UNITED STATES SECURITIES AND EXCHANGE COMMISSION Washington D.C., 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): June 22, 2010

Progress Software Corporation

(Exact name of registrant as specified in its charter)

Commission file number: 033-41752

Massachusetts (State or other jurisdiction of incorporation or organization) 04-2746201 (I.R.S. employer identification no.)

14 Oak Park Bedford, Massachusetts 01730 (Address of principal executive offices, including zip code)

(781) 280-4000

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Section 2 — Financial Information

Item 2.02 Results of Operations and Financial Condition

On June 22, 2010, Progress Software Corporation issued a press release announcing financial results for its second fiscal quarter ended May 31, 2010. The company also posted a copy of its supplemental prepared remarks with respect to the completed quarter on the Investor Relations section of its website at www.progress.com. A copy of the press release and a copy of the prepared remarks are furnished herewith as Exhibits 99.1 and 99.2, respectively.

This information shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not incorporated by reference into any filing of the company, whether made before or after the date of this report, regardless of any general incorporation language in the filing.

Section 9 — Financial Statements and Exhibits

Item 9.01 Financial Statements and Exhibits

(c) Exhibits

- 99.1 Press Release dated June 22, 2010
- 99.2 Prepared Remarks

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 hereunto duly authorized.

Date: June 22, 2010

Progress Software Corporation

By: /s/ Norman R. Robertson

Senior Vice President, Finance and Administration and Chief Financial Officer



PRESS ANNOUNCEMENT

John Stewart Progress Software Corporation (781) 280-4101 jstewart@progress.com Claire Rowberry Lewis PR (617) 226-8841 progress@lewispr.com

PROGRESS SOFTWARE REPORTS 2010 SECOND QUARTER RESULTS

Non-GAAP Total Revenue Up 9%; Non-GAAP Earnings Per Share Up 51%; Enterprise Business Solutions Revenue Up 39%

BEDFORD, Mass., June 22, 2010—<u>Progress Software Corporation</u> (NASDAQ: PRGS), a leading software provider that enables enterprises to be <u>operationally responsive</u> announced today results for its second quarter ended May 31, 2010. On a generally accepted accounting principles (GAAP) basis, revenue for the quarter was \$127.7 million, up 9 percent from \$117.0 million in the second quarter of fiscal 2009. On a non-GAAP basis, revenue totaled \$128.3 million, up 9 percent compared to the same period a year ago. Software license revenue increased 15 percent to \$44.2 million from \$38.5 million in the same quarter last year.

On a GAAP basis:

- Operating income increased 97 percent to \$22.7 million in the second quarter of fiscal 2010 as compared to \$11.5 million in the same quarter last year;
- Net income increased 176 percent to \$19.1 million from \$6.9 million in the same quarter last year;
- Diluted earnings per share increased 153 percent to 43 cents in the second quarter of fiscal 2010 as compared to 17 cents in the same quarter a year ago.

On a non-GAAP basis:

- Operating income increased 48 percent to \$35.9 million in the second quarter of fiscal 2010 as compared to \$24.3 million in the same quarter last year;
- Non-GAAP net income increased 64 percent to \$26.3 million from \$16.1 million in the same quarter last year;
- Non-GAAP diluted earnings per share increased 51 percent to 59 cents in the second quarter of fiscal 2010 as compared to 39 cents in the same quarter last year.

Richard D. Reidy, president and chief executive officer of Progress Software, said: "We grew total non-GAAP revenue by nine percent and increased revenue in our high-growth Enterprise Business Solutions portfolio, which includes the recently announced <u>Progress® Responsive Process ManagementTM</u> (<u>RPM</u>) suite, by 39 percent year-over-year. Additionally, our Application Development Platforms group, which includes the <u>Progress OpenEdge® SaaS</u> <u>platform</u>, grew by nine percent year-over-year. The company's solid top line growth, coupled with disciplined expense management, were key factors in generating an increase in our non-GAAP earnings per share by 51 percent during the quarter."

Reidy added: "On the products side, we launched two new solution accelerators (the Progress® Order Management Stability [OMS] and Progress® Market Surveillance and Monitoring solution accelerator) as part of our global rollout of the <u>Progress Responsive Process Management (RPM) suite</u>."



Progress Software's cash and short-term investments at the end of the second quarter totaled \$261 million. Progress Software repurchased approximately 48,000 shares at a cost of \$1.5 million in the second quarter of fiscal 2010. The existing re-purchase authorization, under which approximately 598,000 shares remain available for repurchase, expires on September 30, 2010.

The non-GAAP amounts primarily exclude the amortization of acquired intangibles, stock-based compensation, restructuring and acquisition-related costs, purchase accounting adjustments for deferred revenue and certain adjustments to the provision for income taxes.

The non-GAAP results noted above and the non-GAAP financial outlook for 2010 discussed below represent non-GAAP financial measures. A reconciliation of these measures to the appropriate GAAP measures for the three months ended May 31, 2010 and May 31, 2009, and the 2010 outlook, as well as further information regarding these measures, is included in the condensed financial information provided with this release.

Quarterly Highlights

- Progress Software launched the <u>Progress Order Management Stability (OMS) solution accelerator</u>, which provides telecommunication service providers with the ability to gain end-to-end visibility across multiple <u>order management systems</u>, identify order fallout and resolve potential problems across their customer order lifecycle. The Progress OMS solution accelerator is built on the <u>Progress Responsive Process Management</u> (<u>RPM) suite</u>.
- The company <u>announced</u>, during May, that it developed additional Foreign Exchange (FX) connectivity adaptors for the <u>Progress Apama® Capital</u> <u>Markets Framework</u>. The Apama platform now connects to a much wider range of single bank FX platforms (or portals) as well as a broader spectrum of FX liquidity sources, including electronic communications networks (ECNs) and inter-dealer markets. FX aggregation is a prerequisite for building numerous types of FX trading applications. It is also a key requirement for building effective algorithmic strategies, including high frequency trading.
- Progress Software further advanced its real-time market monitoring and surveillance capabilities with the <u>launch</u> of the <u>Progress Market Surveillance</u> <u>and Monitoring solution accelerator</u>. This solution accelerator enables financial institutions, exchanges and market regulators to detect patterns of abusive or erroneous trading activity and take corrective action to prevent trading fraud and abuse in real-time. It is also built on the Progress RPM suite.
- During the month, the company announced that it has added a highly compliant and cost effective data privacy solution to the Progress OpenEdge <u>SaaS platform</u>. With this new functionality, Progress enables full life-cycle data encryption that, for example, complies with the latest Payment Card Industry (PCI) regulations, an important requisite for the ongoing expansion of Cloud Computing.
- <u>Gartner placed Progress Software in the Visionary Quadrant</u> of the first Gartner Magic Quadrant for Application Performance Monitoring featuring the <u>Progress Actional</u>® platform. The Actional product provides comprehensive operational and business visibility, root cause analysis, policy-based auditing, compliance, and control of services in a heterogeneous IT environment. Functionality includes visibility into real-time processing, snapshot views of individual <u>end-to-end</u> transactions, and dynamic controls for improving transaction processing.
- The <u>Progress Sonic® Enterprise Service Bus (ESB) R8.0</u>, which combines the benefits of open standards with the feature-rich tooling native to the <u>Progress Sonic</u> products, was launched in the second quarter. A major highlight of the Sonic ESB 8.0 product release is



its support for a RESTful (Representation State Transfer) architectural approach to integration.

<u>Lufthansa launched the air travel industry's first real-time</u>, location-based social networking application for frequent flyers called MemberScout. The application was developed by match2blue using the <u>Progress Apama Business Event Processing</u> (BEP) platform.

Additional highlights can be found at: <u>http://web.progress.com/inthenews/pressreleases.html</u>.

Business Outlook

Progress Software is providing the following guidance for the fiscal year ending November 30, 2010:

- GAAP revenue is expected to be in the range of \$509 million to \$519 million.
- On a non-GAAP basis, revenue is expected to be in the range of \$510 million to \$520 million.
- GAAP diluted earnings per share are expected to be in the range of \$0.89 to \$1.04.
- On a non-GAAP basis, diluted earnings per share are expected to be in the range of \$2.28 to \$2.35.

Progress Software is providing the following guidance for the third fiscal quarter ending August 31, 2010:

- On a GAAP and non-GAAP basis, revenue is expected to be in the range of \$121 million to \$124 million.
- GAAP diluted earnings per share are expected to be in the range of 9 cents to 19 cents.
- On a non-GAAP basis, diluted earnings per share are expected to be in the range of 53 cents to 56 cents.

The outlook for non-GAAP revenue excludes purchase accounting adjustments for deferred revenue. The outlook for non-GAAP earnings excludes the amortization of acquired intangibles, stock-based compensation, restructuring, transition and acquisition-related costs, purchase accounting adjustments for deferred revenue, certain insurance reimbursements and related tax effects.

Legal Notice Regarding Non-GAAP Financial Information

Progress Software provides non-GAAP revenue, operating income, net income and earnings per share as additional information for investors. These measures are not in accordance with, or an alternative to, generally accepted accounting principles in the United States (GAAP). Such measures are intended to supplement GAAP and may be different from non-GAAP measures used by other companies. Progress Software believes that the non-GAAP results described in this release are useful for an understanding of its ongoing operations and provide additional detail and an alternative method of assessing its operating results. Management uses these non-GAAP results to compare the company's performance to that of prior periods for analysis of trends and for budget and planning purposes. A reconciliation of non-GAAP adjustments to the company's GAAP financial results is included in the tables below.



Conference Call

The Progress Software quarterly investor conference call to review its fiscal second quarter 2010 results and business outlook will be Webcast live at 9:00 a.m. (EDT) on Wednesday, June 23, 2010 on the company's Web site, located at www.progress.com/investors.

As previously disclosed, in combination with this press release, Progress Software is providing in advance a copy of prepared remarks for its conference call. The press release and the prepared remarks are available on the Progress website (<u>www.progress.com</u>) on the investor relations page. The conference call will include only brief comments followed by questions and answers. The prepared remarks will not be read on the call.

The conference call will be webcast and accessible on the Progress Website at <u>http://www.progress.com/investors</u>. The conference call will also be webcast live via Yahoo (<u>http://www.yahoo.com</u>), Motley Fool (<u>http://www.fool.com</u>), Streetevents (<u>http://www.streetevents.com</u>), TD Waterhouse (<u>http://www.tdwaterhouse.com</u>) and Fidelity.com (<u>http://www.fidelity.com</u>). An archived version of the conference call and supporting materials will be available on the Progress Software Investor Relations Website after the live conference call.

Progress Software Corporation

Progress Software Corporation (NASDAQ: PRGS) is a global software company that enables enterprises to be operationally responsive to changing conditions and customer interactions as they occur — to capitalize on new opportunities, drive greater efficiencies and reduce risk. The company offers a comprehensive portfolio of best-in-class infrastructure software spanning event-driven visibility and real-time response, open integration, data access and integration, and application development and deployment — all supporting on-premises and SaaS/Cloud deployments. Progress maximizes the benefits of operational responsiveness while minimizing IT complexity and total cost of ownership. Progress can be reached at www.progress.com or +1-781-280-4000.

Safe Harbor Statement

Except for the historical information and discussions contained herein, statements contained in this release may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements, which include statements regarding the Company's business outlook for its third fiscal quarter and full fiscal year and strategic plans, involve a number of risks, uncertainties and other factors that could cause actual results to differ materially, including but not limited to the following: 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; variations in the demand for professional services and technical support; pricing pressures and the competitive environment in the software industry; the continuing weakness in the U.S. and international economies, which could result in fewer sales of the Company's products and may otherwise harm the Company's business; the Company's ability to complete and integrate acquisitions; the Company's ability to realize the expected benefits and anticipated synergies from acquired businesses; the Company's ability to penetrate international markets and manage its international operations; changes in exchange rates; the Company's business from those restructuring actions . The Company undertakes



no obligation to update information contained in this release. For further information regarding risks and uncertainties associated with the Company's business, please refer to the Company's filings with the Securities and Exchange Commission.

Actional, Apama, OpenEdge, Progress, Progress RPM, Progress Responsive Process Management and Sonic are trademarks or registered trademarks of Progress Software Corporation or one of its subsidiaries or affiliates in the U.S. and other countries. Any other trademarks contained herein are the property of their respective owners.

Progress Software Corporation GAAP Condensed Consolidated Statements of Operations

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May 31, May 31, May 31, Percent Revenue: 2019 2009 Change Software licenses \$ 91,345 \$ 84,365 8% Maintenance and services 163,858 153,542 7% Total revenue 255,203 237,907 7% Costs of revenue: 2019 2013 237,907 Cost of software licenses 3,608 3,844 (6)% Cost of revenue: 35,241 3,330 6% Amortization of purchased technology 10,383 9,797 6% Total costs of revenue 49,232 46,971 5% Gross profit 205,971 190,936 8% Operating expenses: 7 5% 63,346 87,820 (5)% General and administrative 26,230 28,406 (8)% Amortization of other acquired intangibles 5,100 4,840 5% Acquisition-related expenses 18,366 16,260 13% 0 66,675 769 768% Income befo	Diluted	44,237	40,697	9%
May 31, May 31, May 31, Percent 2009 Change Revenue: Software licenses \$ 91,345 \$ 84,365 8% Maintenance and services 163,858 153,542 7% Total revenue 255,203 237,907 7% Costs of revenue: 2009 237,907 7% Costs of software licenses 3,608 3,844 (6)% Cost of maintenance and services 3,5241 3,330 6% Amortization of purchased technology 10,383 9,797 6% Total costs of revenue 49,232 46,971 5% Gross profit 205,971 190,936 8% Operating expenses: 7 5% 5,100 4,840 5% General and administrative 26,230 28,406 (8)% Amortization of other acquired intangibles 5,100 4,840 5% Acquisition-related expenses 18,366 16,260 13% 0 66,675 769 768 Total operating expenses 18,7605				
Revenue: Software licenses \$ 91,345 \$ 84,365 8% Maintenance and services 163,858 153,542 7% Total revenue 255,203 237,907 7% Costs of revenue: 2 2 7% Cost of software licenses 3,608 3,844 (6)% Cost of software licenses 3,608 3,844 (6)% Cost of software licenses 3,608 3,844 (6)% Cost of revenue: 49,232 46,971 5% Total costs of revenue 49,232 46,971 5% Operating expenses: 3 8% 0 Sales and marketing 83,346 87,820 (5)% Product development 46,540 47,942 (3)% General and administrative 26,230 28,406 (6)% Accuristion -related expenses 5,100 4,440 5% Cost of on operations 18,366 16,260 13% Other one operations 18,366 16,260 13% <tr< td=""><td></td><td>May 31,</td><td>May 31,</td><td></td></tr<>		May 31,	May 31,	
Software licenses \$ 91,345 \$ 84,365 8% Maintenance and services 163,858 153,542 7% Total revenue 255,203 237,907 7% Costs of revenue: 255,203 237,907 7% Cost of software licenses 3,608 3,844 (6)% Cost of maintenance and services 3,608 3,844 (6)% Cost of revenue 49,232 46,971 5% Gross profit 205,971 190,936 8% Operating expenses: 33,346 87,820 (6)% Sales and marketing 83,346 87,820 (6)% Amortization of other acquired intagibles 5,100 4,840 5% Acquisition-related expenses 415 20 89% Restructuring expenses 25,974 5,448 7% Total operating expenses 415 20 89% Cost of maintenance and services 6,675 7% 7% Income from operations 18,366 16,260 13% <	(In thousands except per share data)	2010	2009	Change
Maintenance and services 163,858 153,542 7% Total revenue 255,203 237,907 7% Costs of revenue:				
Total revenue 255,203 237,907 7% Costs of revenue:				
Costs of revenue: 3,608 3,844 (6)% Cost of software licenses 35,241 33,330 6% Amortization of purchased technology 10,383 9,797 6% Total costs of revenue 49,232 46,971 5% Gross profit 205,971 190,936 8% Operating expenses: 33,346 87,820 (5)% Sales and marketing 83,346 87,820 (5)% Product development 46,540 47,942 (3)% General and administrative 26,230 28,406 (8)% Acquisition-related expenses 5,100 4,840 5% Acquisition-related expenses 415 220 89% Restructuring expense 25,974 5,448 7% Total operating expenses 18,366 16,260 13% Other income, net 6,675 769 768% Income from operations 18,052 \$ 10,558 71% Net income \$ 18,052 \$ 10,558 71%	Maintenance and services		,	
Cost of software licenses 3,608 3,844 (6)% Cost of maintenance and services 35,241 33,330 6% Amortization of purchased technology 10,383 9,797 6% Oractic costs of revenue 49,232 46,971 5% Gross profit 205,971 190,936 8% Operating expenses: 3 6% 6% Sales and marketing 83,346 87,820 (5)% Product development 46,540 47,942 (3)% Ceneral and administrative 26,230 28,406 (8)% Amortization of other acquired intangibles 5,100 4,840 5% Acquisition-related expenses 415 220 8% Total operating expenses 18,366 16,260 13% Other income, net 6,675 769 768% Income from operations 18,365 16,260 13% Other income taxes 6,989 6,471 8% Net income \$ 18,052 \$ 10,558 71% <td></td> <td>163,858</td> <td>153,542</td> <td>7%</td>		163,858	153,542	7%
Cost of maintenance and services 35,241 33,330 6% Amortization of purchased technology 10,383 9,797 6% Total costs of revenue 49,232 46,971 5% Gross profit 205,971 190,936 8% Operating expenses: 33,346 87,820 (5)% Product development 46,540 47,942 (3)% General and administrative 26,230 28,406 (8)% Amortization of other acquired intangibles 5,100 4,840 5% Amortization of other acquired intangibles 415 220 88% Total operating expenses 187,605 174,676 7% Income form operations 183,366 16,260 13% Other income, net 6,675 769 768% Income before provision for income taxes 25,041 17,029 47% Provision for income taxes 6,989 6,471 8% Net income \$ 18,052 \$ 10,558 71% Earnings per share: 5 <	Total revenue	163,858	153,542	7%
Amortization of purchased technology 10,383 9,797 6% Total costs of revenue 49,232 46,971 5% Gross profit 205,971 190,936 8% Operating expenses: 33,346 87,820 (5)% Product development 46,540 47,942 (3)% General and administrative 26,230 28,406 (8)% Amortization of other acquired intangibles 5,100 4,840 5% Acquisition-related expenses 415 220 89% Restructuring expense 25,974 5,448 5% Total operating expenses 187,605 174,676 7% Income from operations 18,366 16,260 13% Other income, net 6,675 769 768% Income before provision for income taxes 25,041 17,029 47% Net income 5 18,052 10,558 71% Basic 5 0.43 0.26 65% Diluted 5 0.42 0.	Total revenue Costs of revenue:	163,858 255,203	153,542 237,907	7% 7%
Total costs of revenue 49,232 46,971 5% Gross profit 205,971 190,936 8% Operating expenses: 83,346 87,820 (5)% Sales and marketing 83,346 87,820 (5)% Product development 46,540 47,942 (3)% General and administrative 26,230 28,406 (8)% Amortization of other acquired intangibles 5,100 4,840 5% Acquisition-related expenses 215,974 5,448 5% Restructuring expense 25,974 5,448 7% Total operating expenses 183,66 16,260 13% Other income, net 6,675 769 768% Income before provision for income taxes 6,989 6,471 8% Net income \$ 18,052 \$ 10,558 71% Earnings per share: 5 0.43 \$ 0.26 62% Diluted \$ 0.42 \$ 0.26 62% 62% Meighted average shares outstanding: 5%	Total revenue Costs of revenue: Cost of software licenses	163,858 255,203 3,608	153,542 237,907 3,844	7% 7% (6)%
Gross profit 205,971 190,936 8% Operating expenses: 83,346 87,820 (5)% Product development 46,540 47,942 (3)% General and administrative 26,230 28,406 (8)% Amortization of other acquired intangibles 5,100 4,840 5% Acquisition-related expenses 415 220 89% Restructuring expense 25,974 5,448 0 Total operating expenses 18,366 16,260 13% Other income, net 6,675 769 768% Income before provision for income taxes 6,989 6,471 8% Net income \$ 18,052 \$ 10,558 71% Basic \$ 0.43 \$ 0.26 65% Diluted \$ 0.42 \$ 0.26 62% Weighted average shares outstanding: 5% 62% 62%	Total revenue Costs of revenue: Cost of software licenses Cost of maintenance and services	163,858 255,203 3,608 35,241	153,542 237,907 3,844 33,330	7% 7% (6)% 6%
Operating expenses: Sales and marketing 83,346 87,820 (5)% Product development 46,540 47,942 (3)% General and administrative 26,230 28,406 (8)% Amortization of other acquired intangibles 5,100 4,840 5% Acquisition-related expenses 415 220 89% Restructuring expense 25,974 5,448 7% Total operating expenses 187,605 174,676 7% Income from operations 183,366 16,260 13% Other income, net 6,675 769 768% Income before provision for income taxes 25,041 17,029 47% Provision for income taxes 6,675 769 768% Net income 5 10,558 711% Earnings per share: Image: Since Si	Total revenue Costs of revenue: Cost of software licenses Cost of maintenance and services Amortization of purchased technology	163,858 255,203 3,608 35,241 10,383	153,542 237,907 3,844 33,330 9,797	7% 7% (6)% 6% 6%
Sales and marketing 83,346 87,820 (5)% Product development 46,540 47,942 (3)% General and administrative 26,230 28,406 (8)% Amortization of other acquired intangibles 5,100 4,840 5% Acquisition-related expenses 415 220 89% Restructuring expenses 25,974 5,448 7% Total operating expenses 187,605 174,676 7% Income from operations 6,675 769 768% Other income, net 6,675 769 768% Income before provision for income taxes 6,989 6,471 8% Net income 18,052 10,558 71% Earnings per share: 25,041 17,029 47% Diluted 6,989 6,471 8% 6% Net income 18,052 10,558 71% Basic 0.43 0.26 65% Diluted 0.26 0.26 62% Weighted average shares outstanding: 25 0.26 62% Meighted av	Total revenue Costs of revenue: Cost of software licenses Cost of maintenance and services Amortization of purchased technology Total costs of revenue	163,858 255,203 3,608 35,241 10,383 49,232	153,542 237,907 3,844 33,330 9,797 46,971	7% 7% (6)% 6% 6% 5%
Product development 46,540 47,942 (3)% General and administrative 26,230 28,406 (8)% Amortization of other acquired intangibles 5,100 4,840 5% Acquisition-related expenses 415 220 89% Restructuring expense 25,974 5,448 5 Total operating expenses 187,605 174,676 7% Income from operations 18,366 16,260 13% Other income, net 6,675 769 768% Income before provision for income taxes 6,989 6,471 8% Net income 5,1052 10,558 71% Earnings per share: Basic 5,043 0.26 65% Diluted 5,042 0.26 62% 62% Weighted average shares outstanding: 5 0.26 62% 62% Basic 41,808 39,969 5% 5%	Total revenue Costs of revenue: Cost of software licenses Cost of maintenance and services Amortization of purchased technology Total costs of revenue Gross profit	163,858 255,203 3,608 35,241 10,383 49,232	153,542 237,907 3,844 33,330 9,797 46,971	7% 7% (6)% 6% 6% 5%
General and administrative 26,230 28,406 (8)% Amortization of other acquired intangibles 5,100 4,840 5% Acquisition-related expenses 415 220 89% Restructuring expense 25,974 5,448 7% Total operating expenses 187,605 174,676 7% Income from operations 18,366 16,260 13% Other income, net 6,675 769 768% Income before provision for income taxes 25,041 17,029 47% Provision for income taxes 6,989 6,471 8% Net income 18,052 10,558 71% Earnings per share:	Total revenue Costs of revenue: Cost of software licenses Cost of maintenance and services Amortization of purchased technology Total costs of revenue Gross profit Operating expenses:	163,858 255,203 3,608 35,241 10,383 49,232 205,971	153,542 237,907 3,844 33,330 9,797 46,971 190,936	7% 7% (6)% 6% 6% 5% 8%
Amortization of other acquired intangibles 5,100 4,840 5% Acquisition-related expenses 415 220 89% Restructuring expense 25,974 5,448 7% Total operating expenses 187,605 174,676 7% Income from operations 18,366 16,260 13% Other income, net 6,675 769 768% Income before provision for income taxes 25,041 17,029 47% Provision for income taxes 6,989 6,471 8% Net income 18,052 10,558 71% Earnings per share: 8aic 0.26 65% Diluted 0.42 0.26 62% Weighted average shares outstanding: 8aic 14,808 39,969 5%	Total revenue Costs of revenue: Cost of software licenses Cost of maintenance and services Amortization of purchased technology Total costs of revenue Gross profit Operating expenses: Sales and marketing	163,858 255,203 3,608 35,241 10,383 49,232 205,971 83,346	153,542 237,907 3,844 33,330 9,797 46,971 190,936 87,820	7% 7% (6)% 6% 6% 5% 8% (5)%
Restructuring expenses 25,974 5,448 Total operating expenses 187,605 174,676 7% Income from operations 18,366 16,260 13% Other income, net 6,675 769 768% Income before provision for income taxes 25,041 17,029 47% Provision for income taxes 6,989 6,471 8% Net income 18,052 10,558 71% Earnings per share: 5 0.43 0.26 65% Diluted 5 0.42 0.26 62% Weighted average shares outstanding: 5 0.26 62% Basic 14,808 39,969 5%	Total revenue Costs of revenue: Cost of software licenses Cost of maintenance and services Amortization of purchased technology Total costs of revenue Gross profit Operating expenses: Sales and marketing Product development	163,858 255,203 3,608 35,241 10,383 49,232 205,971 83,346 46,540	153,542 237,907 3,844 33,330 9,797 46,971 190,936 87,820 47,942	7% 7% (6)% 6% 6% 5% 8% (5)% (3)%
Total operating expenses 187,605 174,676 7% Income from operations 18,366 16,260 13% Other income, net 6,675 769 768% Income before provision for income taxes 25,041 17,029 47% Provision for income taxes 6,989 6,471 8% Net income \$ 18,052 \$ 10,558 71% Earnings per share: 5 0.43 \$ 0.26 65% Diluted \$ 0.43 \$ 0.26 62% Weighted average shares outstanding: 8 39,969 5%	Total revenue Costs of revenue: Cost of software licenses Cost of maintenance and services Amortization of purchased technology Total costs of revenue Gross profit Operating expenses: Sales and marketing Product development General and administrative	163,858 255,203 3,608 35,241 10,383 49,232 205,971 83,346 46,540 26,230	153,542 237,907 3,844 33,330 9,797 46,971 190,936 87,820 47,942 28,406	7% 7% (6)% 6% 6% 5% 8% (5)% (3)% (8)%
Income from operations 18,366 16,260 13% Other income, net 6,675 769 768% Income before provision for income taxes 25,041 17,029 47% Provision for income taxes 6,989 6,471 8% Net income \$ 18,052 \$ 10,558 71% Earnings per share: 5 0.43 \$ 0.26 65% Diluted \$ 0.42 \$ 0.26 62% Weighted average shares outstanding: 8 39,969 5%	Total revenueCosts of revenue:Cost of software licensesCost of software licensesCost of maintenance and servicesAmortization of purchased technologyTotal costs of revenueGross profitOperating expenses:Sales and marketingProduct developmentGeneral and administrativeAmortization of other acquired intangiblesAcquisition-related expenses	163,858 255,203 3,608 35,241 10,383 49,232 205,971 83,346 46,540 26,230 5,100	153,542 237,907 3,844 33,330 9,797 46,971 190,936 87,820 47,942 28,406 4,840	7% 7% (6)% 6% 6% 5% 8% (5)% (3)% (3)% (8)% 5%
Other income, net 6,675 769 768% Income before provision for income taxes 25,041 17,029 47% Provision for income taxes 6,989 6,471 8% Net income 18,052 10,558 71% Earnings per share: 5 0.43 \$ 0.26 65% Diluted 9.42 \$ 0.26 62% Weighted average shares outstanding: 5 0.42 \$ 0.26 62% Basic 14,808 39,969 5% 5%	Total revenueCosts of revenue:Cost of software licensesCost of software licensesCost of maintenance and servicesAmortization of purchased technologyTotal costs of revenueGross profitOperating expenses:Sales and marketingProduct developmentGeneral and administrativeAmortization of other acquired intangiblesAcquisition-related expensesRestructuring expense	163,858 255,203 3,608 35,241 10,383 49,232 205,971 83,346 46,540 26,230 5,100 415 25,974	153,542 237,907 3,844 33,330 9,797 46,971 190,936 87,820 47,942 28,406 4,840 220 5,448	7% 7% 6)% 6% 5% 8% (5)% (3)% (8)% 5% 89%
Income before provision for income taxes 25,041 17,029 47% Provision for income taxes 6,989 6,471 8% Net income \$ 18,052 \$ 10,558 71% Earnings per share:	Total revenueCosts of revenue:Cost of software licensesCost of software licensesCost of maintenance and servicesAmortization of purchased technologyTotal costs of revenueGross profitOperating expenses:Sales and marketingProduct developmentGeneral and administrativeAmortization of other acquired intangiblesAcquisition-related expensesRestructuring expensesTotal operating expenses	163,858 255,203 3,608 35,241 10,383 49,232 205,971 83,346 46,540 26,230 5,100 415 25,974 187,605	153,542 237,907 3,844 33,330 9,797 46,971 190,936 87,820 47,942 28,406 4,840 220 5,448	7% 7% (6)% 6% 5% 8% (5)% (3)% (8)% 5% 89% 7%
Provision for income taxes 6,989 6,471 8% Net income \$ 18,052 \$ 10,558 71% Earnings per share: 5 0.43 \$ 0.26 65% Basic \$ 0.42 \$ 0.26 65% Diluted \$ 0.42 \$ 0.26 62% Weighted average shares outstanding: 5 39,969 5%	Total revenueCosts of revenue:Cost of software licensesCost of software licensesCost of maintenance and servicesAmortization of purchased technologyTotal costs of revenueGross profitOperating expenses:Sales and marketingProduct developmentGeneral and administrativeAmortization of other acquired intangiblesAcquisition-related expensesRestructuring expensesTotal operating expensesIncome from operations	163,858 255,203 3,608 35,241 10,383 49,232 205,971 83,346 46,540 26,230 5,100 415 25,974 187,605 18,366	153,542 237,907 3,844 33,330 9,797 46,971 190,936 87,820 47,942 28,406 4,840 220 5,448 174,676 16,260	7% 7% (6)% 6% 6% 5% 8% (5)% (3)% (8)% 5% 89% 7% 13%
Net income \$ 18,052 \$ 10,558 71% Earnings per share:	Total revenueCosts of revenue:Cost of software licensesCost of maintenance and servicesAmortization of purchased technologyTotal costs of revenueGross profitOperating expenses:Sales and marketingProduct developmentGeneral and administrativeAmortization of other acquired intangiblesAcquisition-related expensesRestructuring expensesTotal operating expensesIncome from operationsOther income, net	163,858 255,203 3,608 35,241 10,383 49,232 205,971 83,346 46,540 26,230 5,100 415 25,974 187,605 18,366 6,675	153,542 237,907 3,844 33,330 9,797 46,971 190,936 87,820 47,942 28,406 4,840 220 5,448 174,676 16,260 769	7% 7% (6)% 6% 5% 8% (5)% (3)% (3)% (8)% 5% 89% 7% 13% 768%
Earnings per share: 5 0.43 \$ 0.26 65% Basic \$ 0.42 \$ 0.26 62% Diluted \$ 0.42 \$ 0.26 62% Weighted average shares outstanding:	Total revenueCosts of revenue:Cost of software licensesCost of maintenance and servicesAmortization of purchased technologyTotal costs of revenueGross profitOperating expenses:Sales and marketingProduct developmentGeneral and administrativeAmortization of other acquired intangiblesAcquisition-related expensesRestructuring expensesIncome from operationsOther income, netIncome before provision for income taxes	163,858 255,203 3,608 35,241 10,383 49,232 205,971 83,346 46,540 26,230 5,100 415 25,974 187,605 18,366 6,675 25,041	153,542 237,907 3,844 33,330 9,797 46,971 190,936 87,820 47,942 28,406 47,942 28,406 4,840 220 5,448 174,676 16,260 769 17,029	7% 7% (6)% 6% 5% 8% (5)% (3)% (8)% 5% 89% 7% 13% 768% 47%
Basic \$ 0.43 \$ 0.26 65% Diluted \$ 0.42 \$ 0.26 62% Weighted average shares outstanding:	Total revenueCosts of revenue:Cost of software licensesCost of maintenance and servicesAmortization of purchased technologyTotal costs of revenueGross profitOperating expenses:Sales and marketingProduct developmentGeneral and administrativeAmortization of other acquired intangiblesAcquisition-related expensesRestructuring expensesIncome from operationsOther income, netIncome before provision for income taxesProvision for income taxes	163,858 255,203 3,608 35,241 10,383 49,232 205,971 83,346 46,540 26,230 5,100 415 25,974 187,605 18,366 6,675 25,041 6,989	153,542 237,907 3,844 33,330 9,797 46,971 190,936 87,820 47,942 28,406 47,942 28,406 44,840 220 5,448 174,676 16,260 769 17,029 6,471	7% 7% (6)% 6% 5% 8% (5)% (3)% (8)% 5% 89% 7% 13% 768% 47% 8%
Diluted \$ 0.42 \$ 0.26 62% Weighted average shares outstanding:	Total revenueCosts of revenue:Cost of software licensesCost of software licensesCost of maintenance and servicesAmortization of purchased technologyTotal costs of revenueGross profitOperating expenses:Sales and marketingProduct developmentGeneral and administrativeAmortization of other acquired intangiblesAcquisition-related expensesRestructuring expensesIncome from operationsOther income, netIncome before provision for income taxesProvision for income taxesNet income	163,858 255,203 3,608 35,241 10,383 49,232 205,971 83,346 46,540 26,230 5,100 415 25,974 187,605 18,366 6,675 25,041 6,989	153,542 237,907 3,844 33,330 9,797 46,971 190,936 87,820 47,942 28,406 47,942 28,406 44,840 220 5,448 174,676 16,260 769 17,029 6,471	7% 7% (6)% 6% 5% 8% (5)% (3)% (8)% 5% 89% 7% 13% 768% 47% 8%
Weighted average shares outstanding: Basic41,80839,9695%	Total revenueCosts of revenue:Cost of software licensesCost of software licensesCost of maintenance and servicesAmortization of purchased technologyTotal costs of revenueGross profitOperating expenses:Sales and marketingProduct developmentGeneral and administrativeAmortization of other acquired intangiblesAcquisition-related expensesRestructuring expensesIncome from operationsOther income, netIncome before provision for income taxesProvision for income taxesNet incomeEarnings per share:	163,858 255,203 3,608 35,241 10,383 49,232 205,971 83,346 46,540 26,230 5,100 415 25,974 187,605 18,366 6,675 25,041 6,989 \$ 18,052	153,542 237,907 3,844 33,330 9,797 46,971 190,936 87,820 47,942 28,406 4,840 220 5,448 174,676 16,260 769 17,029 6,471 \$ 10,558	7% 7% 6)% 6% 6% 5% 8% (5)% (3)% (3)% (8)% 5% 89% 7% 13% 768% 47% 8% 71%
Basic 41,808 39,969 5%	Total revenueCosts of revenue:Cost of software licensesCost of software licensesCost of maintenance and servicesAmortization of purchased technologyTotal costs of revenueGross profitOperating expenses:Sales and marketingProduct developmentGeneral and administrativeAmortization of other acquired intangiblesAcquisition-related expensesRestructuring expensesIncome from operationsOther income, netIncome before provision for income taxesProvision for income taxesNet incomeEarnings per share:Basic	163,858 255,203 3,608 35,241 10,383 49,232 205,971 83,346 46,540 26,230 5,100 415 25,974 187,605 18,366 6,675 25,041 6,989 \$ 18,052	153,542 237,907 3,844 33,330 9,797 46,971 190,936 87,820 47,942 28,406 4,840 220 5,448 174,676 16,260 769 17,029 6,471 \$ 10,558	7% 7% 6)% 6% 6% 5% 8% (5)% (3)% (3)% (3)% (8)% 5% 89% 7% 13% 768% 47% 8% 71%
	Total revenueCosts of revenue:Cost of software licensesCost of maintenance and servicesAmortization of purchased technologyTotal costs of revenueGross profitOperating expenses:Sales and marketingProduct developmentGeneral and administrativeAmortization of other acquired intangiblesAcquisition-related expensesTotal operating expensesIncome from operationsOther income, netIncome before provision for income taxesProvision for income taxesNet incomeEarnings per share:BasicDiluted	163,858 255,203 3,608 35,241 10,383 49,232 205,971 83,346 46,540 26,230 5,100 415 25,974 187,605 18,366 6,675 25,041 6,989 \$ 18,052	153,542 237,907 3,844 33,330 9,797 46,971 190,936 87,820 47,942 28,406 4,840 220 5,448 174,676 16,260 769 17,029 6,471 \$ 10,558	7% 7% 6)% 6% 6% 5% 8% (5)% (3)% (3)% (3)% (8)% 5% 89% 7% 13% 768% 47% 8% 71%
43,461 40,609 7%	Total revenueCosts of revenue:Cost of software licensesCost of maintenance and servicesAmortization of purchased technologyTotal costs of revenueGross profitOperating expenses:Sales and marketingProduct developmentGeneral and administrativeAmortization of other acquired intangiblesAcquisition-related expensesRestructuring expensesTotal operating expensesIncome from operationsOther income, netIncome before provision for income taxesProvision for income taxesNet incomeEarnings per share:BasicDilutedWeighted average shares outstanding:	$\begin{array}{c} 163,858\\ 255,203\\ \hline \\ 3,608\\ 35,241\\ 10,383\\ 49,232\\ \hline \\ 205,971\\ \hline \\ 83,346\\ 46,540\\ 26,230\\ 5,100\\ 415\\ \hline \\ 26,230\\ 5,100\\ \hline \\ 415\\ \hline \\ 25,974\\ \hline \\ 187,605\\ \hline \\ 18,366\\ \hline \\ 6,675\\ \hline \\ 25,041\\ \hline \\ 6,989\\ \hline \\ $ 18,052\\ \hline \\ \\ $ 0.43\\ \hline \\ $ 0.42\\ \hline \end{array}$	153,542 237,907 3,844 33,330 9,797 46,971 190,936 87,820 47,942 28,406 47,942 28,406 4,840 220 5,448 174,676 16,260 769 17,029 6,471 \$ 10,558 \$ 0.26 \$ 0.26	7% 7% 6)% 6% 5% 8% (5)% (3)% (3)% (8)% 5% 89% 7% 13% 768% 47% 8% 71% 65% 62%
	Total revenueCosts of revenue:Cost of software licensesCost of maintenance and servicesAmortization of purchased technologyTotal costs of revenueGross profitOperating expenses:Sales and marketingProduct developmentGeneral and administrativeAmortization of other acquired intangiblesAcquisition-related expensesRestructuring expensesTotal operating expensesIncome from operationsOther income, netIncome before provision for income taxesProvision for income taxesNet incomeEarnings per share:BasicDilutedWeighted average shares outstanding: Basic	163,858 255,203 3,608 35,241 10,383 49,232 205,971 83,346 46,540 26,230 5,100 415 25,974 187,605 18,366 6,675 25,041 6,989 \$ 18,052 \$ 0.43 \$ 0.43 \$ 0.42 41,808	153,542 237,907 3,844 33,330 9,797 46,971 190,936 87,820 47,942 28,406 47,942 28,406 4,840 220 5,448 174,676 16,260 769 17,029 6,471 \$ 10,558 \$ 0.26 \$ 0.26	7% 7% 6)% 6% 5% 8% (5)% (3)% (3)% (3)% (3)% (3)% (3)% (3)% (3

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

	Three N	Ionths Ended May 3	31, 2010	Three I	1, 2009	-		
(In thousands except per share data)	As Reported	Adjustments	Non-GAAP	As Reported	Adjustments	Non-GAAP	Percent Change	
Total revenue	\$127,656	\$ 605	\$ 128,261	\$ 117,047	695	\$ 117,742	9%	
Purchase accounting	¢ 127,000	φ 000	φ 120,201	φ 117,017	000	φ,,, ι=	570	
adjustments for deferred								
revenue (1)	(605)	605		(695)	695			
Income from operations	\$ 22,745	\$ 13,144	\$ 35,889	\$ 11,542	\$ 12,737	\$ 24,279	48%	
Purchase accounting	• , -	,	,	• /-	· , -	• • •		
adjustments for deferred								
revenue (1)	(605)	605		(695)	695			
Amortization of acquired intangibles	(8,021)	8,021		(7,543)	7,543			
Acquisition-related expenses	(0,021)	0,021		(110)	110			
Restructuring expense	(203)	203		30	(30)			
Stock option investigation (2)	130	(130)		(170)	170			
Stock-based compensation (3)	(4,445)	4,445		(4,249)	4,249			
Operating margin percentage	17.8%		28.0%	9.9%		20.6%	36%	
Operating margin percentage	17.070		20.0 /0	5.570		20.070	5070	
Other income (expense), net	\$ 3,919	\$ —	\$ 3,919	\$ (460)	\$ —	\$ (460)		
Provision for income taxes (5)	\$ 7,606	\$ 5,942	\$ 13,548	\$ 4,175	\$ 3,587	\$ 7,762	75%	
Net income	\$ 19,058	\$ 7,202	\$ 26,260	\$ 6,907	\$ 9,150	\$ 16,057	64%	
	\$ 10,000	\$,,202	¢ 10,200	\$ 0,007	φ 5,100	\$ 10,007	01/0	
Earnings per share — diluted	\$ 0.43		\$ 0.59	\$ 0.17		\$ 0.39	51%	
Weighted average shares								
outstanding — diluted	44,237		44,237	40,697		40,697	9%	
	Six M	onths Ended May 31	. 2010	Six M	onths Ended May 31,	2009		
(In thousands except per share data)	As Reported	Adjustments	Non-GAAP	As Reported	Adjustments	Non-GAAP	Percent Change	
	Reported	Aujustinents	Nul-GAAI	Reported	Aujustinents	Non-GAAr	Gliange	
Total revenue	\$255,203	\$ 1,059	\$256,262	\$237,907	2,243	\$240,150	7%	
Purchase accounting	φ 2 00,200	φ 1,000						
	\$ 200,200	φ 1,000						
adjustments for deferred								
	(1,059)	1,059		(2,243)	2,243			
adjustments for deferred revenue (1)	(1,059)	1,059	\$ 68.644			\$ 47.074	46%	
adjustments for deferred			\$ 68,644	(2,243) \$ 16,260	2,243 \$ 30,814	\$ 47,074	46%	
adjustments for deferred revenue (1) Income from operations Purchase accounting adjustments for deferred	(1,059) \$ 18,366	1,059 \$ 50,278	\$ 68,644	\$ 16,260	\$ 30,814	\$ 47,074	46%	
adjustments for deferred revenue (1) Income from operations Purchase accounting adjustments for deferred revenue (1)	(1,059)	1,059	\$ 68,644			\$ 47,074	46%	
adjustments for deferred revenue (1) Income from operations Purchase accounting adjustments for deferred revenue (1) Amortization of acquired	(1,059) \$ 18,366 (1,059)	1,059 \$ 50,278 1,059	\$ 68,644	\$ 16,260 (2,243)	\$ 30,814 2,243	\$ 47,074	46%	
adjustments for deferred revenue (1) Income from operations Purchase accounting adjustments for deferred revenue (1) Amortization of acquired intangibles	(1,059) \$ 18,366 (1,059) (15,483)	1,059 \$ 50,278 1,059 15,483	\$ 68,644	\$ 16,260 (2,243) (14,637)	\$ 30,814 2,243 14,637	\$ 47,074	46%	
adjustments for deferred revenue (1) Income from operations Purchase accounting adjustments for deferred revenue (1) Amortization of acquired intangibles Acquisition-related expenses	(1,059) \$ 18,366 (1,059) (15,483) (415)	1,059 \$ 50,278 1,059 15,483 415	\$ 68,644	\$ 16,260 (2,243) (14,637) (220)	\$ 30,814 2,243 14,637 220	\$ 47,074	46%	
adjustments for deferred revenue (1) Income from operations Purchase accounting adjustments for deferred revenue (1) Amortization of acquired intangibles Acquisition-related expenses Restructuring expense	(1,059) \$ 18,366 (1,059) (15,483) (415) (25,974)	1,059 \$ 50,278 1,059 15,483 415 25,974	\$ 68,644	\$ 16,260 (2,243) (14,637) (220) (5,448)	\$ 30,814 2,243 14,637	\$ 47,074	46%	
adjustments for deferred revenue (1) Income from operations Purchase accounting adjustments for deferred revenue (1) Amortization of acquired intangibles Acquisition-related expenses	(1,059) \$ 18,366 (1,059) (15,483) (415)	1,059 \$ 50,278 1,059 15,483 415	\$ 68,644	\$ 16,260 (2,243) (14,637) (220)	\$ 30,814 2,243 14,637 220 5,448	\$ 47,074	46%	
adjustments for deferred revenue (1) Income from operations Purchase accounting adjustments for deferred revenue (1) Amortization of acquired intangibles Acquisition-related expenses Restructuring expense Stock option investigation (2) Stock-based compensation (3)	(1,059) \$ 18,366 (1,059) (15,483) (415) (25,974) 1,330 (8,677)	1,059 \$ 50,278 1,059 15,483 415 25,974 (1,330)		\$ 16,260 (2,243) (14,637) (220) (5,448) (201) (8,065)	\$ 30,814 2,243 14,637 220 5,448 201			
adjustments for deferred revenue (1) Income from operations Purchase accounting adjustments for deferred revenue (1) Amortization of acquired intangibles Acquisition-related expenses Restructuring expense Stock option investigation (2)	(1,059) \$ 18,366 (1,059) (15,483) (415) (25,974) 1,330	1,059 \$ 50,278 1,059 15,483 415 25,974 (1,330)	\$ 68,644 26.8%	\$ 16,260 (2,243) (14,637) (220) (5,448) (201)	\$ 30,814 2,243 14,637 220 5,448 201	\$ 47,074	46% 37%	
adjustments for deferred revenue (1) Income from operations Purchase accounting adjustments for deferred revenue (1) Amortization of acquired intangibles Acquisition-related expenses Restructuring expense Stock option investigation (2) Stock-based compensation (3)	(1,059) \$ 18,366 (1,059) (15,483) (415) (25,974) 1,330 (8,677) 7.2%	1,059 \$ 50,278 1,059 15,483 415 25,974 (1,330) 8,677	26.8%	\$ 16,260 (2,243) (14,637) (220) (5,448) (201) (8,065) 6.8%	\$ 30,814 2,243 14,637 220 5,448 201 8,065	19.6%	37%	
adjustments for deferred revenue (1) Income from operations Purchase accounting adjustments for deferred revenue (1) Amortization of acquired intangibles Acquisition-related expenses Restructuring expense Stock option investigation (2) Stock-based compensation (3)	(1,059) \$ 18,366 (1,059) (15,483) (415) (25,974) 1,330 (8,677)	1,059 \$ 50,278 1,059 15,483 415 25,974 (1,330)		\$ 16,260 (2,243) (14,637) (220) (5,448) (201) (8,065)	\$ 30,814 2,243 14,637 220 5,448 201 8,065			
adjustments for deferred revenue (1) Income from operations Purchase accounting adjustments for deferred revenue (1) Amortization of acquired intangibles Acquisition-related expenses Restructuring expense Stock option investigation (2) Stock-based compensation (3)	(1,059) \$ 18,366 (1,059) (15,483) (415) (25,974) 1,330 (8,677) 7.2%	1,059 \$ 50,278 1,059 15,483 415 25,974 (1,330) 8,677	26.8%	\$ 16,260 (2,243) (14,637) (220) (5,448) (201) (8,065) 6.8%	\$ 30,814 2,243 14,637 220 5,448 201 8,065	19.6%	37%	
adjustments for deferred revenue (1) Income from operations Purchase accounting adjustments for deferred revenue (1) Amortization of acquired intangibles Acquisition-related expenses Restructuring expense Stock option investigation (2) Stock-based compensation (3) Operating margin percentage Other income, net (4) Provision for income taxes (5)	 (1,059) 18,366 (1,059) (15,483) (415) (25,974) 1,330 (8,677) 7.2% \$ 6,675 \$ 6,989 	1,059 \$ 50,278 1,059 15,483 415 25,974 (1,330) 8,677 \$ (899) \$ 18,500	26.8% \$ 5,776 \$ 25,489	 \$ 16,260 (2,243) (14,637) (220) (5,448) (201) (8,065) 6.8% \$ 769 \$ 6,471 	\$ 30,814 2,243 14,637 220 5,448 201 8,065 \$ — \$ 9,556	19.6% \$ 769 \$ 16,027	37% 651% 59%	
adjustments for deferred revenue (1) Income from operations Purchase accounting adjustments for deferred revenue (1) Amortization of acquired intangibles Acquisition-related expenses Restructuring expense Stock option investigation (2) Stock-based compensation (3) Operating margin percentage Other income, net (4)	(1,059) \$ 18,366 (1,059) (15,483) (415) (25,974) 1,330 (8,677) 7.2% \$ 6,675	1,059 \$ 50,278 1,059 15,483 415 25,974 (1,330) 8,677 \$ (899)	26.8% \$ 5,776	 \$ 16,260 (2,243) (14,637) (220) (5,448) (201) (8,065) 6.8% \$ 769 	\$ 30,814 2,243 14,637 220 5,448 201 8,065 \$ —	19.6% \$ 769	37% 651%	
adjustments for deferred revenue (1) Income from operations Purchase accounting adjustments for deferred revenue (1) Amortization of acquired intangibles Acquisition-related expenses Restructuring expense Stock option investigation (2) Stock-based compensation (3) Operating margin percentage Other income, net (4) Provision for income taxes (5) Net income	 (1,059) 18,366 (1,059) (15,483) (415) (25,974) 1,330 (8,677) 7.2% \$ 6,675 \$ 6,989 \$ 18,052 	1,059 \$ 50,278 1,059 15,483 415 25,974 (1,330) 8,677 \$ (899) \$ 18,500	26.8% \$ 5,776 \$ 25,489 \$ 48,931	 \$ 16,260 (2,243) (14,637) (220) (5,448) (201) (8,065) 6.8% \$ 769 \$ 6,471 \$ 10,558 	\$ 30,814 2,243 14,637 220 5,448 201 8,065 \$ — \$ 9,556	19.6% \$ 769 \$ 16,027	37% 651% 59%	
adjustments for deferred revenue (1) Income from operations Purchase accounting adjustments for deferred revenue (1) Amortization of acquired intangibles Acquisition-related expenses Restructuring expense Stock option investigation (2) Stock-based compensation (3) Operating margin percentage Other income, net (4) Provision for income taxes (5) Net income Earnings per share — diluted	 (1,059) \$ 18,366 (1,059) (15,483) (415) (25,974) 1,330 (8,677) 7.2% \$ 6,675 \$ 6,989 \$ 18,052 	1,059 \$ 50,278 1,059 15,483 415 25,974 (1,330) 8,677 \$ (899) \$ 18,500	26.8% \$ 5,776 \$ 25,489 \$ 48,931	 \$ 16,260 (2,243) (14,637) (220) (5,448) (201) (8,065) 6.8% \$ 769 \$ 6,471 \$ 10,558 	\$ 30,814 2,243 14,637 220 5,448 201 8,065 \$ — \$ 9,556	19.6% \$ 769 \$ 16,027 \$ 31,816	37% 651% 59% 54%	
adjustments for deferred revenue (1) Income from operations Purchase accounting adjustments for deferred revenue (1) Amortization of acquired intangibles Acquisition-related expenses Restructuring expense Stock option investigation (2) Stock-based compensation (3) Operating margin percentage Other income, net (4) Provision for income taxes (5) Net income Earnings per share — diluted Weighted average shares	 (1,059) \$ 18,366 (1,059) (15,483) (415) (25,974) 1,330 (8,677) 7.2% \$ 6,675 \$ 6,675 \$ 6,989 \$ 18,052 \$ 0.42 	1,059 \$ 50,278 1,059 15,483 415 25,974 (1,330) 8,677 \$ (899) \$ 18,500	26.8% \$ 5,776 \$ 25,489 \$ 48,931 \$ 1.13	 \$ 16,260 (2,243) (14,637) (220) (5,448) (201) (8,065) 6.8% \$ 769 \$ 6,471 \$ 10,558 \$ 0.26 	\$ 30,814 2,243 14,637 220 5,448 201 8,065 \$ — \$ 9,556	19.6% \$ 769 \$ 16,027 \$ 31,816 \$ 0.78	37% 651% 59% 54% 45%	
adjustments for deferred revenue (1) Income from operations Purchase accounting adjustments for deferred revenue (1) Amortization of acquired intangibles Acquisition-related expenses Restructuring expense Stock option investigation (2) Stock-based compensation (3) Operating margin percentage Other income, net (4) Provision for income taxes (5) Net income Earnings per share — diluted	 (1,059) 18,366 (1,059) (15,483) (415) (25,974) 1,330 (8,677) 7.2% \$ 6,675 \$ 6,989 \$ 18,052 	1,059 \$ 50,278 1,059 15,483 415 25,974 (1,330) 8,677 \$ (899) \$ 18,500	26.8% \$ 5,776 \$ 25,489 \$ 48,931	 \$ 16,260 (2,243) (14,637) (220) (5,448) (201) (8,065) 6.8% \$ 769 \$ 6,471 \$ 10,558 	\$ 30,814 2,243 14,637 220 5,448 201 8,065 \$ — \$ 9,556	19.6% \$ 769 \$ 16,027 \$ 31,816	37% 651% 59% 54%	

(1) The purchase accounting adjustment for deferred revenue is included within maintenance and services revenue and represents the write-down to fair value of the deferred maintenance revenue of Savvion and Iona Technologies at the date of each acquisition.

(2) Stock option investigation expenses are included within general and administrative expenses and primarily represent professional services fees associated with the SEC's investigation and shareholder derivative lawsuits related to the company's historical stock option grant practices. The credit

amount for the three and six months ended May 31, 2010 relates to insurance reimbursements in excess of previously estimated amounts.

(3) Stock-based compensation expense, representing the fair value of equity awards, is included in the following GAAP expenses:

	 Th	ree Mon	ths Ended May	31, 2010)			Three Months Ended May			31, 2009		
	 GAAP		Adjustments		Non	-GAAP	GAA	Р	Ad	justments		Non-0	GAAP
Cost of software licenses	\$ 6		\$ (6)		\$		\$	8	\$	(8)		\$	—
Cost of maintenance and services	204		(204)				23	1		(231)			
Sales and marketing	1,215		(1,215)				1,39	8		(1,398)			—
Product development	966		(966)			—	1,00	3		(1,003)			_
General and administrative	2,054		(2,054)				1,60	9		(1,609)			
	\$ 4,445		\$ (4,445)		\$		\$ 4,24	9	\$	(4,249)		\$	_
		ix Montl	is Ended May	31, 2010						Ended May 3			
	 GAAP		Adjustments		Non	-GAAP	GAA	Р	Ad	justments		Non-	GAAP
Cost of software licenses	\$ 15		\$ (15)		\$		\$ 2	0	\$	(20)		\$	—
Cost of maintenance and services	458		(458)				46	8		(468)			
Sales and marketing	2,793		(2,793)				2,88	6		(2,886)			—
Product development	2,074		(2,074)			—	1,94	7		(1,947)			_
General and administrative	 3,337		(3,337)				2,74	4		(2,744)			
	\$ 8,677		\$ (8,677)		\$	_	\$ 8,06	5	\$	(8,065)		\$	_

In addition, the restructuring expense for the six months ended May 31, 2010 includes approximately \$0.3 million of stock-based compensation expense.

(4) The non-GAAP adjustment in other income for the six months ended May 31, 2010 relates to an insurance settlement gain from a pre-acquisition contingency assumed as part of a prior acquisition.

(5) The non-GAAP provision for income taxes was calculated reflecting an effective rate of 34.0% and 32.6% for the three months ended May 31, 2010 and 2009, respectively, and 34.3% and 33.5% for the six months ended May 31, 2010 and 2009, respectively. The difference between the effective rate under GAAP and the effective tax rate utilized in the preparation of non-GAAP financial measures primarily relates to the tax effects of stock-based compensation and amortization of acquired intangibles, which are excluded from the determination of non-GAAP net income. The non-GAAP effective tax rate for the three months ended May 31, 2010 also excludes a one-time benefit of \$2.5 million.

Progress Software Corporation Condensed Consolidated Balance Sheets

(In thousands)	May 31, 2010	November 30, 2009
Assets		
Cash and short-term investments	\$ 260,568	\$ 224,121
Accounts receivable, net	86,842	98,872
Other current assets	44,612	34,626
Total current assets	392,022	357,619
Property and equipment, net	57,289	59,625
Goodwill and intangible assets, net	336,053	304,887
Other assets	76,682	76,719
Total	\$862,046	\$ 798,850
Liabilities and shareholders' equity		
Accounts payable and other current liabilities	\$ 82,377	\$ 85,681
Short-term deferred revenue	136,946	141,243
Total current liabilities	219,323	226,924
Long-term deferred revenue	3,788	4,511
Other liabilities	9,887	11,963
Shareholders' equity:		
Common stock and additional paid-in capital	316,629	247,265
Retained earnings	312,419	308,187
Total shareholders' equity	629,048	555,452
Total	\$862,046	\$ 798,850

Condensed Consolidated Statements of Cash Flows

	Six Mont	nths Ended		
(In thousands)	May 31, 2010	May 31, 2009		
Cash flows from operations:				
Net income	\$ 18,052	\$ 10,558		
Depreciation, amortization and other noncash items	30,224	27,754		
Other changes in operating assets and liabilities	2,643	(20,391)		
Net cash flows from operations	50,919	17,921		
Capital expenditures	(4,076)	(3,242)		
Redemptions of auction-rate securities	575	5,400		
Acquisitions, net of cash acquired	(49,177)	—		
Share issuances, net	51,460	1,675		
Other	(13,254)	8,452		
Net change in cash and short-term investments	36,447	30,206		
Cash and short-term investments, beginning of period	224,121	118,529		
Cash and short-term investments, end of period	\$ 260,568	\$148,735		

Progress Software Corporation Reconciliation of Forward-Looking Guidance

Diluted Earnings Per Share Range

Three Months Ended August 31, 2010

GAAP expectation	\$0.09 - \$0.19
Adjustment to exclude stock-based compensation	\$0.08 - \$0.09
Adjustment to exclude amortization of acquired intangibles	\$0.11 - \$0.11
Adjustment to exclude restructuring and transition expenses	\$0.18 - \$0.24
Non-GAAP expectation	\$0.53 - \$0.56

Twelve Months Ended November 30, 2010

GAAP expectation	\$0.89 - \$1.04
	40 A0 A0 A0 A0
Adjustment to exclude stock-based compensation	\$0.29 - \$0.30
Adjustment to exclude amortization of acquired intangibles	\$0.45 - \$0.45
Adjustment to exclude restructuring and transition expenses	\$0.59 - \$0.65
Other adjustments	(\$0.02) - (\$0.01)

Non-GAAP expectation

\$2.28 - \$2.35





As previously announced, the conference call will be held Wednesday, June 23, 2010 at 9:00 am EDT and will include only brief comments followed by questions and answers. These prepared remarks will not be read on the call.

These prepared remarks should be read in conjunction with our earnings release. With respect to any non-GAAP financial measures contained in these prepared remarks, we have provided below or included within our earnings release a table of the most directly comparable GAAP financial measure and a reconciliation of the non-GAAP financial measure to the most directly comparable GAAP financial measure. You can access this information at www.progress.com.

The matters presented herein and to be discussed on the ensuing conference call, other than historical financial information, consist of forward-looking statements that involve certain risks and uncertainties. Statements indicating that we "expect," "estimate," "believe," "are planning" or "plan 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 risk factors, which could cause actual results or events to differ materially from those anticipated by the forward-looking statements contained in our discussion today. These risks include: the receipt and shipment of new orders; the timely release of enhancements to our products; the growth rates of certain market segments; the positioning of our products in those market segments; variations in the demand for professional services and technical support; pricing pressures and the competitive environment in the software industry; the continuing weakness in the U.S. and international economies, which could result in fewer sales of our products and may otherwise harm our business; our ability to complete and integrate acquisitions; our ability to realize the expected benefits from its previously-announced restructuring actions; and the potential disruption to our business from those restructuring actions. Further information on these risk factors is included in our Securities and Exchange Commission reports. We reserve the right to change our budget, product focus, product release dates, plans and financial projections from time to time as circumstances warrant. We have no obligation to update or modify the information contained in our discussion in the future when such changes occur.

To access the live broadcast, please visit the Progress website at www.progress.com/investors. The call will also be webcast live via Yahoo (www.yahoo.com), Motley Fool (www.fool.com), Streetevents (www.streetevents.com), TD Waterhouse (www.tdwaterhouse.com) and Fidelity.com (www.fidelity.com). An archived version of the conference call and supporting materials will be available on the Progress Software Investor Relations website after the live conference call.

Overall Results

On a GAAP basis, our results were the following:

- Revenue for the quarter increased 9% to \$127.7 million from \$117.0 million in the second quarter of fiscal 2009.
- Operating income increased 97% to \$22.7 million from \$11.5 million in the second quarter of fiscal 2009.



- Net income increased 176% to \$19.1 million from \$6.9 million in the second quarter of fiscal 2009.
- And diluted earnings per share increased 153% to 43 cents from 17 cents in the second quarter of fiscal 2009.

On a non-GAAP basis, our results were the following:

- Non-GAAP revenue increased 9% to \$128.3 million from \$117.7 million in the second quarter of fiscal 2009.
- Non-GAAP operating income increased 48% to \$35.9 million from \$24.3 million in the second quarter of fiscal 2009.
- Non-GAAP net income increased 64% to \$26.3 million from \$16.1 million in the second quarter of fiscal 2009.
- And non-GAAP diluted earnings per share increased 51% to 59 cents from 39 cents in the second quarter of fiscal 2009.

The non-GAAP results in the second quarter of fiscal 2010 exclude pre-tax charges of \$4.5 million for stock-based compensation, \$8.0 million for amortization of acquired intangibles, \$0.6 million for purchase accounting adjustments for deferred revenue and \$0.1 million for other items. In addition, the non-GAAP results for the second quarter of fiscal 2010 exclude a non-recurring tax benefit of \$2.5 million from our income tax provision.

The non-GAAP results in the second quarter of fiscal 2009 exclude pre-tax charges of \$4.3 million for stock-based compensation, \$7.5 million for amortization of acquired intangibles, \$0.7 million for purchase accounting adjustments for deferred revenue and \$0.3 million for other items.

The results for the second quarter of fiscal 2010 include approximately 5 cents related to gains in the fair value of our hedging contracts. These contracts cover the full annual period, but do not meet the requirements for hedge accounting and are marked-to-market each period. We estimate that approximately 4 cents of the gain relates to business activity expected to occur in the second half of this fiscal year.

The following operational analyses are presented utilizing our non-GAAP financial information.



Revenue

In reviewing the results for the second quarter of fiscal 2010, within the year-over-year total revenue increase of 9%, software license revenue increased 15%, maintenance revenue increased 3% and professional services revenue increased 28%. The trend over the past several quarters was as follows:

(in millions)

	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Q2 2010	YTD 2009	YTD 2010
Licenses	\$ 45.9	\$ 38.5	\$ 39.2	\$ 52.0	\$ 47.1	\$ 44.2	\$ 84.4	\$ 91.3
Year-over-year change	2%	(14)%	(15)%	(7)%	3%	15%	(6)%	8%
Maintenance	\$ 67.1	\$ 69.2	\$ 71.2	\$ 74.3	\$ 70.9	\$ 71.2	\$ 136.3	\$ 142.1
Year-over-year change	3%	0%	4%	3%	5%	3%	2%	4%
Professional services	\$ 9.4	\$ 10.1	\$ 9.3	\$ 10.6	\$ 10.0	\$ 12.9	\$ 19.5	\$ 22.9
Year-over-year change	(18)%	(27)%	(22)%	(22)%	7%	28%	(23)%	18%
Total	\$ 122.4	\$ 117.8	\$ 119.7	\$ 136.9	\$ 128.0	\$ 128.3	\$ 240.2	\$ 256.3
Year-over-year change	1%	(8)%	(5)%	(4)%	5%	9%	(4)%	7%

With regard to the impact of changes in foreign exchange rates on the second quarter, total revenue in the second quarter of fiscal 2010 would have increased 6% on a constant currency basis versus the 9% increase reported. Software license revenue would have increased 11% on a constant currency basis versus the 15% increase reported. Maintenance revenue would have been flat on a constant currency basis versus the 3% increase reported. Professional services revenue would have increased by 25% on a constant currency basis versus the 27% increase reported.

Revenue by geographic region was as follows:

(in millions)

	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Q2 2010	YTD 2009	YTD 2010
North America	\$ 55.0	\$ 55.2	\$ 54.9	\$ 58.7	\$ 58.2	\$ 62.1	\$ 110.2	\$ 120.3
Year-over-year change	9%	7%	6%	(11)%	6%	12%	8%	9%
EMEA	\$ 53.2	\$ 48.1	\$ 48.4	\$ 58.3	\$ 52.3	\$ 46.2	\$ 101.3	\$ 98.5
Year-over-year change	(7)%	(19)%	(16)%	(2)%	(2)%	(4)%	(13)%	(3)%
Latin America	\$ 6.5	\$ 6.9	\$ 8.7	\$ 11.8	\$ 9.8	\$ 9.3	\$ 13.3	\$ 19.1
Year-over-year change	(4)%	(20)%	(1)%	36%	51%	35%	(13)%	43%
Asia Pacific	\$ 7.7	\$ 7.6	\$ 7.7	\$ 8.1	\$ 7.7	\$ 10.7	\$ 15.3	\$ 18.4
Year-over-year change	5%	(11)%	(6)%	1%	0%	42%	(4)%	20%
Total	\$ 122.4	\$ 117.8	\$ 119.7	\$ 136.9	\$ 128.0	\$ 128.3	\$ 240.2	\$ 256.3
Year-over-year change	1%	(8)%	(5)%	(4)%	5%	9%	(4)%	7%

International business was 51% of the quarterly total in the second quarter of fiscal 2010 as compared to 53% in the second quarter of fiscal 2009.



Revenue by product line was as follows:

(in millions)

	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Q2 2010	YTD 2009	YTD 2010
Application Development								
Platforms	\$ 81.2	\$ 77.8	\$ 79.8	\$ 89.8	\$ 81.9	\$ 84.6	\$ 159.0	\$ 166.5
Year-over-year change	(5)%	(14)%	(6)%	(4)%	1%	9%	(10)%	5%
Enterprise Business								
Solutions	\$ 21.4	\$ 17.9	\$ 19.8	\$ 26.0	\$ 27.7	\$ 24.9	\$ 39.3	\$ 52.6
Year-over-year change	36%	3%	7%	14%	29%	39%	18%	34%
Enterprise Data Solutions	\$ 19.8	\$ 22.1	\$ 20.1	\$ 21.1	\$ 18.4	\$ 18.8	\$ 41.9	\$ 37.2
Year-over-year change	(1)%	8%	(14)%	(18)%	(7)%	(15)%	4%	(11)%
Total	\$ 122.4	\$ 117.8	\$ 119.7	\$ 136.9	\$ 128.0	\$ 128.3	\$ 240.2	\$ 256.3
Year-over-year change	1%	(8)%	(5)%	(4)%	5%	9%	(4)%	7%

We completed the acquisition of Savvion in January. The incremental revenue in the second quarter and first six months of fiscal 2010 associated with Savvion was approximately \$5 million and \$7 million, respectively. These amounts are included within Enterprise Business Solutions. Excluding the impact of the revenue directly attributable to Savvion, the Enterprise Business Solutions product line revenue grew 13% and 16% in the second quarter and first six months of fiscal 2010, respectively.

Revenue from channel partners, including Application Partners and OEMs, accounted for 56% of our total license business this quarter as compared to 54% in second quarter of fiscal 2009. Within the OpenEdge product line, partners accounted for 69% of our license business this quarter as compared to 78% in second quarter of fiscal 2009. The trend over the past several quarters was as follows:

	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Q2 2010	YTD 2009	YTD 2010
Overall:								
Direct	54%	46%	46%	54%	52%	44%	50%	48%
Channel	46%	54%	54%	46%	48%	56%	50%	52%
OpenEdge Product Line:								
Direct	26%	22%	27%	35%	34%	31%	24%	33%
Application Partners	74%	78%	73%	65%	66%	69%	76%	67%

Backlog

Our aggregate revenue backlog at the end of the second quarter of fiscal 2010 was approximately \$165 million, of which \$141 million was included on our balance sheet as deferred revenue, primarily related to unexpired maintenance and support contracts. The remaining amount of backlog of approximately \$24 million was composed of multi-year licensing arrangements of approximately \$19 million and open software license orders received but not shipped of approximately \$5 million.

For comparison purposes, our aggregate revenue backlog at the end of the second quarter of fiscal 2009 was approximately \$172 million of which \$155 million was included on our balance sheet as deferred revenue, primarily related to unexpired maintenance and support contracts. The remaining amount of backlog of approximately \$17 million was composed of multi-year licensing arrangements of approximately \$16 million and open software license orders received but not shipped of \$1 million.



We do not believe that backlog as of any particular date is indicative of future results. In addition, there is no industry standard for the definition of backlog and there may be an element of estimation in determining the amount. As such, direct comparisons with other companies may be difficult or potentially misleading.

Other Operating and Balance Sheet Information

Our non-GAAP operating margin was 28%, up from 21% in the second quarter of fiscal 2009. The improvement in our operating margin is a result of improving business conditions and the impact of the restructuring undertaken in the first quarter of fiscal 2010.

Other income for the second quarter of fiscal 2010 was above our guidance due to an increase in value of our foreign currency average rate option contracts of approximately \$3 million (5 cents) as described above.

Our effective tax rate was 28.5% as compared to 37.6% in the second quarter of fiscal 2009. The decrease in the effective tax rate was primarily due to a nonrecurring benefit of \$2.5 million (affecting the tax rate by approximately 10 percentage points). The non-GAAP effective tax rate was 34.0% as compared to 32.6% in the second quarter of fiscal 2009. The increase in the effective tax rate was primarily due to the expiration of the research and development tax credit in the United States at the end of December 2009. The difference between the effective tax rate under GAAP and the effective tax rate utilized in the preparation of non-GAAP financial measures primarily relates to the tax effects of stock-based compensation and amortization of acquired intangibles. The non-GAAP effective tax rate in the second quarter of fiscal 2010 also excludes the nonrecurring benefit of \$2.5 million.

Quarter-end headcount of 1,723 was down approximately 4% from one year ago, reflecting the impact of the restructuring initiated in the first quarter, partially offset by the addition of employees via the acquisition of Savvion.

Our cash balance was approximately \$261 million at the end of the quarter as compared to \$224 million at the end of the year and \$149 million one year ago. In addition, we had approximately \$40 million in auction rate securities, included in other assets, at the end of the quarter. Our DSO was 61 days at the end of the second quarter, down 7 days from one year ago and from last quarter-end.

During the second quarter of fiscal 2010, we repurchased approximately 48,000 shares of our common stock at a cost of \$1.5 million. At the end of the second quarter, there were approximately 598,000 shares available for repurchase under our Board authorized share repurchase program that expires on September 30, 2010.

Q3 Restructuring and Next Phase of Growth Strategy

On June 10, 2010, we announced a further series of strategic initiatives to better position the company for long-term growth, improved profitability, greater competitiveness and improved efficiency across our global business. These initiatives include the refinement of our product portfolio towards core and high-growth opportunities, the global consolidation and redeployment of a portion of our product development and administrative personnel, assets and processes to other global locations that offer greater efficiencies to the business and the continued consolidation of offices around the world.





As the first step in accomplishing these strategic initiatives, during the third quarter of fiscal 2010, we expect to reduce our global headcount by 7 to 9 percent of our global workforce. Most individual notifications in the US have occurred and we have begun the required consultation and notification process outside the US. As previously disclosed, we currently expect to incur a pre-tax charge in the range of approximately \$11 million to \$16 million during the third quarter as a result of these headcount reductions and office consolidations.

These strategic initiatives also involve the increased investment and expansion of development and administration operations in India, where we have run a successful development organization for several years. We expect to increase the size of our development organization in Hyderabad, India, from about a third of our development resources to about half, in order to manage our development costs as we increase overall R&D headcount and bandwidth in our key product areas. Therefore, over the next 18 months, we expect to move and add additional product group functions as well as certain administrative functions to India. This expansion in India will result in the reduction of our development and administration operations headcount in all other geographies in which we operate. In addition, we intend to continue the consolidation of some of our offices around the world.

Through these initiatives, we expect to incur aggregate future pre-tax restructuring charges and pre-tax non-recurring transition expenses of approximately \$17 million to \$26 million over the next 18 months, primarily comprising costs for severance, transition costs and consolidation of facilities. The transition expenses are necessary to ramp up the new, more efficient capabilities ahead of switching over from the existing cost structure. We will break out these restructuring charges and transition expenses in our financial results as they are incurred during the phase-in period.

The Business Outlook for fiscal 2010 and the third quarter set forth below reflect the estimated impact of these initiatives.

Business Outlook

In looking to fiscal 2010 and the third quarter, we are providing the following guidance:

- For fiscal 2010, we expect GAAP revenue to be between \$509 million and \$519 million. On a non-GAAP basis, we expect revenue to be between \$510 million and \$520 million. Software license revenue is expected to be between \$185 million and \$195 million.
- We expect revenue from Application Development Platforms to be between \$312 million and \$321 million, representing a year-over-year decline of approximately 5% to 2%.
- We expect revenue from Enterprise Data Solutions to be between \$79 million and \$83 million, representing a year-over-year decline of approximately 5% to flat.
- We expect revenue from Enterprise Business Solutions to be between \$119 million and \$128 million, representing a year-over-year increase of approximately 40% to 50%, including revenue from products acquired in the Savvion acquisition.
- We expect GAAP operating income to be between \$60 million and \$65 million.
- We expect non-GAAP operating income to be between \$145 million and \$150 million.





- We estimate that non-operating income will be between zero and \$1 million for each remaining quarter of fiscal 2010, although this may vary depending on interest rates, potential stock repurchases, fluctuations in foreign exchange rates and our cash balances.
- We expect our effective tax rate to be between 33% and 34% for GAAP purposes and between 34% and 35% for non-GAAP purposes. The difference in the effective tax rate between GAAP and non-GAAP primarily relates to the tax treatment of stock-based compensation and amortization of acquired intangibles as well as a nonrecurring adjustment in the second quarter of fiscal 2010.
- Estimating future weighted average share counts for earnings per share depends on future option activity, future share repurchases, share prices and other factors. For now, we think using a share count of between 45 million and 46 million for each of the remaining quarters for fiscal 2010 for diluted earnings per share seems reasonable.
- We expect diluted earnings per share, on a GAAP basis, to be between \$0.89 and \$1.04. On a non-GAAP basis, which excludes total charges of between \$1.31 and 1.39, we expect non-GAAP diluted earnings per share to be between \$2.28 and \$2.35.
- For the third quarter of fiscal 2010, we expect GAAP and non-GAAP revenue to be between \$121 million and \$124 million. We expect software license revenue between \$41 million and \$43 million. We expect diluted earnings per share, on a GAAP basis, to be between 9 cents and 19 cents. On a non-GAAP basis, which excludes total charges of between 37 cents and 44 cents, we expect non-GAAP diluted earnings per share to be between 53 cents and 56 cents.

Our non-GAAP results primarily exclude stock-based compensation, amortization of acquired intangibles, purchase accounting adjustments for deferred revenue, restructuring and transition expenses, acquisition-related expenses, certain insurance reimbursements and a nonrecurring benefit to our provision for taxes. A reconciliation between our GAAP and non-GAAP expectations is included in our press release.

This guidance assumes no further economic shocks, a stabilization of revenue from our application partner channel, improvement in our ability to generate new business in end user accounts and no further strengthening of the US dollar against currencies from which we derive a significant portion of our business.

We plan on releasing financial results and prepared remarks relating to our third quarter on Tuesday, September 21st after the market closes, and holding the usual conference call the next morning on Wednesday, September 22nd at 9 a.m.



Reconciliation of Non-GAAP Financial Measures to GAAP Results

The following table reconciles our non-GAAP financial measures to the most directly comparable GAAP financial statement item:

(in millions, except per share amounts)

		Q1 2009		Q2 2009		Q3 2009		Q4 2009		Q1 2010		Q2 2010		YTD 2009		YTD 2010
GAAP revenue	\$	120.8	\$	117.1	\$	119.4	\$	136.8	\$	127.5	\$	127.7	\$	237.9	\$	255.2
Non-GAAP adjustments:																
Purchase accounting adj. for deferred revenue		1.0		0.7		0.3		0.1		0.5		0.0		2.2		1 1
	¢	1.6	\$		ተ		¢	0.1	\$		ተ	0.6	¢	2.3	¢	1.1
Non-GAAP revenue	\$	122.4	\$	117.8	\$	119.7	\$	136.9	\$	128.0	\$	128.3	\$	240.2	\$	256.3
GAAP income (loss) from	\$	4.7	\$	11.5	\$	9.1	\$	25.8	\$	(A A)	\$	22.7	\$	16.2	\$	18.3
operations Non-GAAP adjustments:	Ф	4./	Э	11.5	Э	9.1	Ф	25.0	Ф	(4.4)	Ф	22.1	Э	10.2	Ф	10.5
Stock-based compensation																
Expense		3.8		4.3		8.8		4.6		4.2		4.4		8.1		8.7
Amortization of purchased		5.0		1.0		0.0		1.0						0.1		0.7
Intangibles		7.1		7.5		7.1		6.8		7.5		8.0		14.6		15.5
Purchase accounting adj. for																
deferred revenue		1.6		0.7		0.3		0.1		0.5		0.6		2.3		1.1
Stock option investigation-																
related expenses		0.0		0.2		(0.3)		(0.0)		(1.2)		(0.1)		0.2		(1.3)
Restructuring and acquisition-																
related expenses		5.6		0.1		(0.1)		0.1		26.2		0.2		5.7		26.
Non-GAAP income from																
operations	\$	22.8	\$	24.3	\$	24.9	\$	37.4	\$	32.8	\$	35.9	\$	47.1	\$	68.7
											+				-	
GAAP net income (loss)	\$	3.7	\$	6.9	\$	5.5	\$	16.7	\$	(1.0)	\$	19.1	\$	10.6	\$	18.1
Non-GAAP adjustments:																
Non-GAAP income from																
operations adjustments per detail above		18.1		12.8		15.8		11.6		37.2		13.2		30.9		50.4
Non-operating income		10.1		12.0		13.0		11.0		57.2		13.2		30.9		50.4
adjustments		_				_				(0.9)				_		(0.9)
Tax-effect of non-GAAP										(0.5)						(0.5)
adjustments		(6.1)		(3.6)		(4.8)		(2.7)		(12.7)		(3.5)		(9.7)		(16.2)
Non-recurring tax adjustment								(<u>_</u>)		(1-)		(2.5)				(2.5)
Non-GAAP net income	\$	15.7	\$	16.1	\$	16.5	\$	25.6	\$	22.6	\$	26.3	\$	31.8	\$	48.9
Weighted average shares	•	40.5	•	40.7	•	41.3	•	41.7	•	42.7	Ť	44.2		40.6		43.5
Non-GAAP earnings per share	\$	0.39	\$	0.39	\$	0.40	\$	0.61	\$	0.53	\$	0.59	\$	0.78	\$	1.13
Tion Orbit Cumings per share	Ψ	0.00	Ψ	0.00	Ψ	0.70	Ψ	0.01	Ψ	0.00	Ψ	0.00	Ψ	0.70	Ψ	1,10