

**Red Hat GAAP to Non-GAAP Reconciliation Quarterly**

(Unaudited)

(In thousands - except per share amounts)

	Q216	Q316	Q416	Q117	Q217	Q317	Q417	Q118
	Quarter End	Quarter End	Quarter End	Quarter End	Quarter End	Quarter End	Quarter End	Quarter End
	8/31/2015	11/30/2015	2/29/2016	5/31/2016	8/31/2016	11/30/2016	2/28/2017	5/31/2017
<b>Revenue</b>	<b>\$ 504,148</b>	<b>\$ 523,580</b>	<b>\$ 543,502</b>	<b>\$567,899</b>	<b>\$599,805</b>	<b>\$615,260</b>	<b>\$628,840</b>	<b>\$676,796</b>
<b>GAAP Gross Profit as reported</b>	<b>\$ 428,184</b>	<b>\$ 442,532</b>	<b>\$ 462,282</b>	<b>\$483,851</b>	<b>\$512,134</b>	<b>\$524,807</b>	<b>\$536,633</b>	<b>\$576,100</b>
Add: Non-cash share-based compensation expense	4,151	4,074	3,946	4,305	4,054	4,037	4,157	3,948
Add: Amortization of intangible assets	2,618	3,100	3,434	3,623	3,846	4,233	3,861	3,836
<b>Non-GAAP Gross Profit</b>	<b>\$ 434,953</b>	<b>\$ 449,706</b>	<b>\$ 469,662</b>	<b>\$491,779</b>	<b>\$520,034</b>	<b>\$533,077</b>	<b>\$544,651</b>	<b>\$583,884</b>
<b>GAAP Operating Income as reported</b>	<b>\$ 76,470</b>	<b>\$ 68,877</b>	<b>\$ 71,772</b>	<b>\$ 75,363</b>	<b>\$ 81,884</b>	<b>\$ 80,773</b>	<b>\$ 94,225</b>	<b>\$ 87,608</b>
Add: Non-cash share-based compensation expense Cost of	4,151	4,074	3,946	4,305	4,054	4,037	4,157	3,948
Add: Non-cash share-based compensation expense S&M	16,782	17,192	19,703	18,440	20,361	26,624	27,952	20,612
Add: Non-cash share-based compensation expense R&D	12,022	13,059	12,511	12,002	12,969	13,814	13,639	13,447
Add: Non-cash share-based compensation expense G&A	7,582	9,082	9,608	6,528	7,973	10,266	5,409	5,711
<b>Total Non-cash share-based compensation expense</b>	<b>40,537</b>	<b>43,407</b>	<b>45,768</b>	<b>41,275</b>	<b>45,357</b>	<b>54,741</b>	<b>51,157</b>	<b>43,718</b>
Add: Amortization of intangible assets Cost of Revenue	2,618	3,100	3,434	3,623	3,846	4,233	3,861	3,836
Add: Amortization of intangible assets S&M	2,010	2,330	1,730	1,916	1,905	1,695	1,562	1,459
Add: Amortization of intangible assets R&D	292	312	(13)	34	34	34	35	34
Add: Amortization of intangible assets G&A	1,160	1,238	1,711	1,753	1,848	1,690	1,787	1,826
<b>Total Amortization of intangible assets</b>	<b>6,080</b>	<b>6,980</b>	<b>6,862</b>	<b>7,326</b>	<b>7,633</b>	<b>7,652</b>	<b>7,245</b>	<b>7,155</b>
Add: Transaction costs related to business combinations	51	3,792	40	—	1,789	—	—	142
<b>Non-GAAP Operating Income</b>	<b>\$ 123,138</b>	<b>\$ 123,056</b>	<b>\$ 124,442</b>	<b>\$123,964</b>	<b>\$136,663</b>	<b>\$143,166</b>	<b>\$152,627</b>	<b>\$138,623</b>
<b>GAAP Gross Margin as reported</b>	<b>84.9 %</b>	<b>84.5 %</b>	<b>85.1 %</b>	<b>85.2 %</b>	<b>85.4 %</b>	<b>85.3 %</b>	<b>85.3 %</b>	<b>85.1 %</b>
<b>Non-GAAP Gross Margin</b>	<b>86.3 %</b>	<b>85.9 %</b>	<b>86.4 %</b>	<b>86.6 %</b>	<b>86.7 %</b>	<b>86.6 %</b>	<b>86.6 %</b>	<b>86.3 %</b>
<b>GAAP Operating Margin as reported</b>	<b>15.2 %</b>	<b>13.2 %</b>	<b>13.2 %</b>	<b>13.3 %</b>	<b>13.7 %</b>	<b>13.1 %</b>	<b>15.0 %</b>	<b>12.9 %</b>
<b>Non-GAAP Operating Margin</b>	<b>24.4 %</b>	<b>23.5 %</b>	<b>22.9 %</b>	<b>21.8 %</b>	<b>22.8 %</b>	<b>23.3 %</b>	<b>24.3 %</b>	<b>20.5 %</b>
GAAP Net Income as reported	\$ 51,395	\$ 46,848	\$ 53,036	\$ 61,184	\$ 58,772	\$ 67,943	\$ 65,803	\$ 73,190
GAAP provision for income taxes	20,992	19,135	15,732	11,169	20,663	8,775	25,870	11,740
GAAP Income before provision for income taxes	\$ 72,387	\$ 65,983	\$ 68,768	\$ 72,353	\$ 79,435	\$ 76,718	\$ 91,673	\$ 84,930
Add: Non-cash share-based compensation expense	40,537	43,407	45,768	41,275	45,357	54,741	51,157	43,718
Add: Amortization of intangible assets	6,080	6,980	6,862	7,326	7,633	7,652	7,245	7,155
Add: Non-cash interest expense related to the debt discount	4,620	4,664	4,686	4,731	4,753	4,800	4,820	4,867
Add: Transaction costs related to business combinations	51	3,792	40	—	1,789	—	—	142
Non-GAAP adjusted income before provision for taxes	123,675	124,826	126,124	125,685	138,967	143,911	154,895	140,812
Non-GAAP provision for income taxes	35,866	36,200	29,094	33,507	37,739	33,160	45,203	39,115
Non-GAAP adjusted net income	\$ 87,809	\$ 88,626	\$ 97,030	\$ 92,178	\$101,228	\$110,751	\$109,692	\$101,697
GAAP net income per share:								
Basic	\$ 0.28	\$ 0.26	\$ 0.29	\$ 0.34	\$ 0.33	\$ 0.38	\$ 0.37	\$ 0.41
Diluted	\$ 0.28	\$ 0.25	\$ 0.29	\$ 0.33	\$ 0.32	\$ 0.37	\$ 0.36	\$ 0.40
Non-GAAP adjusted net income per share:								
Basic	\$ 0.48	\$ 0.48	\$ 0.53	\$ 0.51	\$ 0.56	\$ 0.62	\$ 0.62	\$ 0.57
Diluted	\$ 0.47	\$ 0.48	\$ 0.52	\$ 0.50	\$ 0.55	\$ 0.61	\$ 0.61	\$ 0.56
Weighted average shares outstanding:								
Basic	183,179	182,850	182,099	181,168	180,322	179,233	177,802	177,243
GAAP Diluted	186,750	186,094	184,888	184,187	183,346	182,682	181,197	181,810
Dilution offset from convertible note hedge transactions	(585)	(390)	(67)	—	(195)	(514)	(492)	(1,593)
Non-GAAP Diluted	186,165	185,704	184,821	184,187	183,151	182,168	180,705	180,217

**Red Hat GAAP to Non-GAAP Reconciliation Quarterly Gross Margins**

(Unaudited)

(In thousands)

	Q216	Q316	Q416	Q117	Q217	Q317	Q417	Q118
	Quarter End	Quarter End	Quarter End	Quarter End	Quarter End	Quarter End	Quarter End	Quarter End
	<u>8/31/2015</u>	<u>11/30/2015</u>	<u>2/29/2016</u>	<u>5/31/2016</u>	<u>8/31/2016</u>	<u>11/30/2016</u>	<u>2/28/2017</u>	<u>5/31/2017</u>
<b>GAAP Revenue:</b>								
Subscriptions	\$ 441,526	\$ 457,488	\$ 479,642	\$501,665	\$531,209	\$543,318	\$559,588	\$ 596,508
Training and services	62,622	66,092	63,860	66,234	68,596	71,942	69,252	80,288
<b>Total subscription, training and services revenue</b>	<b>504,148</b>	<b>523,580</b>	<b>543,502</b>	<b>567,899</b>	<b>599,805</b>	<b>615,260</b>	<b>628,840</b>	<b>676,796</b>
<b>Non-GAAP Cost of revenue:</b>								
Subscriptions	26,574	27,321	28,275	30,765	33,828	34,488	36,229	37,834
Training and services	42,621	46,553	45,565	45,355	45,943	47,695	47,960	55,078
<b>Total cost of subscription, training and services revenue</b>	<b>69,195</b>	<b>73,874</b>	<b>73,840</b>	<b>76,120</b>	<b>79,771</b>	<b>82,183</b>	<b>84,189</b>	<b>92,912</b>
<b>Total Non-GAAP gross profit</b>	<b>434,953</b>	<b>449,706</b>	<b>469,662</b>	<b>491,779</b>	<b>520,034</b>	<b>533,077</b>	<b>544,651</b>	<b>583,884</b>
<b>Cost of revenue reconciliation GAAP to non-GAAP</b>								
<b>Subscriptions (GAAP)</b>	30,996	32,246	33,575	36,545	39,678	40,660	42,095	43,633
Less: non-cash share-based compensation expense	1,836	1,825	1,866	2,157	2,004	1,939	2,005	1,963
Less: Amortization of intangible assets	2,586	3,100	3,434	3,623	3,846	4,233	3,861	3,836
<b>Subscriptions (non-GAAP)</b>	<b>26,574</b>	<b>27,321</b>	<b>28,275</b>	<b>30,765</b>	<b>33,828</b>	<b>34,488</b>	<b>36,229</b>	<b>37,834</b>
<b>Training and services (GAAP)</b>	44,968	48,802	47,645	47,503	47,993	49,793	50,112	57,063
Less: non-cash share-based compensation expense	2,315	2,249	2,080	2,148	2,050	2,098	2,152	1,985
Less: Amortization of intangible assets	32	—	—	—	—	—	—	—
<b>Training and services (non-GAAP)</b>	<b>42,621</b>	<b>46,553</b>	<b>45,565</b>	<b>45,355</b>	<b>45,943</b>	<b>47,695</b>	<b>47,960</b>	<b>55,078</b>
<b>GAAP Gross Margin</b>	<b>84.9 %</b>	<b>84.5 %</b>	<b>85.1 %</b>	<b>85.2 %</b>	<b>85.4 %</b>	<b>85.3 %</b>	<b>85.3 %</b>	<b>85.1 %</b>
<b>Non-GAAP Gross Margin</b>	<b>86.3 %</b>	<b>85.9 %</b>	<b>86.4 %</b>	<b>86.6 %</b>	<b>86.7 %</b>	<b>86.6 %</b>	<b>86.6 %</b>	<b>86.3 %</b>
<b>GAAP Subscription Gross Margin</b>	<b>93.0 %</b>	<b>93.0 %</b>	<b>93.0 %</b>	<b>92.7 %</b>	<b>92.5 %</b>	<b>92.5 %</b>	<b>92.5 %</b>	<b>92.7 %</b>
<b>Non-GAAP Subscription Gross Margin</b>	<b>94.0 %</b>	<b>94.0 %</b>	<b>94.1 %</b>	<b>93.9 %</b>	<b>93.6 %</b>	<b>93.7 %</b>	<b>93.5 %</b>	<b>93.7 %</b>
<b>GAAP Training and services Gross Margin</b>	<b>28.2 %</b>	<b>26.2 %</b>	<b>25.4 %</b>	<b>28.3 %</b>	<b>30.0 %</b>	<b>30.8 %</b>	<b>27.6 %</b>	<b>28.9 %</b>
<b>Non-GAAP Training and services Gross Margin</b>	<b>31.9 %</b>	<b>29.6 %</b>	<b>28.6 %</b>	<b>31.5 %</b>	<b>33.0 %</b>	<b>33.7 %</b>	<b>30.7 %</b>	<b>31.4 %</b>

**Red Hat GAAP to Non-GAAP Reconciliation – Annual**

(Unaudited)

(In thousands - except per share amounts)

	FY12 Year End 2/29/2012	FY13 Year End 2/28/2013	FY14 Year End 2/28/2014	FY15 Year End 2/28/2015	FY16 Year End 2/29/2016	FY17 Year End 2/28/2017
<b>Revenue</b>	\$ 1,133,103	\$ 1,328,817	\$ 1,534,615	\$ 1,789,489	\$ 2,052,230	\$ 2,411,803
<b>GAAP Gross Profit as reported</b>	\$ 954,555	\$ 1,128,217	\$ 1,302,015	\$ 1,516,290	\$ 1,742,601	\$ 2,057,425
Add: Non-cash share-based compensation expense	7,880	9,433	11,793	14,027	15,898	16,553
Add: Amortization of intangible assets	3,533	5,943	10,180	10,672	11,726	15,562
<b>Non-GAAP Gross Profit</b>	\$ 965,968	\$ 1,143,593	\$ 1,323,988	\$ 1,540,989	\$ 1,770,225	\$ 2,089,540
<b>GAAP Operating Income as reported</b>	\$ 199,913	\$ 201,038	\$ 232,290	\$ 249,994	\$ 288,048	\$ 330,249
Add: Non-cash share-based compensation expense – Cost of	7,880	9,433	11,793	14,027	15,898	16,553
Add: Non-cash share-based compensation expense – S&M	25,060	32,906	40,322	55,203	69,089	93,378
Add: Non-cash share-based compensation expense – R&D	21,570	29,647	34,194	38,517	48,466	52,424
Add: Non-cash share-based compensation expense – G&A	24,757	26,712	27,465	27,485	32,781	30,175
<b>Total Non-cash share-based compensation expense</b>	79,267	98,698	113,774	135,232	166,234	192,530
Add: Amortization of intangible assets – Cost of Revenue	3,533	5,943	10,180	10,672	11,726	15,562
Add: Amortization of intangible assets – S&M	8,348	8,416	8,872	7,838	8,075	7,078
Add: Amortization of intangible assets – R&D	4,194	3,836	3,836	2,417	842	138
Add: Amortization of intangible assets – G&A	3,674	5,328	5,316	5,958	5,160	7,078
<b>Total Amortization of intangible assets</b>	19,749	23,523	28,204	26,885	25,803	29,856
Add: Transaction costs related to business combinations	—	—	—	4,001	3,884	1,789
Add: Facility exit costs	—	3,142	2,171	—	—	—
<b>Non-GAAP Operating Income</b>	\$ 298,929	\$ 326,401	\$ 376,439	\$ 416,112	\$ 483,969	\$ 554,424
<b>GAAP Gross Margin as reported</b>	84.2 %	84.9 %	84.8 %	84.7 %	84.9 %	85.3 %
<b>Non-GAAP Gross Margin</b>	85.2 %	86.1 %	86.3 %	86.1 %	86.3 %	86.6 %
<b>GAAP Operating Margin as reported</b>	17.6 %	15.1 %	15.1 %	14.0 %	14.0 %	13.7 %
<b>Non-GAAP Operating Margin</b>	26.4 %	24.6 %	24.5 %	23.3 %	23.6 %	23.0 %
GAAP Net Income as reported	\$ 146,626	\$ 150,204	\$ 178,292	\$ 180,201	\$ 199,365	\$ 253,703
GAAP provision for income taxes	61,383	59,548	61,256	75,297	75,500	66,477
GAAP Income before provision for income taxes	\$ 208,009	\$ 209,752	\$ 239,548	\$ 255,498	\$ 274,865	\$ 320,180
Add: Non-cash share-based compensation expense	79,267	98,698	113,774	135,232	166,234	192,530
Add: Amortization of intangible assets	19,749	23,523	28,204	26,885	25,803	29,856
Add: Non-cash interest expense related to the debt discount	—	—	—	7,292	18,570	19,104
Add: Transaction costs related to business combinations	—	—	—	4,001	3,884	1,789
Add: Facility exit costs	—	3,142	2,171	—	—	—
Non-GAAP adjusted income before provision for taxes	307,025	335,115	383,697	428,908	489,356	563,459
Non-GAAP provision for income taxes (1)	90,603	95,139	98,226	126,399	134,431	149,608
<b>Non-GAAP adjusted net income</b>	\$ 216,422	\$ 239,976	\$ 285,471	\$ 302,509	\$ 354,925	\$ 413,851
GAAP net income per share:						
Basic	\$ 0.76	\$ 0.78	\$ 0.94	\$ 0.97	\$ 1.09	\$ 1.41
Diluted	\$ 0.75	\$ 0.77	\$ 0.93	\$ 0.95	\$ 1.07	\$ 1.39
Non-GAAP adjusted net income per share:						
Basic	\$ 1.12	\$ 1.24	\$ 1.50	\$ 1.62	\$ 1.94	\$ 2.30
Diluted	\$ 1.10	\$ 1.23	\$ 1.49	\$ 1.60	\$ 1.91	\$ 2.27
Weighted average shares outstanding:						
Basic	193,151	193,147	189,920	186,529	182,817	179,642
GAAP Diluted	196,451	195,804	192,036	189,246	186,119	182,961
Dilution offset from convertible note hedge transactions	—	—	—	—	(282)	(292)
Non-GAAP Diluted	196,451	195,804	192,036	189,246	185,837	182,669
<b>Note: Certain prior year amounts have been reclassified to</b>						
<b>(1) Note FY12, FY14 and FY17 included discrete tax benefits,</b>						
Non-GAAP adjusted net income before income tax provision	\$ 307,025		\$ 383,697		\$ 563,459	
GAAP effective tax rate, excluding discrete tax items	31 %		26.7 %		28 %	
Non-GAAP provision for income taxes before discrete tax benefit	\$ 92,668		\$ 102,451		\$ 156,010	
Discrete tax benefit	(2,065)		(4,225)		(6,402)	
Provision for income taxes on Non-GAAP adjusted net income	\$ 90,603		\$ 98,226		\$ 149,608	

**Red Hat GAAP to Non-GAAP Reconciliation Rolling Average Four Quarters Billings Proxy**

(Unaudited)

(In thousands)

	<b>Q2FY16</b>	<b>Q3FY16</b>	<b>Q4FY16</b>	<b>Q1FY17</b>	<b>Rolling</b>	<b>Q2FY17</b>	<b>Q3FY17</b>	<b>Q4FY17</b>	<b>Q1FY18</b>	<b>Rolling</b>	<b>Year-Over-</b>
	<b>Quarter End</b>	<b>Quarter End</b>	<b>Quarter End</b>	<b>Quarter End</b>	<b>Average Four</b>	<b>Quarter End</b>	<b>Quarter End</b>	<b>Quarter End</b>	<b>Quarter End</b>	<b>Average Four</b>	
	<b><u>8/31/2015</u></b>	<b><u>11/30/2015</u></b>	<b><u>2/29/2016</u></b>	<b><u>5/31/2016</u></b>		<b><u>8/31/2016</u></b>	<b><u>11/30/2016</u></b>	<b><u>2/28/2017</u></b>	<b><u>5/31/2017</u></b>		
Total Revenue	504,148	523,580	543,502	567,899		599,805	615,260	628,840	676,796		
Change in deferred revenue on Statement of Cash	(25,017)	96,664	220,410	(46,093)		(26,953)	64,181	357,399	(45,717)		
Billings Proxy	479,131	620,244	763,912	521,806	596,273	572,852	679,441	986,239	631,079	717,403	20.3 %
Adjustment for currency impact to total revenue						(3,479)	(4,981)	1,570	5,145		
Billings Proxy on a Constant Currency basis						569,373	674,460	987,809	636,224	716,967	20.2 %