



Q2 FY2018 FINANCIAL HIGHLIGHTS & SUPPLEMENTAL METRICS

September 25, 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 the security of our offerings and other data 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 Quarterly Report on Form 10-Q (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, September 25, 2017.

INTRODUCTION

The following presentation provides financial highlights and supplemental metrics for Red Hat's second quarter ended August 31, 2017. These financial highlights and supplemental metrics were made available on September 25, 2017 in connection with Red Hat's announcement of its financial results for the second quarter of fiscal year 2018. This presentation should be read in conjunction with Red Hat's press release issued on September 25, 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>.

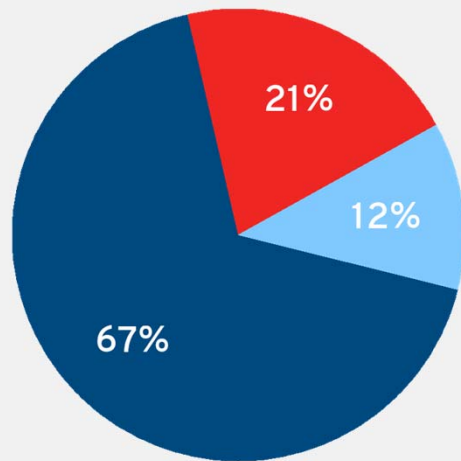
Non-GAAP Measures

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 2nd QUARTER REVENUE GROWTH

% OF TOTAL REVENUE

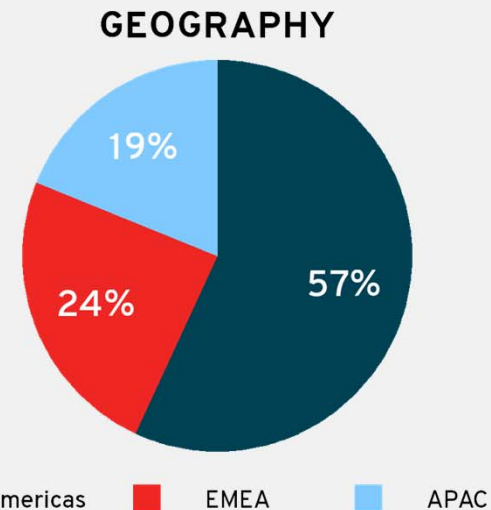
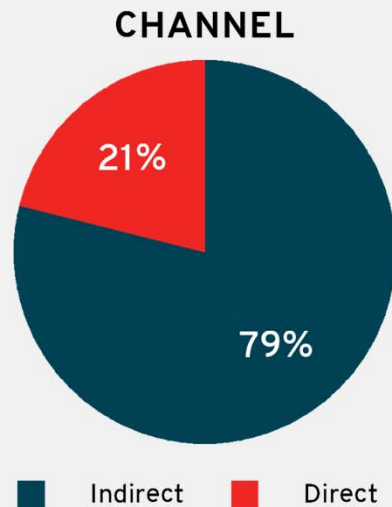


	Q218 Y/Y Growth	Q218 Y/Y Growth, cc ⁽¹⁾
App Dev & emerging tech	44%	43%
Infrastructure-related tech	14%	14%
Training & Consulting	25%	25%
Total Revenue	21%	20%

Q2 HIGHLIGHTS:

- 62nd consecutive quarter of revenue growth
- YTD 20% total revenue growth

Q218 BOOKINGS & DEAL METRICS



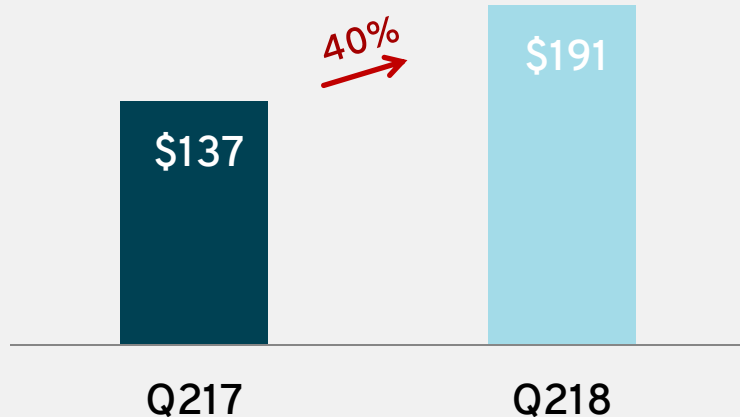
Q2 HIGHLIGHTS:

- Total of 66 deals >\$1M; including 4 over \$5M
- Strong cross-selling with 61% of top deals including an app-dev/emerging technology offering

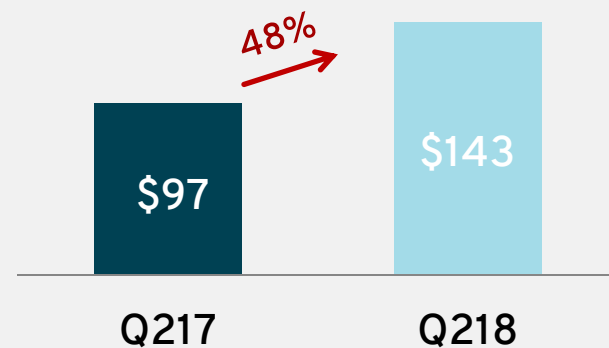
QUARTERLY PROFITABILITY & CASH FLOW

(\$ millions, y/y growth)

NON-GAAP OPERATING INCOME



OPERATING CASH FLOW



Q2 HIGHLIGHTS:

- 18.6% GAAP and 26.4% non-GAAP operating margins
- \$0.53 GAAP and \$0.77 non-GAAP EPS
- 22% y/y total deferred revenue growth
- \$2.3B cash & investments balance
- \$75M 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 \$55 million in Q217 and \$56 million in Q218 from GAAP operating income of \$82 million in Q217 and \$135 million in Q218. 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 Q217 and Q218. 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	Aug'17
Revenue	Q117	Q217	Q317	Q417	FY17	Q118	Q218
Infrastructure-related subscriptions	403,182	427,035	431,142	435,085	1,696,443	457,961	487,447
y/y change	14%	18%	16%	11%	15%	14%	14%
constant currency y/y change	13%	17%	14%	12%	14%	14%	14%
App dev & emerging subscriptions	98,483	104,174	112,176	124,503	439,337	138,547	150,115
y/y change	39%	33%	33%	40%	36%	41%	44%
constant currency y/y change	39%	32%	32%	40%	36%	42%	43%
Subscription Revenue	501,665	531,209	543,318	559,588	2,135,780	596,508	637,562
y/y change	18%	20%	19%	17%	18%	19%	20%
constant currency y/y change	18%	19%	18%	17%	18%	20%	20%
Training & services revenue	66,234	68,596	71,942	69,252	276,023	80,288	85,793
y/y change	18%	10%	9%	8%	11%	21%	25%
constant currency y/y change	19%	11%	10%	9%	12%	22%	25%
Total Revenue	567,899	599,805	615,260	628,840	2,411,803	676,796	723,355
y/y change	18%	19%	18%	16%	18%	19%	21%
constant currency y/y change	18%	18%	17%	16%	17%	20%	20%

Percent of Total Revenue (in USD)

Infrastructure-related subscriptions	71%	71%	70%	69%	71%	68%	67%
App dev & emerging subscriptions	17%	17%	18%	20%	18%	20%	21%
Total Subscription Revenue	88%	89%	88%	89%	89%	88%	88%
Training & services revenue	12%	11%	12%	11%	11%	12%	12%
Total Revenue	100%	100%	100%	100%	100%	100%	100%

(Unaudited)
(\$ in thousands)

	May'16	Aug'16	Nov'16	Feb'17		May'17	Aug'17
Revenue by Geography	Q117	Q217	Q317	Q417	FY17	Q118	Q218
Americas	365,723	385,529	393,589	410,449	1,555,290	438,380	463,359
y/y change	14%	16%	15%	15%	15%	20%	20%
constant currency y/y change	15%	17%	15%	14%	15%	20%	20%
EMEA	124,299	127,467	132,568	131,308	515,642	143,671	159,722
y/y change	28%	18%	15%	14%	18%	16%	25%
constant currency y/y change	24%	17%	16%	17%	18%	20%	21%
APAC	77,877	86,809	89,103	87,083	340,871	94,745	100,274
y/y change	26%	37%	34%	24%	30%	22%	16%
constant currency y/y change	25%	27%	25%	22%	25%	22%	18%
Total Revenue	567,899	599,805	615,260	628,840	2,411,803	676,796	723,355
y/y change	18%	19%	18%	16%	18%	19%	21%
constant currency y/y change	18%	18%	17%	16%	17%	20%	20%
Percent of Total Revenue (in USD)							
Americas	64%	64%	64%	65%	64%	65%	64%
EMEA	22%	21%	22%	21%	22%	21%	22%
APAC	14%	15%	14%	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	Aug'17
Non-GAAP Income Statement:	Q117	Q217	Q317	Q417	FY17	Q118	Q218
Gross Profit	491,779	520,034	533,077	544,651	2,089,540	583,884	625,225
Operating Income	123,964	136,663	143,166	152,627	556,420	138,623	190,897
Net Income	92,178	101,228	110,751	109,692	413,851	101,697	138,268
Gross Margin	86.6%	86.7%	86.6%	86.6%	86.6%	86.4%	86.4%
Subscription Gross Margin	93.9%	93.6%	93.7%	93.5%		93.7%	93.7%
Training & Services Gross Margin	31.5%	33.0%	33.7%	30.7%		31.4%	32.1%
Operating Margin	21.8%	22.8%	23.3%	24.3%	23.1%	20.5%	26.4%
EPS Basic	0.51	0.56	0.62	0.62	2.30	0.57	0.78
EPS Diluted	0.50	0.55	0.61	0.61	2.27	0.56	0.77
Tax Rate before discrete items	27.0%	27.0%	27.0%	29.5%	27.5%	27.5%	27.6%
Weighted Average Shares Outstanding							
Basic	181,168	180,322	179,233	177,802	179,642	177,243	177,257
Diluted	184,187	183,151	182,168	180,705	182,669	180,217	180,315
Balance Sheet	Q117	Q217	Q317	Q417	FY17	Q118	Q218
Total Cash & Investments	2,119,876	2,042,645	1,971,370	2,133,231	2,133,231	\$ 2,309,581	\$ 2,314,416
Current Deferred Revenue	1,251,096	1,233,762	1,225,421	1,512,762	1,512,762	\$ 1,486,409	\$ 1,471,434
Long-Term Deferred Revenue	441,060	446,890	482,557	557,194	557,194	\$ 567,755	\$ 581,077
Prior Year Deferred Revenue Balance	1,436,119	1,413,440	1,487,134	1,722,544		1,692,156	\$ 1,680,652
Constant currency change in Deferred Revenue ⁽¹⁾	246,316	244,738	211,903	348,892		349,267	\$ 335,313
Impact from foreign currency translation ⁽²⁾	9,721	22,474	8,941	(1,480)		12,741	\$ 36,546
Ending Deferred Revenue Balance	1,692,156	1,680,652	1,707,978	2,069,956		2,054,164	\$ 2,052,511
Cash Flow Statement	Q117	Q217	Q317	Q417	FY17	Q118	Q218
Current Deferred Revenue Change	(16,287)	(44,909)	16,526	284,083	239,413	(45,758)	(41,741)
Long-Term Deferred Revenue Change	(29,806)	17,956	47,655	73,316	109,121	41	1,166
Total Change in Deferred Revenue	(46,093)	(26,953)	64,181	357,399	348,534	(45,717)	(40,575)
Net Operating Cash Flow	232,297	96,802	136,359	318,259	783,717	257,872	142,896

(1) Change in deferred revenue includes less than \$0.1 million acquired as part of a business combination during the twelve months ended August 31, 2017.

(2) Quarterly FX impacts to y/y change in deferred revenue are \$38.9 million in Q218, \$29.9 million in Q118, \$4.6 million in Q417 and \$(36.9) million in Q317.

	May'16	Aug'16	Nov'16	Feb'17		May'17	Aug'17
Bookings & Deal Metrics:	Q117	Q217	Q317	Q417	FY17	Q118	Q218
# of Top 25 Renewals	25	23	25	25		25	25
Top 25 Renewal Rates (of prior deal value)	~105%	~105%	>120%	>120%		>120%	~115%
Deals >\$1M							
Deals \$1M - \$5M	39	50	65	94	248	37	62
Deals \$5M - \$10M	4	5	5	11	25	3	4
Deals \$10M - \$20M	2	—	1	1	4	3	—
Deals >\$20M	—	—	2	4	6	1	—
Deals containing App Dev & Emerging Tech	83%	73%	60%	90%	77%	68%	61%
Deals w/ only App Dev & Emerging Tech	13%	13%	13%	13%	13%	5%	17%
Indirect Channel Bookings	78%	81%	72%	69%	72%	72%	79%
Direct Bookings	22%	19%	28%	31%	28%	28%	21%
Bookings by Geography							
Americas	60%	57%	57%	67%	62%	55%	57%
EMEA	21%	24%	27%	21%	23%	24%	24%
APAC	19%	19%	16%	12%	15%	21%	19%
Average Contract Length (months)	21	22	24	25	23	22	21
% of Single Year Bookings	74%	73%	67%	65%	69%	73%	76%
% of Multi-Year Bookings	26%	27%	33%	35%	31%	27%	24%
Additional Metrics							
Employees	9,324	9,861	10,257	10,489		10,706	11,084
Average EUR FX Rate	1.13	1.12	1.10	1.06	1.10	1.08	1.11
Average JPY FX Rate	110	103	105	115	108	112	112

(Unaudited)

	May'16	Aug'16	Nov'16	Feb'17		May'17	Aug'17
	Q117	Q217	Q317	Q417	FY17	Q118	Q218
Share Repurchases							
# Shares purchased (millions)	0.9	1.8	1.6	1.9	6.2	0.7	0.8
Aggregate Principal Amount (\$ millions)	66	127	125	139	459	62	75
Remaining Balance on Plan at quarter-end (\$ millions)	171	901	775	636		574	499
Days Sales Outstanding (DSO) (in thousands, except # of days)							
Total Revenue	567,899	599,805	615,260	628,840	2,411,803	676,796	723,355
Q/Q Δ deferred revenue (Balance Sheet)	(30,388)	(11,504)	27,326	361,979		(15,792)	(1,653)
Deferred revenue (Cash Flow Stmt.)	(46,093)	(26,953)	64,181	357,399	348,534	(45,717)	(40,575)
Accounts Receivable, net	326,334	359,893	427,436	634,821		429,908	418,449
Q/Q FX impact on Accounts Receivable	<u>(6,101)</u>	<u>(2,980)</u>	<u>4,926</u>	<u>(1,509)</u>		<u>(4,416)</u>	<u>(5,524)</u>
Accounts Receivable in constant currency	320,233	356,913	432,362	633,312		425,492	412,925
# calendar days in quarter	92	92	91	90		92	92
DSO (1)	56	56	61	58		60	55
FX adj DSO (2)	56	57	58	58		62	56

(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)

	Q316	Q416	Q117	Q217	Q317	Q417	Q118	Q218
	Quarter End	Quarter End	Quarter End	Quarter End	Quarter End	Quarter End	Quarter End	Quarter End
	11/30/2015	2/29/2016	5/31/2016	8/31/2016	11/30/2016	2/28/2017	5/31/2017	8/31/2017
GAAP Operating Income as reported	\$ 68,877	\$ 71,772	\$ 75,363	\$ 81,884	\$ 80,773	\$ 94,225	\$ 87,608	\$ 134,559
Add: Non-cash share-based compensation expense Cost of Revenue	4,074	3,946	4,305	4,054	4,037	4,157	3,948	4,261
Add: Non-cash share-based compensation expense S&M	17,192	19,703	18,440	20,361	26,624	27,952	20,612	20,817
Add: Non-cash share-based compensation expense R&D	13,059	12,511	12,002	12,969	13,814	13,639	13,447	14,220
Add: Non-cash share-based compensation expense G&A	9,082	9,608	6,528	7,973	10,266	5,409	5,711	7,649
Total Non-cash share-based compensation expense	43,407	45,768	41,275	45,357	54,741	51,157	43,718	46,947
Add: Amortization of intangible assets Cost of Revenue	3,100	3,434	3,623	3,846	4,233	3,861	3,836	4,326
Add: Amortization of intangible assets S&M	2,330	1,730	1,916	1,905	1,695	1,562	1,459	1,583
Add: Amortization of intangible assets R&D	312	(13)	34	34	34	35	34	35
Add: Amortization of intangible assets G&A	1,238	1,711	1,753	1,848	1,690	1,787	1,826	2,227
Total Amortization of intangible assets	6,980	6,862	7,326	7,633	7,652	7,245	7,155	8,171
Add: Transaction costs related to business combinations	3,792	40	—	1,789	—	—	142	1,220
Non-GAAP Operating Income	\$ 123,056	\$ 124,442	\$ 123,964	\$ 136,663	\$ 143,166	\$ 152,627	\$ 138,623	\$ 190,897
GAAP Operating Margin as reported	13.2%	13.2%	13.3%	13.7%	13.1%	15.0%	12.9%	18.6%
Non-GAAP Operating Margin	23.5%	22.9%	21.8%	22.8%	23.3%	24.3%	20.5%	26.4%
GAAP Net Income as reported	\$ 46,848	\$ 53,036	\$ 61,184	\$ 58,772	\$ 67,943	\$ 65,803	\$ 73,190	\$ 96,859
GAAP provision for income taxes	19,135	15,732	11,169	20,663	8,775	25,870	11,740	34,971
GAAP Income before provision for income taxes	65,983	68,768	72,353	79,435	76,718	91,673	84,930	131,830
Add: Non-cash share-based compensation expense	43,407	45,768	41,275	45,357	54,741	51,157	43,718	46,947
Add: Amortization of intangible assets	6,980	6,862	7,326	7,633	7,652	7,245	7,155	8,171
Add: Non-cash interest expense related to the debt discount	4,664	4,686	4,731	4,753	4,800	4,820	4,867	4,890
Add: Transaction costs related to business combinations	3,792	40	—	1,789	—	—	142	1,220
Non-GAAP adjusted income before provision for taxes	124,826	126,124	125,685	138,967	143,911	154,895	140,812	193,058
Non-GAAP provision for income taxes	36,200	29,094	33,507	37,739	33,160	45,203	39,115	54,790
Non-GAAP adjusted net income (basic and diluted)	\$ 88,626	\$ 97,030	\$ 92,178	\$ 101,228	\$ 110,751	\$ 109,692	\$ 101,697	\$ 138,268
GAAP net income per share:								
Basic	\$ 0.26	\$ 0.29	\$ 0.34	\$ 0.33	\$ 0.38	\$ 0.37	\$ 0.41	\$ 0.55
Diluted	\$ 0.25	\$ 0.29	\$ 0.33	\$ 0.32	\$ 0.37	\$ 0.36	\$ 0.40	\$ 0.53
Non-GAAP adjusted net income per share:								
Basic	\$ 0.48	\$ 0.53	\$ 0.51	\$ 0.56	\$ 0.62	\$ 0.62	\$ 0.57	\$ 0.78
Diluted	\$ 0.48	\$ 0.52	\$ 0.50	\$ 0.55	\$ 0.61	\$ 0.61	\$ 0.56	\$ 0.77
Weighted average shares outstanding:								
Basic	182,850	182,099	181,168	180,322	179,233	177,802	177,243	177,257
GAAP Diluted	186,094	184,888	184,187	183,346	182,682	181,197	181,810	183,021
Dilution offset from convertible note hedge transactions	(390)	(67)	—	(195)	(514)	(492)	(1,593)	(2,706)
Non-GAAP Diluted	185,704	184,821	184,187	183,151	182,168	180,705	180,217	180,315

Red Hat GAAP to Non-GAAP Reconciliation Quarterly (continued)

(Unaudited)

(In thousands - except per share amounts)

	Q316		Q416		Q117		Q217		Q317		Q417		Q118		Q218	
	Quarter End		Quarter End		Quarter End		Quarter End		Quarter End		Quarter End		Quarter End		Quarter End	
	11/30/2015		2/29/2016		5/31/2016		8/31/2016		11/30/2016		2/28/2017		5/31/2017		8/31/2017	
Non-GAAP adjusted income before provision for income taxes	\$	124,826	\$	126,124	\$	125,686	\$	138,967	\$	143,911	\$	154,895	\$	140,812	\$	193,058
GAAP estimated annual effective tax rate		29.0%		23.1%		27.0%		27.0%		27.0%		29.5%		27.5%		27.6%
Provision for income taxes on non-GAAP adjusted income before discrete tax expenses (benefits)		36,200		29,094		33,935		37,521		38,856		45,698		38,723		53,425
Discrete tax expenses (benefits), excluding discrete benefits related to share-based compensation		—		—		(428)		218		(5,696)		(495)		392		1,365
Provision for income taxes on non-GAAP adjusted income, excluding discrete tax benefits related to share-based compensation	\$	36,200	\$	29,094	\$	33,507	\$	37,739	\$	33,160	\$	45,203	\$	39,115	\$	54,790

Red Hat GAAP to Non-GAAP Reconciliation Quarterly Gross Margins

(Unaudited)

(In thousands)

	Q316	Q416	Q117	Q217	Q317	Q417	Q118	Q218
	Quarter End	Quarter End	Quarter End	Quarter End	Quarter End	Quarter End	Quarter End	Quarter End
	<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>	<u>5/31/2017</u>
GAAP Revenue:								
Subscriptions	\$ 457,488	\$ 479,642	\$ 501,665	\$ 531,209	\$ 543,318	\$ 559,588	\$ 596,508	\$ 637,562
Training and services	66,092	63,860	66,234	68,596	71,942	69,252	80,288	85,793
Total subscription, training and services revenue	523,580	543,502	567,899	599,805	615,260	628,840	676,796	723,355
Non-GAAP Cost of revenue:								
Subscriptions	27,321	28,275	30,765	33,828	34,488	36,229	37,834	39,863
Training and services	46,553	45,565	45,355	45,943	47,695	47,960	55,078	58,267
Total cost of subscription, training and services revenue	73,874	73,840	76,120	79,771	82,183	84,189	92,912	98,130
GAAP Gross Profit as reported	442,532	462,282	483,851	512,134	524,807	536,633	576,100	616,638
Add: Non-cash share-based compensation expense	4,074	3,946	4,305	4,054	4,037	4,157	3,948	4,261
Add: Amortization of intangible assets	3,100	3,434	3,623	3,846	4,233	3,861	3,836	4,326
Total Non-GAAP gross profit	449,706	469,662	491,779	520,034	533,077	544,651	583,884	625,225
Cost of revenue reconciliation GAAP to non-GAAP:								
Subscriptions (GAAP)	32,246	33,575	36,545	39,678	40,660	42,095	43,633	46,324
Less: non-cash share-based compensation expense	1,825	1,866	2,157	2,004	1,939	2,005	1,963	2,135
Less: Amortization of intangible assets	3,100	3,434	3,623	3,846	4,233	3,861	3,836	4,326
Subscriptions (non-GAAP)	27,321	28,275	30,765	33,828	34,488	36,229	37,834	39,863
Training and services (GAAP)	48,802	47,645	47,503	47,993	49,793	50,112	57,063	60,393
Less: non-cash share-based compensation expense	2,249	2,080	2,148	2,050	2,098	2,152	1,985	2,126
Less: Amortization of intangible assets	—	—	—	—	—	—	—	—
Training and services (non-GAAP)	46,553	45,565	45,355	45,943	47,695	47,960	55,078	58,267
GAAP Gross Margin	84.5%	85.1%	85.2%	85.4%	85.3%	85.3%	85.1%	85.2%
Non-GAAP Gross Margin	85.9%	86.4%	86.6%	86.7%	86.6%	86.6%	86.3%	86.4%
GAAP Subscription Gross Margin	93.0%	93.0%	92.7%	92.5%	92.5%	92.5%	92.7%	92.7%
Non-GAAP Subscription Gross Margin	94.0%	94.1%	93.9%	93.6%	93.7%	93.5%	93.7%	93.7%
GAAP Training and services Gross Margin	26.2%	25.4%	28.3%	30.0%	30.8%	27.6%	28.9%	29.6%
Non-GAAP Training and services Gross Margin	29.6%	28.6%	31.5%	33.0%	33.7%	30.7%	31.4%	32.1%

Red Hat GAAP to Non-GAAP Reconciliation – Annual

(Unaudited)

(In thousands - except per share amounts)

	FY12	FY13	FY14	FY15	FY16	FY17
	Year End	Year End	Year End	Year End	Year End	Year End
	<u>2/29/2012</u>	<u>2/28/2013</u>	<u>2/28/2014</u>	<u>2/28/2015</u>	<u>2/29/2016</u>	<u>2/28/2017</u>
GAAP Operating Income as reported	\$ 199,913	\$ 201,038	\$ 232,290	\$ 249,994	\$ 288,048	\$ 332,245
Add: Non-cash share-based compensation expense – Cost of Revenue	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	\$ 556,420
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%	23.1%
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	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	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

Red Hat GAAP to Non-GAAP Reconciliation Annual (continued)

(Unaudited)

(In thousands - except per share amounts)

	FY12	FY13	FY14	FY15	FY16	FY17
	Year End	Year End	Year End	Year End	Year End	Year End
	<u>2/29/2012</u>	<u>2/28/2013</u>	<u>2/28/2014</u>	<u>2/28/2015</u>	<u>2/29/2016</u>	<u>2/28/2017</u>
Note FY12, FY14 and FY17 included discrete tax benefits, please see below for provision for income tax breakout:						
Non-GAAP adjusted net income before income tax provision	\$ 307,025		\$ 383,697			\$ 563,459
GAAP effective tax rate, excluding discrete tax items	31.0%		26.7%			27.7%
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
 GAAP Gross Profit as reported						
	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
Total Non-GAAP gross profit	965,968	1,143,593	1,323,988	1,540,989	1,770,225	2,089,540
 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%

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

(Unaudited)

(In thousands)

	<u>Q3FY16</u>	<u>Q4FY16</u>	<u>Q1FY17</u>	<u>Q2FY17</u>	Rolling Average Four Quarter Billings Proxy	<u>Q3FY17</u>	<u>Q4FY17</u>	<u>Q1FY18</u>	<u>Q2FY18</u>	Rolling Average Four Quarter Billings Proxy	Year-Over- Year Growth Rate
	Quarter End	Quarter End	Quarter End	Quarter End		Quarter End	Quarter End	Quarter End	Quarter End		
	<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>	<u>5/31/2017</u>		
Total Revenue	523,580	543,502	567,899	599,805		615,260	628,840	676,796	723,355		
Change in deferred revenue on Statement of Cash Flows	96,664	220,410	(46,093)	(26,953)		64,181	357,399	(45,717)	(40,575)		
Billings Proxy	620,244	763,912	521,806	572,852	619,704	986,239	986,239	631,079	682,780	744,885	20.2%
Adjustment for currency impact to total revenue						(4,981)	1,570	5,145	(2,782)		
Billings Proxy on a Constant Currency basis						674,460	987,809	636,224	679,998	744,623	20.2%