

**RED HAT, INC.**  
**Quarterly Non-GAAP Consolidated Statement of Ops (see Non-GAAP**  
**reconciliation on following page)**

(Unaudited)

(In thousands - except per share amounts)

	Q216	Q316	Q416	Q117	Q217	Q317
	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>
<b>GAAP Revenue:</b>						
Subscriptions	\$ 441,526	\$ 457,488	\$ 479,642	\$ 501,665	\$ 531,209	\$ 543,318
Training and services	62,622	66,092	63,860	66,234	68,596	71,942
Total subscription, training and services revenue	<u>504,148</u>	<u>523,580</u>	<u>543,502</u>	<u>567,899</u>	<u>599,805</u>	<u>615,260</u>
<b>Non-GAAP Cost of revenue:</b>						
Subscriptions	26,574	27,321	28,275	30,765	33,828	34,488
Training and services	42,621	46,553	45,565	45,355	45,943	47,695
Total cost of subscription, training and services revenue	<u>69,195</u>	<u>73,874</u>	<u>73,840</u>	<u>76,120</u>	<u>79,771</u>	<u>82,183</u>
Total Non-GAAP gross profit	434,953	449,706	469,662	491,779	520,034	533,077
<b>Non-GAAP Operating expense:</b>						
Sales and marketing	186,309	196,262	207,760	222,892	230,989	238,761
Research and development	90,174	91,535	96,000	102,980	108,262	108,621
General and administrative	35,332	38,853	41,460	41,943	44,120	42,529
Total operating expense	<u>311,815</u>	<u>326,650</u>	<u>345,220</u>	<u>367,815</u>	<u>383,371</u>	<u>389,911</u>
Non-GAAP Income from operations	123,138	123,056	124,442	123,964	136,663	143,166
GAAP Interest income	2,895	2,874	3,189	3,430	3,392	3,346
Other income (expense), net	(1,245)	49	(337)	(553)	84	(1,392)
Interest expense	(1,113)	(1,153)	(1,170)	(1,156)	(1,172)	(1,209)
Income before provision (benefit) for income taxes (1)	123,675	124,826	126,124	125,685	138,967	143,911
<b>Provision (benefit) for income taxes</b>	35,866	36,200	29,094	33,507	37,739	33,160
Non-GAAP Net income	<u>\$ 87,809</u>	<u>\$ 88,626</u>	<u>\$ 97,030</u>	<u>\$ 92,178</u>	<u>\$ 101,228</u>	<u>\$ 110,751</u>
Non-GAAP Net income-diluted	\$ 87,809	\$ 88,626	\$ 97,030	\$ 92,178	\$ 101,228	\$ 110,751
<b>Non-GAAP Net income per share:</b>						
<b>Basic</b>	<b>\$ 0.48</b>	<b>\$ 0.48</b>	<b>\$ 0.53</b>	<b>\$ 0.51</b>	<b>\$ 0.56</b>	<b>\$ 0.62</b>
<b>Diluted</b>	<b>\$ 0.47</b>	<b>\$ 0.48</b>	<b>\$ 0.52</b>	<b>\$ 0.50</b>	<b>\$ 0.55</b>	<b>\$ 0.61</b>
<b>Weighted average shares outstanding:</b>						
Basic	183,179	182,850	182,099	181,168	180,322	179,233
GAAP Diluted	186,750	186,094	184,888	184,187	183,346	182,682
Dilution offset from convertible note hedge transactions	(585)	(390)	(67)	—	(195)	(514)
Non-GAAP Diluted	186,165	185,704	184,821	184,187	183,151	182,168
<b>(1) Non-GAAP provision for income taxes:</b>						
Non-GAAP adjusted income before provision for income taxes	\$ 123,675	\$ 124,826	\$ 126,124	\$ 125,685	\$ 138,967	\$ 143,911
GAAP estimated annual effective tax rate	29 %	29 %	23.1 %	27 %	27 %	27 %
Provision for income taxes on Non-GAAP adjusted net income before discrete tax expenses (benefits)	35,866	36,200	29,094	33,935	37,521	38,856
Discrete tax expenses (benefits), excluding discrete tax expenses (benefits) related to share-based compensation	—	—	—	(428)	218	(5,696)
Provision for income taxes on Non-GAAP adjusted net income excluding discrete tax expenses (benefits) related to share-based compensation	<u>\$ 35,866</u>	<u>\$ 36,200</u>	<u>\$ 29,094</u>	<u>\$ 33,507</u>	<u>\$ 37,739</u>	<u>\$ 33,160</u>

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

(Unaudited)

(In thousands - except per share amounts)

	Q216	Q316	Q416	Q117	Q217	Q317
	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
<b>Revenue</b>	\$ 504,148	\$ 523,580	\$ 543,502	\$ 567,899	\$ 599,805	\$ 615,260
<b>GAAP Gross Profit as reported</b>	\$ 428,184	\$ 442,532	\$ 462,282	\$ 483,851	\$ 512,134	\$ 524,807
Add: Non-cash share-based compensation expense	4,151	4,074	3,946	4,305	4,054	4,037
Add: Amortization of intangible assets	2,618	3,100	3,434	3,623	3,846	4,233
<b>Non-GAAP Gross Profit</b>	\$ 434,953	\$ 449,706	\$ 469,662	\$ 491,779	\$ 520,034	\$ 533,077
<b>GAAP Operating Income as reported</b>	\$ 76,470	\$ 68,877	\$ 71,772	\$ 75,363	\$ 81,884	\$ 80,773
Add: Non-cash share-based compensation expense Cost of Revenue	4,151	4,074	3,946	4,305	4,054	4,037
Add: Non-cash share-based compensation expense S&M	16,782	17,192	19,703	18,440	20,361	26,624
Add: Non-cash share-based compensation expense R&D	12,022	13,059	12,511	12,002	12,969	13,814
Add: Non-cash share-based compensation expense G&A	7,582	9,082	9,608	6,528	7,973	10,266
<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>
Add: Amortization of intangible assets Cost of Revenue	2,618	3,100	3,434	3,623	3,846	4,233
Add: Amortization of intangible assets S&M	2,010	2,330	1,730	1,916	1,905	1,695
Add: Amortization of intangible assets R&D	292	312	(13)	34	34	34
Add: Amortization of intangible assets G&A	1,160	1,238	1,711	1,753	1,848	1,690
<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>
Add: Transaction costs related to business combinations	51	3,792	40	—	1,789	—
<b>Non-GAAP Operating Income</b>	\$ 123,138	\$ 123,056	\$ 124,442	\$ 123,964	\$ 136,663	\$ 143,166
<b>GAAP Gross Margin as reported</b>	84.9 %	84.5 %	85.1 %	85.2 %	85.4 %	85.3 %
<b>Non-GAAP Gross Margin</b>	86.3 %	85.9 %	86.4 %	86.6 %	86.7 %	86.6 %
<b>GAAP Operating Margin as reported</b>	15.2 %	13.2 %	13.2 %	13.3 %	13.7 %	13.1 %
<b>Non-GAAP Operating Margin</b>	24.4 %	23.5 %	22.9 %	21.8 %	22.8 %	23.3 %
<b>GAAP Net Income as reported</b>	\$ 51,395	\$ 46,848	\$ 53,036	\$ 61,184	\$ 58,772	\$ 67,943
GAAP provision for income taxes	20,992	19,135	15,732	11,169	20,663	8,775
<b>GAAP Income before provision for income taxes</b>	\$ 72,387	\$ 65,983	\$ 68,768	\$ 72,353	\$ 79,435	\$ 76,718
Add: Non-cash share-based compensation expense	40,537	43,407	45,768	41,275	45,357	54,741
Add: Amortization of intangible assets	6,080	6,980	6,862	7,326	7,633	7,652
Add: Non-cash interest expense related to the debt discount	4,620	4,664	4,686	4,731	4,753	4,800
Add: Transaction costs related to business combinations	51	3,792	40	—	1,789	—
<b>Non-GAAP adjusted income before provision for taxes</b>	<b>123,675</b>	<b>124,826</b>	<b>126,124</b>	<b>125,685</b>	<b>138,967</b>	<b>143,911</b>
Non-GAAP provision for income taxes	35,866	36,200	29,094	33,507	37,739	33,160
<b>Non-GAAP adjusted net income</b>	\$ 87,809	\$ 88,626	\$ 97,030	\$ 92,178	\$ 101,228	\$ 110,751
<b>Non-GAAP adjusted net income-diluted</b>	\$ 87,809	\$ 88,626	\$ 97,030	\$ 92,178	\$ 101,228	\$ 110,751
<b>GAAP net income per share:</b>						
Basic	\$ 0.28	\$ 0.26	\$ 0.29	\$ 0.34	\$ 0.33	\$ 0.38
Diluted	\$ 0.28	\$ 0.25	\$ 0.29	\$ 0.33	\$ 0.32	\$ 0.37
<b>Non-GAAP adjusted net income per share:</b>						
Basic	\$ 0.48	\$ 0.48	\$ 0.53	\$ 0.51	\$ 0.56	\$ 0.62
Diluted	\$ 0.47	\$ 0.48	\$ 0.52	\$ 0.50	\$ 0.55	\$ 0.61
<b>Weighted average shares outstanding:</b>						
Basic	183,179	182,850	182,099	181,168	180,322	179,233
GAAP Diluted	186,750	186,094	184,888	184,187	183,346	182,682
Dilution offset from convertible note hedge transactions	(585)	(390)	(0.067)	—	(195)	(514)
<b>Non-GAAP Diluted</b>	<b>186,165</b>	<b>185,704</b>	<b>184,821</b>	<b>184,187</b>	<b>183,151</b>	<b>182,168</b>

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

 (Unaudited)  
 (In thousands)

	Q216	Q316	Q416	Q117	Q217	Q317
	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>
<b>GAAP Revenue:</b>						
Subscriptions	\$ 441,526	\$ 457,488	\$ 479,642	\$ 501,665	\$ 531,209	\$ 543,318
Training and services	62,622	66,092	63,860	66,234	68,596	71,942
<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>Non-GAAP Cost of revenue:</b>						
Subscriptions	26,574	27,321	28,275	30,765	33,828	34,488
Training and services	42,621	46,553	45,565	45,355	45,943	47,695
<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>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>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
Less: non-cash share-based compensation expense	1,836	1,825	1,866	2,157	2,004	1,939
Less: Amortization of intangible assets	2,586	3,100	3,434	3,623	3,846	4,233
<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>Training and services (GAAP)</b>	44,968	48,802	47,645	47,503	47,993	49,793
Less: non-cash share-based compensation expense	2,315	2,249	2,080	2,148	2,050	2,098
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>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>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>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>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>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>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>

**RED HAT, INC.**  
**Annual Non-GAAP Consolidated Statement of Ops**  
(Unaudited)  
(In thousands - except per share amounts)

	FY2012 Year End <u>2/29/2012</u>	FY2013 Year End <u>2/28/2013</u>	FY2014 Year End <u>2/28/2014</u>	FY2015 Year End <u>2/28/2015</u>	FY2016 Year End <u>2/29/2016</u>
Revenue:					
Subscriptions	\$ 965,575	\$ 1,148,341	\$ 1,336,771	\$ 1,561,234	\$ 1,803,449
Training and services	167,528	180,476	197,844	228,255	248,781
Total subscription, training and services revenue	<u>1,133,103</u>	<u>1,328,817</u>	<u>1,534,615</u>	<u>1,789,489</u>	<u>2,052,230</u>
Cost of revenue:					
Subscriptions	59,109	70,059	81,316	95,865	107,842
Training and services	108,026	115,165	129,311	152,635	174,163
Total cost of subscription, training and services revenue	<u>167,135</u>	<u>185,224</u>	<u>210,627</u>	<u>248,500</u>	<u>282,005</u>
Total gross profit	965,968	1,143,593	1,323,988	1,540,989	1,770,225
Operating expense:					
Sales and marketing	386,226	473,232	548,691	665,346	771,786
Research and development	182,898	229,667	279,233	326,922	364,014
General and administrative	97,915	114,293	119,626	132,609	150,456
Total operating expense	<u>667,039</u>	<u>817,192</u>	<u>947,550</u>	<u>1,124,877</u>	<u>1,286,256</u>
Income from operations	298,929	326,401	376,438	416,112	483,969
Interest income	8,418	8,245	6,645	8,336	11,673
Other income (expense), net	(262)	736	774	6,562	(1,735)
Interest expense	(60)	(267)	(160)	(2,102)	(4,551)
Income before provision (benefit) for income taxes	<u>307,025</u>	<u>335,115</u>	<u>383,697</u>	<u>428,908</u>	<u>489,356</u>
Provision (benefit) for income taxes (GAAP tax rate) (1)	90,603	95,139	98,226	126,399	134,431
Net income	<u>\$ 216,422</u>	<u>\$ 239,976</u>	<u>\$ 285,471</u>	<u>\$ 302,509</u>	<u>\$ 354,925</u>
<b>Net income per share at GAAP tax rate:</b>					
Basic	\$ 1.12	\$ 1.24	\$ 1.50	\$ 1.62	\$ 1.94
Diluted	\$ 1.10	\$ 1.23	\$ 1.49	\$ 1.60	\$ 1.91
Weighted average shares outstanding:					
Basic	193,151	193,147	189,920	186,529	182,817
GAAP Diluted	196,451	195,804	192,036	189,246	186,119
Dilution offset from convertible note hedge transactions	—	—	—	—	(282)
Non-GAAP Diluted	<u>196,451</u>	<u>195,804</u>	<u>192,036</u>	<u>189,246</u>	<u>185,837</u>

Note: certain prior year amounts have been reclassified to conform with current year presentation.

**GAAP Tax Rate** 29.5 %      28.4 %      25.6 %      29.5 %      27.5 %

**(1) Note Q212 & Q314 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
GAAP effective tax rate, excluding discrete tax items	31 %	26 %
Non-GAAP provision for income taxes before discrete tax benefits	\$ 92,668	\$ 102,451
Discrete tax benefits	2,066	4,225
Provision for income taxes on Non-GAAP adjusted net income	<u>\$ 90,602</u>	<u>\$ 98,226</u>

**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
<b>Revenue</b>	\$ 1,133,103	\$ 1,328,817	\$ 1,534,615	\$ 1,789,489	\$ 2,052,230
<b>GAAP Gross Profit as reported</b>	\$ 954,555	\$ 1,128,217	\$ 1,302,015	\$ 1,516,290	\$ 1,742,601
Add: Non-cash share-based compensation expense	7,880	9,433	11,793	14,027	15,898
Add: Amortization of intangible assets	3,533	5,943	10,180	10,672	11,726
<b>Non-GAAP Gross Profit</b>	<u>\$ 965,968</u>	<u>\$ 1,143,593</u>	<u>\$ 1,323,988</u>	<u>\$ 1,540,989</u>	<u>\$ 1,770,225</u>
<b>GAAP Operating Income as reported</b>	\$ 199,913	\$ 201,038	\$ 232,290	\$ 249,994	\$ 288,048
Add: Non-cash share-based compensation expense – Cost of Revenue	7,880	9,433	11,793	14,027	15,898
Add: Non-cash share-based compensation expense – S&M	25,060	32,906	40,322	55,203	69,089
Add: Non-cash share-based compensation expense – R&D	21,570	29,647	34,194	38,517	48,466
Add: Non-cash share-based compensation expense – G&A	24,757	26,712	27,465	27,485	32,781
<b>Total Non-cash share-based compensation expense</b>	79,267	98,698	113,774	135,232	166,234
Add: Amortization of intangible assets – Cost of Revenue	3,533	5,943	10,180	10,672	11,726
Add: Amortization of intangible assets – S&M	8,348	8,416	8,872	7,838	8,075
Add: Amortization of intangible assets – R&D	4,194	3,836	3,836	2,417	842
Add: Amortization of intangible assets – G&A	3,674	5,328	5,316	5,958	5,160
<b>Total Amortization of intangible assets</b>	19,749	23,523	28,204	26,885	25,803
Add: Transaction costs related to business combinations	—	—	—	4,001	3,884
Add: Facility exit costs	—	3,142	2,171	—	—
<b>Non-GAAP Operating Income</b>	<u>\$ 298,929</u>	<u>\$ 326,401</u>	<u>\$ 376,439</u>	<u>\$ 416,112</u>	<u>\$ 483,969</u>
<b>GAAP Gross Margin as reported</b>	84.2 %	84.9 %	84.8 %	84.7 %	84.9 %
<b>Non-GAAP Gross Margin</b>	85.2 %	86.1 %	86.3 %	86.1 %	86.3 %
<b>GAAP Operating Margin as reported</b>	17.6 %	15.1 %	15.1 %	14.0 %	14.0 %
<b>Non-GAAP Operating Margin</b>	26.4 %	24.6 %	24.5 %	23.3 %	23.6 %
<b>GAAP Net Income as reported</b>	\$ 146,626	\$ 150,204	\$ 178,292	\$ 180,201	\$ 199,365
GAAP provision for income taxes	61,383	59,548	61,256	75,297	75,500
<b>GAAP Income before provision for income taxes</b>	<u>\$ 208,009</u>	<u>\$ 209,752</u>	<u>\$ 239,548</u>	<u>\$ 255,498</u>	<u>\$ 274,865</u>
Add: Non-cash share-based compensation expense per FAS 123R	79,267	98,698	113,774	135,232	166,234
Add: Amortization of intangible assets	19,749	23,523	28,204	26,885	25,803
Add: Non-cash interest expense related to the debt discount	—	—	—	7,292	18,570
Add: Transaction costs related to business combinations	—	—	—	4,001	3,884
Add: Facility exit costs	—	3,142	2,171	—	—
<b>Non-GAAP adjusted income before provision for taxes</b>	307,025	335,115	383,697	428,908	489,356
Non-GAAP provision for income taxes (1)	90,603	95,139	98,226	126,399	134,431
<b>Non-GAAP adjusted net income</b>	<u>\$ 216,422</u>	<u>\$ 239,976</u>	<u>\$ 285,471</u>	<u>\$ 302,509</u>	<u>\$ 354,925</u>
<b>GAAP net income per share:</b>					
Basic	\$ 0.76	\$ 0.78	\$ 0.94	\$ 0.97	\$ 1.09
Diluted	\$ 0.75	\$ 0.77	\$ 0.93	\$ 0.95	\$ 1.07
<b>Non-GAAP adjusted net income per share (GAAP Tax Rate):</b>					
Basic	\$ 1.12	\$ 1.24	\$ 1.50	\$ 1.62	\$ 1.94
Diluted	\$ 1.10	\$ 1.23	\$ 1.49	\$ 1.60	\$ 1.91
<b>Weighted average shares outstanding:</b>					
Basic	193,151	193,147	189,920	186,529	182,817
GAAP Diluted	196,451	195,804	192,036	189,246	186,119
Dilution offset from convertible note hedge transactions	—	—	—	—	(282)
<b>Non-GAAP Diluted</b>	<u>196,451</u>	<u>195,804</u>	<u>192,036</u>	<u>189,246</u>	<u>185,837</u>

**Note: Certain prior year amounts have been reclassified to conform with current year presentation.**

**(1)Note Q212 & Q314 included discrete tax benefit, please see below for provision for income tax breakout:**

Non-GAAP adjusted net income before income tax provision	\$ 307,025	\$ 383,697
GAAP effective tax rate, excluding discrete tax items	31 %	26.7 %
Non-GAAP provision for income taxes before discrete tax benefit	\$ 92,668	\$ 102,451
Discrete tax benefit	2,066	4,225
Provision for income taxes on Non-GAAP adjusted net income	<u>\$ 90,602</u>	<u>\$ 98,226</u>