SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the Fiscal year ended November 30, 1997

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transaction Period From To

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 Number)

14 OAK PARK
BEDFORD, MASSACHUSETTS 01730
(Address of principal executive offices)
TELEPHONE NUMBER: (781)280-4000

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, $.01 par value
TITLE OF EACH CLASS

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 ____

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

As of February 6, 1998, there were 11,427,480 shares outstanding of the registrant's common stock, $.01 par value. As of that date, the aggregate market value of voting stock held by non-affiliates of the registrant was approximately $174,742,000.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Annual Report to Shareholders for the fiscal year ended November 30, 1997 are incorporated by reference into Parts I and II.

Portions of the definitive Proxy Statement for the Annual Meeting of Shareholders to be held on April 24, 1998 are incorporated by reference into Part III.

PART I

CAUTIONARY STATEMENTS

The Private Securities Litigation Reform Act of 1995 contains certain safe harbors regarding forward-looking statements. From time to time, information provided by the Company or statements made by its directors, officers or employees may contain "forward-looking" information which involves risks and uncertainties. Actual future results may differ materially. Statements indicating that the Company "expects," "estimates," "believes," "is planning" or "plans to" are forward-looking, as are other statements concerning future financial results, product offerings or other events that have not yet occurred. There are several important factors which could cause actual results or events to differ materially from those anticipated by the forward-looking statements. Such factors, some of which are described in greater detail in the 1997 Annual Report to Shareholders 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.

ITEM 1. BUSINESS

Progress Software Corporation ("PSC" or the "Company") is a supplier of application development and deployment technology and support services to business, industry and government worldwide. Application development is the creation, deployment and ongoing enhancement of computer software to support business strategy and operations. The Company's products and services are designed to improve application quality and development productivity by simplifying and accelerating the creation, deployment and enhancement of applications. The Company's principal product line, marketed as PROGRESS!!REG MARK!!, consists of the PROGRESS Application Development Environment ("ADE"), PROGRESS AppServer, PROGRESS DataServers and the PROGRESS Relational Database Management System ("RDBMS"). PROGRESS is an integrated, component-based visual development environment for building and deploying multi-tier, enterprise-class business applications. Additionally, PSC supplies Apptivity(TM), for developing distributed, multi-tier Java-based business applications; ProtoSpeed(TM), an error detecting and debugging tool; and WebSpeed(TM), a product for creating Internet Transaction Processing ("ITP") applications. The Company also develops and markets add-on application development tools for Microsoft's Visual Basic and Visual J++ through its Crescent Division. The Company's products provide capabilities for accelerating the development of high-functionality business applications that are portable, scalable and reconfigurable across a range of Internet, intranet, client/server and host-terminal computing environments.

In order to better serve the Company's installed customer base and facilitate marketing to new customers, the Company has created three product units. These product units will consist of integrated teams of development, product management and product marketing groups and will utilize the resources of the functional organizations of worldwide sales, corporate marketing, professional services, technical support and finance and administration. The Core Products unit includes the PROGRESS and Webspeed product lines. The Apptivity Product Unit is focused on the development of Java-based business applications and includes the Apptivity product line. The Internet Software Quality Products ("ISQP") unit includes the ProtoSpeed product line and the Crescent Division.

BUSINESS STRATEGY

The Company was founded in 1981 to develop and market application development software. Its business strategy has been developed in response to user needs for application development tools that enable the rapid development and deployment of business-critical applications regardless of the computing environment. The

Company's mission today is to deliver superior software products and services that empower its partners and customers to dramatically improve their development and deployment of quality applications worldwide. This mission encompasses the following strategic points:

- Rapid Application Development. The Company's development tools and technologies are designed to be easy-to-use, intuitive, highly visual and component-based. This allows the Company's products and services to improve the productivity of developers in creating and maintaining complex applications.

- Portability for Developers and End-Users. The Company designs its products to operate across a broad range of midrange systems, workstations and PCs. The Company believes that application developers need the flexibility to deploy their applications across hardware, operating system platforms, databases and user interfaces that may be different from those on which their applications are originally developed. In addition, end-users need the flexibility to continue to use applications with minimal re-programming, even as they modify or upgrade their computing environments.

- Application Deployment Flexibility. As business requirements evolve, the Company is planning its future product development direction in order that customers can take advantage of emerging technologies and standards. This means that customers can migrate their existing applications and adapt to new trends in business computing, such as ITP and Java. The Company's products allow deployment across all major computing configurations: host-terminal, client/server and Internet. The PROGRESS AppServer and Apptivity provide "n-tier" computing support in order to improve application performance. The Company's products operate across heterogeneous networks using a variety of communication protocols, and PROGRESS-based applications can access data stored in both PROGRESS and non-PROGRESS databases.

- Balanced Distribution. PSC chose at an early stage to implement both direct and indirect channels of distribution to broaden its geographic reach, accelerate its sales expansion and leverage its sales force. The Company sells to value-added resellers (which the Company refers to as Application Partners) and to the Information Technology ("IT") departments of corporations and government agencies. Application Partners develop end-user applications for resale, and both IT customers and Application Partners generally license additional deployment copies of the Company's products to run applications. In addition, the Company launched the Apptivity Partner Program in October 1997 in order to promote sales of its Apptivity line of Java-based business application development tools. The Apptivity Partner Program represents the first time that PSC has created a program to market its products through the pure reseller channel. To minimize channel conflict, PSC neither develops application software for distribution nor plans to do so in the future.

- Recurring Revenue. The Company's distribution and pricing strategies are intended to generate recurring revenue. The sale of a development system can lead to follow-on sales as Application Partners license additional copies of the Company's development and deployment products upon successful distribution of their applications, or as end-users deploy such applications or upgrade their systems.

- Worldwide Market. PSC has emphasized international sales through its subsidiaries and a network of independent distributors. Approximately 59% of the Company's revenue was derived from customers outside of North America in fiscal 1997.

- Customer Service. PSC has made a strategic commitment to customer service. The Company believes that rapid changes in technology require not only continuous product enhancement but also a strong customer service effort to encourage product usage and maintain customer satisfaction. The Company provides a variety of technical support and service options under its annual maintenance agreements, including an option for 24 hour, 7 day a week service. The Company also offers an extensive selection of training courses and on-site consulting services.

- "Buy, Build, Both". A major challenge for the software industry is to unite the economical price, reliability and immediate benefit of packaged software applications with the tailored fit of custom solutions. Purchasing a packaged application provides standard functionality that can be used quickly and economically with little or no development time. Building an in-house application results in a solution that offers a competitive business advantage, but typically involves long development cycles. By combining both packaged and customized solutions, IT departments can deliver flexible, business-driven applications more quickly and productively. The Company's products and services, in conjunction with solutions from its Application Partners, are designed to give IT departments that flexibility and competitive advantage.

PROGRESS PRODUCT LINE

The Company's core product line consists of the PROGRESS ADE, the PROGRESS RDBMS, the PROGRESS AppServer and the PROGRESS DataServer Architecture. Applications developed in PROGRESS are reconfigurable between character-based and graphical interfaces, as well as between client/server and host-based computing systems. PROGRESS provides a high degree of portability across a wide range of computing environments while affording developers the flexibility to build applications on a range of database management products.

In June, 1997 the Company began shipping PROGRESS Version 8.2, the latest release of the Company's flagship application development and deployment environment. Version 8.2 is designed to let developers build and deploy highly scalable transaction processing applications cost-effectively, by enabling them to exploit the full range and power of the 32-bit Windows platform for additional deployment options and faster compile times; to leverage a wide range of ActiveX controls, greatly increasing user-interface flexibility; to integrate with other ActiveX-based applications using Object Linking and Embedding ("OLE") Automation for application interoperability and; to take advantage of enhanced PROGRESS database functionality for added performance and maintainability.

Customers may license bundled packages or stand-alone products. The Company's pricing structure is generally based on the number of concurrent users, regardless of the platform and operating system. Prices for the Company's principal ADE package, which is marketed as ProVision, range from $2,600 to $3,600 per user depending on the total number of users. Prices for similar user counts for the PROGRESS RDBMS and for DataServers enabling access to non-PROGRESS data managers range from $155 to $1,200 per user.

PROGRESS ADE

The PROGRESS ADE is a programming environment that provides developers with a "visual road map" for developing and deploying complex enterprise applications that are scalable, portable and re-configurable across heterogeneous client/server and host-based environments. Within the PROGRESS ADE is a set of integrated, graphical development tools that support a range of development approaches, including structured, procedural, event-driven and object approaches. High-performance applications can be visually assembled using reusable application components known as PROGRESS SmartObjects. The principal components of the PROGRESS ADE are as follows:

PROGRESS SmartObjects are a collection of reusable business components that enable developers to fabricate and assemble application components into fully functional applications. Working within a graphical programming environment, developers can build scalable and portable enterprise-class applications by using the PROGRESS SmartObjects templates included in the PROGRESS starter set and/or by customizing their own reusable code. The PROGRESS starter set includes the SmartView, SmartBrowse, SmartQuery, SmartFrame, SmartWindow, SmartPanel, SmartDialog and SmartFolder templates, representing the most common visual, interactive and data management functions of complex transaction-based client/server applications.

The PROGRESS ADE is based on the PROGRESS 4GL and an extensive Data Dictionary, which enables developers to address mission-critical application requirements. In addition, the PROGRESS ADE gives developers the flexibility to control application interfaces, processing logic and data management components required to complete mission-critical systems. The principal components of the PROGRESS ADE are as follows:

- User Interface Builder--The PROGRESS User Interface Builder ("UIB") is the central tool for rapidly creating and maintaining complex applications. The UIB provides point-and-click functionality, a fully customizable object palette, automatic linking of components, and complete control of application interaction with end users. Within the PROGRESS UIB, developers are able to create and customize their own SmartObjects.

- PROGRESS 4GL--The PROGRESS 4GL is a high-level application development language that runs throughout the entire toolset in the PROGRESS ADE. It is an efficient and robust development language for prototyping, developing and modifying solutions.

- Data Dictionary--The PROGRESS Data Dictionary is a central repository for all information (regardless of where it is stored) that describes the application data, including database definitions, application defaults and business rules. When building, updating and distributing new application components, the Data Dictionary defaults and definition inheritances are automatically and transparently applied.

- Integration of Third-party Development Tools--The PROGRESS ADE promotes the integration of value-added solutions from third-party tool providers who offer capabilities that complement, enhance and extend PROGRESS as part of an overall application development strategy. Products from these tool vendors range from application design, analysis, modeling, repository and testing systems to prototyping, methodology, process management and project management.

- On-Line Help--The PROGRESS On-Line Help system allows developers to build their own Help interface using popular word processors or desktop publishing systems to document their system, and run it without modification across all PROGRESS-supported environments.

- Procedure Editor--The Procedure Editor is a full-function code editing tool that allows developers to write, edit, compile and run PROGRESS 4GL application components. The Procedure Editor provides a full range of editing features including cut-and-paste and search-and-replace, which allow developers to make large-scale changes to several different programs.

- Application Debugger--The Application Debugger is an interactive utility that allows developers to control and monitor the execution of PROGRESS procedures. The Debugger enables developers to find and fix data and logic errors, modify any procedure code, and display or update information about the procedure running without having to modify procedure code.

- Translation Manager--Translation Manager is a GUI tool set for creating and delivering multilingual versions of a PROGRESS application without having to modify the original source code. This tool enables a project manager to define and provide consistent business context translations of the application interface into multiple languages. The tool provides the translator with a visual context for translating the user-interface components of the application.

PROGRESS RDBMS

PROGRESS RDBMS is a fully-featured relational SQL-compliant database management system that runs on most UNIX, PC and PC LAN operating systems. The PROGRESS RDBMS offers the advantage of scalability through the use of a multi-threaded, multiple server architecture that runs efficiently on small and large single-processor computers, multiple-processor computers and distributed networks of server and client computers. The PROGRESS RDBMS permits simultaneous, distributed multi-user access by providing flexible record-level locking control, query optimization strategies, two-phase database commits, on-line backup, automatic crash recovery and other features intended to protect data integrity. These features make the PROGRESS RDBMS well-suited for high-volume transaction processing applications. The PROGRESS RDBMS is designed to be easy to install, maintain and administer. The PROGRESS database products include Personal Database for stand alone users, Workgroup Database Server for workgroups or departments of up to 49 concurrent users, and Enterprise Database Server for large numbers of users and symmetric multi-processing (SMP) environments.

PROGRESS APPSERVER

The PROGRESS AppServer delivers application partitioning or "n-tier" computing support to provide improved application performance in networked environments. In traditional client/server applications, the user interface and business logic execute on the client machine. As business logic is executed, database records are accessed on the server and individually sent over the network back to the client for processing. The network can quickly become a bottleneck when processing complex queries involving the transmission of large record sets, or as networked users are added. The PROGRESS AppServer is intended to deliver a range of benefits in the deployment of distributed applications. Such applications execute significantly faster with the PROGRESS AppServer, as the business logic is typically deployed and executed on a UNIX, OpenVMS or Windows NT server. Network traffic between client and server is reduced as only result sets from server-based processing are returned to the client. PROGRESS AppServers can be re-used unmodified across any number of servers and can connect other PROGRESS AppServers in a peer-to-peer relationship. PROGRESS AppServers also introduce a level of separation between users and the database for enhanced security and data integrity.

PROGRESS DATASERVERS

PROGRESS-based applications have access to a wide range of data sources through the PROGRESS DataServer Architecture. The DataServer Architecture consists of a set of data integration services and interfaces that allow developers to use the PROGRESS ADE tools to write database-independent applications. The architecture is designed to make any supported database appear to be completely integrated into the PROGRESS ADE. This allows PROGRESS applications to efficiently read from and write to a variety of databases and file systems, including the PROGRESS RDBMS. Whether the data manager is relational, indexed flat-file or object-oriented, the DataServer generates native calls to the data manager.

PROGRESS DataServers provide for database independence, data integration and data migration. The Company currently offers DataServers for the following database and file managers: Oracle, RMS, Microsoft SQL Server, C-ISAM, DB2/400 and ODBC.

PROGRESS/400

PROGRESS/400 is a version of the Company's application development environment for the IBM AS/400 product line. PROGRESS/400 is an integrated client/server solution for commercial transaction processing applications on the AS/400. PROGRESS/400 also permits developers to program and test code independent of an AS/400. The PROGRESS/400 DataServer supports native access to the DB2/400 database and optimized communication to local and remote clients. The PROGRESS/400 DataServer allows PROGRESS-based applications to access and update any DB2/400-based data, while coexisting with non-PROGRESS applications.

WEBSPEED PRODUCT LINE

WebSpeed is a comprehensive environment for developing and deploying database-independent, high-volume transaction processing applications over the Internet, extranets and corporate intranets. WebSpeed enables companies to create a direct link between customers and suppliers, resulting in more efficient and timely access to corporate databases for transaction-intensive applications like order entry, customer service, claims processing and inventory control. The current products in the WebSpeed product line are WebSpeed Workshop and WebSpeed Transaction Server.

WEBSPEED WORKSHOP

WebSpeed Workshop delivers a powerful toolset for building WebSpeed's scalable, transaction-based applications. Featuring an open architecture, it supports most popular Web authoring tools (HTML 3.2, Java and JavaScript) for building an application's user interface. The Workshop's 4GL is then used to create the business logic and data access portions of the application. WebSpeed Workshop includes easy-to-use Web-centric development tools that let developers write code, check syntax, compile and run applications through an intuitive browser interface. WebSpeed Workshop includes SpeedScript, a high-level, server-side scripting language that enables developers to prototype, develop and maintain re-usable application business logic. Scripting Lab enables developers to test code fragments before adding them to the application.

WEBSPEED TRANSACTION SERVER

The WebSpeed Transaction Server delivers a robust transaction-processing environment over the Internet and on corporate intranets. The Transaction Server supports access to and updating of multiple databases and also protects the data integrity of transactions - even if Internet connections are interrupted. The WebSpeed Transaction Server lets developers integrate leading Web servers, security solutions and databases. The WebSpeed Transaction Server is compatible with any ISAPI, NSAPI or CGI-compliant Web server. The Transaction Server includes a Transaction Broker component that manages a pool of Transaction Agents and maintains status information for efficient dispatch of Web requests. It eliminates the overhead of starting a new agent for each user request and increases the agent pool size as required. The Transaction Agent executes Web objects, performs database transactions and dynamically merges data into HTML format to deliver real-time data access over the Web. Transaction Agents provide full support for multi-page Web transactions by executing stateless, state-aware and state-persistent Web objects.

APPTIVITY PRODUCT LINE

Apptivity visual tools include a component-based form designer, multiple productivity Wizards and a distributed debugger to concurrently build both the client and server tiers of a distributed Java database application. The Apptivity architecture is designed to facilitate deploying and maintaining multi-tier applications. Load balancing is supported across multi-threaded, scalable Apptivity Servers - enabling the high availability of middle-tier resources to handle large numbers of users. Business logic is partitioned between client and server such that it can be updated centrally. Apptivity generates 100% Java code. Apptivity's standards-based architecture enables developers to deliver interactive applications to virtually any user connected to a Web platform (Internet, intranet, extranet). Apptivity features a class library that provides extensive functionality and flexibility and ensures a uniform look and feel regardless of the platform or browser on which the application is running. The initial products in the Apptivity product line are as follows:

APPTIVITY DEVELOPER

Apptivity Developer provides tools needed to develop, test and maintain Java-based business applications. Apptivity Developer is comprised of visual, component-based tools that generate 100% Java business logic. Apptivity Developer includes Common Object Request Broker Architecture ("CORBA") productivity tools to allow integration of CORBA-compliant components in a distributed Apptivity application. Flexible deployment options allow applications to run stand-alone or from a Web browser supporting both 1.02 and 1.1 versions of the Java development kit. The visual SQL query editor eliminates the need to know SQL to build queries against a database.

APPTIVITY SERVER

Apptivity Server manages sessions, executes Java application logic and handles database access to leading corporate databases from Oracle, Sybase, Informix, IBM, Microsoft as well as PSC. The load balancing option of Apptivity Server manages connections across multiple servers, increasing application scalability. Apptivity Server includes Apptivity Manager which provides a visual environment to specify runtime settings related to load balancing, license management and concurrent usage as well as to monitor real-time information as applications are running.

PROTOSPEED

ProtoSpeed is an Internet protocol debugger. ProtoSpeed goes beyond traditional debugging capabilities by providing the ability to examine distributed objects from any location on the network. This simplifies distributed debugging by enabling developers to debug multiple objects: local and remote, running in the browser, outside the browser, or on the server. ProtoSpeed also provides Internet protocol debugging capabilities, giving developers the ability to set breakpoints and modify and record multiple protocol streams in real-time.

ProtoSpeed offers developers the flexibility to keep pace with changing Internet technology. Using a standard publish/subscribe mechanism, ProtoSpeed's network event manager allows developers to build customized features such as providing event triggers for specific conditions or allowing other applications to access the data stream. ProtoSpeed gives developers control over the application by offering either passive or active debugging modes. Passive mode allows streaming and capturing data over a port, while active mode offers setting watch, breakpoint and filtering.

CRESCENT DIVISION PRODUCTS

The Crescent Division of the Company provides advanced client/server tools and components to Visual Basic and Visual J++ development teams. The Crescent Division's strategy in the workgroup/departmental tools market complements Visual Basic and Visual J++ by offering an integrated suite of add-on tools and components that enable professional developers to make client/server business application development easy and intuitive. The major products offered by the Crescent Division are as follows:

CRESCENT INTERNET TOOLPAK

Internet ToolPak provides event-driven, Internet-enabled tools to meet the needs of Visual Basic developers building applications in both 16- and 32-bit environments. The Crescent Internet ToolPak suite, including a set of sixteen ActiveX controls, a Telnet form and an Internet mail "Wizard", manages Visual Basic developers' Internet protocol needs and enables them to create sophisticated Internet-enabled applications with a minimum of coding.

QUICKPAK VB/J++

QuickPak VB/J++ utilizes the power of the latest advances in ActiveX component techniques to improve user productivity. QuickPak VB/J++ consists of libraries of ActiveX components designed to simplify some of the most demanding programming tasks. These libraries contain hundreds of commonly used functions, including string and array handling, keyboard routines and system configuration. QuickPak VB/J++ also includes routines developed specifically for the Internet, such as Internet Information Server and Internet Core Messaging Protocol.

PDQCOMM

PDQComm provides tools to develop robust serial communications applications in the Visual Basic environment. PDQComm provides simplified file transfers and advanced terminal emulation as well as support for TAPI.

PRODUCT DEVELOPMENT

To date, most of the Company's products have been developed by its internal product development staff. Although the Company believes that the features and performance of its products are generally competitive with those of other available application development tools, and that none of its current product versions is approaching obsolescence, the Company believes that continuing enhancements of its products will be required to enable the Company to maintain its competitive position.

The Company intends to focus its principal future product development efforts on developing new products and updating existing products in order to realize the Company's vision of the expected direction of application development technology - which the Company describes as Universal Application Architecture

("UAA"). UAA is a standards-based approach to application development and deployment technology that relies on server-centric performance and maintainability, component-based modularity and standards-based interoperability and integration.

In the server-centric UAA model, the business logic of an application resides primarily on the server, accessed by users with thin clients or Web browsers. Application code that is more suitable for client side execution, such as user interface logic, data entry validation, and the like, is distributed as needed to the client but managed by the server. Component-based modularity is an application development technique derived from object-oriented programming in which applications are built as encapsulated blocks of logic. This enables client/server applications to be rewritten into other languages, such as Java, in incremental steps, easing the transition to next-generation architectures. Standards-based interoperability facilitates communication between business application logic and a variety of clients and a variety of data sources. Business applications developed within this framework will include the messaging standards of CORBA, a standard that enables software programs written in any programming language to communicate with each other and execute on any platform.

The Company is planning on releasing the next generation of its core application development and deployment products (PROGRESS and WebSpeed) with an application server engine to be called Open AppServer. This product is evolving from the PROGRESS AppServer and WebSpeed Transaction Server and will provide a Universal External Interface that allows 4GL application logic executing within the Open AppServer to operate with any client and with any data source. Subsequent releases of Open AppServer are expected to fully support CORBA. The Company plans for the next release of the PROGRESS RDBMS to support the latest SQL, ODBC and JDBC standards, Java stored procedures and Java triggers.

The Company plans for the next release of Apptivity to support UAA by providing a complete CORBA-based AppServer for integrating with any client, application or service, and any data source accessible within a CORBA messaging infrastructure. The Company plans to enhance its Apptivity development tools to include HTML capabilities and compatibility with Open AppServer.

The ISQP unit plans to focus future enhancements and new products on database or data source error detection and performance. The Company is also seeking to strengthen its product mix through strategic alliances with other application development tools vendors and similar companies.

The Company's product development staff consisted of 199 employees as of November 30, 1997. Product development is primarily conducted at the Company's offices in Bedford, Massachusetts, Newark, California and Nashua, New Hampshire. Limited work related to product localization may also be performed at the Company's international subsidiaries.

In fiscal years 1997, 1996 and 1995, the Company spent $28,855,000, $26,413,000 and $26,872,000, respectively, on product development, of which $1,864,000, $2,462,000 and $2,697,000, respectively, were capitalized in those years. The Company believes that the experience and depth of its product development staff are important factors in the Company's success.

CUSTOMERS

The Company markets its products worldwide to Application Partners and IT departments of corporations and government agencies. No single customer has accounted for more than 10% of the Company's total revenue in any of its last three fiscal years.

Application Partners. PSC's Application Partners provide the Company with broad market coverage, offer an extensive library of commercial applications and are a source of follow-on revenue. PSC publishes Application Catalogs and includes Application Partners in trade shows and other marketing programs. PSC also has kept entry costs for Application Partners low to encourage a wide variety of Application Partners to build applications. An Application Partner typically takes 6 to 24 months to develop an application. Although many of the Company's Application Partners have developed successful applications and have large installed customer bases, others are engaged in earlier stages of product development and marketing and may not contribute follow-on revenue to PSC for some time, if at all. However, if an Application Partner succeeds in marketing its applications, the Company obtains follow-on revenue as the Application Partner licenses copies of the Company's deployment products to permit its application to be installed and used by customers.

IT Departments. PSC licenses its products to IT departments of corporations, government agencies and other organizations to build complex applications. Large IT departments that purchase Application Partner applications typically also purchase the Company's development tools to supplement their internal application development. Like Application Partners, IT customers may also license deployment products to install applications at additional user sites.

Apptivity Resellers. In October 1997, the Company initiated the Apptivity Partner Program, a new reseller program designed to promote sales of its Apptivity line of Java business application development tools. While the Company has a long-standing Application Partner Program for its core products, the Apptivity Partner Program represents the first time that PSC has marketed its products through the pure reseller channel. The Apptivity Partner Program offers various levels of participation, with graded levels of competitive discounts. Resellers will purchase directly from PSC in order to eliminate potential channel conflicts. The Company provides technical and marketing assistance and is seeking to partner with a limited number of resellers in each major market.

SALES AND MARKETING

The Company sells PROGRESS, WebSpeed and related products through its direct sales force in the United States and in over 20 other countries and through independent distributors in over 30 countries outside North America. The sales organization is organized into the following regions: North America; Europe, Middle East and Africa ("EMEA"); Asia Pacific; Latin America; and Japan. The Company believes that its network of subsidiaries allows it to maintain direct contact with and better support its customers and to control its international distribution. The Company's international subsidiaries provide focused local marketing efforts and are better able to directly respond to changes in local conditions. Financial information relating to business segment and international operations is detailed in Note 10 of Notes to Consolidated Financial Statements on page 41 in the 1997 Annual Report to Shareholders and is incorporated herein by reference.

Sales personnel are responsible for developing new Application Partner and IT accounts, assisting Application Partners in closing major accounts and servicing existing customers. The Company actively seeks to avoid conflict between the sales efforts of its Application Partners and the Company's own sales efforts. In addition, the Company has dedicated sales personnel focused on developing the Apptivity Partner Program.

PSC uses its telephone sales and sales administration groups to enhance its direct sales efforts and to generate new business and follow-on business from existing customers. These groups may provide evaluation copies to Application Partners or IT organizations to help qualify them as prospective customers, and may also sell additional development and deployment products to existing customers.

The Company's marketing department conducts extensive marketing programs designed to ensure a stream of market-ready products, raise general awareness of PSC, generate leads for the PSC sales organization and promote the Company's various product lines. These programs include public relations, direct mail, participation in trade shows, advertising and production of collateral literature. The Company utilizes the "Powered by Progress" branding program in order to raise awareness of its products and their capabilities in the enterprise application development market. The Company sponsored a single worldwide user conference in the United States in 1997 and is planning to hold user conferences in the United States, Europe and Australia in 1998.

CUSTOMER SUPPORT

The Company's technical support staff provides telephone support to application developers and end-users using a computerized call tracking and problem reporting system. PSC also provides custom software development, consulting services and training throughout the world. The Company's software licenses generally are perpetual licenses. Customers may also purchase an annual maintenance service entitling them to software updates, technical support and technical bulletins. The annual fee for maintenance is generally 15% to 20% of the current list price of the product to be maintained; first year maintenance is not included with the Company's products and is purchased separately. The Company provides technical support to customers primarily through its technical support centers in Bedford, Massachusetts, Rotterdam, The Netherlands and Melbourne, Australia. Some local support is also provided by international subsidiaries in their own countries.

The Company's professional services organization (education and consulting) deliver a total business solution for customers through a combination of products, consulting and education. The Company's worldwide consulting organization is well-positioned to meet customers' needs by helping to implement PROGRESS-, WebSpeed- or Apptivity-based applications. The Company's consulting organization also provides services to Web-enable existing applications or take advantage of the capabilities of new product releases. The Company's consulting organization also provides assistance with project management, custom development, programming, application implementation, Internet services, migration services and other services.

Consulting and training services for customers outside North America are provided by personnel at the Company's international subsidiaries and distributors. Revenue from maintenance and services was 49%, 47% and 38% of total revenue for fiscal years 1997, 1996 and 1995, respectively.

COMPETITION

The computer software industry is intensely competitive. The Company experiences significant competition from a variety of sources with respect to all its products. The Company believes that the breadth and integration of its product offerings have become increasingly important competitive advantages. Other factors affecting competition in the markets served by the Company include product performance in complex applications, application portability, vendor experience, ease of integration, price, training and support. The Company believes that it competes favorably with respect to these factors.

The Company competes with a number of entities, principally application development tools vendors such as Borland International Inc., Forte Software Inc., Powersoft Corporation, a subsidiary of Sybase, Inc., and Uniface, a division of Compuware Corporation, and relational database vendors offering tools in conjunction with their database systems such as CA Ingres, a subsidiary of Computer Associates International, Inc., Informix Corporation, Microsoft Corporation, Oracle Corporation and Sybase, Inc. The Company believes that the database market is currently dominated by Oracle, Informix and Sybase, and that there is no dominant application development tools vendor. 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.

COPYRIGHTS, TRADEMARKS, PATENTS AND LICENSES

In accordance with industry practice, the Company relies upon a combination of contractual provisions and copyright, trademark and trade secret laws to protect its proprietary rights in its products. The Company distributes its products under software license agreements which grant customers a perpetual non-exclusive license to use the Company's products and contain terms and conditions prohibiting the unauthorized reproduction or transfer of the Company's products. In addition, the Company attempts to protect its trade secrets and other proprietary information through agreements with employees and consultants. Although the Company intends to protect its rights vigorously, there can be no assurance that these measures will be successful.

The Company seeks to protect the source code of its products as a trade secret and as an unpublished copyrighted work. The Company does not believe that patent laws are a significant source of protection for the Company's products. Where possible, the Company seeks to obtain protection of the names "PROGRESS", "WebSpeed", "Apptivity" and "ProtoSpeed" through trademark registration and other similar procedures.

The Company believes that, due to the rapid pace of innovation within its industry, factors such as the technological and creative skills of its personnel are more important in establishing and maintaining a leadership position within the industry than are the various legal protections of its technology. In addition, the Company believes that the nature of its customers, the importance of the Company's products to them and their need for continuing product support reduce the risk of unauthorized reproduction.

BACKLOG

The Company generally ships its products within 30 days after acceptance of a customer purchase order and execution of a license agreement. Accordingly, the Company does not believe that its backlog at any particular point in time is indicative of future sales levels.

EMPLOYEES

As of November 30, 1997, the Company had 1,090 employees worldwide, including 454 in sales and marketing, 257 in customer support (including manufacturing and distribution), 199 in product development and 180 in administration. The competition in recruiting skilled technical personnel in the computer software industry is intense. The Company believes that its ability to attract and retain qualified employees is an important factor in its growth and development, and that its future success will depend, in large measure, on its ability to continue to attract and retain qualified employees. To date, the Company has been successful in recruiting and retaining sufficient numbers of qualified personnel to effectively conduct its business. None of the Company's employees is represented by a labor union. The Company has experienced no work stoppages and believes its relations with employees are good.

The Company has adopted policies with regard to issuance of stock options and payment of cash bonuses and contributions to retirement plans in years in which the Company has met or exceeded its financial plan. These policies are designed to minimize employee turnover, although there can be no assurance that such policies will be successful.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth certain information regarding the executive officers of the Company.

NAME	AGE	POSITION
Joseph W. Alsop...............	52	President, Treasurer and Director
Jennifer J. Bergantino........	38	Vice President, Marketing and Strategic Planning
David G. Ireland..............	51	Vice President, Core Products and Services
Richard D. Reidy..............	38	Vice President, Product Development
Norman R. Robertson...........	49	Vice President, Finance and Administration and Chief Financial Officer
David P. Vesty................	45	Vice President, Worldwide Sales

Mr. Alsop, a founder of the Company, has been a director and President of the Company since its inception in 1981.

Ms. Bergantino joined the Company in January 1994 as Manager, Technology Marketing. In January 1995, she was appointed Director, Crescent Business Operations, was elected Vice President, Product Marketing and Planning in February 1996 and was elected Vice President, Marketing and Strategic Planning in July 1996. From 1991 to 1993, she was employed by Component Software Corporation, a computer software company, as Vice President, Marketing.

Mr. Ireland joined the Company in September 1997 as Vice President, Core Products and Services. From 1994 to 1997, Mr. Ireland was employed by Marcam Corporation, a computer software company, as a Vice President and General Manager. From 1992 to 1994, Mr. Ireland was employed by Cognos Inc., a computer software company, as Senior Vice President, Powerhouse Products.

Mr. Reidy was elected Vice President, Development Tools in July 1996 and was elected Vice President, Product Development in July 1997. From 1993 to 1996, Mr. Reidy held various management positions within the product development organization of the Company. Mr. Reidy joined the Company in June 1985.

Mr. Robertson joined the Company in May 1996 as Vice President, Finance and Chief Financial Officer and was elected Vice President, Finance and Administration and Chief Financial Officer in December 1997. From 1993 to 1996 he was employed by M/A-COM, Inc., a telecommunications company, as Director of Finance and Administration. From 1990 to 1993 he was employed by Progressive Technologies, Inc., a semiconductor company, as Chief Financial Officer.

Mr. Vesty was elected Vice President, International Operations in June 1989 and was elected Vice President, Worldwide Sales in December 1996. Mr. Vesty joined the Company in June 1986.

ITEM 2. PROPERTIES

The Company's principal administrative, sales, support, marketing and product development facility is located in a single leased building of approximately 165,000 square feet in Bedford, Massachusetts. The Company leases approximately 58,000 square feet in Wilmington, Massachusetts and maintains its manufacturing and distribution operations at this location. The Company leases approximately 33,000 square feet in Nashua, New Hampshire and maintains a product development facility at this location. In addition, the Company maintains offices in 16 other locations in North America and 29 offices outside North America. The Bedford lease expires in August 1999 and has a three-year renewal option. The terms of all other leases generally range from one to seven years. The Company believes that its present and proposed facilities are adequate for its current needs and that suitable additional space will be available as needed.

ITEM 3. LEGAL PROCEEDINGS

Naf Naf S.A. commenced an expert proceeding in the Paris Trade Court, Paris, France against Progress Software S.A., Timeless S.A. and Digital Equipment France in May 1996. In June 1997, Naf Naf petitioned the court to add Progress Software Corporation as a party to the expert proceeding, which petition has been granted. The basis of the proceeding is alleged late availability of products from Progress Software and alleged product deficiencies after delivery by Timeless to Naf Naf of such products. At this time, no specific damage claim has been formally filed under French legal proceeding rules with the Paris Trade Court. The Company is vigorously defending itself in this proceeding and the costs of such defense are being reimbursed to the Company by the Company's insurer. The Company's insurer has agreed to reimburse such costs under a reservation of rights as to coverage. While the outcome of this claim cannot be predicted with certainty, management does not believe that the outcome will have a material adverse effect on the Company's consolidated financial position or results of operations.

The Company is also subject to various other legal proceedings and claims, either asserted or unasserted, which arise in the ordinary course of business. While the outcome of these claims cannot be predicted with certainty, management does not believe that the outcome of any of these legal matters will have a material adverse effect on the Company's consolidated financial position or results of operations.

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

No matters were submitted to a vote of the Company's shareholders during the fourth quarter of the fiscal year ended November 30, 1997.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

The information appearing under the caption "Market for Registrant's Common Equity and Related Shareholder Matters" on page 43 of the 1997 Annual Report to Shareholders is incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA

The information appearing under the caption "Selected Consolidated Financial Data" on page 22 of the 1997 Annual Report to Shareholders is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information appearing under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 23 to 29 of the 1997 Annual Report to Shareholders is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements, related notes and independent auditors' report appearing on pages 30 to 42 of the 1997 Annual Report to Shareholders and the information appearing under the caption "Selected Quarterly Financial Data" on page 43 of the 1997 Annual Report to Shareholders are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There were no changes in or disagreements with accountants on any matter of accounting principles, financial statement disclosure, or auditing scope or procedures required to be reported under this item.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information regarding executive officers set forth under the caption "Executive Officers of the Registrant" in Item 1 of this Annual Report is incorporated herein by reference.

The information regarding directors set forth under the caption "Election of Directors" appearing in the Company's definitive Proxy Statement for the Annual Meeting of Shareholders to be held on April 24, 1998, which will be filed with the Securities and Exchange Commission not later than 120 days after November 30, 1997, is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information set forth under the caption "Executive Compensation" appearing in the Company's definitive Proxy Statement for the Annual Meeting of Shareholders to be held on April 24, 1998, which will be filed with the Securities and Exchange Commission not later than 120 days after November 30, 1997, is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information set forth under the caption "Security Ownership of Certain Holders and Management" appearing in the Company's definitive Proxy Statement for the Annual Meeting of Shareholders to be held on April 24, 1998, which will be filed with the Securities and Exchange Commission not later than 120 days after November 30, 1997, is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information set forth under the caption "Certain Relationships and Related Transactions" appearing in the Company's definitive Proxy Statement for the Annual Meeting of Shareholders to be held on April 24, 1998, which will be filed with the Securities and Exchange Commission not later than 120 days after November 30, 1997, is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) FINANCIAL STATEMENTS

The following financial statements are included in the Company's 1997 Annual Report to Shareholders and are incorporated herein by reference:

Consolidated Balance Sheets as of November 30, 1997 and 1996

Consolidated Statements of Operations for the years ended November 30, 1997, 1996, and 1995

Consolidated Statements of Shareholders' Equity for the years ended November 30, 1997, 1996, and 1995

Consolidated Statements of Cash Flows for the years ended November 30, 1997, 1996, and 1995

Notes to Consolidated Financial Statements

Independent Auditors' Report

Supplemental Financial Data not covered by the Independent Auditors' Report:

Selected Quarterly Financial Data

(b) REPORTS ON FORM 8-K:

No reports on Form 8-K were filed by the Company during the fourth quarter of the fiscal year ended November 30, 1997.

(c) EXHIBITS

Documents listed below, except for documents identified by parenthetical numbers, are being filed as exhibits herewith. Documents identified by parenthetical numbers are not being filed herewith and, pursuant to Rule 12b-32 of the General Rules and Regulations promulgated by the Commission under the Securities Exchange Act of 1934 (the "Act"), reference is made to such documents as previously filed as exhibits with the Commission. The Company's file number under the Act is 0-19417.

3.1	Restated Articles of Organization of the Company
3.1.1	Articles of Amendment to Restated Articles of Organization of the Company(1)
3.1.2	Articles of Amendment to Restated Articles of Organization of the Company
3.2	By-Laws of the Company, as amended and restated(2)
4.1	Specimen certificate for the Common Stock of the Company(3)
10.2	Form of User Agreement, as amended(4)
10.3	Form of Application Partner Agreement(5)
10.4	Form of End User Product License Agreement(6)
10.5	Form of Authorized International Distributor Agreement(7)
10.6	1984 Incentive Stock Option Plan, with amendments(8)
10.7	Amended and Restated 1984 Incentive Stock Option Plan(9)
10.8	1991 Employee Stock Purchase Plan, as amended(10)
10.9	Progress Software Corporation 401(k) Plan and Trust(11)
10.11	Progress Software Corporation 401(k) Plan with Fidelity Institutional Retirement Services Company(12)
10.12	1992 Incentive and Nonqualified Stock Option Plan(13)

10.15 First Amended and Restated Lease dated August 11, 1994 between the Company and the Equitable Life Assurance Company of the United States(14)

10.16 1994 Stock Incentive Plan(15)

10.17 1993 Directors' Stock Option Plan(16)

10.18 1997 Stock Incentive Plan(17)

11.1 Statement re computation of per share earnings

13.1 1997 Annual Report to Shareholders (which is not deemed to be "filed" except to the extent that portions thereof are expressly incorporated by reference in this Annual Report on Form 10-K)

21.1 List of Subsidiaries of the Registrant

23.1 Consent of Deloitte & Touche LLP

27.1 Financial Data Schedule (EDGAR version only)

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(1) Incorporated by reference to Exhibit 3.1.1 to the Company's Annual Report on Form 10-K for the fiscal year ended November 30, 1994.

(2) Incorporated by reference to Exhibit 3.2 to the Company's Annual Report on Form 10-K for the fiscal year ended November 31, 1991.

(3) Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1, File No. 33-41223, as amended.

(4) Incorporated by reference to Exhibit 10.2 to the Company's Annual Report on Form 10-K for the fiscal year ended November 30, 1993.

(5) Incorporated by reference to Exhibit 10.3 to the Company's Annual Report on Form 10-K for the fiscal year ended November 30, 1993.

(6) Incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K for the fiscal year ended November 30, 1993.

(7) Incorporated by reference to Exhibit 10.5 to the Company's Annual Report on Form 10-K for the fiscal year ended November 30, 1993.

(8) Incorporated by reference to Exhibit 10.11 to the Company's Registration Statement on Form S-1, File No. 33-41223, as amended.

(9) Incorporated by reference to Exhibit 10.12 to the Company's Registration Statement on Form S-1, File No. 33-41223, as amended.

(10) Incorporated by reference to Exhibit 28.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended August 31, 1991.

(11) Incorporated by reference to Exhibit 10.14 to the Company's Registration Statement on Form S-1, File No. 33-41223, as amended.

(12) Incorporated by reference to Exhibit 10.11 to the Company's Annual Report on Form 10-K for the fiscal year ended November 30, 1991.

(13) Incorporated by reference to Exhibit 10.12 to the Company's Quarterly Report on Form 10-Q for the quarter ended May 31, 1992.

(14) Incorporated by reference to Exhibit 10.15 to the Company's Quarterly Report on Form 10-Q for the quarter ended August 31, 1994.

(15) Incorporated by reference to Exhibit 10.16 to the Company's Quarterly Report on Form 10-Q for the quarter ended August 31, 1994.

(16) Incorporated by reference to Exhibit 10.17 to the Company's Quarterly Report on Form 10-Q for the quarter ended August 31, 1994.

(17) Incorporated by reference to Exhibit 10.18 to the Company's Quarterly Report on Form 10-Q for the quarter ended May 31, 1997

(D) FINANCIAL STATEMENT SCHEDULES

Schedule II -- Valuation and Qualifying Accounts

All other schedules are omitted because they are not applicable or the required information is shown on the financial statements or notes thereto.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, in the Town of Bedford, Commonwealth of Massachusetts on the 19th day of February, 1998.

PROGRESS SOFTWARE CORPORATION

By: /s/ JOSEPH W. ALSOP

Joseph W. Alsop,
President and Treasurer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ JOSEPH W. ALSOP Joseph W. Alsop	President, Treasurer and Director (Principal Executive Officer)	February 19, 1998
/s/ NORMAN R. ROBERTSON Norman R. Robertson	Vice President, Finance and Administration and Chief Financial Officer (Principal Financial Officer)	February 19, 1998
/s/ DAVID H. BENTON, JR. David H. Benton, Jr.	Corporate Controller (Principal Accounting Officer)	February 19, 1998
/s/ LARRY R. HARRIS Larry R. Harris	Director	February 19, 1998
/s/ ROBERT J. LEPKOWSKI Robert J. Lepkowski	Director	February 19, 1998
/s/ MICHAEL L. MARK Michael L. Mark	Director	February 19, 1998
/s/ ARTHUR J. MARKS Arthur J. Marks	Director	February 19, 1998
/s/ AMRAM RASIEL Amram Rasiel	Director	February 19, 1998
/s/ JAMES W. STOREY James W. Storey	Director	February 19, 1998

INDEPENDENT AUDITORS REPORT

To the Board of Directors and Shareholders of
Progress Software Corporation:

We have audited the consolidated financial statements of Progress Software Corporation and its subsidiaries as of November 30, 1997 and 1996, and for each of the three years in the period ended November 30, 1997, and have issued our report thereon dated December 19, 1997; such consolidated financial statements and report are included in your 1997 Annual Report to Shareholders and are incorporated herein by reference. Our audits also included the financial statement schedule of Progress Software Corporation and its subsidiaries, listed in the Index accompanying Item 14(d). This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/S/ DELOITTE & TOUCHE LLP

Boston, Massachusetts
December 19, 1997

SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS

(IN THOUSANDS)

DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS CHARGED TO COSTS AND EXPENSES	DEDUCTIONS FROM RESERVES	BALANCE AT END OF PERIOD
Reserves deducted from assets to which they apply--for doubtful accounts receivable:				
1997	$5,112	$1,807	$(1,991)	$4,928
1996	$4,611	$1,818	$(1,317)	$5,112
1995	$4,268	$1,936	$(1,593)	$4,611

EXHIBIT 3.1

The Commonwealth of Massachusetts

MICHAEL JOSEPH CONNOLLY
Secretary of State
ONE ASHBURTON PLACE, BOSTON, MASS. 02108

FEDERAL IDENTIFICATION NO.04-2746201

RESTATED ARTICLES OF ORGANIZATION

GENERAL LAWS, CHAPTER 156B SECTION 74

This certificate must be submitted to the Secretary of the Commonwealth within sixty days after the date of the vote of stockholders adopting the restated articles of organization. The fee for filing this certificate is prescribed by General Laws, Chapter 156B, Section 114. Make check payable to the Commonwealth of Massachusetts

We, Joseph W. Alsop	President and
Robert L. Birnbaum	Assistant Clerk

Progress Software Corporation

(Name of Corporation)

located at 5 Oak Park, Bedford, Massachusetts 01730 do

hereby certify that the following restatement of the articles of organization of the corporation was duly adopted at a meeting held on July 1, 1991 by vote of

1,754,838 shares of COMMON STOCK out of 1,905,060 shares outstanding.

719,875 shares of SERIES A CONVERTIBLE PREFERRED STOCK out of 755,500 shares outstanding, and

520,000 shares of SERIES B CONVERTIBLE PREFERRED STOCK out of 520,000 shares outstanding,

being at least two-thirds of each class of stock outstanding and entitled to vote and of each class of series of stock adversely affected thereby:

1. The name by which the corporation shall be know is:
   Progress Software Corporation

2. The purposes for which the corporation is formed are as follows:
   See Attachment 2A

3. The total number of shares and the par value, if any, of each class of stock which the corporation is authorized to issue is as follows:

CLASS OF STOCK	WITHOUT PAR VALUE NUMBER OF SHARES	WITH PAR VALUE NUMBER OF SHARES	PAR VALUE
Preferred		1,000,000	$.01
Common		8,500,000	$.01

4. If more than one class is authorized, a description of each of the different classes of stock with, if any, the preferences, voting powers, qualifications, special or relative rights or privileges as to each class thereof and any series now established:

See Attachment 4A attached hereto and incorporated herein by reference.

5. The restrictions, if any, imposed by the articles of organization upon the transfer of shares of stock of any class are as follows:

None.

6. Other lawful provisions, if any, for the conduct and regulation of the business and affairs of the corporation, for its voluntary dissolution, or for limiting, defining, or regulating the powers of the corporation, or of its directors or stockholders, or of any class of stockholders:

See Attachments 6A-6G.

2A. PURPOSES

To build, construct, design, develop, purchase, lease, or otherwise acquire, and to hold, use, lease, manage, operate, equip, maintain, sell, mortgage, pledge, deal in or with any and all kinds of properties, real, personal, or mixed, tangible or intangible, and generally to engage in a manufacturing and merchandising, designing, developing and evaluating business in the field of computer information systems, computer systems and programming services.

To acquire, and pay for in cash, stock or bonds of the corporation, or otherwise, the good will, rights, assets and properties and to undertake, guarantee or assume the whole or any part of the obligations or liabilities, of any person, firm, association or corporation.

To acquire, hold, use, sell, assign, lease, grant licenses in respect of, mortgage or otherwise dispose of letters patent of the United States or any foreign country, patent rights, licenses and privileges, formulae, inventions, improvements and processes, trade secrets, trade-marks, and trade names relating to or useful in connection with any business of the Corporation.

To incur liabilities and borrow money and to insure notes, bonds or other evidences of indebtedness and to secure the same by mortgage or pledge of any part or all of the properties of any and every kind of the Corporation.

To purchase, subscribe for or otherwise acquire, register, hold, sell, assign, transfer, pledge or otherwise dispose of shares of stock, bonds, notes and other securities and evidences of interest in or indebtedness of any government or political subdivisions thereof and of any person, firm or corporation of this or any other state or country, and while the owner or holder thereof to exercise all the rights, powers and privileges of ownership, in the same manner than an individual might do.

To purchase, hold, sell and transfer the shares of its own capital stock or any other securities issued by it; provided (1) it shall not use its funds or property for the purchase of its own shares of capital stock when such use would cause any impairment of its capital, unless otherwise permitted by law, (2) such purchase, sale or transfer is not otherwise prohibited by law, and (3) shares of its own capital stock belonging to it shall not be voted on directly or indirectly.

To have one or more offices and to carry on any or all of its operations and business in any of the states, districts, territories or colonies of the United States, in the Provinces of Canada, and in any and all foreign countries, subject to the laws of such state, district, territory, colony, province or country.

To carry on business incidental to and in connection with the foregoing and to have and exercise all the powers conferred by the laws of Massachusetts upon corporations formed under the General Laws of Massachusetts and to do any or all of the things hereinbefore set forth to the same extent as natural persons might or could do.

The purposes specified in the foregoing clauses, shall except where otherwise expressed, be in nowise limited or restricted by reference to, or inference from, the terms of any other clause, but the objects and powers specified in each of the foregoing clauses of this article shall be regarded as independent purposes.

To carry on any business or other activity which may be lawfully carried on by a corporation organized under the Business Corporation Law of The Commonwealth of Massachusetts, whether or not related to those preferred to in the foregoing paragraphs.

4A. PREFERRED STOCK

A. DESIGNATION OF CLASSES.

The authorized classes of capital stock of the Corporation shall be designated, respectively, the Common Stock and the Preferred Stock.

Any and all shares of stock issued, and for which the full consideration has been paid or delivered, shall be deemed fully paid stock; and the holder of such shares shall not be liable for any further call or assessment of any other payment thereon.

B. COMMON STOCK.

Each holder of Common Stock shall at every meeting of stockholders be entitled to one vote in person or by proxy for each share of Common Stock held by him. The holders of the Common Stock shall be entitled to such dividends as may from time to time be declared by the Board of Directors out of any funds legally available for the declaration of dividends, subject to any provisions of these Articles of Organization, as amended from time to time, and subject to the relative rights and preferences of any shares of Preferred Stock authorized and issued hereunder. No share of Common Stock shall entitle its holder to have any preemptive right in or preemptive right to subscribe to any additional shares of Common Stock or any shares of any other class of stock which may at any time be authorized or issued, or any bonds, debentures or other securities convertible into shares of stock of any class of the Corporation, or options or warrants carrying rights to purchase such shares or securities. Subject to the relative rights and preferences of any shares of Preferred Stock authorized and issued hereunder, upon the dissolution or liquidation of the Corporation, whether voluntary or involuntary the holders of shares of Common Stock shall be entitled to receive all assets of the Corporation available for distribution to its stockholders.

C. PREFERRED STOCK.

1. The Board of Directors is authorized, subject to limitations prescribed by law and the provisions of this Article 4, to provide for the issuance of the shares of Preferred Stock, with or without series, and, by filing a certificate pursuant to the applicable law of The Commonwealth of Massachusetts (the "Certificate of Designation"), to establish from time to time the number of shares to be included in each such series and to fix the designation, preferences, voting powers, qualifications and special or relative rights or privileges of the shares of each such series. In the event that at any time the Board of Directors shall have established and designated one or more series of Preferred Stock consisting of a number of shares less than all of the authorized number of shares of Preferred Stock, the remaining authorized shares of Preferred Stock shall be deemed to be shares of an undesignated series of Preferred Stock until designated by the Board of Directors as being a part of a series previously established or a new series then being established by the Board of Directors. Notwithstanding the fixing of the number of shares constituting a particular series, the Board of Directors may at any time thereafter authorize the issuance of additional shares of the same series except as set forth in the Certificate of Designation.

2. The authority of the Board of Directors with respect to each series of Preferred Stock shall include, but not be limited to, determination of the following:

   (i) the number of shares constituting that series, which number may be increased or decreased (but not below the number of shares of such series then outstanding) from time to time by the Board of Directors, and the distinctive designation of that series;

   (ii) whether any dividends shall be paid on shares of that series, and, if so, the dividend rate on the shares of that series; whether dividends shall be cumulative and, if so, from which date or dates, and the relative rights of priority, if any, of payment of dividends on shares of that series;

(iii) whether shares of that series shall have voting rights in addition to the voting rights provided by law and, if so, the terms of such voting rights;

(iv) whether shares of that series shall be convertible into shares of Common Stock or another security and, if so, the terms and conditions of such conversion, including provisions for adjustment of the conversion rate in such events as the Board of Directors shall determine;

(v) whether or not the shares of that series shall be redeemable and, if so, the terms and conditions of such redemption, including the date or dates upon or after which they shall be redeemable and the amount per share payable in case of redemption, which amount may vary under different conditions and at different redemption dates; and whether that series shall have a sinking fund for the redemption or purchase of shares of that series and, if so, the terms and amount of such sinking fund;

(vi) whether, in the event of purchase or redemption of the shares of that series, any shares of that series shall be restored to the status of authorized but unissued shares or shall have such other status as shall be set forth in the Certificate of Designation;

(vii) the rights of the shares of that series in the event of the sale, conveyance, exchange or transfer of all or substantially all of the property and assets of the Corporation, or the merger or consolidation of the Corporation into or with any other corporation, or the merger of any other corporation into it, or the voluntary or involuntary liquidation, dissolution or winding up of the Corporation, and the relative rights of priority, if any, of shares of that series to payment in any such event;

(viii) whether the shares of that series shall carry any preemptive right in or preemptive right to subscribe to any additional shares of Preferred Stock or any shares of any other class of stock which may at any time be authorized or issued, or any bonds, debentures or other securities convertible into shares of stock of any class of the Corporation, or options or warrants carrying rights to purchase such shares or securities; and

(ix) any other designation, preferences, voting powers, qualifications, and special or relative rights or privileges of the shares of that series.

6A. CERTAIN BUSINESS COMBINATIONS

(a) VOTE REQUIRED FOR CERTAIN BUSINESS COMBINATIONS.

(1) HIGHER VOTE FOR CERTAIN BUSINESS COMBINATIONS. In addition to any affirmative vote required by law or these Articles of Organization, and except as otherwise expressly provided in paragraph (b) of this Article 6A:

(i) any merger or consolidation of the Corporation or any Subsidiary (as hereinafter defined) with (a) any Interested Stockholder (as hereinafter defined) or (b) any other corporation (whether or not itself an Interested Stockholder) which is, or after such merger or consolidation would be, an Affiliate (as hereinafter defined) of an Interested Stockholder; or

(ii) any sale, lease, license, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions) to or with any Interested Stockholder or any Affiliate of any Interested Stockholder of any assets of the Corporation or any Subsidiary having an aggregate Fair Market Value (as hereinafter defined) equal to or greater than ten percent (10%) of the combined assets of the Corporation and its Subsidiaries; or

(iii) the issuance or transfer by the Corporation or any Subsidiary (in one transaction or a series of transactions) of any securities of the Corporation or any Subsidiary to any Interested Stockholder or any Affiliate of any Interested Stockholder in exchange for cash, securities or other property (or a combination thereof) having an aggregate Fair Market Value equal to or greater than ten percent (10%) of the combined assets of the Corporation and its Subsidiaries, except pursuant to an employee benefit plan of the Corporation or any Subsidiary thereof; or

(iv) any reclassification of securities of the Corporation (including any reverse stock split), or recapitalization of the Corporation, or any merger or consolidation of the Corporation with any of its Subsidiaries or any other transaction (whether or not with or into or otherwise involving an Interested Stockholder) which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of equity or convertible securities of the Corporation or any Subsidiary which are directly or indirectly owned by any Interested Stockholder or any Affiliate of any Interested Stockholder; or

(v) the adoption of any plan or proposal for the liquidation or dissolution of the Corporation proposed by or on behalf of any Interested Stockholder or any Affiliate of any Interested Stockholder shall require the affirmative vote of the holders of at least eighty percent (80%) of the voting power of the then outstanding shares of capital stock of the Corporation entitled to vote in the election of directors (the "Voting Stock"), voting together as a single class it being understood that for purposes of this Article 6A, each share of the Voting Stock shall have the number of votes granted to it pursuant to Article 4 of these Articles of Organization). Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that a lesser percentage may be specified by law or by any other provisions of these Articles of Organization or any Certificate of Designation (as defined in Article 4 of these Articles of Organization), or in any agreement with any national securities exchange or otherwise.

(2) DEFINITION OF "BUSINESS COMBINATION". The term "Business Combination" as used in this Article 6A shall mean any transaction which is referred to in any one or more of clauses (i) through (v) of subparagraph (1) of this paragraph (a).

(b) WHEN HIGHER VOTE IS NOT REQUIRED. The provisions of paragraph (a) of this Article 6A shall not be applicable to any particular Business Combination, and such Business Combination shall require only such affirmative vote as is required by law and any other provisions of these Articles of Organization, if, in the case of any Business Combination that does not involve any cash or other consideration being received by the stockholders of the Corporation solely in their capacity as stockholders of the Corporation, the condition specified in the following subparagraph (b) (1) is met, or, in the case of any other Business Combination, all of the conditions specified in the following subparagraphs (b) (1) and (b) (2) are met:

(1) APPROVAL BY DISINTERESTED DIRECTORS. The Business Combination shall have been approved by a majority of the members of the Board of Directors (the "Board") who are Disinterested Directors (as hereinafter defined), it being understood that this condition shall not be capable of satisfaction unless there is at least one Disinterested Director.

(2) PRICE AND PROCEDURAL REQUIREMENTS. All of the following conditions shall have been met:

(i) The aggregate amount of the cash, and the Fair Market Value as of the date of the consummation of the Business Combination of consideration other than cash, to be received per share by the holders of Common Stock of the Corporation in such Business Combination shall be at least equal to the higher of the following:

(A) (if applicable) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers fees) paid by the Interested Stockholder or any of its Affiliates for any shares of Common Stock of the Corporation acquired by it (1) within the two-year period immediately prior to the first public announcement of the proposal of the Business Combination (the "Announcement Date") or (2) in the transaction in which it became an Interested Stockholder, whichever is higher; or

(B) the Fair Market Value per share of Common Stock of the Corporation on the Announcement Date or on the date on which the Interested Stockholder became an Interested Stockholder (the "Determination Date"), whichever is higher.

(ii) The aggregate amount of the cash and the Fair Market Value as of the date of the consummation of the Business Combination of consideration other than cash to be received per share by holders of shares of any class of outstanding Voting Stock other than Common Stock shall be at least equal to the highest of the following (it being intended that the requirements of this subparagraph (b)(2)(ii) shall be required to be met with respect to every class of outstanding Voting Stock, whether or not the Interested Stockholder has previously acquired any shares of a particular class of Voting Stock):

(A) (if applicable) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealer fees) paid by the Interested Stockholder or any of its Affiliates for any shares of such class of Voting Stock acquired or beneficially owned by it that were acquired (1) within the two-year period immediately prior to the Announcement Date or (2) in the transaction in which it became an Interested Stockholder, whichever is higher; or

(B) (if applicable) the highest preferential amount per share to which the holders of shares of such class of Voting Stock are entitled in the event of any voluntary liquidation, dissolution or winding up of the Corporation; or

(C) the Fair Market Value per share of such class of Voting Stock on the Announcement Date or on the Determination Date, whichever is higher.

(iii) The price determined in accordance with subparagraphs (i) and (ii) of this subparagraph (b) (2) shall be subject to appropriate adjustment in the event of any stock dividend, stock split, combination of shares or similar event.

(iv) The holders of all outstanding shares of Voting Stock not beneficially owned by the Interested Stockholder immediately prior to the consummation of any Business Combination shall be entitled to receive in such Business Combination cash or other consideration for their shares meeting all of the terms and conditions of this paragraph (2) provided, however, that the failure of any stockholders who are exercising their statutory rights to dissent from such Business Combination and receive payment of the fair value of their shares to exchange their shares in such Business Combination shall not be deemed to have prevented the condition set forth in this subparagraph (2) (iv) from being satisfied.

(v) The consideration to be received by holders of any particular class of outstanding Voting Stock (including Common Stock) shall be in cash or in the same form as the Interested Stockholder has previously paid for shares of such class of Voting Stock. If the Interested Stockholder has paid for shares of any class of Voting Stock with varying forms of consideration, the form of consideration to be received per share by holders of such class of Voting Stock shall be either cash or the form used to acquire the largest number of shares of such class of Voting Stock previously acquired by the Interested Stockholder.

(vi) After such Interested Stockholder has become an Interested Stockholder and prior to the consummation of such Business Combination: (A) except as approved by a majority of the Disinterested Directors, there shall have been no failure to declare and pay at the regular date therefor any full quarterly dividends (whether or not cumulative) on any outstanding Preferred Stock of the Corporation; (B) there shall have been (I) no reduction in the annual rate of dividends paid on the Common Stock of the Corporation (except as necessary to reflect any subdivision of the Common Stock), except as approved by a majority of the Disinterested Directors, and (II) an increase in such annual rate of dividends as necessary to reflect any reclassification (including any reverse stock split), recapitalization, reorganization or any similar transaction which has the effect of reducing the number of outstanding shares of the Common Stock, unless the failure so to increase such annual rate is approved by a majority of the Disinterested Directors and (C) neither such Interested Stockholder nor any of its Affiliates shall have become the beneficial owner of any additional shares of Voting Stock except as part of the transaction which results in such Interested Stockholder becoming an Interested Stockholder.

(vii) After such Interested Stockholder has become an Interested Stockholder, such Interested Stockholder shall not have received the benefit, directly or indirectly (except proportionately as a stockholder), of any loans, advances, guarantees, pledges or other financial assistance or any tax credits or other tax advantages provided by the Corporation, whether in anticipation of or in connection with such Business Combination or otherwise.

(viii) A proxy or information statement describing the proposed Business Combination and complying with the requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations thereunder (or any subsequent provisions replacing the Exchange Act or such rules or regulations) shall be mailed to stockholders of the Corporation at least thirty (30) days prior to the consummation of such Business Combination (whether or not such proxy or information statement is required to be mailed pursuant to the Exchange Act or subsequent provisions). Such proxy or information statement shall contain, if a majority of the Disinterested Directors so requests, an opinion of a reputable investment banking firm which shall be selected by a majority of the Disinterested Directors, furnished with all information such investment banking firm reasonably requests and paid a reasonable fee for its services by the Corporation upon the Corporation's receipt of such opinion, as to the fairness (or lack of fairness) of the terms of the proposed Business Combination from the point of view of the holders of shares of Voting Stock (other than the Interested Stockholder).

(c) CERTAIN DEFINITIONS. For the purposes of this Article 6A:

(1) A "person" shall include any individual, group acting in concert, corporation, partnership, association, joint venture, pool, joint stock company, trust, unincorporated organization or similar company, syndicate, or any group formed for the purpose of acquiring, holding or disposing of securities.

(2) "Interested Stockholder" shall mean any person (other than the Corporation or any Subsidiary) who or which:

(i) is the beneficial owner, directly or indirectly, of more than fifteen percent (15%) of the voting power of the then outstanding Voting Stock; or

(ii) is an Affiliate of the Corporation and at any time within the two-year period immediately prior to the date in question was the beneficial owner, directly or indirectly, of fifteen percent (15%) or more of the voting power of the then outstanding Voting Stock; or

(iii) is an assignee of or has otherwise succeeded to any shares of Voting Stock which were at any time within the two-year period immediately prior to the date in question beneficially owned by any Interested Stockholder, if such assignment or succession shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the 1933 Act.

(3) A person shall be a "beneficial owner" of any shares of Voting Stock:

(i) which such person or any of its Affiliates or Associates (as hereinafter defined) beneficially owns, directly or indirectly, within the meaning of Rule 13d-3 of the Exchange Act, as in effect on June 30, 1991; or

(ii) which such person or any of its Affiliates or Associates has (A) the right to acquire (whether such right is exercisable immediately or only after the passage of time), pursuant to an agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise; provided, however, that a person shall not be deemed the beneficial owner of securities tendered pursuant to a tender or exchange offer made by or on behalf of such person or any of such person's Affiliates or Associates until such tendered securities are accepted for purchase; or (B) the right to vote pursuant to any agreement, arrangement, understanding or otherwise; provided, however, that a person shall not be deemed the beneficial owner of any security if the agreement, arrangement or understanding to vote such security (I) arises solely from a revocable proxy or consent solicitation made pursuant to, and in accordance with, the Exchange Act and (II) is not also then reportable on Schedule 13D under the Exchange Act (or a comparable or successor report); or

(iii) which are beneficially owned, directly or indirectly within the meaning of Rule 13d-3 under the Exchange Act, as in effect on June 30, 1991, by any other person with which such person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting (except to the extent permitted by the provision of subparagraph (c) (3) (ii) (B) above) or disposing of any shares of Voting Stock;

provided, however, that in the case of any employee stock ownership or similar plan of the Corporation or of any Subsidiary in which the beneficiaries thereof possess the right to vote any shares of Voting Stock held by such plan, no such plan nor any trustee with respect thereto (nor any Affiliate of such trustee, solely by reason of such capacity of such trustee, shall be deemed, for any purpose hereof, to beneficially own any shares of Voting Stock held under any such plan.

(4) For the purposes of determining whether a person is an Interested Stockholder pursuant to subparagraph (c) (2), the number of shares of Voting Stock deemed to be outstanding shall include shares deemed owned through application of subparagraph (c) (3), but shall not include any other shares of

Voting Stock which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

(5) "Affiliate" and "Associate" shall have the meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Exchange Act, as in effect on June 30, 1991.

(6) "Subsidiary" means any corporation of which a majority of any class of equity security is owned, directly or indirectly, by the Corporation.

(7) "Disinterested Director" means any Director of the Corporation who is not an Affiliate or Associate of the Interested Stockholder and was a member of the Board prior to the time that the Interested Stockholder became an Interested Stockholder, and any Director who is thereafter chosen to fill any vacancy on the Board or who is elected and who, in either event, is not an Affiliate or Associate of the Interested Stockholder and in connection with his or her initial assumption of office is recommended for appointment or election by a majority of Disinterested Directors then serving on the Board.

(8) "Fair Market Value" means: (i) in the case of stock, the highest closing sale price during the 30-day period immediately preceding and including the date in question of a share of such stock on the Composite Tape for New York Stock Exchange-Listed Stocks, or, if such stock is not quoted on the Composite Tape, on the New York Exchange, or, if such stock is not listed on such Exchange, on the principal United States securities exchange registered ;under the Exchange Act on which such stock is listed, or, if such stock is not listed on any such exchange, the highest closing bid quotation with respect to a share of such stock during the 30-day period preceding and including the date in question on the National Association of Securities Dealers, Inc. Automated Quotations System or any system then in use, or if no such quotations are available, the fair market value on the date in question of a share of such stock as determined in good faith by a majority of the Disinterested Directors; and (ii) in the case of property other than cash or stock, the fair market value of such property on the date in question as determined in good faith by a majority of the Disinterested Directors.

(9) In the event of any Business Combination in which the Corporation survives, the phrase "consideration other than cash to be received" as used in subparagraphs (b) (2) (i) and (ii) of this Article 6A shall include the shares of Common Stock of the Corporation and/or the shares of any other class of outstanding Voting Stock retained by the holders of such shares.

(10) For the purposes of determining the "Announcement Date," in the event that the first public announcement of the proposal of the Business Combination is made after the close on such date of any securities exchange registered under the Exchange Act on which any shares of the Voting Stock of the Corporation are traded, or of the National Association of Securities Dealers, Inc. Automated Quotations System or any other system on which any shares of the Voting Stock of the Corporation are listed, then the Announcement Date shall be deemed to be the next day on which such exchange or quotations system is open.

(d) POWERS OF THE BOARD OF DIRECTORS. A majority of the Board shall have the power and duty to determine for the purposes of this Article 6A, on the basis of information known to them after reasonable inquiry, whether a person is an Interested Stockholder, which determination shall be conclusive. Once the Board has made a determination, pursuant to the preceding sentence, that a person is an Interested Stockholder, then a majority of Disinterested Directors, shall have the power and duty to determine for the purposes of this Article 6A, on the basis of information known to them after reasonable inquiry, (i) the number of shares of Voting Stock beneficially owned by any person, (ii) whether a person is an Affiliate of Associate of another, (iii) whether the assets which may be the subject of any Business Combination have, or the consideration which may be received for the issuance or transfer of securities by the Corporation or any Subsidiary in any Business Combination has, an aggregate Fair Market Value equal to or greater than ten percent (10%) of the combined assets of the Corporation and its Subsidiaries and (iv) whether all of the applicable conditions set forth in subsection (b) (2) shall have been met with respect to any Business Combination, any of which determinations by a majority of the Disinterested Directors shall be conclusive. A majority of the Disinterested Directors shall have the further power to interpret all of the terms and provisions of this Article 6A, which interpretation shall be conclusive.

(e) NO EFFECT ON FIDUCIARY OBLIGATION OF INTERESTED STOCKHOLDERS. Nothing contained in this Article 6A shall be construed to relieve any Interested Stockholder of any fiduciary obligation imposed by law.

(f) AMENDMENT, REPEAL, ETC. Notwithstanding any other provisions of these Articles of Organization or the By-Laws of the Corporation (and notwithstanding the fact that a lesser percentage or no vote may be specified by law, these Articles of Organization or the By-Laws of the Corporation), and in addition to any affirmative vote of the holders of Preferred Stock or any other class of capital stock of the Corporation or any series of the foregoing then outstanding which is required by law or by or pursuant to these Articles of Organization, the affirmative vote of the holders of eighty percent (80%) or more of the outstanding Voting Stock, voting together as a single class, shall be required to amend or repeal, or adopt any provisions inconsistent with, this Article 6A.

6B. CERTAIN TRANSACTIONS APPROVED BY THE BOARD OF DIRECTORS

Except as provided in Article 6A of, or as otherwise provided in, these Articles of Organization, the Corporation may authorize, by a vote of a majority of the shares of each class of stock outstanding and entitled to vote thereon, (a) the sale, lease or exchange of all or substantially all of its property and assets, including its goodwill, upon such terms and conditions as it deems expedient, and (b) the merger or consolidation of the Corporation or any Subsidiary (as defined in Section (c) (6) of Article 6A of these Articles of Organization) into any other corporation, provided, however, that such sale, lease, exchange, merger or consolidation shall have been approved by a majority of the members of the Board of Directors.

6C. LIMITATION OF LIABILITY OF DIRECTORS

No director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director notwithstanding any provision of law imposing such liability; provided, however, that this Article shall not eliminate or limit any liability of a director (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 61 and 62 of the Massachusetts Business Corporation Law, or (iv) with respect to any transaction from which the director derived an improper personal benefit.

The provisions of this Article shall not eliminate or limit the liability of a director of this Corporation for any act or omission occurring prior to the date on which this Article became effective, provided, however, that neither any provision of this Article nor the adoption of this Article shall affect the effectiveness of any predecessor provision of these Articles of Organization pertaining to the elimination or limitation of the liability of a director of this Corporation for any act or omission occurring prior to the date on which this Article became effective. No amendment or repeal of this Article shall adversely affect the rights and protection afforded to a director of this Corporation under this Article for acts or omissions occurring prior to such amendment or repeal.

If the Massachusetts Business Corporation Law is subsequently amended to further eliminate or limit the personal liability of directors or to authorize corporate action to further eliminate or limit such liability, then the liability of the directors of this Corporation shall, without any further action of the Board of Directors or the stockholders of this Corporation, be eliminated or limited to the fullest extent permitted by the Massachusetts Business Corporation Law as so amended.

6D. MAKING AND AMENDING BY-LAWS

The directors of the Corporation shall have power to make, alter, amend and repeal the By-Laws of the Corporation in whole or in part, except with respect to any provision thereof which by law or these Articles of Organization or such By-Laws requires action by the stockholders, who shall also have power to make, alter, amend and repeal the By-Laws of the Corporation. Any By-Laws made by the directors under the powers conferred hereby may be altered, amended, or repealed by the directors or the stockholders. Notwithstanding the foregoing and anything contained in these Articles of Organization to the contrary, Articles III, IV, VII and X of the By-Laws, and this Article 6D, shall not be altered, amended or repealed by the stockholders, and no provision inconsistent therewith or herewith shall be adopted by the stockholders, without the affirmative vote of the holders of at least eighty percent (80%) of the voting power of all shares of the Corporation entitled to vote generally in the election of directors, voting together as a single class. In addition, notwithstanding the foregoing and anything contained in these Articles of Organization to the contrary, Article VI of the By-Laws may not be altered, amended or repealed, in whole or in part, and no provision inconsistent therewith shall be adopted, by the Board of Directors unless approved by the affirmative vote of at least three-fourths (3/4) of the directors then serving.

6E. PLACES OF MEETINGS OF STOCKHOLDERS

Meetings of the stockholders may be held anywhere in the United States.

6F. PARTNERSHIP IN ANY BUSINESS ENTERPRISE

The Corporation may be a partner in any business enterprise it would have power to conduct by itself.

6G. TRANSACTION WITH AFFILIATED PERSONS

The Corporation may enter into contracts or transact business with one or more of its directors, officers or stockholders or with any corporation, organization or other concern in which one or more of its directors, officers or stockholders are directors, officers, stockholders or are otherwise interested and may enter into other contracts or transactions in which one or more of its directors, officers or stockholders are in any way interested. In the absence of fraud no such contract or transaction shall be invalidated or in any way affected by the fact that such one or more of the directors, officers or stockholders of the Corporation have or may have any interest which is or might be adverse to the interest of the Corporation even though the vote or action of directors, officers of stockholder having such adverse interest may have been necessary to obligate the Corporation upon such contract or transaction.

At any meeting of the Board of Directors of the Corporation (or of any duly authorized committee thereof) at which any such contract or transaction shall be authorized or ratified, any such directors or directors may vote or act thereat with like force and effect as if he had not such interest, provided in such case that the nature of such interest (though not necessarily the extent or details thereof) shall be disclosed or shall have been known to the directors. A general notice that a director or officer is interested in any corporation or other concern of any kind referred to above shall be a sufficient disclosure as to the interest of such director or officer with respect to all contracts and transactions with such corporation or other concern. No director shall be disqualified from holding office as a director or an officer of the Corporation by reason of any such adverse interest, unless the Board of Directors shall determine that such adverse interest is detrimental to the Corporation. In the absence of fraud, no director, officer or stockholder having such adverse interest shall be liable on account of such adverse interest to the Corporation or to any stockholder or creditor thereof or to any other person for any loss incurred by it under or by reason of such contract or transaction, nor shall any such director, officer or stockholder be accountable on such ground for any gains or profits realized thereon.

BRIEF DESCRIPTION OF AMENDMENTS

Article 3: Article 3 has been amended by deleting from the Corporation's authorized capital stock the shares of Series A Convertible Preferred Stock, par value $.01 per share, and Series B Convertible Preferred Stock, par value $.01 per share.

Article 4: Article 4 has been amended to eliminate the description of, and references to, the Series A Convertible Preferred Stock and the Series B Convertible Preferred Stock.

*We further certify that the foregoing restated articles of organization effect no amendments to the articles of organization of the corporation as heretofore amended, except amendments to the following articles:

Article 3 and Article 4

Briefly describe amendments in space below:

See page 20 attached hereto.

IN WITNESS WHEREOF AND UNDER THE PENALTIES OF PERJURY, we have hereto signed our names

16th day of August in the year 1991

/s/ JOSEPH W. ALSOP

JOSEPH W. ALSOP
President

/s/ ROBERT L. BIRNBAUM

ROBERT L. BIRNBAUM
Assistant Clerk

THE COMMONWEALTH OF MASSACHUSETTS

RESTATED ARTICLES OF ORGANIZATION
(GENERAL LAWS, CHAPTER 156B, SECTION 74)

I hereby approve the within restated articles of organization and the filing fee in the amount of $400.00 having been paid, said articles are deemed to have been filed with me this 23rd day of August, 1991.

MICHAEL JOSEPH CONNOLLY
Secretary of State

TO BE FILLED IN BY CORPORATION

PHOTO COPY OF RESTATED ARTICLES OF ORGANIZATION TO BE SENT TO:

Robert L. Birnbaum, Esquire

Foley, Hoag & Eliot

One Post Office Sq., Boston, MA 02109

Telephone (617) 482-1390

COPY MAILED

Exhibit 3.1.2
FEDERAL IDENTIFICATION
NO. 04-2746201

THE COMMONWEALTH OF MASSACHUSETTS
WILLIAM FRANCIS GALVIN
Secretary of the Commonwealth
One Ashburton Place, Boston, Massachusetts 02108-1512

ARTICLES OF AMENDMENT
(GENERAL LAWS, CHAPTER 156B, SECTION 72)

We, Joseph W. Alsop, President

and James D. Freedman, Assistant Clerk

of Progress Software Corporation,
(Exact name of corporation)

located at 14 Oak Park, Bedford, Massachusetts 01730.
(Street address of corporation in Massachusetts)

certify that these Articles of Amendment affecting articles numbered:

3
(Number those articles 1 ,2, 3, 4, 5 and/or 6 being amended)

of the Articles of Organization were duly adopted at a meeting held on April 25, 1997, by vote of:

9,091,013 shares of Common Stock of 12,397,249 shares outstanding,
(type, class & series if any)

shares of of shares outstanding, and

shares of of shares outstanding,
(type, class & series if any)

1** being at least a majority of each type, class or series outstanding and entitled to vote thereon:

To change the number of shares and the par value (if any) of any type, class or series of stock which the corporation is authorized to issue, fill in the following:

The total presently authorized is:

WITHOUT PAR VALUE STOCKS		WITH PAR VALUE STOCKS		
TYPE	NUMBER OF SHARES	TYPE	NUMBER OF SHARES	PAR VALUE
Common:		Common:	20,000,000	$.01
Preferred:		Preferred:	1,000,000	$.01

Change the total authorized to:

WITHOUT PAR VALUE STOCKS		WITH PAR VALUE STOCKS		
TYPE	NUMBER OF SHARES	TYPE	NUMBER OF SHARES	PAR VALUE
Common:		Common:	50,000,000	$.01
Preferred:		Preferred:	1,000,000	$.01

The foregoing amendments(s) will become effective when these Articles of Amendment are filed in accordance with General Laws, Chapter 156B, Section 6 unless these articles specify, in accordance with the vote adopting the amendment, a later effective date not more than thirty days after such filing, in which event the amendment will become effective on such later date.

Later effective date: _______________

SIGNED UNDER THE PENALTIES OF PERJURY, this 17th day of November, 1997,

/s/ JOSEPH W. ALSOP

Joseph W. Alsop
President

/s/ JAMES D. FREEDMAN

James D. Freedman
Assistant Clerk

EXHIBIT 11.1

STATEMENT RE COMPUTATION OF PER SHARE EARNINGS

(In thousands, except per share data)

	Year Ended November 30,		
	1997	1996	1995
PRIMARY			
Weighted average number of common and common equivalent shares outstanding:			
Common stock	12,112	12,823	12,674
Common equivalent shares resulting from stock options (treasury stock method)	--	399	831
Total	12,112	13,222	13,505
Net income (loss)	$(1,607)	$ 5,497	$16,684
Income (loss) per common share	$ (0.13)	$ 0.42	$ 1.24
FULLY-DILUTED			
Weighted average number of common and common equivalent shares outstanding:			
Common stock	12,112	12,823	12,674
Common equivalent shares resulting from stock options (treasury stock method)	--	445	954
Total	12,112	13,268	13,628
Net income (loss)	$(1,607)	$ 5,497	$16,684
Income (loss) per common share	$ (0.13)	$ 0.41	$ 1.22

EXHIBIT 13.1

SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data should be read in conjunction with the consolidated financial statements and related notes:

(In thousands, except per share data)	Year Ended November 30,				
	1997	1996	1995	1994	1993
Statement of Operations Data:					
Revenue:					
Software licenses	$ 95,579	$ 93,178	$110,785	$ 88,426	$ 73,582
Maintenance and services	92,735	83,512	69,350	50,811	38,058
Total revenue	188,314	176,690	180,135	139,237	111,640
Costs and expenses:					
Cost of revenue	41,238	38,539	31,896	21,634	16,546
Sales and marketing	87,570	87,830	79,546	62,477	49,803
Product development	26,991	23,951	24,175	20,203	15,296
General and administrative	23,202	21,909	18,813	15,092	12,528
Non-recurring charges	11,537	--	2,373	--	--
Total costs and expenses	190,538	172,229	156,803	119,406	94,173
Income (loss) from operations	(2,224)*	4,461	23,332**	19,831	17,467
Other income, net	5,356	3,869	3,169	2,136	2,369
Income before provision for income taxes	3,132*	8,330	26,501**	21,967	19,836
Provision for income taxes	4,739	2,833	9,817	7,579	6,943
Net income (loss)	$ (1,607)*	$ 5,497	$ 16,684**	$ 14,388	$ 12,893
Income (loss) per common share	$ (0.13)*	$ 0.41	$ 1.22**	$ 1.12	$ 1.00
Weighted average number of common and equivalent shares outstanding	12,112	13,268	13,628	12,878	12,922
Balance Sheet Data:					
Cash and short-term investments	$ 93,485	$ 97,323	$ 92,338	$ 74,286	$ 61,300
Working capital	67,760	84,207	85,271	66,868	53,381
Total assets	171,733	173,188	175,736	134,554	107,786
Long-term debt, including current portion	--	122	162	210	412
Shareholders' equity	96,439	113,793	113,481	88,517	69,876

* Includes non-recurring charges related to the acquisition of Apptivity Corporation of $11,537 or $0.93 per share. Excluding these non-recurring items, net income would have been $9,682 or $0.80 per share. See Note 2 of Notes to Consolidated Financial Statements.

** Includes a non-recurring charge for purchase of in-process software development of $2,373 or $0.18 per share. Excluding this non-recurring item, net income would have been $19,057 or $1.40 per share. See Note 2 of Notes to Consolidated Financial Statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENT The Private Securities Litigation Reform Act of 1995 contains certain safe harbors regarding forward-looking statements. From time to time, information provided by the Company or statements made by its directors, officers or employees may contain "forward-looking" information which involves risks and uncertainties. Actual future results may differ materially. Statements indicating that the Company "expects," "estimates," "believes," "is planning" or "plans to" are forward-looking, as are other statements concerning future financial results, product offerings or other events that have not yet occurred. There are several important factors which could cause actual results or events to differ materially from those anticipated by the forward-looking statements. Such factors, some of which are described in greater 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 On July 15, 1997, the Company acquired all of the outstanding stock of Apptivity Corporation (Apptivity), a developer of Java-based application development tools, for approximately $11,179,000, consisting of $3,847,000 in cash, $1,373,000 in assumed and other liabilities, the issuance of 395,657 shares of common stock valued at $5,437,000 and the assumption of stock options valued at $522,000. The acquisition has been accounted for as a purchase, and accordingly, the results of operations have been included in the Company's operating results from the date of acquisition. The allocation of the purchase price included $10,806,000 to in-process software development which was charged to operations as part of the non-recurring charges in the third quarter of fiscal 1997. Additionally, the Company recorded a non-recurring charge of $731,000 for the writedown of certain capitalized software costs and other intangible assets to fair value after evaluating the impact of the acquisition upon the Company's future operating plans.

The Company's total revenue in fiscal 1997 increased 7% from its total revenue in fiscal 1996. The Company's net income (before non-recurring charges) increased 76% from $5,497,000 in fiscal 1996 to $9,682,000 in fiscal 1997. After including the effect of the non-recurring charges of $11,537,000 related to the acquisition of Apptivity, the Company recorded a net loss of $1,607,000 in fiscal 1997.

The following table sets forth certain income and expense items as a percentage of total revenue, and the percentage change in dollar amounts of such items compared with the corresponding period in the previous fiscal year.

	Percentage of Total Revenue			Period-to-Period Change	
	Year Ended November 30,			1997 Compared to 1996	1996 Compared to 1995
	1997	1996	1995		
Revenue:					
Software licenses	51%	53%	62%	3%	(16)%
Maintenance and services	49	47	38	11	20
Total revenue	100	100	100	7	(2)
Costs and expenses:					
Cost of software licenses	5	5	4	13	27
Cost of maintenance and services	17	17	14	5	19
Sales and marketing	47	50	44	0	10
Product development	14	13	14	13	(1)
General and administrative	12	12	10	6	16
Non-recurring charges	6	--	1	--	--
Total costs and expenses	101	97	87	11	10

Income (loss) from operations	(1)	3	13	(150)	(81)
Other income, net	3	2	2	38	22
Income before provision for income taxes	2	5	15	(62)	(69)
Provision for income taxes	3	2	6	67	(71)
Net income (loss)	(1)%	3%	9%	(129)	(67)

FISCAL 1997 COMPARED TO FISCAL 1996 The Company's total revenue increased 7% from $176,690,000 in fiscal 1996 to $188,314,000 in fiscal 1997. Software license revenue increased 3% from $93,178,000 in fiscal 1996 to $95,579,000 in fiscal 1997. The software license revenue increase was attributable to greater sales of the Company's flagship products, PROGRESS Versions 7 and 8, a slowdown in the rate of decline of PROGRESS Version 6 and increased acceptance of new products such as WebSpeed.

Maintenance and services revenue increased 11% from $83,512,000 in fiscal 1996 to $92,735,000 in fiscal 1997. The maintenance and services revenue increase was primarily a result of growth in the Company's installed customer base, renewal of maintenance contracts and greater demand for consulting services.

Total revenue generated in markets outside North America increased from $104,568,000 in fiscal 1996 to $111,467,000 in fiscal 1997 and remained approximately 59% of total revenue. Total revenue generated in markets outside North America would have represented 61% of total revenue in fiscal 1997 if exchange rates had been constant as compared to the exchange rates in effect in 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 increased 13% from $8,838,000 in fiscal 1996 to $10,000,000 in fiscal 1997 and increased as a percentage of software license revenue from 9% to 10%. The percentage and dollar 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 services consists primarily of costs of providing customer technical support, education and consulting. Cost of maintenance and services increased 5% from $29,701,000 in fiscal 1996 to $31,238,000 in fiscal 1997, but decreased as a percentage of maintenance and services revenue from 36% to 34%. The percentage decrease was due primarily to improved margins in the North America consulting business. The dollar increase was due primarily to the growth in the Company's technical support, education and consulting staff and related costs. Additionally, the Company increased its usage of third party contractors in fiscal 1997 as compared to fiscal 1996 in order to satisfy demand for increased consulting and training services. The Company increased its technical support, education and consulting staff from 218 at the end of fiscal 1996 to 230 at the end of fiscal 1997.

Sales and marketing expenses decreased slightly from $87,830,000 in fiscal 1996 to $87,570,000 in fiscal 1997 and decreased as a percentage of total revenue from 50% to 47%. Worldwide sales and marketing headcount decreased from 485 at the end of fiscal 1996 to 454 at the end of fiscal 1997. The reduction in headcount resulted in lower compensation expense. This decrease was offset by increased discretionary marketing program expenses such as advertising, trade shows and direct mail. The percentage decrease in sales and marketing expenses as a percentage of total revenue was primarily due to improved productivity as revenue increased at a greater rate than sales and marketing expenses during fiscal 1997 as compared to fiscal 1996.

Product development expenses increased 13% from $23,951,000 in fiscal 1996 to $26,991,000 in fiscal 1997 and increased as a percentage of total revenue from 13% to 14%. The dollar and percentage increases were primarily due to increased headcount levels in fiscal 1997 as compared to fiscal 1996 and higher average compensation costs per person. The major product development efforts in fiscal 1997 related to the development of the Apptivity and WebSpeed product lines, as well as a major new release of PROGRESS Version 8. The Company also devoted significant resources to developing the ProtoSpeed product and enhancements to products in the Crescent Division. The product development staff increased from 196 at November 30, 1996 to 199 at November 30, 1997.

The Company capitalized $2,462,000 of software development costs in fiscal 1996 and $1,864,000 in 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" (SFAS 86). The amounts capitalized represented 9% of total product development costs in fiscal 1996 and 6% of total product development costs in fiscal 1997. The decrease in the capitalization rate in fiscal 1997 resulted from fewer projects qualifying for capitalization under the Company's software capitalization policies. 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 6% from $21,909,000 in fiscal 1996 to $23,202,000 in fiscal 1997 and remained approximately the same percentage of total revenue in each year. The dollar increase in general and administrative expenses was primarily due to higher average personnel costs, including higher incentive compensation costs in fiscal 1997 as compared to fiscal 1996. The Company's administrative headcount was essentially the same at the end of fiscal 1997 as compared to the end of fiscal 1996.

Income from operations decreased as a percentage of total revenue from 3% in fiscal 1996 to (1)% in fiscal 1997 (including non-recurring charges of $11,537,000 related to the acquisition of Apptivity). Excluding the non-recurring charges, income from operations in fiscal 1997 was 5% of total revenue.

Excluding the non-recurring charges, income from operations attributable to North America remained approximately 6% of North American revenue in each year. Income from operations attributable to Europe as a percentage of European revenue was 1% in fiscal 1996 and 5% in fiscal 1997. The increase in income from operations in Europe was due to higher revenue and improved expense control in fiscal 1997 as compared to fiscal 1996. The lower operating margin in fiscal 1997 from other operations as compared to operating margins in North America and Europe related primarily to continued losses at the Company's joint venture in Japan. Operating margins from international operations in the future will depend significantly on the extent and timing of the Company's expansion into new markets, and its ability to achieve economies of scale in established international markets. See Note 10 of Notes to Consolidated Financial Statements.

Other income increased $1,487,000 from $3,869,000 in fiscal 1996 to $5,356,000 in fiscal 1997 due primarily to a foreign currency gain of $1,135,000 in fiscal 1997 as compared to a foreign currency loss in fiscal 1996. The foreign currency gain in fiscal 1997 relates to gains from the Company's foreign currency hedging programs, as well as foreign currency gains and losses related primarily to the translation and settlement of short-term intercompany receivables. During fiscal 1997, the U.S. dollar strengthened considerably against most international currencies. This resulted in lower reported revenue and operating income primarily from the Company's European operations, which was offset to some extent by the Company's foreign exchange hedging program. The increase in other income was also due to an increase in other income-minority interest, offset by slightly lower interest income. 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.

The Company's effective tax rate was 151% in fiscal 1997 compared to 34% in fiscal 1996. The increase in the effective tax rate in fiscal 1997 from fiscal 1996 was due to nondeductible expenses related to the acquisition of Apptivity in fiscal 1997. Excluding these nondeductible expenses, the Company's effective tax rate for fiscal 1997 was 34%. See Note 7 of Notes to Consolidated Financial Statements. The Company expects its effective tax rate to be around 34% in fiscal 1998.

FISCAL 1996 COMPARED TO FISCAL 1995 The Company's total revenue decreased 2% from $180,135,000 in fiscal 1995 to $176,690,000 in fiscal 1996. The reduction in total revenue was primarily due to a decrease in software license revenue, offset by an increase in maintenance and services revenue. Software license revenue decreased 16% from $110,785,000 in fiscal 1995 to $93,178,000 in fiscal 1996. The software license revenue decrease was attributable to increased competition, a slowdown in the rate of growth for application development tools, the transition some of the Company's Application Partners faced in the marketplace as they moved their applications to PROGRESS Versions 7 and 8 and, to a lesser extent, the new user-based pricing structure implemented in the fourth quarter of fiscal 1995.

Maintenance and services revenue increased 20% from $69,350,000 in fiscal 1995 to $83,512,000 in fiscal 1996. The maintenance and services revenue increase was primarily a result of growth in the Company's installed customer base, renewal of maintenance contracts and greater demand for consulting services.

Total revenue generated in markets outside North America decreased slightly from $104,680,000 in fiscal 1995 to $104,568,000 in fiscal 1996 but increased as a percentage of total revenue from 58% in fiscal 1995 to 59% in fiscal 1996. Total revenue generated in markets outside North America would have represented 60% of total revenue in fiscal 1996 if exchange rates had been constant as compared to fiscal 1995.

Cost of software licenses increased 27% from $6,965,000 in fiscal 1995 to $8,838,000 in fiscal 1996 and increased as a percentage of software license revenue from 6% to 9%. The percentage and dollar increase was due to an increase in amortization of capitalized software costs, higher documentation costs associated with PROGRESS Version 7 and Version 8 as compared to Version 6 and higher royalty expense.

Cost of maintenance and services increased 19% from $24,931,000 in fiscal 1995 to $29,701,000 in fiscal 1996, but remained approximately the same percentage of maintenance and services revenue. The dollar increase was due primarily to the growth in the Company's technical support, education and consulting staff and related costs required to support the growth in the Company's installed customer base. Additionally, the Company increased its usage of third party contractors in fiscal 1996 as compared to fiscal 1995 in order to satisfy demand for increased consulting and training services. The Company increased its technical support, education and consulting staff from 199 at November 30, 1995 to 218 at November 30, 1996.

Sales and marketing expenses increased 10% from $79,546,000 in fiscal 1995 to $87,830,000 in fiscal 1996 and increased as a percentage of total revenue from 44% to 50%. The dollar and percentage increase in sales and marketing expenses was primarily due to expansion of the sales, sales support and marketing staff, the establishment of a subsidiary in Argentina and, to a lesser extent, expansion of marketing activities associated with the launch of WebSpeed, PROGRESS Version 8 and the Crescent product line. The Company increased its sales, sales support and marketing staff from 457 at November 30, 1995 to 485 at November 30, 1996.

Product development expenses decreased 1% from $24,175,000 in fiscal 1995 to $23,951,000 in fiscal 1996, but remained approximately the same percentage of total revenue in both years. The dollar decrease was due primarily to reduced headcount levels in fiscal 1996 as compared to fiscal 1995. However, the decrease in expenses was not proportionate to the decrease in period end headcount due to higher average personnel expenses and other related costs in fiscal 1996 as compared to fiscal 1995. The major product development efforts in fiscal 1996 related to the development of the WebSpeed product line, major new releases of PROGRESS, including Version 8.0B and Version 8.1, and Visual Basic and Visual J++ add-on tools and components in the Crescent Division. The product development staff decreased from 242 at November 30, 1995 to 196 at November 30, 1996. The Company capitalized $2,697,000 of software development costs in fiscal 1995 and $2,462,000 in fiscal 1996 in accordance with SFAS 86. The amounts capitalized represented 10% in fiscal 1995 and 9% in fiscal 1996 of total product development costs.

General and administrative expenses increased 16% from $18,813,000 in fiscal 1995 to $21,909,000 in fiscal 1996, and increased as a percentage of total revenue from 10% to 12%. The dollar increase in general and administrative expenses was primarily due to higher expenses in information systems as the Company improved its system infrastructure and increased personnel costs reflecting the full impact of the fiscal 1995 staff increase. The Company's administrative headcount remained essentially the same at the end of fiscal 1996 as compared to fiscal 1995.

Income from operations decreased as a percentage of total revenue from 13% in fiscal 1995 (including the non-recurring charge of $2,373,000 for in-process software development costs related to the acquisition of Crescent) to 3% in fiscal

1996. The decrease was due to a reduction in total revenue of 2% together with an increase in total cost and expenses of 10%. Excluding the non-recurring charge, income from operations in fiscal 1995 was 14% of total revenue.

Excluding the non-recurring charge, income from operations attributable to North America decreased as a percentage of North American revenue from 22% in fiscal 1995 to 6% in fiscal 1996. Income from operations attributable to Europe as a percentage of European revenue was 7% in fiscal 1995 and 1% in fiscal 1996. The decrease in income from operations in Europe and North America was due to a slowdown in revenue growth in most markets and increased costs and expenses in fiscal 1996. The operating loss from operations attributable to other regions outside North America and Europe related primarily to the inability to achieve profitable operations at the Company's joint venture in Japan. See Note 10 of Notes to Consolidated Financial Statements.

Other income increased approximately $700,000 from $3,169,000 in fiscal 1995 to $3,869,000 in fiscal 1996 due primarily to higher interest income and lower foreign currency losses. The increase in interest income was due to higher average cash balances in fiscal 1996 as compared to fiscal 1995. The joint venture in Japan generated a net loss in each period and the Company recorded as "other income - minority interest" an amount equal to 49% of the joint venture's net loss. Foreign currency gains and losses relate primarily to the translation and settlement of short-term intercompany receivables. The net foreign currency loss in fiscal 1995 also includes the effect of the devaluation of the Mexican peso during the first quarter of fiscal 1995 on peso-denominated intercompany receivables.

The Company's effective tax rate was 34% in fiscal 1996 compared to 37% in fiscal 1995. The decrease in the effective tax rate in fiscal 1996 from fiscal 1995 was due to nondeductible expenses related to the acquisition of Crescent in fiscal 1995. Excluding these nondeductible expenses, the Company's effective tax rate for fiscal 1995 was 34%. See Note 7 of Notes to Consolidated Financial Statements.

LIQUIDITY AND CAPITAL RESOURCES The Company had $93,485,000 in cash and short-term investments at November 30, 1997. The decrease of $3,838,000 in cash and short-term investments from $97,323,000 at November 30, 1996 was primarily due to common stock repurchases, property and equipment purchases and the acquisition of Apptivity, offset by cash generated from operations.

In fiscal years 1995, 1996 and 1997, the Company purchased $13,376,000, $9,545,000 and $10,048,000, respectively, of property and equipment, which consisted primarily of computer equipment and software, furniture and fixtures and leasehold improvements. The level of property and equipment purchases resulted primarily from continued growth of the business and replacement of older equipment. The Company financed these purchases primarily from cash generated from operations. See Note 4 of Notes to Consolidated Financial Statements.

In fiscal 1997, the Company purchased 1,567,600 shares of its common stock for $26,553,000. In fiscal 1996, the Company purchased 457,500 shares of its common stock for $7,205,000. The Company financed these purchases primarily from cash generated from operations.

In September 1997, the Board of Directors authorized, for the period October 1, 1997 through September 30, 1998, 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. Shares that are repurchased may be used for various purposes including the issuance of shares pursuant to the Company's stock option plans. At November 30, 1997, no shares of common stock had been repurchased under this authorization.

On December 10, 1997, the Company, through a wholly-owned subsidiary, acquired certain assets of its distributor in Brazil for approximately $5,000,000. The acquisition will be accounted for as a purchase, and accordingly, the results of operations will be included in the Company's operating results from the date of acquisition. The allocation of the purchase price is expected to be primarily attributed to goodwill, which will be amortized over a seven-year period.

The Company's 401(k) Plan has approximately $900,000 in Guaranteed Investment Contracts (GICs) issued by Mutual Benefit Life Insurance Company (MBLI). In July 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 rehabilitation 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. In May 1997, the Company and the 401(k) Plan entered into an agreement pursuant to which the Company agreed to purchase the GICs from the 401(k) Plan for the accumulated book value of the GICs, subject to the receipt of certain regulatory approvals. In December 1997, the Company obtained all such approvals and purchased the GICs from the 401(k) Plan enabling participants to choose other investment vehicles prior to the end of the rehabilitation plan. The transaction did not have a material effect on the Company's consolidated financial position or results of operations.

Naf Naf S.A. commenced an expert proceeding in the Paris Trade Court, Paris, France against Progress Software S.A., Timeless S.A. and Digital Equipment France in May 1996. In June 1997, Naf Naf petitioned the court to add Progress Software Corporation as a party to the expert proceeding, which petition has been granted. The basis of the proceeding is alleged late availability of products from Progress Software and alleged product deficiencies after delivery by Timeless to Naf Naf of such products. At this time, no specific damage claim has been formally filed under French legal proceeding rules with the Paris Trade Court. The Company is vigorously defending itself in this proceeding and the costs of such defense are being reimbursed to the Company by the Company's insurer. The Company's insurer has agreed to reimburse such costs under a reservation of rights as to coverage. While the outcome of this claim cannot be predicted with certainty, management does not believe that the outcome will have a material adverse effect on the Company's consolidated financial position or results of operations.

The Company is also subject to various other legal proceedings and claims, either asserted or unasserted, which arise in the ordinary course of business. While the outcome of these claims cannot be predicted with certainty, management does not believe that the outcome of any of these legal matters will have a material adverse effect on the Company's consolidated financial position or results of operations.

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

NEW ACCOUNTING PRONOUNCEMENTS In February 1997, the Financial Accounting Standards Board (FASB) issued SFAS No. 128 (SFAS 128), "Earnings per Share." SFAS 128 establishes a different method of computing income per common share than is currently required under the provisions of Accounting Principles Board Opinion No. 15. Under SFAS 128, the Company will be required to present both basic income per common share and diluted income per common share. Basic income (loss) per common share for the fiscal years ended November 30, 1997 and November 30, 1996 would have been $(0.13) and $0.43 per share, respectively. Diluted income (loss) per common share under SFAS 128 for the fiscal years ended November 30, 1997 and November 30, 1996 would have been $(0.13) and $0.42 per share, respectively. The Company plans to adopt SFAS 128 in its first quarter of fiscal 1998 and at that time all historical income per common share data presented will be restated to conform to the provisions of SFAS 128.

In June 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income" (SFAS 130) and SFAS No. 131, "Disclosure About Segments of an Enterprise and Related Information" (SFAS 131). SFAS 130 requires the presentation of an additional primary financial statement in the format prescribed by the standard. SFAS 131 requires disclosure about the Company's operations on a disaggregated basis consistent with management's internal reporting structure. The Company will adopt these standards in the first quarter of fiscal 1999.

In October 1997, the American Institute of Certified Public Accountants issued Statement of Position (SOP) 97-2, "Software Revenue Recognition." The Company intends to adopt this pronouncement in the first quarter of fiscal 1998, which is one year earlier than the date of adoption required by the SOP, and does not expect it to have a material affect on the revenue recognition practices of the Company.

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, fluctuations in currency exchange rates, changes in the level of operating expenses, changes in the Company's sales incentive plans, customer order deferrals in anticipation of new products announced by the Company or its competitors and general economic conditions. Revenue forecasting is uncertain, in large part, because the Company generally ships its products 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 May 1997, the Company began shipping the latest major enhancement to the PROGRESS product line, PROGRESS Version 8.2. 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. In July 1997, the Company began shipments of WebSpeed Version 2.0. 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 new products. The Company began commercial shipments of ProtoSpeed, an internally developed distributed debugging tool, in September 1997. The Company acquired Apptivity Corporation, a developer of multi-tier, Java-based business application tools, in July 1997. Apptivity currently offers Apptivity Developer Version 1.0 and Apptivity Server Version 1.0.

The Company believes that PROGRESS, WebSpeed, Apptivity, ProtoSpeed 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 these product lines will be required to enable the Company to maintain its competitive position. There can be no assurance that the Company will be successful in developing and marketing enhancements to its products on a timely basis, or that the enhancements will adequately address the changing needs of the marketplace. Delays in the release of enhancements could have a material adverse effect on the Company's business and its financial 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, prospects, financial condition and operating results.

The Company hopes that WebSpeed, Apptivity and other new products will contribute positively to the Company's future results. 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 be developed. The market for Java-based business applications is in the early stages of commercial adoption. There can be no assurance that Java will emerge as a viable programming language for large-scale business application deployment environments.

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 51% of the Company's total revenue in 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 continue to be available on commercially reasonable terms in the future.

The market price of the Company's common stock, like that of other technology companies, is highly volatile and is subject to wide fluctuations in response to quarterly variations in operating results, announcements of technological innovations or new products by the Company or its competitors, changes in financial estimates by securities analysts, or other events or factors. The Company's stock price may also be affected by broader market trends unrelated to the Company's performance.

CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	November 30, 1997	November 30, 1996
Assets		
Current assets:		
Cash and equivalents	$ 39,451	$ 30,872
Short-term investments	54,034	66,451
Accounts receivable (less allowance for doubtful accounts of $4,928 in 1997 and $5,112 in 1996)	35,651	34,452
Inventories	1,394	1,257
Other current assets	6,081	4,367
Deferred income taxes	5,166	3,552
Total current assets	141,777	140,951
Property and equipment-net	23,183	24,230
Capitalized software costs-net	4,545	5,428
Other assets	2,228	2,579
Total	$171,733	$173,188
Liabilities and Shareholders' Equity		
Current liabilities:		
Current portion of long-term debt	$ --	$ 37
Accounts payable	10,712	7,989
Accrued compensation and related taxes	17,088	12,385
Income taxes payable	6,450	3,004
Other accrued liabilities	8,033	5,964
Deferred revenue	31,734	27,365
Total current liabilities	74,017	56,744
Deferred income taxes	1,009	2,345
Long-term debt	--	85
Minority interest in subsidiary	268	221
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, $.01 par value; authorized, 1,000,000 shares; issued, none		
Common stock, $.01 par value; authorized; 50,000,000 shares in 1997 and 20,000,000 shares in 1996; issued and outstanding, 11,812,023 shares in 1997 and 12,632,630 shares in 1996	118	126
Additional paid-in capital	25,901	41,309
Retained earnings	70,673	72,280
Unrealized gains on short-term investments	245	241
Cumulative translation adjustments	(498)	(163)
Total shareholders' equity	96,439	113,793
Total	$171,733	$173,188

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)	Year Ended November 30, 1997	1996	1995
Revenue:			
Software licenses	$ 95,579	$ 93,178	$110,785
Maintenance and services	92,735	83,512	69,350
Total revenue	188,314	176,690	180,135
Costs and expenses:			
Cost of software licenses	10,000	8,838	6,965
Cost of maintenance and services	31,238	29,701	24,931
Sales and marketing	87,570	87,830	79,546
Product development	26,991	23,951	24,175
General and administrative	23,202	21,909	18,813
Non-recurring charges	11,537	--	2,373
Total costs and expenses	190,538	172,229	156,803
Income (loss) from operations	(2,224)	4,461	23,332
Other income (expense):			
Interest income	3,756	3,885	3,585
Interest expense	(13)	(11)	(15)
Foreign currency gain (loss)	1,135	(453)	(847)
Minority interest	556	415	403
Other income (expense)	(78)	33	43
Total other income, net	5,356	3,869	3,169
Income before provision for income taxes	3,132	8,330	26,501
Provision for income taxes	4,739	2,833	9,817
Net income (loss)	$ (1,607)	$ 5,497	$ 16,684
Income (loss) per common share	$ (0.13)	$ 0.41	$ 1.22
Weighted average number of common and common equivalent shares outstanding	12,112	13,268	13,628

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands, except share data)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Unrealized Gains on Short-term Investments	Cumulative Translation Adjustments	Total Share-holders' Equity
Balance, December 1, 1994	$ 62	$ 38,480	$ 50,099		$(124)	$ 88,517
Stock split	62	(62)				0
Exercise of stock options (525,688 shares)	5	4,991				4,996
Issuance of stock under employee stock purchase plan (25,118 shares)		460				460
Stock option compensation		2				2
Tax benefit arising from employees' exercise of stock options		2,596				2,596
Unrealized gains on short-term investments				$133		133
Net income			16,684			16,684
Translation adjustment					93	93
Balance, November 30, 1995	129	46,467	66,783	133	(31)	113,481
Exercise of stock options (136,703 shares)	1	1,108				1,109
Issuance of stock under employee stock purchase plan (47,429 shares)		736				736
Purchase and retirement of treasury stock (457,500 shares)	(4)	(7,201)				(7,205)
Stock option compensation		2				2
Tax benefit arising from employees' exercise of stock options		197				197
Unrealized gains on short-term investments				108		108
Net income			5,497			5,497
Translation adjustment					(132)	(132)
Balance, November 30, 1996	126	41,309	72,280	241	(163)	113,793
Exercise of stock options (313,857 shares)	3	4,160				4,163
Issuance of stock under employee stock purchase plan (37,479 shares)		511				511
Purchase and retirement of treasury stock (1,567,600 shares)	(15)	(26,538)				(26,553)
Stock option compensation		16				16
Tax benefit arising from employees' exercise of stock options		488				488
Issuance of stock in connection with Apptivity acquisition (395,657 shares)	4	5,433				5,437
Stock options assumed in connection with Apptivity acquisition		522				522
Unrealized gains on short-term investments				4		4
Net loss			(1,607)			(1,607)
Translation adjustment					(335)	(335)
Balance, November 30, 1997	$118	$ 25,901	$ 70,673	$245	$(498)	$ 96,439

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended November 30, 1997	1996	1995
Cash flows from operating activities:			
Net income (loss)	$ (1,607)	$ 5,497	$ 16,684
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization of property and equipment	10,596	9,514	7,616
Non-recurring charges	11,537	--	2,373
Amortization of capitalized software costs	2,072	1,702	1,076
Amortization of intangible assets	241	331	301
Deferred income taxes	(2,950)	(695)	234
Minority interest in subsidiary	(556)	(415)	(403)
Non-cash compensation	16	2	2
Changes in operating assets and liabilities:			
Accounts receivable	(3,098)	7,053	(12,777)
Inventories	(140)	837	395
Other current assets	(1,980)	406	(838)
Accounts payable and accrued expenses	9,252	(2,664)	3,936
Income taxes payable	3,908	1,008	3,432
Deferred revenue	6,359	284	7,913
Total adjustments	35,257	17,363	13,260
Net cash provided by operating activities	33,650	22,860	29,944
Cash flows from investing activities:			
Purchases of investments available for sale	(33,809)	(76,550)	(78,693)
Maturities of investments available for sale	31,238	48,380	59,106
Sales of investments available for sale	15,068	20,700	10,598
Purchase of property and equipment	(10,048)	(9,545)	(13,376)
Capitalized software costs	(1,864)	(2,462)	(2,697)
Acquisitions, net of cash acquired	(3,847)	--	(1,894)
Decrease (increase) in other non-current assets	59	(310)	(1,045)
Net cash used for investing activities	(3,203)	(19,787)	(28,001)
Cash flows from financing activities:			
Proceeds from issuance of common stock	4,674	1,845	5,456
Repurchase of common stock	(26,553)	(7,205)	--
Contributions from minority interest	603	--	1,039
Proceeds from capital lease obligations	--	85	39
Payment of long-term debt and obligations under capital leases	(116)	(130)	(81)
Net cash provided by (used for) financing activities	(21,392)	(5,405)	6,453
Effect of exchange rate changes on cash	(476)	(261)	536
Net increase (decrease) in cash and equivalents	8,579	(2,593)	8,932
Cash and equivalents, beginning of year	30,872	33,465	24,533
Cash and equivalents, end of year	$ 39,451	$ 30,872	$ 33,465
Supplemental disclosure of cash flow information:			
Income taxes paid	$ 3,760	$ 2,569	$ 6,109
Interest paid	$ 13	$ 13	$ 21
Supplemental disclosure of noncash financing activities:			
Income tax benefit from employees' exercise of stock options	$ 488	$ 197	$ 2,596
Stock issued and options assumed in acquisition of Apptivity	$ 5,959	$ --	$ --

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE COMPANY Progress Software Corporation (the Company) develops, markets and supports application development and deployment software for professional information service organizations in business, government and industry worldwide. The PROGRESS product line is an integrated, component-based visual development environment for building and deploying multi-tier, enterprise-class business applications. The WebSpeed product line enables organizations to build and deploy Internet transaction processing applications. The Apptivity product line enables developers to build and deploy scalable, multi-tier, Java-based business applications. ProtoSpeed is a debugging tool for testing distributed objects across the Internet. The Crescent Division supplies tools and add-on components to developers using Microsoft's Visual Basic and Visual J++ application development environment.

USE OF ESTIMATES The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

BASIS OF CONSOLIDATION The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated.

FOREIGN CURRENCY TRANSLATION For foreign operations with the local currency as the functional currency, assets and liabilities are translated into U.S. dollars at the exchange rate on the balance sheet date. Income and expense items are translated at average rates of exchange prevailing during each period. Translation adjustments are accumulated in a separate component of shareholders' equity.

For foreign operations with the U.S. dollar as the functional currency, monetary assets and liabilities are translated into U.S. dollars at the exchange rate on the balance sheet date. Nonmonetary assets and liabilities are remeasured into U.S. dollars at historical exchange rates. Income and expense items are translated at average rates of exchange prevailing during each period. Translation adjustments are recognized currently as a component of foreign currency gain or loss.

The Company enters into foreign exchange option contracts which are designated as effective hedges on certain transactions and receivables in selected foreign currencies. The purpose of the Company's foreign exposure management policies and practices is to attempt to minimize the impact of exchange rate fluctuations on the Company's results of operations. The option contracts are structured such that the cost to the Company cannot exceed the premium paid for such contracts. Premiums are recognized ratably over the contract period as a component of foreign currency gain or loss. Increases and decreases in market value gains on such contracts are recognized currently as a component of foreign currency gain or loss. The notional principal amount of outstanding foreign exchange option contracts at November 30, 1997 was $39.0 million. Unrealized market value gains on such contracts were immaterial at November 30, 1997. Major U.S. multinational banks are counterparties to the option contracts.

MINORITY INTEREST IN SUBSIDIARY Minority interest in subsidiary represents the joint venture partners' proportionate share of the equity in Progress Software K.K. (PSKK), a Japanese joint stock corporation established in January 1995 to market and support the Company's products in Japan. At November 30, 1997, the Company owned 51% of the capital stock of PSKK.

REVENUE RECOGNITION Software license revenue is recognized upon the later of shipment of product or completion of significant obligations to customers. Maintenance revenue is deferred and recognized ratably over the term of the agreement. Revenue from services, primarily consulting and customer education, is recognized as the related services are performed.

In October 1997, the American Institute of Certified Public Accountants issued Statement of Position (SOP) 97-2, "Software Revenue Recognition." The Company intends to adopt this pronouncement in the first quarter of fiscal 1998, which is one year earlier than the date of adoption required by the SOP, and does not expect it to have a material affect on the revenue recognition practices of the Company.

CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS Cash equivalents include short-term, highly liquid investments purchased with remaining maturities of three months or less. Short-term investments, which consist primarily of municipal and U.S. Treasury obligations and corporate debt securities purchased with remaining maturities of more than three months, are classified as investments available for sale and stated at fair value. Aggregate unrealized holding gains and losses are included as a separate component of shareholders' equity.

CONCENTRATION OF CREDIT RISK Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of cash, short-term investments and trade receivables. The Company has cash investment policies which, among other things, limit investments to investment-grade securities. The Company performs ongoing credit evaluations of its customers and the risk with respect to trade receivables is further mitigated by the diversity, both by geography and by industry, of its customer base.

FAIR VALUE OF FINANCIAL INSTRUMENTS The carrying amount of cash, accounts receivable and accounts payable approximates fair value due to the short-term nature of these instruments. The fair value of investments available for sale is based on current market value (Note 3).

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

PROPERTY AND EQUIPMENT Purchased property and equipment is recorded at cost. Leased equipment is recorded at the present value of the minimum lease payments required during the lease period. Depreciation and amortization is provided on the straight-line method over the estimated useful lives (three to ten years) of the related assets or the remaining terms of leases, whichever is shorter.

CAPITALIZATION OF SOFTWARE COSTS The Company capitalizes certain internally generated software development costs after technological feasibility of the product has been established. Capitalized software costs also include amounts paid for purchased software which has reached technological feasibility. Such costs are amortized over the estimated life of the product (two to four years). The Company continually compares the unamortized costs of capitalized software to the expected future revenues for the products. If the unamortized costs exceed the expected future net realizable value, the excess amount is written off (Note 2). Accumulated amortization was approximately $5,121,000 and $4,306,000 at November 30, 1997 and 1996, respectively.

INTANGIBLE ASSETS Intangible assets, included in other assets, primarily represent goodwill, noncompete agreements and organization costs and are recorded at cost. Such costs are amortized over periods ranging from three to five years. Accumulated amortization was approximately $540,000 and $679,000 at November 30, 1997 and 1996, respectively.

STOCK-BASED COMPENSATION PLANS The Company accounts for its stock option plans and its employee stock purchase plan in accordance with the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25). In accordance with Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation" (SFAS 123), the Company provides additional pro forma disclosures (Note 5).

INCOME TAXES The Company provides for deferred income taxes resulting from temporary differences between financial and taxable income. Such differences arise primarily from the use of accelerated tax depreciation, accruals, capitalized software costs, and provisions for doubtful accounts. No provision for U.S. income taxes has been made for the undistributed earnings of non-U.S. subsidiaries, as these earnings have been permanently reinvested or would be principally offset by foreign tax credits. Cumulative undistributed foreign earnings were approximately $11,724,000 at November 30, 1997.

INCOME PER COMMON SHARE Income per common share is computed using the weighted average number of common and common equivalent shares outstanding during each period presented. Common stock equivalents consist of stock options. Income per common share is computed by dividing net income by the weighted average number of common and common equivalent shares outstanding (under the treasury stock method). The weighted average number of common and common equivalent shares excludes the impact of common stock equivalents in fiscal 1997 as the impact would be antidilutive.

In February 1997, the Financial Accounting Standards Board (FASB) issued SFAS No. 128 (SFAS 128), "Earnings per Share." SFAS 128 establishes a different method of computing income per common share than is currently required under the provisions of Accounting Principles Board Opinion No. 15. Under SFAS 128, the Company will be required to present both basic income per common share and diluted income per common share. Basic income (loss) per common share for the fiscal years ended November 30, 1997 and November 30, 1996 would have been $(0.13) and $0.43 per share, respectively. Diluted income (loss) per common share under SFAS 128 for the fiscal years ended November 30, 1997 and November 30, 1996 would have been $(0.13) and $0.42 per share, respectively. The Company plans to adopt SFAS 128 in its first quarter of fiscal 1998 and at that time all historical income per common share data presented will be restated to conform to the provisions of SFAS 128.

NEW ACCOUNTING PRONOUNCEMENTS In June 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income" (SFAS 130) and SFAS No. 131, "Disclosure About Segments of an Enterprise and Related Information" (SFAS 131). SFAS 130 requires the presentation of an additional primary financial statement in the format prescribed by the standard. SFAS 131 requires disclosure about the Company's operations on a disaggregated basis consistent with management's internal reporting structure. The Company will adopt these standards in the first quarter of fiscal 1999.

NOTE 2: BUSINESS COMBINATIONS AND NON-RECURRING CHARGES

On July 15, 1997, the Company acquired all of the outstanding stock of Apptivity Corporation (Apptivity), a developer of Java-based application development tools, for approximately $11,179,000, consisting of $3,847,000 in cash, $1,373,000 in assumed and other liabilities, the issuance of 395,657 shares of common stock valued at $5,437,000 and the assumption of stock options valued at $522,000. The acquisition has been accounted for as a purchase, and accordingly, the results of operations have been included in the Company's operating results from the date of acquisition. The allocation of the purchase price included $10,806,000 to in-process software development which was charged to operations as part of the non-recurring charges in the third quarter of fiscal 1997. Additionally, the Company recorded a non-recurring charge of $731,000 for the writedown of certain capitalized software costs and other intangible assets to fair value after evaluating the impact of the acquisition upon the Company's future operating plans. If this acquisition had been made at the beginning of the earliest year presented, the effect on the consolidated financial statements would not have been significant.

On January 6, 1995, the Company acquired all of the outstanding stock of Crescent Software, Inc. (Crescent) for approximately $3,000,000, consisting of $2,150,000 in cash and $850,000 in assumed and other liabilities. Crescent is a supplier of add-on software to users of Microsoft's Visual Basic application development environment. The assets acquired consisted primarily of existing software and software in the development stage. The acquisition was accounted for as a purchase, and accordingly, the results of operations are included in the Company's operating results from the date of acquisition. The allocation of the purchase price included $2,373,000 to in-process software development which was charged to operations in the first quarter of fiscal 1995 and $230,000 to capitalized software costs which were amortized over a two-year period.

NOTE 3: CASH AND SHORT-TERM INVESTMENTS

A summary of the Company's investments available for sale by major security type at November 30, 1997 was as follows:

(In thousands) Security Type	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Corporate debt securities	$13,700			$13,700
Obligations of states and political subdivisions	48,836	$214	$(4)	49,046
U.S. government obligations	5,553	35		5,588
Total	$68,089	$249	$(4)	$68,334

The fair value of debt securities at November 30, 1997, by contractual maturity, was as follows:

(In thousands)	
Due in one year or less (including $14,300 classified as cash equivalents)	$37,197
Due after one year	31,137
Total	$68,334

A summary of the Company's investments available for sale by major security type at November 30, 1996 was as follows:

(In thousands) Security Type	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Corporate debt securities	$11,871			$11,871
Obligations of states and political subdivisions	65,373	$294	$(52)	65,615
U.S. government obligations	7,612		(1)	7,611
Total	$84,856	$294	$(53)	$85,097

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

(In thousands)	November 30, 1997	November 30, 1996
Equipment and software	$40,696	$42,470
Equipment held under capital leases	--	952
Furniture and fixtures	5,304	5,046
Leasehold improvements	7,682	6,331
Total	53,682	54,799
Less accumulated depreciation and amortization	30,499	30,569
Property and equipment-net	$23,183	$24,230

Accumulated amortization related to equipment held under capital leases was approximately $822,000 at November 30, 1996.

NOTE 5: SHAREHOLDERS' EQUITY

COMMON STOCK On September 25, 1995, the Board of Directors approved a two-for-one common stock split in the form of a stock dividend. Shareholders received one additional share for each share held. Such distribution was made on November 27, 1995 to shareholders of record at the close of business on October 27, 1995.

In 1997, the Company purchased 1,567,600 shares of its common stock for $26,553,000. In 1996, the Company purchased 457,500 shares of its common stock for $7,205,000. All shares purchased in 1997 were acquired under a Board of Directors' authorization which expired on September 30, 1997.

In September 1997, the Board of Directors authorized, for the period October 1, 1997 through September 30, 1998, 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. Shares that are repurchased may be used for various purposes including the

issuance of shares pursuant to the Company's stock option and employee stock purchase plans. At November 30, 1997, no shares of common stock had been repurchased under this authorization.

STOCK OPTIONS In April 1992, the shareholders adopted and approved the 1992 Incentive and Nonqualified Stock Option Plan (1992 Plan) and terminated the 1984 Incentive Stock Option Plan (1984 Plan). Options granted and outstanding under the 1984 Plan remain outstanding and are exercisable in accordance with their terms, but no further options will be granted under the 1984 Plan.

In August 1994, the shareholders of the Company adopted and approved the 1994 Stock Incentive Plan (1994 Plan) and the 1993 Directors' Stock Option Plan (Directors' Plan). The Directors' Plan permitted certain option grants to non-employee directors.

In April 1997, the shareholders of the Company adopted and approved the 1997 Stock Incentive Plan (1997 Plan). Upon the approval of the 1997 Plan, the Directors' Plan was terminated. Options granted and outstanding under the Directors' Plan remain outstanding and are exercisable in accordance with their terms, but no further options will be granted under the Directors' Plan. The 1994 and 1997 Plans permit the granting of stock incentive awards to officers, members of the Board of Directors, employees and consultants. Awards under the 1994 and 1997 Plans may include stock options (both incentive and non-qualified), grants of conditioned stock, unrestricted grants of stock, grants of stock contingent upon the attainment of performance goals and stock appreciation rights.

A total of 4,680,000 shares are issuable under the 1992, 1994 and 1997 Plans, of which 1,462,962 shares were available for grant at November 30, 1997.

A summary of stock option activity under the plans is as follows:

(In thousands, except per share data)

	Year Ended November 30,					
	1997		1996		1995	
	Number of Shares	Weighted Average Exercise Price Per Share	Number of Shares	Weighted Average Exercise Price Per Share	Number of Shares	Weighted Average Exercise Price Per Share
Beginning options outstanding	2,866	$16.34	2,292	$18.02	2,150	$14.46
Granted	1,067	14.74	1,444	14.33	853	21.88
Exercised	(314)	13.27	(137)	8.14	(526)	9.49
Canceled	(593)	16.47	(733)	19.20	(185)	18.60
Ending options outstanding	3,026	16.07	2,866	16.34	2,292	18.02
Exercisable	1,213	$16.99	1,127	$16.52	802	$14.96

For various exercise price ranges, weighted average characteristics of outstanding stock options at November 30, 1997 were as follows:

(In thousands, except per share data)

	Options Outstanding			Options Exercisable	
Range of Exercise Price	Number of Shares	Weighted Average Remaining Life (in years)	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
$ 0.67- 5.00	77	5.39	$ 2.72	47	$ 4.00
13.50-16.50	1,955	8.45	$14.74	587	$15.19
16.88-18.25	412	6.85	$17.22	203	$16.93
18.69-21.63	582	6.74	$21.46	376	$21.47
$ 0.67-21.63	3,026	7.82	$16.07	1213	$16.99

EMPLOYEE STOCK PURCHASE PLAN The 1991 Employee Stock Purchase Plan (ESPP) permits eligible employees to purchase up to a maximum of 300,000 shares of common stock of the Company at 85% of market value. During 1997, 1996 and 1995, 37,479 shares, 47,429 shares and 25,118 shares, respectively, were issued under the ESSP. At November 30, 1997, 149,508 shares were available and reserved for issuance under the ESSP.

PRO FORMA DISCLOSURES The pro forma disclosures are required to be determined as if the Company had accounted for its stock-based compensation arrangements granted subsequent to November 30, 1995 under the fair value method of SFAS 123. The fair value of options and ESPP shares granted in fiscal years 1997 and 1996 reported below have been estimated at the date of grant using a Black-Scholes option valuation model with the following ranges of assumptions:

	Stock Purchase Plan		Stock Options	
	Year Ended November 30,		Year Ended November 30,	
	1997	1996	1997	1996
Expected volatility	39.1-53.1%	38.6-61.4%	43.0-44.1%	40.4-43.2%
Risk-free interest rate	5.1- 5.3%	5.0- 5.4%	5.9- 6.8%	5.6- 6.7%
Expected life in years	0.50	0.50	6.6	6.0
Expected dividend yield	none	none	none	none

For purposes of the pro forma disclosure, the estimated fair value of options is amortized to expense over the vesting period. Had compensation costs for options and ESPP shares been determined based on the Black-Scholes option valuation model as prescribed by SFAS 123, pro forma net income (loss) and pro forma income (loss) per common share would have been:

(In thousands, except per share data)	Year Ended November 30,	
	1997	1996
Pro forma net income (loss)	$(3,040)	$4,352
Pro forma income (loss) per common share	$ (0.25)	$ 0.33

The Black-Scholes option valuation model was developed for use in estimating fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Because the Company's options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in the opinion of management, the existing models do not provide a reliable single measure of fair value of its options. The weighted average estimated fair value of options granted in fiscal 1997 and fiscal 1996 was $8.36 and $7.60 per share, respectively. The weighted average estimated fair value for shares issued under the ESPP in fiscal 1997 and fiscal 1996 was $6.16 and $13.10 per share, respectively.

The effect on pro forma net income (loss) and pro forma income (loss) per common share in fiscal years 1997 and 1996 is not necessarily indicative of the effects on pro forma net income and pro forma income per common share in future years.

NOTE 6: RETIREMENT PLAN

The Company maintains a retirement plan covering all U.S. employees under Section 401(k) of the Internal Revenue Code (Note 9). Company contributions to the plan are at the discretion of the Board of Directors and totaled approximately $1,800,000, $700,000 and $900,000 for fiscal years 1997, 1996 and 1995, respectively.

NOTE 7: INCOME TAXES

The components of pretax income (loss) were as follows:

(In thousands)	Year Ended November 30, 1997	1996	1995
United States	$(1,402)	$7,711	$18,938
Non-U.S.	4,534	619	7,563
Total	$ 3,132	$8,330	$26,501

The provisions for income taxes were comprised of the following:

(In thousands)	Year Ended November 30, 1997	1996	1995
Current:			
Federal	$5,226	$1,564	$6,160
State	467	205	513
Foreign	1,996	1,759	2,910
Total current	7,689	3,528	9,583
Deferred:			
Federal	(2,316)	(361)	509
State	(454)	(73)	93
Foreign	(180)	(261)	(368)
Total deferred	(2,950)	(695)	234
Total	$ 4,739	$2,833	$9,817

The tax effects of significant items comprising the Company's deferred taxes were as follows:

(In thousands)	November 30, 1997	1996
Deferred Tax Liabilities:		
Capitalized software costs	$(934)	$(2,129)
Depreciation and amortization	(75)	(216)
Total deferred tax liabilities	(1,009)	(2,345)
Deferred Tax Assets:		
Accounts receivable	1,451	1,512
Inventories	764	412
Accrued compensation	684	268
Other accruals	2,192	1,140
Tax loss carryforwards	1,409	1,202
Total deferred tax assets	6,500	4,534
Valuation allowance	(1,334)	(982)
Total	$4,157	$1,207

The valuation allowance applies to deferred tax assets, primarily net operating loss carryforwards, in the U.S. and in certain foreign jurisdictions where realization is not assured. The increase in the valuation allowance of $352,000, $595,000 and $136,000 in 1997, 1996 and 1995, respectively, primarily related to tax loss carryforwards.

The Company has net operating loss carryforwards of $1,921,000 expiring on various dates through 2012 and $2,279,000 which can be carried forward indefinitely.

A reconciliation of the U.S. federal statutory rate to the effective tax rate was as follows:

	Year Ended November 30,		
	1997	1996	1995
Tax at U.S. federal statutory rate	35.0%	35.0%	35.0%
Non-U.S	16.2	5.5	0.1
Unutilized foreign losses	--	7.0	--
Foreign sales corporation	(3.5)	(8.2)	(1.2)
Research credits	(4.8)	(2.0)	(0.9)
State income taxes, net	8.5	3.0	2.6
Tax-exempt interest	(23.3)	(9.4)	(2.4)
Nondeductible software development costs	117.3	--	3.0
Other	5.9	3.1	0.8
Total	151.3%	34.0%	37.0%

NOTE 8: OPERATING LEASES

The Company leases certain facilities and equipment under noncancelable operating lease arrangements. Future minimum rental payments at November 30, 1997 under these leases are as follows:

(In thousands)

1998	$ 7,621
1999	6,076
2000	3,426
2001	2,756
2002	2,184
Thereafter	4,140
Total	$26,203

Total rent expense under all operating leases was approximately $6,181,000, $5,815,000 and $5,753,000 for fiscal years 1997, 1996 and 1995, respectively.

NOTE 9: CONTINGENCY AND LITIGATION

The Company's 401(k) Plan has approximately $900,000 in Guaranteed Investment Contracts (GICs) issued by Mutual Benefit Life Insurance Company (MBLI). In July 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 rehabilitation 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. In May 1997, the Company and the 401(k) Plan entered into an agreement pursuant to which the Company agreed to purchase the GICs from the 401(k) Plan for the accumulated book value of the GICs, subject to the receipt of certain regulatory approvals. In December 1997, the Company obtained all such approvals and purchased the GICs from the 401(k) Plan enabling participants to choose other investment vehicles prior to the end of the rehabilitation plan. The transaction did not have a material effect on the Company's consolidated financial position or results of operations.

Naf Naf S.A. commenced an expert proceeding in the Paris Trade Court, Paris, France against Progress Software S.A., Timeless S.A. and Digital Equipment France in May 1996. In June 1997, Naf Naf petitioned the court to add Progress Software Corporation as a party to the expert proceeding, which petition has been granted. The basis of the proceeding is alleged late availability of products from Progress Software and alleged product deficiencies after delivery by Timeless to Naf Naf of such products. At this time, no specific damage claim has been formally filed under French legal proceeding rules with the Paris Trade Court. The Company is vigorously defending itself in this proceeding and the costs of such defense are being reimbursed to the Company by the Company's insurer. The Company's insurer has agreed to reimburse such costs under a reservation of rights as to coverage. While the outcome of this claim cannot be predicted with certainty, management does not believe that the outcome will have a material adverse effect on the Company's consolidated financial position or results of operations.

The Company is also subject to various other legal proceedings and claims, either asserted or unasserted, which arise in the ordinary course of business. While the outcome of these claims cannot be predicted with certainty, management does not believe that the outcome of any of these legal matters will have a material adverse effect on the Company's consolidated financial position or results of operations.

NOTE 10: BUSINESS SEGMENT AND INTERNATIONAL OPERATIONS

The Company operates in one industry segment consisting of the development, marketing and support of application development and database software. Intercompany revenue principally represents royalties based on software license and maintenance revenue generated by non-U.S. operations from their unaffiliated customers.

Summarized information relating to international operations is as follows:

(In thousands)

	Year Ended November 30,		
	1997	1996	1995
Sales to unaffiliated customers:			
North America	$ 76,847	$ 72,122	$ 75,455
Europe	73,363	72,533	79,489
Other	22,404	18,775	14,898
Export Sales from United States	15,700	13,260	10,293
Total sales to unaffiliated customers	$188,314	$176,690	$180,135
Intercompany revenue:	$ 33,225	$ 29,793	$ 35,520
Operating income (loss):			
North America	$ (6,028)	$ 4,882	$ 16,517
Europe	3,700	504	5,836
Other	197	(870)	646
Eliminations	(93)	(55)	333
Total operating income (loss)	$ (2,224)	$ 4,461	$ 23,332
Identifiable assets:			
North America	$138,153	$143,890	$142,833
Europe	36,922	35,466	41,489
Other	16,593	13,086	10,550
Eliminations	(19,935)	(19,254)	(19,136)
Total identifiable assets.	$171,733	$173,188	$175,736

NOTE 11: SUBSEQUENT EVENT

On December 10, 1997, the Company, through a wholly-owned subsidiary, acquired certain assets of its distributor in Brazil for approximately $5,000,000. The acquisition will be accounted for as a purchase, and accordingly, the results of operations will be included in the Company's operating results from the date of acquisition. The allocation of the purchase price is expected to be primarily attributed to goodwill, which will be amortized over a seven-year period.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Progress Software Corporation:

We have audited the accompanying consolidated balance sheets of Progress Software Corporation and its subsidiaries as of November 30, 1997 and 1996, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended November 30, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Progress Software Corporation and its subsidiaries as of November 30, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended November 30, 1997, in conformity with generally accepted accounting principles.

/s/ DELOITTE & TOUCHE LLP
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Boston, Massachusetts
December 19, 1997

SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

(In thousands, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1997				
Revenue	$45,344	$44,831	$ 45,880	$52,259
Income (loss) from operations	2,196	1,383	(10,216)*	4,413
Net income (loss)	1,978	2,042	(9,369)*	3,742
Income (loss) per common share	0.15	0.16	(0.80)*	0.30
1996				
Revenue	$48,382	$41,662	$ 41,411	$45,235
Income (loss) from operations	5,855	(789)	(776)	171
Net income	4,419	155	218	705
Income per common share	0.32	0.01	0.02	0.05

* Includes non-recurring charges related to the acquisition of Apptivity of $11,537 or $0.96 per share. Excluding these non-recurring items, net income would have been $1,919 or $0.16 per share.

MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

The following table sets forth, for the periods indicated, the range of high and low bid prices for the Company's common stock as reported by the Nasdaq Stock Market. The Company's common stock is traded on the market under the Nasdaq symbol "PRGS."

	Year Ended November 30,			
	1997		1996	
	High	Low	High	Low
First Quarter	$23.00	$12.63	$37.75	$19.50
Second Quarter	19.06	13.38	23.25	14.62
Third Quarter	18.63	15.75	17.63	12.13
Fourth Quarter	25.50	17.75	20.63	14.00

The Company has not declared or paid cash dividends on its common stock and does not plan to pay cash dividends to its shareholders in the near future. The Company presently intends to retain its earnings to finance further growth of its business. As of December 31, 1997, the Company's common stock was held by approximately 5,000 shareholders of record or through nominee or street name accounts with brokers.

Subsidiaries of Progress Software Corporation

North America

Barbados	Progress Software International Sales Corporation
Canada	Progress Software Corporation of Canada Ltd.
Connecticut	Crescent Software, Inc.
Delaware	Progress Software International Corporation
Massachusetts	Apptivity Corporation
Massachusetts	Progress Security Corporation

Europe

European Headquarters - Netherlands	Progress Software Europe B.V.
Austria	Progress Software GesmbH
Belgium	Progress Software NV
Czech Republic	Progress Software spol. s.r.o.
Denmark	Progress Software A/S
Finland	Progress Software Oy
France	Progress Software S.A.
Germany	Progress Software GmbH
Netherlands	Progress Software B.V.
Norway	Progress Software A/S
Spain	Progress Spain S.A.
Sweden	Progress Software Svenska AB
Switzerland	Progress Software A.G.
United Kingdom	Progress Software Ltd.

Other

Argentina	Progress Software de Argentina S.A.
Australia	Progress Software Pty. Ltd.
Brazil	Progress Software do Brasil Ltda.
Hong Kong	Progress Software Corporation Limited
Japan	Progress Software K.K.
Mexico	Progress Software, S.A. de C.V.
Singapore	Progress Software Pte. Ltd.

Exhibit 23.1

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement Nos. 33-41752, 33-43045, 33-50654, 33-58892, 33-96320, 333-41393, 333-41401 and 333-41403 of Progress Software Corporation and its subsidiaries on Form S-8 of our reports dated December 19, 1997, appearing in and incorporated by reference in this Annual Report on Form 10-K of Progress Software Corporation and its subsidiaries for the year ended November 30, 1997.

/s/ DELOITTE & TOUCHE LLP
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Boston, Massachusetts
February 19, 1998

5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS CONTAINED IN THE COMPANY'S FORM 10-K FOR THE YEAR ENDED NOVEMBER 30, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000
U.S. DOLLARS

YEAR
NOV-30-1997
DEC-01-1996
NOV-30-1997
1
39,451
54,034
40,579
4,928
1,394
141,777
0
0
171,733
74,017
0
0
0
118
96,321
171,733
95,579
188,314
10,000
190,538
0
0
13
3,132
4,739
(1,607)
0
0
0
(1,607)
(0.13)
(0.13)