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 February 28, 1997

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: (617) 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 March 31, 1997, there were 12,399,668 shares of the Registrant's Common Stock, $.01 par value per share, outstanding.

PROGRESS SOFTWARE CORPORATION

FORM 10-Q

FOR THE THREE MONTHS ENDED FEBRUARY 28, 1997

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ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

PROGRESS SOFTWARE CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	February 28, 1997 (Unaudited)	November 30, 1996 (Audited)
ASSETS		
Current assets:		
Cash and equivalents	$ 35,217	$ 30,872
Short-term investments	66,223	66,451
Accounts receivable (less allowance for doubtful accounts of $4,979 in 1997 and $5,112 in 1996)	29,835	34,452
Inventories	1,436	1,257
Other current assets	6,200	4,367
Deferred income taxes	3,579	3,552
Total current assets	142,490	140,951
Property and equipment-net	24,195	24,230
Capitalized software costs-net	5,529	5,428
Other assets	2,294	2,579
Total	$ 174,508	$ 173,188
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 30	$ 37
Accounts payable	7,655	7,989
Accrued compensation and related taxes	10,331	12,385
Income taxes payable	3,274	3,004
Other current liabilities	7,741	5,964
Deferred revenue	30,921	27,365
Total current liabilities	59,952	56,744
Deferred income taxes	2,382	2,345
Long-term debt	79	85
Minority interest in subsidiary	710	221
Commitments and contingency		
Shareholders' equity:		
Preferred stock, $.01 par value; authorized, 1,000,000 shares; issued, none		
Common stock, $.01 par value; authorized, 20,000,000 shares; issued,12,397,249 shares in 1997 and 12,632,630 shares in 1996	124	126
Additional paid-in capital	37,148	41,309
Retained earnings	74,258	72,280
Unrealized gain on short-term investments	330	241
Cumulative translation adjustments	(475)	(163)
Total shareholders' equity	111,385	113,793
Total	$ 174,508	$ 173,188

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	
	February 28, 1997	February 29, 1996
Revenue:		
Software licenses	$ 24,641	$ 28,993
Maintenance and support services	20,703	19,389
Total revenue	45,344	48,382
Costs and expenses:		
Cost of software licenses	2,349	2,350
Cost of maintenance and support services	6,958	7,002
Sales and marketing	21,558	21,924
Product development	6,405	6,025
General and administrative	5,878	5,226
Total costs and expenses	43,148	42,527
Income from operations	2,196	5,855
Other income (expense):		
Interest income	875	949
Interest expense	(4)	(5)
Foreign currency loss	(188)	(299)
Minority interest	114	169
Other income	3	26
Total other income	800	840
Income before provision for income taxes	2,996	6,695
Provision for income taxes	1,018	2,276
Net income	$ 1,978	$ 4,419
Income per common share	$ 0.15	$ 0.32
Weighted average number of common and common equivalent shares outstanding	12,890	13,768

See notes to condensed consolidated financial statements.

PROGRESS SOFTWARE CORPORATION

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

	Three Months Ended	
	February 28, 1997	February 29, 1996
Cash flows from operating activities:		
Net income	$ 1,978	$ 4,419
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	2,745	2,167
Amortization of capitalized software costs	523	388
Amortization of intangible assets	74	88
Deferred income taxes	(24)	145
Minority interest in subsidiary	(114)	(169)
Noncash compensation	--	1
Changes in operating assets and liabilities:		
Accounts receivable	3,264	4,833
Inventories	(182)	(94)
Other current assets	(2,010)	(877)
Accounts payable and accrued expenses	129	(5,712)
Income taxes payable	435	2,186
Deferred revenue	4,810	2,653
Total adjustments	9,650	5,609
Net cash provided by operating activities	11,628	10,028
Cash flows from investing activities:		
Purchases of investments available for sale	(8,022)	(29,017)
Maturities of investments available for sale	7,295	8,939
Sales of investments available for sale	1,045	13,510
Purchase of property and equipment	(3,124)	(2,498)
Capitalized software costs	(624)	(609)
Decrease (increase) in other noncurrent assets	146	(764)
Net cash used for investing activities	(3,284)	(10,439)
Cash flows from financing activities:		
Proceeds from issuance of common stock	1,714	1,067
Repurchase of common stock	(5,972)	(1,862)
Contribution from minority interest	603	--
Payment of obligations under capital leases	(7)	(22)
Net cash used for financing activities	(3,662)	(817)
Effect of exchange rate changes on cash	(337)	52
Net increase (decrease) in cash and equivalents	4,345	(1,176)
Cash and equivalents, beginning of period	30,872	33,465
Cash and equivalents, end of period	$35,217	$ 32,289
Supplemental disclosure of noncash financing activities:		
Income tax benefit from employees' exercise of stock options	$ 94	$ 168

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, 1996.

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.

2. Income Per Common Share

Income per common share is computed on a fully-diluted basis using the weighted average number of common and common equivalent shares outstanding during each period presented.

3. Inventories

Inventories are stated at the lower of cost (first-in, first-out) or market and are comprised of product media, documentation, and packaging.

4. 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.

5. Contingency

The Company's 401(k) Plan has approximately $900,000 in Guaranteed Investment Contracts (GICs) issued by Mutual Benefit Life Insurance Company (MBLI). On July 16, 1991, the Insurance Commissioner of the State of New Jersey took possession and control of MBLI's assets. In April 1994, a rehabilitation plan was approved by the Superior Court of New Jersey. Pursuant to the plan, the GICs are supported by a group of life insurance companies and are paid out from the assets of MBL Life Assurance Corporation, the successor to MBLI. The Company is not presently able to determine whether the 401(k) Plan or its participants will incur any losses as a result of this action or whether, if such losses are incurred, the Company might be subject to any liability (either directly as a Plan fiduciary or as an indemnitor of officers and directors of the Company who serve as trustees of the Plan).

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 involve 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, some of which are described in great detail below under the heading "Factors That May Affect Future Results," include, but are not limited to, the receipt and shipment of new orders, the timely release of enhancements to the Company's products, which could be subject to software release delays, the growth rates of certain market segments, the positioning of the Company's products in those market segments, variations in the demand for customer service and technical support, pricing pressures and the competitive environment in the software industry, 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, for the three months ended February 28, 1997 and February 29, 1996.

	Percentage of Total Revenue — Three Months Ended February 28, 1997	Percentage of Total Revenue — Three Months Ended February 29, 1996	Period-to-Period Change — Three Months 1997 Compared to 1996
Revenue:			
Software licenses	54%	60%	(15)%
Maintenance and support services	46	40	7
Total revenue	100	100	(6)
Cost and expenses:			
Cost of software licenses	5	5	0
Cost of maintenance and support services	15	15	(1)
Sales and marketing	48	45	(2)
Product development	14	12	6
General and administrative	13	11	12
Total costs and expenses	95	88	1
Income from operations	5	12	(62)
Total other income	2	2	(5)
Income before provision for income taxes .	7	14	(55)
Provision for income taxes	3	5	(55)
Net income	4%	9%	(55)%

The Company's total revenue decreased 6% from $48,382,000 in the first quarter of fiscal 1996 to $45,344,000 in the first quarter of fiscal 1997. The reduction in total revenue was due to a decrease in software license revenue partially offset by an increase in maintenance and support services revenue. Software license revenue decreased 15% from $28,993,000 in the first quarter of fiscal 1996 to $24,641,000 in the first quarter of fiscal 1997. The software license revenue decrease was attributable to increased competition and the continued transition some of the Company's Application Partners faced in the marketplace as they moved their applications to PROGRESS Versions 7 and 8 and WebSpeed. During the first quarter of fiscal 1997, the Company entered into 53 new Application Partner agreements worldwide (18 in North America and 35 outside North America). Maintenance and support services revenue increased 7% from $19,389,000 in the first quarter of fiscal 1996 to $20,703,000 in the first quarter of fiscal 1997. The maintenance and support services revenue increase was primarily a result of growth in the Company's installed customer base and renewal of maintenance contracts. Total revenue generated in markets outside North America decreased from $27,105,000 in the first quarter of fiscal 1996 to $26,169,000 in the first quarter of fiscal 1997, but increased as a percentage of total revenue from 56% in the first quarter of fiscal 1996 to 58% in the first quarter of fiscal 1997. Total revenue generated in markets outside North America would have represented 59% of total revenue in the first quarter of fiscal 1997 if exchange rates had been constant as compared to the first quarter of fiscal 1996.

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 remained relatively constant, decreasing slightly from $2,350,000 in the first quarter of fiscal 1996 to $2,349,000 in the first quarter of fiscal 1997, but increased as a percentage of software license revenue from 8% to 10%. The percentage increase was due to an increase in amortization of capitalized software costs and higher royalty expense. Cost of software licenses as a percentage of software license revenue can vary depending upon the relative product mix in a given period.

Cost of maintenance and support services consists primarily of costs of providing customer technical support, education and consulting. Cost of maintenance and support services decreased 1% from $7,002,000 in the first quarter of fiscal 1996 to $6,958,000 in the first quarter of fiscal 1997 and decreased as a percentage of maintenance and support services revenue from 36% to 34%. The dollar and percentage decreases were due primarily to improved consulting margins in the North America consulting business and, to a lesser extent, a slight reduction in the technical support, consulting and education staff in the first quarter of fiscal 1997 as compared to the first quarter of fiscal 1996. The Company decreased its technical support, education, and consulting staff from 212 to 209 (120 in North America and 92 outside North America at February 29, 1996 to 112 in North America and 97 outside North America at February 28, 1997).

Sales and marketing expenses decreased 2% from $21,924,000 in the first quarter of fiscal 1996 to $21,558,000 in the first quarter of fiscal 1997 but increased as a percentage of total revenue from 45% to 48%. The dollar decrease in sales and marketing expenses was primarily due to a reduction of the sales, sales support and marketing staff and, to a lesser extent, a slight reduction 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. The Company decreased its sales, sales support and marketing staff from 500 to 480 (281 in North America and 219 outside North America at February 29, 1996 to 247 in North America and 233 outside North America at February 28, 1997). The Company expects the level of the sales, sales support and marketing staff for the remainder of fiscal 1997 to be within the range which has prevailed over the past several quarters.

Product development expenses increased 6% from $6,025,000 in the first quarter of fiscal 1996 to $6,405,000 in the first quarter of fiscal 1997, and increased as a percentage of total revenue from 12% to 14%. The dollar and percentage increases were due primarily to higher average personnel costs and other related costs to support continued new product development efforts. The major product development efforts in the first quarter of fiscal 1997 related to the development of the next versions of the WebSpeed and PROGRESS product lines. The product development staff decreased from 229 at February 29, 1996 to 206 at February 28, 1997.

The Company capitalized $609,000 of software development costs in the first quarter of fiscal 1996 and $624,000 in the first quarter of fiscal 1997 in accordance with Statement of Financial Accounting Standards (SFAS) No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed." The amounts capitalized represented 9% of total product development costs in each quarter of fiscal 1996 and fiscal 1997. Capitalized software costs are amortized over the estimated life of the product (two to four years) and amounts amortized are included in cost of software licenses for the period.

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 12% from $5,226,000 in the first quarter of fiscal 1996 to $5,878,000 in the first quarter of fiscal 1997 and increased as a percentage of total revenue from 11% to 13%. The dollar and percentage increases in general and administrative expenses were primarily due to higher average personnel costs and other related costs. The Company decreased its administrative staff from 184 to 179 (103 in North America and 81 outside North America at February 29, 1996 to 105 in North America and 74 outside North America at February 28, 1997).

Other income decreased $40,000 from $840,000 in the first quarter of fiscal 1996 to $800,000 in the first quarter of fiscal 1997 due primarily to lower interest income offset by lower foreign currency losses. The decrease in interest income was due to lower average investment rates in the first quarter of fiscal 1997 as compared to the first quarter of fiscal 1996. All revenue, costs and expenses attributable to the Company's joint venture are included in the Company's revenue, costs and expenses. To account for the fact that the Company owns only a 51% interest in the joint venture, other income (expense) reflects that portion of the joint venture's income or loss which is attributable to the 49% minority interest in the joint venture. The joint venture generated a net loss in each period presented and the Company recorded as "other income - minority interest" an amount equal to 49% of the joint venture's net loss. Foreign currency losses relate primarily to the translation and settlement of short-term intercompany receivables.

The Company's effective tax rate was 34% in each quarter of fiscal 1996 and 1997 and was based upon the estimated effective tax rate for the full fiscal year.

LIQUIDITY AND CAPITAL RESOURCES

The Company had $101,440,000 in cash and short-term investments at February 28, 1997. The cash and short-term investments increase of $4,117,000 from $97,323,000 at November 30, 1996 was primarily due to cash generated from operations, offset by common stock repurchases and property and equipment purchases.

The Company purchased $3,124,000 of property and equipment in the first quarter of fiscal 1997 and $2,498,000 in the first quarter of fiscal 1996. 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 replacement of older equipment. The Company financed these purchases primarily from cash generated from operations.

The Company purchased 351,000 shares of its common stock for $5,972,000 in the first quarter of fiscal 1997.

In September 1996, the Board of Directors authorized, through September 30, 1997, the purchase of up to 3,000,000 shares of the Company's common stock, at such times when the Company deems such purchases to be an effective use of cash, for various purposes including the issuance of shares pursuant to the Company's stock option plans. At February 28, 1997, there were 2,588,000 shares of common stock authorized for repurchase.

The Company's 401(k) Plan has approximately $900,000 invested in Guaranteed Investment Contracts (GICs) issued by Mutual Benefit Life Insurance Company (MBLI). On July 16, 1991, the Insurance Commissioner of the State of New Jersey took possession and control of MBLI's assets. In April 1994, a rehabilitation plan was approved by the Superior Court of New Jersey. Pursuant to the plan, the GICs are supported by a group of life insurance companies and are to be paid out from the assets of MBL Life Assurance Corporation, the successor to MBLI. The Company is not presently able to determine whether the 401(k) Plan or its participants will incur any losses or whether, if such losses are incurred, the Company might be subject to any liability (either directly as a Plan fiduciary or as an indemnitor of officers and directors of the Company who serve as trustees of the Plan).

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

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, including 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, foreign currency movements relative to the United States dollar, 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 upon receipt of orders. This uncertainty is compounded because each quarter's revenue is derived disproportionately from orders booked and shipped during the third month, and disproportionately in the latter half of that month. In contrast, 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 its core product line, the PROGRESS Application Development Environment, the PROGRESS RDBMS and the PROGRESS Dataserver Architecture (collectively, "PROGRESS"). In November 1996, the Company began shipping the latest major enhancement to the PROGRESS product line, PROGRESS Version 8.1. In October 1996, the Company began shipments of WebSpeed, an open development and deployment environment that enables organizations to build transaction processing applications on the Internet and corporate intranets. The Company's Crescent Division develops and markets a collection of advanced tools and components to Visual Basic and Visual J++ development teams. The Crescent Division began offering these products commercially in January 1995 and has since released major enhancements to its existing line of products as well as many new products.

Although the Company believes that PROGRESS, WebSpeed and the Crescent line of products have features and functionality which enable the Company to compete effectively with other vendors of application development products, ongoing enhancements to PROGRESS, WebSpeed and the Crescent line of products 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 may negatively affect results.

The Company has derived most of its revenue from PROGRESS and other products which 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 may also depend upon the Company's continued successful distribution of PROGRESS through its Application Partner channel and may be impacted by downward pressure on pricing, which may not be offset by increases in volume. Application Partners resell PROGRESS along with their own applications and 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. Some 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 which 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 affect upon the Company's business, financial condition and operating results.

The Company hopes that the Crescent Division and other new products, such as WebSpeed, will contribute positively to the Company's future results. The market for products such as those in the Crescent Division is extremely competitive and may be affected by changes in Microsoft's strategy with respect to Visual Basic and Visual J++ and the add-on product market for such products, and market acceptance of products competitive with Visual Basic and Visual J++. The market for Internet transaction processing products, such as WebSpeed, is highly competitive and will depend in large part on the commercial acceptance of the Internet as a medium for all types of commerce. Because global commerce and online exchange of information on the Internet and other similar open wide area networks are new and evolving, it is difficult to predict with any assurance that the infrastructure or complementary products necessary to make the Internet a viable medium for all types of commerce will develop.

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

Approximately 50% of the Company's total revenue in the first quarter of fiscal 1997 was attributable to international sales made through international subsidiaries. Because a substantial portion of the Company's total revenue is derived from such international operations which are 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 of which 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 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 claim of infringement or invalidity. 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 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.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a) Exhibits

11.1	- Statement regarding computation of per share earnings
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 February 28, 1997.

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: April 9, 1997	/s/Joseph W. Alsop ----------------------------- Joseph W. Alsop President and Treasurer (Principal Executive Officer)
Dated: April 9, 1997	/s/Norman R. Robertson ----------------------------- Norman R. Robertson Vice President, Finance and Chief Financial Officer (Principal Financial Officer)
Dated: April 9, 1997	/s/David H. Benton, Jr. ----------------------------- David H. Benton, Jr. Corporate Controller (Principal Accounting Officer)

EXHIBIT 11.1

(In thousands, except per share data)

PRIMARY

	Three Months Ended	
	February 28, 1997	February 29, 1996
Weighted average number of common and common equivalent shares outstanding:		
Common stock	12,633	12,945
Common equivalent shares resulting from stock options (treasury stock method) .	257	823
Total	12,890	13,768
Net income	$ 1,978	$ 4,419
Net income per common share	$ 0.15	$ 0.32

FULLY-DILUTED

	Three Months Ended	
	February 28, 1997	February 29, 1996
Weighted average number of common and common equivalent shares outstanding		
Common stock	12,633	12,945
Common equivalent shares resulting from stock options (treasury stock method) .	257	823
Total	12,890	13,768
Net income	$ 1,978	$ 4,419
Net income per common share	$ 0.15	$ 0.32

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTAINED IN THE COMPANY'S FORM 10-Q FOR THE PERIOD ENDING FEBRUARY 28, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

3-MOS
NOV-30-1997
DEC-01-1996
FEB-28-1997
35,217
66,223
34,814
4,979
1,436
142,490
54,645
30,450
174,508
59,952
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124
111,261
174,508
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2,996
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