

Q1 FY18 FINANCIAL HIGHLIGHTS & SUPPLEMENTAL METRICS

June 20, 2017

FORWARD-LOOKING STATEMENTS

Certain statements contained in this presentation may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to any historical or current fact. Actual results may differ materially from those indicated by such forward-looking statements as a result of various important factors, including: risks related to the ability of the Company to compete effectively; the ability to deliver and stimulate demand for new products and technological innovations on a timely basis; delays or reductions in information technology spending; the integration of acquisitions and the ability to market successfully acquired technologies and products; fluctuations in exchange rates; the effects of industry consolidation; uncertainty and adverse results in litigation and related settlements; the inability to adequately protect Company intellectual property and the potential for infringement or breach of license claims of or relating to third party intellectual property; risks related to data and information security vulnerabilities; changes in and a dependence on key personnel; the ability to meet financial and operational challenges encountered in our international operations; and ineffective management of, and control over, the Company's growth and international operations, as well as other factors contained in our most recent Annual Report on Form 10-K (copies of which may be accessed through the Securities and Exchange Commission's website at <http://www.sec.gov>), including those found therein under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations". In addition to these factors, actual future performance, outcomes, and results may differ materially because of more general factors including (without limitation) general industry and market conditions and growth rates, economic and political conditions, governmental and public policy changes and the impact of natural disasters such as earthquakes and floods. The forward-looking statements included in this presentation represent the Company's views as of the date of this presentation and these views could change. However, while the Company may elect to update these forward-looking statements at some point in the future, the Company specifically disclaims any obligation to do so. These forward-looking statements should not be relied upon as representing the Company's views as of any date subsequent to the date of this presentation, June 20, 2017.

INTRODUCTION

The following presentation provides financial highlights and supplemental metrics for Red Hat's first quarter ended May 31, 2017. These financial highlights and supplemental metrics were made available on June 20, 2017 in connection with Red Hat's announcement of its financial results for the first quarter of fiscal year 2018. This presentation should be read in conjunction with Red Hat's press release issued on June 20, 2017 for its earnings announcement, as well as Red Hat's filings with the U.S. Securities and Exchange Commission which are available on Red Hat's investor relations website at <http://investors.redhat.com>.

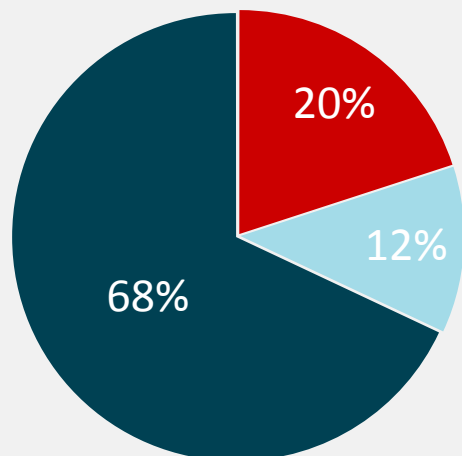
Non-GAAP Measures

In an effort to offer a means of comparing our performance to prior periods, Red Hat augments the financial highlights and supplemental metrics provided in this presentation with non-GAAP financial information. Any non-GAAP financial information provided in this presentation should not be used as a substitute for financial information presented in accordance with GAAP but instead should be read in conjunction with our GAAP results. The methods we use to calculate non-GAAP financial information are not computed according to GAAP and may be materially different from the methods used by other companies.

FINANCIAL HIGHLIGHTS

STRONG 1ST QUARTER REVENUE GROWTH

% OF TOTAL REVENUE



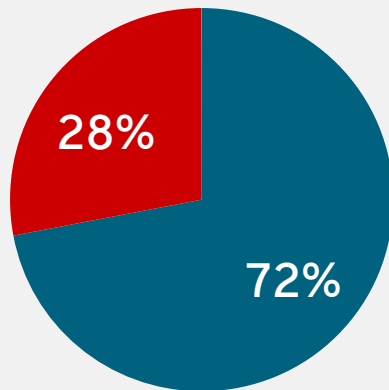
	Q118 Y/Y Growth	Q118 Y/Y Growth, cc ⁽¹⁾
App Dev & emerging tech	41%	42%
Infrastructure-related tech	14%	14%
Training & Consulting	21%	22%
Total Revenue	19%	20%

Q1 HIGHLIGHTS:

- 61st consecutive quarter of revenue growth
- Highest first quarter total revenue growth in USD in 4 years

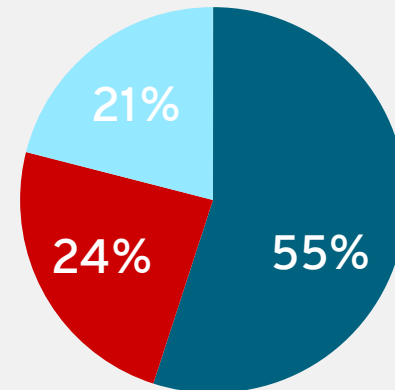
Q118 BOOKINGS & DEAL METRICS

CHANNEL



■ Indirect ■ Direct

GEOGRAPHY



■ Americas ■ EMEA ■ APAC

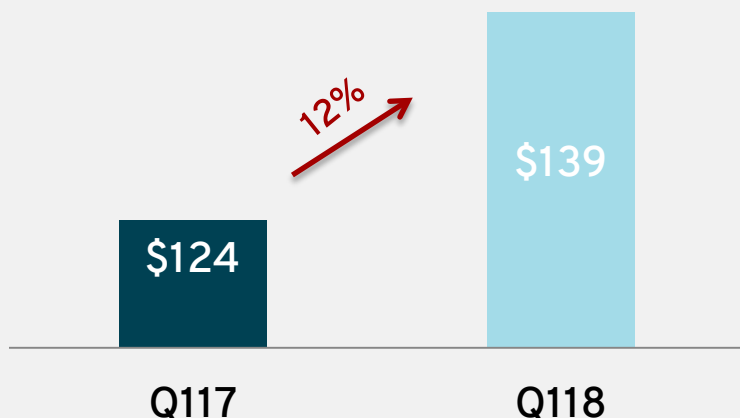
Q1 HIGHLIGHTS:

- Total of 44 deals >\$1M; including 7 over \$5M and 4 over \$10M
- Strong cross-selling with 68% of top deals including an app-dev/emerging technology offering

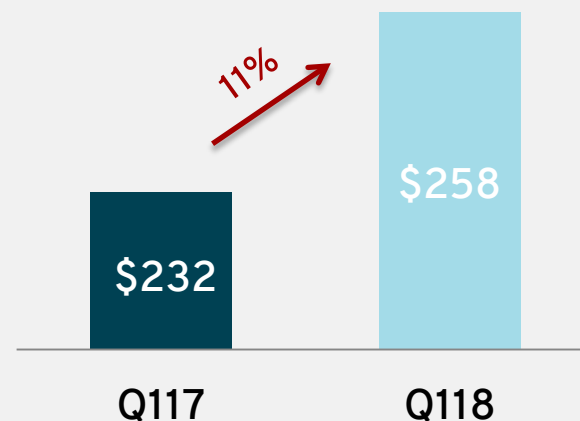
QUARTERLY PROFITABILITY & CASH FLOW

(\$ millions, y/y growth)

NON-GAAP OPERATING INCOME



OPERATING CASH FLOW



Q1 HIGHLIGHTS:

- 12.9% GAAP and 20.5% Non-GAAP operating margins
- \$0.40 GAAP and \$0.56 Non-GAAP EPS
- 21% y/y total deferred revenue growth
- \$2.3B cash & investments balance
- \$62M share repurchase

Non-GAAP operating income and non-GAAP operating margin exclude non-cash share-based compensation expense, amortization of intangible assets, and transaction costs related to business combinations of \$49 million in Q117 and \$51 million in Q118 from GAAP operating income of \$75 million in Q117 and \$88 million in Q118. Non-GAAP EPS excludes the expenses listed in previous sentence and non-cash interest expense related to the debt discount of \$5 million in both Q117 and Q118. See reconciliation in the following GAAP to Non-GAAP Reconciliation section.

SUPPLEMENTAL FINANCIAL & BUSINESS METRICS

(Unaudited)
(\$ in thousands)

		May-16	Aug-16	Nov-16	Feb-17		May-17
Revenue	FY16	Q117	Q217	Q317	Q417	FY17	Q118
Infrastructure-related subscriptions	1,480,463	403,182	427,035	431,142	435,085	1,696,443	457,961
y/y change	12%	14%	18%	16%	11%	15%	14%
constant currency y/y change	18%	13%	17%	14%	12%	14%	14%
App dev & emerging subscriptions	322,986	98,483	104,174	112,176	124,503	439,337	138,547
y/y change	37%	39%	33%	33%	40%	36%	41%
constant currency y/y change	46%	39%	32%	32%	40%	36%	42%
Subscription Revenue	1,803,449	501,665	531,209	543,318	559,588	2,135,780	596,508
y/y change	16%	18%	20%	19%	17%	18%	19%
constant currency y/y change	22%	18%	19%	18%	17%	18%	20%
Training & services revenue	248,781	66,234	68,596	71,942	69,252	276,023	80,288
y/y change	9%	18%	10%	9%	8%	11%	21%
constant currency y/y change	17%	19%	11%	10%	9%	12%	22%
Total Revenue	2,052,230	567,899	599,805	615,260	628,840	2,411,803	676,796
y/y change	15%	18%	19%	18%	16%	18%	19%
constant currency y/y change	21%	18%	18%	17%	16%	17%	20%
Percent of Total Revenue (in USD)							
Infrastructure-related subscriptions	72%	71%	71%	70%	69%	71%	68%
App dev & emerging subscriptions	16%	17%	17%	18%	20%	18%	20%
Total Subscription Revenue	88%	88%	89%	88%	89%	89%	88%
Training & services revenue	12%	12%	11%	12%	11%	11%	12%
Total Revenue	100%	100%	100%	100%	100%	100%	100%

(Unaudited)
(\$ in thousands)

		May-16	Aug-16	Nov-16	Feb-17		May-17
Revenue by Geography	FY16	Q117	Q217	Q317	Q417	FY17	Q118
Americas	1,354,345	365,723	385,529	393,589	410,449	1,555,290	438,380
y/y change	18%	14%	16%	15%	15%	15%	20%
constant currency y/y change	20%	15%	17%	15%	14%	15%	20%
EMEA	436,304	124,299	127,467	132,568	131,308	515,642	143,671
y/y change	6%	28%	18%	15%	14%	18%	16%
constant currency y/y change	25%	24%	17%	16%	17%	18%	20%
APAC	261,581	77,877	86,809	89,103	87,083	340,871	94,745
y/y change	11%	26%	37%	34%	24%	30%	22%
constant currency y/y change	23%	25%	27%	25%	22%	25%	22%
Total Revenue	2,052,230	567,899	599,805	615,260	628,840	2,411,803	676,796
y/y change	15%	18%	19%	18%	16%	18%	19%
constant currency y/y change	21%	18%	18%	17%	16%	17%	20%
Percent of Total Revenue (in USD)							
Americas	66%	64%	64%	64%	65%	64%	65%
EMEA	21%	22%	21%	22%	21%	22%	21%
APAC	13%	14%	15%	14%	14%	14%	14%
Total Revenue	100%	100%	100%	100%	100%	100%	100%

(Unaudited)

(\$ in thousands, except per share amounts)

		May-16	Aug-16	Nov-16	Feb-17		May-17
Non-GAAP Income Statement*:	FY16	Q117	Q217	Q317	Q417	FY17	Q118
Gross Profit	1,770,225	491,779	520,034	533,077	544,651	2,089,540	583,884
Operating Income	483,969	123,964	136,663	143,166	152,627	556,420	138,623
Net Income	354,925	92,178	101,228	110,751	109,692	413,851	101,697
Gross Margin	86.3%	86.6%	86.7%	86.6%	86.6%	86.6%	86.3%
Subscription Gross Margin		93.9%	93.6%	93.7%	93.5%		93.7%
Training & Services Gross Margin		31.5%	33.0%	33.7%	30.7%		31.4%
Operating Margin	23.6%	21.8%	22.8%	23.3%	24.3%	23.1%	20.5%
EPS Basic	1.94	0.51	0.56	0.62	0.62	2.30	0.57
EPS Diluted	1.91	0.50	0.55	0.61	0.61	2.27	0.56
Tax Rate before discrete items	27.5%	27.0%	27.0%	27.0%	29.5%	27.5%	27.5%
Weighted Average Shares Outstanding							
Basic	182,817	181,168	180,322	179,233	177,802	179,642	177,243
Diluted	185,837	184,187	183,151	182,168	180,705	182,669	180,217
Balance Sheet	FY16	Q117	Q217	Q317	Q417	FY17	Q118
Total Cash & Investments	1,995,390	2,119,876	2,042,645	1,971,370	2,133,231	\$ 2,133,231	\$2,309,581
Current Deferred Revenue	1,272,908	1,251,096	1,233,762	1,225,421	1,512,762	\$ 1,512,762	\$1,486,409
Long-Term Deferred Revenue	449,636	441,060	446,890	482,557	557,194	\$ 557,194	\$ 567,755
Prior Year Deferred Revenue Balance		1,436,119	1,413,440	1,487,134	1,722,544		\$1,692,156
Constant currency change in Deferred Revenue (1)		246,316	244,738	211,903	348,892		\$ 349,268
Impact from foreign currency translation		9,721	22,474	8,941	(1,480)		\$ 12,741
Ending Deferred Revenue Balance		1,692,156	1,680,652	1,707,978	2,069,956		\$2,054,165
Cash Flow Statement	FY16	Q117	Q217	Q317	Q417	FY17	Q118
Current Deferred Revenue Change	190,880	(16,287)	(44,909)	16,526	284,083	239,413	(45,758)
Long-Term Deferred Revenue Change	69,615	(29,806)	17,956	47,655	73,316	109,121	41
Total Change in Deferred Revenue	260,495	(46,093)	(26,953)	64,181	357,399	348,534	(45,717)
Net Operating Cash Flow	736,323	232,297	96,802	136,359	318,259	783,717	257,872

*See reconciliation in the following GAAP to Non-GAAP Reconciliation section.

(1) Change in Deferred Revenue includes approximately \$0.4 million acquired as part of business combinations during the twelve months ended February 28, 2017. (Quarterly FX impacts to y/y change in deferred revenue are \$4.6 million in Q417, \$(36.9) million in Q317, \$15.1 million in Q217 and \$15.7 million in Q117).

		May-16	Aug-16	Nov-16	Feb-17		May-17
Bookings & Deal Metrics:	FY16	Q117	Q217	Q317	Q417	FY17	Q118
# of Top 25 Renewals		25	23	25	25		25
Top 25 Renewal Rates (of prior deal value)		~105%	~105%	>120%	>120%		>120%
Deals >\$1M							
Deals \$1M - \$5M	187	39	50	65	94	248	37
Deals \$5M - \$10M	18	4	5	5	11	25	3
Deals \$10M - \$20M	9	2	0	1	1	4	3
Deals >\$20M	2	-	-	2	4	6	1
Deals containing App Dev & Emerging Tech	73%	83%	73%	60%	90%	77%	68%
Deals w/ only App Dev & Emerging Tech	15%	13%	13%	13%	13%	13%	5%
Indirect Channel Bookings	72%	78%	81%	72%	69%	72%	72%
Direct Bookings	28%	22%	19%	28%	31%	28%	28%
Bookings by Geography							
Americas	60%	60%	57%	57%	67%	62%	55%
EMEA	24%	21%	24%	27%	21%	23%	24%
APAC	16%	19%	19%	16%	12%	15%	21%
Average Contract Length (months)	21	21	22	24	25	23	22
% of Single Year Bookings	75%	74%	73%	67%	65%	69%	73%
% of Multi-Year Bookings	25%	26%	27%	33%	35%	31%	27%
Additional Metrics							
Employees		9,324	9,861	10,257	10,489		10,706
Average EUR FX Rate	1.10	1.13	1.12	1.10	1.06	1.10	1.08
Average JPY FX Rate	121	110	103	105	115	108	112

(Unaudited)

		May-16	Aug-16	Nov-16	Feb-17		May-17
	FY16	Q117	Q217	Q317	Q417	FY17	Q118
Share Repurchases							
# Shares purchased (millions)	3.5	0.9	1.8	1.6	1.9	6.2	0.7
Aggregate Principal Amount (\$ millions)	263	66	127	125	139	459	62
Remaining Balance on Plan at quarter-end (\$ millions)		171	901	775	636		574
Days Sales Outstanding (DSO) (in thousands, except # of days)							
Total Revenue	2,052,230	567,899	599,805	615,260	628,840	2,411,803	676,796
Q/Q Δ deferred revenue (Balance Sheet)		(30,388)	(11,504)	27,326	361,979		(15,792)
Deferred revenue (Cash Flow Stmt.)	260,495	(46,093)	(26,953)	64,181	357,399	348,534	(45,717)
Accounts Receivable, net		326,334	359,893	427,436	634,821		429,908
Q/Q FX impact on Accounts Receivable		(6,101)	(2,980)	4,926	(1,509)		(4,416)
Accounts Receivable in constant currency		320,233	356,913	432,362	633,312		425,492
# calendar days in quarter		92	92	91	90		92
DSO ⁽¹⁾		56	56	61	58		60
FX adj DSO ⁽²⁾		56	57	58	58		62

(1) Days Sales Outstanding (DSO) is calculated by dividing Accounts Receivable, net by (Total Revenue + Q/Q change in deferred revenue from Balance Sheet) then multiplying by the number of calendar days in the quarter.

(2) FX adjusted DSO is calculated by dividing Accounts Receivable in constant currency by (Total Revenue + Deferred Revenue from Cash Flow Statement) then multiplying by the number of calendar days in the quarter.

GAAP TO NON-GAAP RECONCILIATION

Red Hat GAAP to Non-GAAP Reconciliation Quarterly
(Unaudited)
(In thousands - except per share amounts)

	Q216 Quarter End 8/31/2015	Q316 Quarter End 11/30/2015	Q416 Quarter End 2/29/2016	Q117 Quarter End 5/31/2016	Q217 Quarter End 8/31/2016	Q317 Quarter End 11/30/2016	Q417 Quarter End 2/28/2017	Q118 Quarter End 5/31/2017
Revenue	\$ 504,148	\$ 523,580	\$ 543,502	\$ 567,899	\$ 599,805	\$ 615,260	\$ 628,840	\$ 676,796
GAAP Gross Profit as reported	\$ 428,184	\$ 442,532	\$ 462,282	\$ 483,851	\$ 512,134	\$ 524,807	\$ 536,633	\$ 576,100
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
Non-GAAP Gross Profit	\$ 434,953	\$ 449,706	\$ 469,662	\$ 491,779	\$ 520,034	\$ 533,077	\$ 544,651	\$ 583,884
GAAP Operating Income as reported	\$ 76,470	\$ 68,877	\$ 71,772	\$ 75,363	\$ 81,884	\$ 80,773	\$ 94,225	\$ 87,608
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
Total 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 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
Total Amortization of Intangible assets	6,080	6,980	6,862	7,326	7,633	7,652	7,245	7,155
Add: Transaction costs related to business combinations	51	3,792	40	—	1,789	—	—	142
Non-GAAP Operating Income	\$ 123,138	\$ 123,056	\$ 124,442	\$ 123,964	\$ 136,663	\$ 143,166	\$ 152,627	\$ 138,623
GAAP Gross Margin as reported	84.9 %	84.5 %	85.1 %	85.2 %	85.4 %	85.3 %	85.3 %	85.1 %
Non-GAAP Gross Margin	86.3 %	85.9 %	86.4 %	86.6 %	86.7 %	86.6 %	86.6 %	86.3 %
GAAP Operating Margin as reported	15.2 %	13.2 %	13.2 %	13.3 %	13.7 %	13.1 %	15.0 %	12.9 %
Non-GAAP Operating Margin	24.4 %	23.5 %	22.9 %	21.8 %	22.8 %	23.3 %	24.3 %	20.5 %
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	186,704	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
	8/31/2015	11/30/2015	2/29/2016	5/31/2016	8/31/2016	11/30/2016	2/28/2017	5/31/2017
GAAP Revenue:								
Subscriptions	\$ 441,526	\$ 457,488	\$ 479,842	\$501,865	\$531,209	\$543,318	\$559,588	\$ 598,508
Training and services	62,622	66,092	63,860	66,234	68,596	71,942	69,252	80,288
Total subscription, training and services revenue	504,148	523,580	543,502	567,899	599,805	615,260	628,840	676,796
Non-GAAP Cost of revenue:								
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
Total cost of subscription, training and services revenue	69,195	73,874	73,840	76,120	79,771	82,183	84,189	92,912
Total Non-GAAP gross profit	434,953	449,706	469,662	491,779	520,034	533,077	544,651	583,884
Cost of revenue reconciliation GAAP to non-GAAP								
Subscriptions (GAAP)	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
Subscriptions (non-GAAP)	26,574	27,321	28,275	30,765	33,828	34,488	36,229	37,834
Training and services (GAAP)	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	—	—	—	—	—	—	—
Training and services (non-GAAP)	42,621	46,553	45,565	45,355	45,943	47,695	47,960	55,078
GAAP Gross Margin	84.9 %	84.5 %	85.1 %	85.2 %	85.4 %	85.3 %	85.3 %	85.1 %
Non-GAAP Gross Margin	86.3 %	85.9 %	86.4 %	86.6 %	86.7 %	86.6 %	86.6 %	86.3 %
GAAP Subscription Gross Margin	93.0 %	93.0 %	93.0 %	92.7 %	92.5 %	92.5 %	92.5 %	92.7 %
Non-GAAP Subscription Gross Margin	94.0 %	94.0 %	94.1 %	93.9 %	93.6 %	93.7 %	93.5 %	93.7 %
GAAP Training and services Gross Margin	28.2 %	26.2 %	25.4 %	28.3 %	30.0 %	30.8 %	27.6 %	28.9 %
Non-GAAP Training and services Gross Margin	31.9 %	29.6 %	28.6 %	31.5 %	33.0 %	33.7 %	30.7 %	31.4 %

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
Revenue	\$ 1,133,103	\$ 1,328,817	\$ 1,534,615	\$ 1,789,489	\$ 2,052,230	\$ 2,411,803
GAAP Gross Profit as reported	\$ 964,555	\$ 1,128,217	\$ 1,302,015	\$ 1,516,290	\$ 1,742,801	\$ 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
Non-GAAP Gross Profit	\$ 965,968	\$ 1,143,593	\$ 1,323,988	\$ 1,540,989	\$ 1,770,225	\$ 2,089,540
GAAP Operating Income as reported	\$ 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
Total Non-cash share-based compensation expense	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
Total Amortization of intangible assets	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	—	—	—
Non-GAAP Operating Income	\$ 298,929	\$ 326,401	\$ 376,439	\$ 416,112	\$ 483,969	\$ 554,434
GAAP Gross Margin as reported	84.2 %	84.9 %	84.8 %	84.7 %	84.9 %	85.3 %
Non-GAAP Gross Margin	85.2 %	86.1 %	86.3 %	86.1 %	86.3 %	86.6 %
GAAP Operating Margin as reported	17.6 %	15.1 %	15.1 %	14.0 %	14.0 %	13.7 %
Non-GAAP Operating Margin	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
Non-GAAP adjusted net income	\$ 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	198,451	195,804	192,036	189,246	186,119	182,961
Dilution offset from convertible note hedge transactions	—	—	—	—	(282)	(292)
Non-GAAP Diluted	198,451	195,804	192,036	189,246	185,837	182,669
Note: Certain prior year amounts have been reclassified to						
(1) Note FY12, FY14 and FY17 included discrete tax benefits, 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)

	Q2FY16 Quarter End <u>8/31/2015</u>	Q3FY16 Quarter End <u>11/30/2015</u>	Q4FY16 Quarter End <u>2/29/2016</u>	Q1FY17 Quarter End <u>5/31/2016</u>	Rolling Average Four	Q2FY17 Quarter End <u>8/31/2016</u>	Q3FY17 Quarter End <u>11/30/2016</u>	Q4FY17 Quarter End <u>2/28/2017</u>	Q1FY18 Quarter End <u>5/31/2017</u>	Rolling Average Four	Year-Over-
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)	(4,961)	1,570	5,145		
Billings Proxy on a Constant Currency basis						569,373	674,480	987,809	636,224	716,967	20.2 %