fiscal 1999. The increase in the percentage of capitalized software costs was due to the timing and stage of development of significant projects that qualify for capitalization under the Company's software capitalization policy.

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 1% from $7.0 million in the second quarter of fiscal 1999 to $7.1 million in the second quarter of fiscal 2000 and increased as a percentage of total revenue from 10% to 11%. General and administrative expenses increased 4% from $13.8 million in the first six months of fiscal 1999 to $14.4 million in the first six months of fiscal 2000, but remained the same percentage of total revenue in each period. The dollar increase in general and administrative expenses was primarily due to an increase in headcount due to growth in the Company's overseas operations.

Other income increased 166% from $1.1 million in the second quarter of fiscal 1999 to $3.0 million in the second quarter of fiscal 2000. Other income increased 146% from $1.9 million in the first six months of fiscal 1999 to $4.7 million in the first six months of fiscal 2000. The increase in each period was primarily due to an increase in interest income from higher average cash balances and from higher interest rates and foreign exchange gains under the Company's hedging programs.

The Company's effective tax rate was 32% in each period of fiscal 1999 and fiscal 2000 and was based upon the estimated effective tax rate for the full fiscal year.

LIQUIDITY AND CAPITAL RESOURCES

At the end of the second quarter of fiscal 2000, the Company's cash and short-term investments totaled $168.6 million. The increase in the balance of $9.9 million since the end of fiscal 1999 resulted from cash generated from operations and proceeds from stock issuances under the Company's stock purchase plan and exercise of stock options, partially offset by common stock repurchases and capital expenditures.

The Company generated $25.7 million in cash from operations in the first six months of fiscal 2000 as compared to $19.8 million in the first six months of fiscal 1999. The increase was primarily due to higher net income and an increase in deferred revenue, primarily from maintenance, partially offset by an increase in other current assets, primarily from prepaid user conference expenses and prepaid royalties. The Company's accounts receivable days sales outstanding (DSO) was 66 days at the end of the second quarter of fiscal 2000 as compared to 63 days at the end of the first quarter of fiscal 2000 and 55 days at the end of fiscal 1999. The Company targets a DSO range of 55 to 75 days. The increase in DSO was attributable to the mix and timing of revenue during the quarter.

The Company purchased $5.9 million of property and equipment in the first six months of fiscal 2000 and $4.6 million in the first six months of fiscal 1999. The purchases 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.

The Company purchased and retired 412,600 shares of its common stock for $8.1 million in the first six months of fiscal 2000 as compared to 1,852,000 shares for $22.4 million in the first six months of fiscal 1999. 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 and purchase plans. At May 31, 2000, approximately 9,600,000 shares of common stock remained available for repurchase under this authorization.

In January 2000, the Company, through a wholly-owned subsidiary, acquired certain assets of its distributor in South Africa for $2.1 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 will be 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 material. The Company financed this acquisition primarily from cash generated from operations.

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 at least the next twelve months.

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.

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.

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 March 2000, the Company began shipping the latest major enhancement to the Progress product line, Progress Version 9.1. The Company began commercial shipments of Progress SonicMQ, an Internet messaging server, in December 1999. The Company believes that the Progress product set and Progress SonicMQ have features and functionality that enable the Company to compete effectively with other vendors of application development products, but 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 Independent Software Vendor (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 expects to devote significant resources to enable 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 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.

International sales through subsidiaries totaled approximately 59% of the Company's total revenue in the first half of fiscal 2000 as compared to 57% in the first half of fiscal 1999. 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 fluctuation 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.

ITEM 3. 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.

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.

PART II. OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At the Annual Meeting of Shareholders of the Company held on April 20, 2000, the shareholders voted on the items described below:

- To fix the numbers of directors at seven:

Affirmative Votes Cast	Negative Votes Cast	Votes Abstaining
29,381,302	943,131	522,223

- To elect the following seven directors: Joseph W. Alsop, Larry R. Harris, Roger J. Heinen, Jr., Michael L. Mark, Arthur J. Marks, Scott A. McGregor and Amram Rasiel:

Nominee	For	Withhold Authority
Joseph W. Alsop	30,199,299	647,357
Larry R. Harris	30,199,841	646,815
Roger J. Heinen, Jr.	30,199,841	646,815
Michael L. Mark	30,200,947	645,709
Arthur J. Marks	30,200,947	645,709
Scott A. McGregor	30,199,747	646,909
Amram Rasiel	30,199,785	646,871

- To act upon a proposal to amend the Company's Restated Articles of Organization to increase the authorized Common Stock, $.01 par value per share, of the Company from 75,000,000 shares to 100,000,000 shares.

Affirmative Votes Cast	Negative Votes Cast	Votes Abstaining
28,427,333	2,387,829	31,494

- To act upon a proposal to amend the Company's 1997 Stock Incentive Plan to increase the maximum number of shares that may be issued under such plan from 5,040,000 shares to 7,540,000 shares:

Affirmative Votes Cast	Negative Votes Cast	Votes Abstaining	Broker Non-votes
12,031,628	11,289,013	54,533	7,471,482

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a) Exhibits

27.1 - Financial Data Schedule (EDGAR Version Only)

b) Reports on Form 8-K

No reports on Form 8-K were filed during the quarter ended May 31, 2000.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PROGRESS SOFTWARE CORPORATION
(Registrant)

Dated: July 13, 2000 /s/ Joseph W. Alsop

Joseph W. Alsop
President
(Principal Executive Officer)

Dated: July 13, 2000 /s/ Norman R. Robertson

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

Dated: July 13, 2000 /s/ David H. Benton, Jr.

David H. Benton, Jr.
Vice President and Corporate Controller
(Principal Accounting Officer)

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTAINED IN THE COMPANY'S FORM 10-Q FOR THE THREE MONTHS ENDING MAY 31, 2000 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

6-MOS
NOV-30-2000
DEC-01-1999
MAY-31-2000
101,276
67,332
56,905
7,269
0
243,323
72,416
50,999
277,126
119,832
0
0
0
41,616
115,678
277,126
59,372
139,531
5,040
116,828
0
0
0
27,439
8,780
18,659
0
0
0
18,659
0.52
0.46