

Progress Software Corporation
Condensed Consolidated Statements of Income

(In thousands except per share data)	Three Months Ended		
	November 30, 2005	November 30, 2004	Percent Change

Revenue:			
Software licenses	\$ 44,084	\$ 36,798	20 %
Maintenance and services	63,873	59,396	8 %

Total revenue	107,957	96,194	12 %

Costs and expenses:			
Cost of software licenses	2,501	1,990	
Cost of maintenance and services	13,981	12,743	
Sales and marketing	43,274	38,581	
Product development	15,269	15,580	
General and administrative	10,374	9,566	
Amortization of acquired intangibles	2,538	1,871	
Stock-based compensation	134	-	
Acquisition-related expenses, net	653	-	

Total costs and expenses	88,724	80,331	10 %

Income from operations	19,233	15,863	21 %
Other income, net	1,557	101	

Income before provision for income taxes	20,790	15,964	30 %
Provision for income taxes	6,757	5,108	

Net income	\$ 14,033	\$ 10,856	29 %

Earnings per share:			
Basic	\$ 0.35	\$ 0.30	17 %
Diluted	\$ 0.33	\$ 0.28	18 %

Weighted average shares outstanding:			
Basic	39,953	36,212	10 %
Diluted	43,083	38,997	10 %

Pro Forma Condensed Consolidated Statements of Income

(In thousands except per share data)	Three Months Ended		
	November 30, 2005		

	As Reported	Pro Forma Adjustments	Pro Forma

Revenue:			
Software licenses	\$ 44,084		\$ 44,084
Maintenance and services	63,873		63,873

Total revenue	107,957		107,957

Costs and expenses:			
Cost of software licenses	2,501		2,501
Cost of maintenance and services	13,981		13,981

Sales and marketing	43,274		43,274
Product development	15,269		15,269
General and administrative	10,374		10,374
Amortization of acquired intangibles	2,538	\$ (2,538)	-
Stock-based compensation	134	(134)	-
Acquisition-related expenses, net	653	(653)	-
Total costs and expenses	88,724	(3,325)	85,399
Income from operations	19,233	3,325	22,558
Other income, net	1,557		1,557
Income before provision for income taxes	20,790	3,325	24,115
Provision for income taxes	6,757	1,081	7,838
Net income	\$ 14,033	\$ 2,244	\$ 16,277
Earnings per share:			
Basic	\$ 0.35		\$ 0.41
Diluted	\$ 0.33		\$ 0.38
Weighted average shares outstanding:			
Basic	39,953		39,953
Diluted	43,083		43,083

Three Months Ended
November 30, 2004

(In thousands except per share data)	As Reported	Pro Forma Adjustments	Pro Forma	Percent Change
Revenue:				
Software licenses	\$ 36,798		\$ 36,798	20 %
Maintenance and services	59,396		59,396	8 %
Total revenue	96,194		96,194	12 %
Costs and expenses:				
Cost of software licenses	1,990		1,990	
Cost of maintenance and services	12,743		12,743	
Sales and marketing	38,581		38,581	
Product development	15,580		15,580	
General and administrative	9,566		9,566	
Amortization of acquired intangibles	1,871	\$ (1,871)	-	
Stock-based compensation	-	-	-	
Acquisition-related expenses, net	-	-	-	
Total costs and expenses	80,331	(1,871)	78,460	9 %
Income from operations	15,863	1,871	17,734	27 %
Other income, net	101		101	
Income before provision for				

income taxes	15,964	1,871	17,835	35 %
Provision for income taxes	5,108	598	5,706	
Net income	\$ 10,856	\$ 1,273	\$ 12,129	34 %
Earnings per share:				
Basic	\$ 0.30		\$ 0.33	24 %
Diluted	\$ 0.28		\$ 0.31	23 %
Weighted average shares outstanding:				
Basic	36,212		36,212	10 %
Diluted	38,997		38,997	10 %

Progress Software Corporation
Condensed Consolidated Statements of Income

(In thousands except per share data)	Twelve Months Ended		
	November 30, 2005	November 30, 2004	Percent Change
Revenue:			
Software licenses	\$ 156,846	\$ 140,462	12 %
Maintenance and services	248,530	222,200	12 %
Total revenue	405,376	362,662	12 %
Costs and expenses:			
Cost of software licenses	8,150	8,973	
Cost of maintenance and services	55,309	52,354	
Sales and marketing	157,073	146,171	
Product development	63,018	60,371	
General and administrative	42,322	38,753	
Amortization of acquired intangibles	9,399	7,076	
Compensation expense from repurchase of subsidiary stock	2,803	-	
Stock-based compensation	134	-	
Acquisition-related expenses, net	3,403	2,600	
Total costs and expenses	341,611	316,298	8 %
Income from operations	63,765	46,364	38 %
Other income, net	3,099	843	
Income before provision for income taxes	66,864	47,207	42 %
Provision for income taxes	17,931	15,106	
Net income	\$ 48,933	\$ 32,101	52 %
Earnings per share:			
Basic	\$ 1.28	\$ 0.89	44 %
Diluted	\$ 1.18	\$ 0.82	44 %
Weighted average shares outstanding:			
Basic	38,227	36,031	6 %
Diluted	41,571	39,010	7 %

Pro Forma Condensed Consolidated Statements of Income

Twelve Months Ended
November 30, 2005

(In thousands except per share data)	As Pro Forma		
	Reported	Adjustments	Pro Forma

Revenue:			
Software licenses	\$ 156,846		\$ 156,846
Maintenance and services	248,530		248,530

Total revenue	405,376		405,376

Costs and expenses:			
Cost of software licenses	8,150		8,150
Cost of maintenance and services	55,309		55,309
Sales and marketing	157,073		157,073
Product development	63,018		63,018
General and administrative	42,322		42,322
Amortization of acquired intangibles	9,399	\$ (9,399)	-
Compensation expense from repurchase of subsidiary stock	2,803	\$ (2,803)	-
Stock-based compensation	134	\$ (134)	-
Acquisition-related expenses, net	3,403	(3,403)	-

Total costs and expenses	341,611	(15,739)	325,872

Income from operations	63,765	15,739	79,504
Other income, net	3,099		3,099

Income before provision for income taxes	66,864	15,739	82,603
Provision for income taxes	17,931	8,915	26,846

Net income	\$ 48,933	\$ 6,824	\$ 55,757

Earnings per share:			
Basic	\$ 1.28		\$ 1.46
Diluted	\$ 1.18		\$ 1.34

Weighted average shares outstanding:			
Basic	38,227		38,227
Diluted	41,571		41,571

Twelve Months Ended
November 30, 2004

(In thousands except per share data)	As Reported	Pro Forma Adjustments	Pro Forma	Percent Change

Revenue:				
Software licenses	\$ 140,462		\$ 140,462	12 %
Maintenance and services	222,200		222,200	12 %

Total revenue	362,662		362,662	12 %

Costs and expenses:				
Cost of software licenses	8,973		8,973	
Cost of maintenance and				

services	52,354		52,354	
Sales and marketing	146,171		146,171	
Product development	60,371		60,371	
General and administrative	38,753		38,753	
Amortization of acquired intangibles	7,076	\$ (7,076)	-	
Compensation expense from repurchase of subsidiary stock	-	\$ -	-	
Stock-based compensation	-	\$ -	-	
Acquisition-related expenses, net	2,600	(2,600)	-	
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Total costs and expenses	316,298	(9,676)	306,622	6 %
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Income from operations	46,364	9,676	56,040	42 %
Other income, net	843		843	
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Income before provision for income taxes	47,207	9,676	56,883	45 %
Provision for income taxes	15,106	3,096	18,202	
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Net income	\$ 32,101	\$ 6,580	\$ 38,681	44 %
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Earnings per share:				
Basic	\$ 0.89		\$ 1.07	36 %
Diluted	\$ 0.82		\$ 0.99	35 %
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Weighted average shares outstanding:				
Basic	36,031		36,031	6 %
Diluted	39,010		39,010	7 %
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Progress Software Corporation
Condensed Consolidated Balance Sheets

(In thousands)	November 30, November 30, 20052004	
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Assets		
Cash and short-term investments	\$ 266,420	\$ 191,267
Accounts receivable, net	66,592	63,503
Other current assets	33,315	23,485
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Total current assets	366,327	278,255
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Property and equipment, net	42,816	40,658
Goodwill and intangible assets, net	134,270	107,363
Other assets	23,425	20,538
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Total	\$ 566,838	\$ 446,814
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Liabilities and shareholders' equity		
Accounts payable and other current liabilities	\$ 74,896	\$ 70,669
Short-term deferred revenue	99,697	101,106
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Total current liabilities	174,593	171,775
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Long-term debt	1,938	2,200

Long-term deferred revenue	5,068	5,861
Other liabilities	3,580	-
Shareholders' equity:		
Common stock and additional paid-in capital	140,883	70,085
Retained earnings	240,776	196,893
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Total shareholders' equity	381,659	266,978
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Total	\$ 566,838	\$ 446,814
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Condensed Consolidated Statements of Cash Flows

	Twelve Months Ended November 30,	
	2005	2004
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(In thousands except per share data)		
Cash flows from operations:		
Net income	\$ 48,933	\$ 32,101
Depreciation, amortization and other noncash charges	18,323	19,123
Other changes in operating assets and liabilities	14,277	21,086
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Net cash flows from operations	81,533	72,310
Capital expenditures	(10,909)	(10,716)
Acquisitions, net of cash acquired	(32,161)	(99,320)
Share issuances, net of repurchases	43,481	8,140
Other	(6,791)	1,722
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Net change in cash and short-term investments	75,153	(27,864)
Cash and short-term investments, beginning of period	191,267	219,131
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Cash and short-term investments, end of period	\$ 266,420	\$ 191,267
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