

Q4 FY16 FINANCIAL HIGHLIGHTS & SUPPLEMENTAL METRICS

March 22, 2016

SAFE HARBOR 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 effects of industry consolidation; the integration of acquisitions and the ability to market successfully acquired technologies and products; 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; ineffective management of, and control over, the Company's growth and international operations; fluctuations in exchange rates; and changes in and a dependence on key personnel, 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 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, March 22, 2016.

INTRODUCTION

The following presentation provides financial highlights and supplemental metrics for Red Hat's fourth fiscal quarter ended February 29, 2016. These financial highlights and supplemental metrics were made available on March 22, 2016 in connection with Red Hat's announcement of its financial results for the fourth quarter of fiscal year 2016. This presentation should be read in conjunction with Red Hat's press release issued on March 22, 2016 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>.

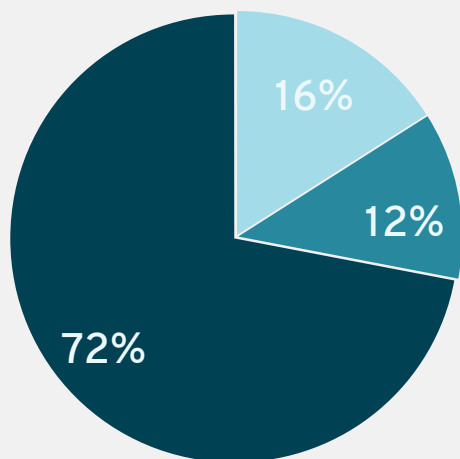
Non-GAAP Measures

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 4TH QUARTER REVENUE GROWTH

% OF TOTAL REVENUE



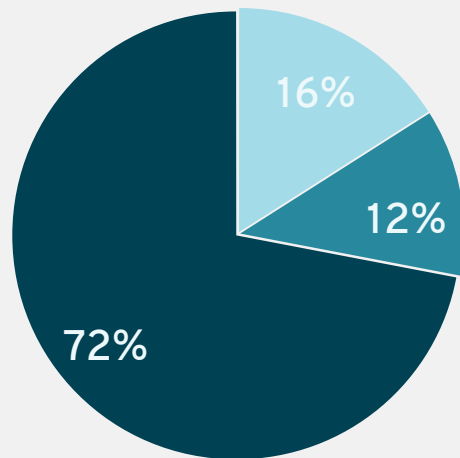
	Q416 Y/Y Growth	Q416 Y/Y Growth, cc ⁽¹⁾
App Dev & emerging tech	38%	43%
Infrastructure-related tech	15%	18%
Training & Consulting	8%	14%
Total Revenue	17%	21%

Q4 HIGHLIGHTS:

- 56th consecutive quarter of revenue growth
- 5th consecutive quarter of 20%+ constant currency revenue growth
- FY17 outlook up to \$2.42 B or 18% growth at high-end of range

STRONG ANNUAL REVENUE GROWTH

% OF TOTAL REVENUE



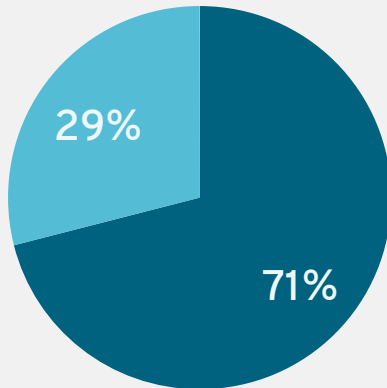
	FY16 Y/Y Growth	FY16 Y/Y Growth, cc ⁽¹⁾
App Dev & emerging tech	37%	46%
Infrastructure-related tech	12%	18%
Training & Consulting	9%	17%
Total Revenue	15%	21%

FY16 HIGHLIGHTS:

- First \$2B open source company
- Accelerated growth in both Infrastructure-related and App Dev & emerging
- App Dev & emerging tech now 16% of total revenue, up from 13% in FY15

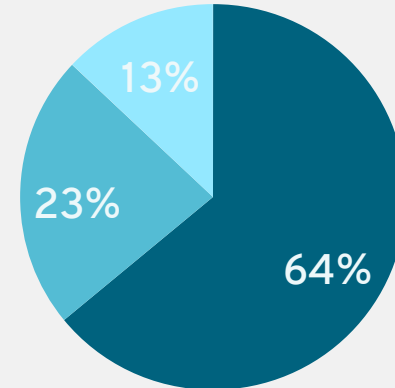
BOOKINGS & DEAL METRICS

CHANNEL



■ Indirect ■ Direct

GEOGRAPHY



■ Americas ■ EMEA ■ APAC

Q4 HIGHLIGHTS:

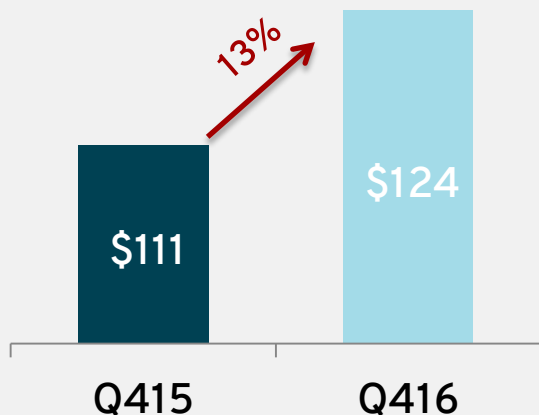
- Achieved annual goal of 70% indirect channel
- 25/25 top deals renewed, up ~120% of prior deal value
- Top 30 deals all over \$1M, with 14 over \$5M including 5 over \$10M

QUARTERLY PROFITABILITY & CASH FLOW

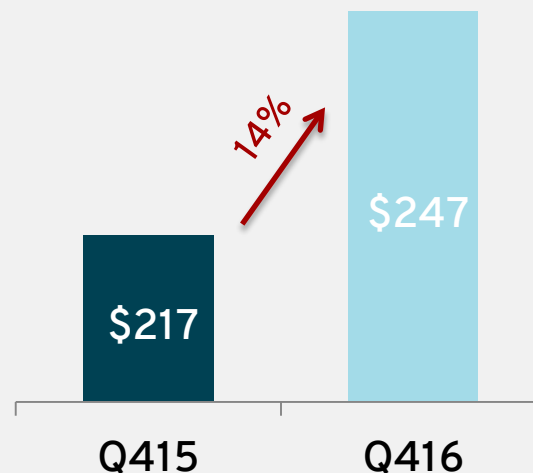
(\$ millions, y/y growth)

NON-GAAP OPERATING

INCOME



OPERATING CASH FLOW



Q4 HIGHLIGHTS:

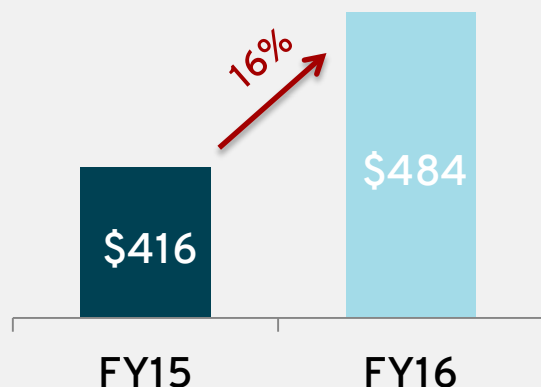
- 22.9% Non-GAAP operating margin
- \$0.52 Non-GAAP EPS
- \$114M share repurchase
- 16% y/y total deferred revenue growth, 18% constant currency
- \$2B cash & investments balance

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 \$43 million in Q415 and \$53 million in Q416. 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 Q415 and Q416. See reconciliation in the following GAAP to Non-GAAP Reconciliation section.

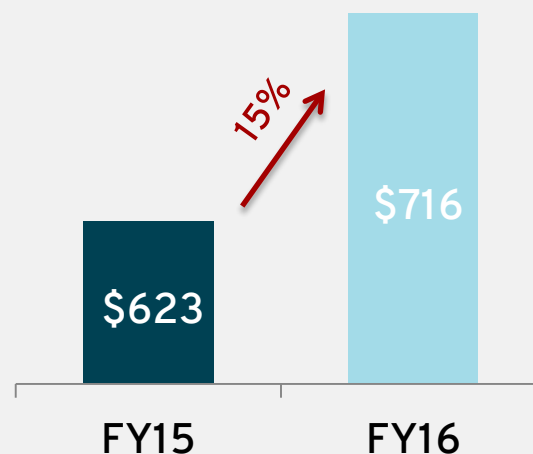
ANNUAL PROFITABILITY & CASH FLOW

(\$ millions, y/y growth)

NON-GAAP OPERATING INCOME



OPERATING CASH FLOW



FY16 HIGHLIGHTS:

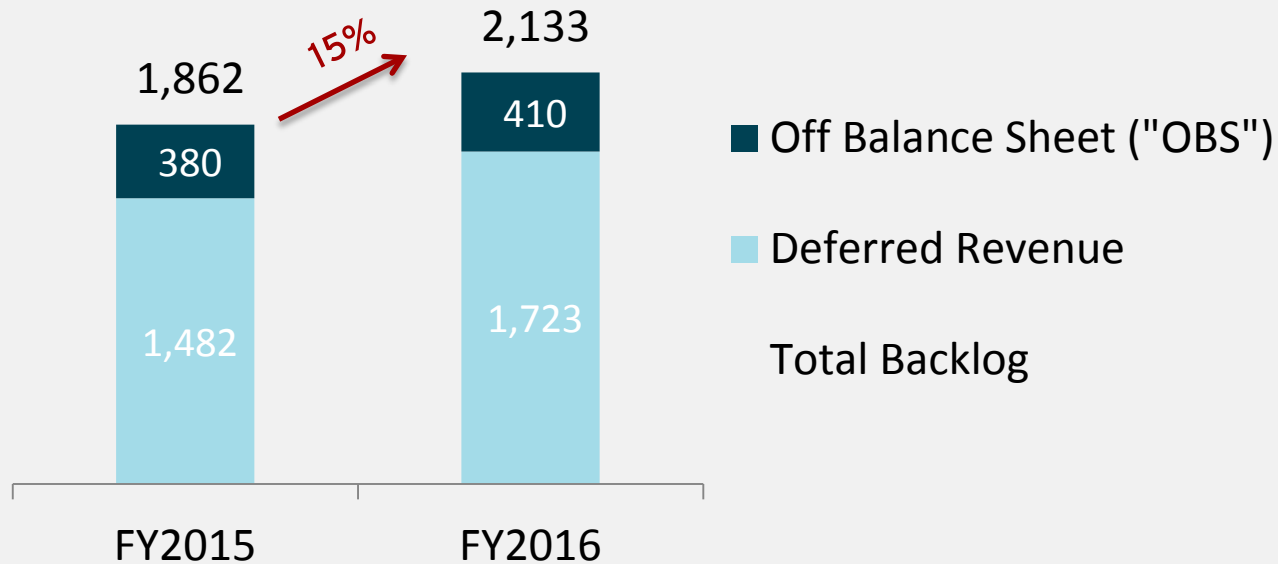
- 23.6% Non-GAAP operating margin
- \$1.91 Non-GAAP EPS
- \$263M share repurchase
- 5th straight year of 35% operating cash flow margin
- Free cash flow of \$675M, up 17% y/y

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 \$166 million in FY15 and \$196 million in FY16. Non-GAAP EPS excludes the expenses listed in previous sentence and non-cash interest expense related to the debt discount of \$7 million in FY15 and \$19 million in FY16. See reconciliation in the following GAAP to Non-GAAP Reconciliation section.

Free cash flow defined as Net cash provided by operating activities less Purchase of property and equipment found on cash flow statement

TOTAL BACKLOG

(\$ millions)



HIGHLIGHTS:

- Off balance sheet (OBS) up over 8% y/y
- Deferred revenue up 16% y/y
- Portion of total backlog to be billed during FY17 in excess of \$275M, up 20% y/y

SUPPLEMENTAL FINANCIAL & BUSINESS METRICS

(Unaudited)
(in thousands)

	Feb-15		May-15	Aug-15	Nov-15	Feb-16	
Revenue	Q415	FY15	Q116	Q216	Q316	Q416	FY16
Infrastructure-related subscriptions	340,778	1,324,694	353,741	362,926	373,091	390,706	1,480,463
y/y change	12%	13%	11%	9%	12%	15%	12%
constant currency y/y change	17%	15%	19%	17%	18%	18%	18%
App dev & emerging subscriptions	64,295	236,541	71,052	78,600	84,397	88,936	322,986
y/y change	38%	43%	34%	37%	37%	38%	37%
constant currency y/y change	45%	45%	44%	48%	45%	43%	46%
Subscription Revenue	405,073	1,561,234	424,793	441,526	457,488	479,642	1,803,449
y/y change	15%	17%	14%	13%	16%	18%	16%
constant currency y/y change	21%	19%	23%	21%	22%	22%	22%
Training & services revenue	58,869	228,255	56,208	62,622	66,092	63,860	248,781
y/y change	20%	15%	9%	11%	8%	8%	9%
constant currency y/y change	28%	19%	18%	21%	16%	14%	17%
Total Revenue	463,942	1,789,489	481,001	504,148	523,580	543,502	2,052,230
y/y change	16%	17%	14%	13%	15%	17%	15%
constant currency y/y change	22%	19%	22%	21%	21%	21%	21%
Percent of Total Revenue (in USD)							
Infrastructure-related subscriptions	73%	74%	74%	72%	71%	72%	72%
App dev & emerging subscriptions	14%	13%	15%	16%	16%	16%	16%
Total Subscription Revenue	87%	87%	88%	88%	87%	88%	88%
Training & services revenue	13%	13%	12%	12%	13%	12%	12%
Total Revenue	100%	100%	100%	100%	100%	100%	100%

(Unaudited) (in thousands)							
	Feb-15		May-15	Aug-15	Nov-15	Feb-16	
Revenue by Geography (\$ thousands)	Q415	FY15	Q116	Q216	Q316	Q416	FY16
Americas	305,481	1,144,237	321,833	332,204	342,368	357,940	1,354,345
y/y change	20%	17%	21%	18%	18%	17%	18%
constant currency y/y change	21%	18%	22%	19%	19%	19%	20%
EMEA	100,274	410,299	97,473	108,454	114,909	115,468	436,304
y/y change	8%	16%	(3%)	5%	9%	15%	6%
constant currency y/y change	26%	20%	22%	27%	25%	24%	25%
APAC	58,186	234,953	61,695	63,490	66,303	70,094	261,581
y/y change	8%	14%	9%	5%	11%	20%	11%
constant currency y/y change	19%	19%	22%	22%	23%	26%	23%
Total Revenue	463,941	1,789,489	481,001	504,148	523,580	543,502	2,052,230
y/y change	16%	17%	14%	13%	15%	17%	15%
constant currency y/y change	22%	19%	22%	21%	21%	21%	21%
Percent of Total Revenue (in USD)							
Americas	66%	64%	67%	66%	65%	66%	66%
EMEA	22%	23%	20%	21%	22%	21%	21%
APAC	12%	13%	13%	13%	13%	13%	13%
Total Revenue	100%	100%	100%	100%	100%	100%	100%

(Unaudited)
(in thousands, except per share amounts)

Non-GAAP Income Statement*:	Q415	FY15	Q116	Q216	Q316	Q416	FY16
Gross Profit	399,869	1,540,989	415,904	434,953	449,706	469,662	1,770,225
Operating Income	110,513	416,113	113,332	123,138	123,056	124,442	483,969
Net Income	80,584	302,509	81,457	87,809	88,627	97,030	354,925
Gross Margin	86.2%	86.1%	86.5%	86.3%	85.9%	86.4%	86.3%
Subscription Gross Margin	93.9%		94.0%	94.0%	94.0%	94.1%	
Training & Services Gross Margin	33.1%		29.9%	31.9%	29.6%	28.6%	
Operating Margin	23.8%	23.3%	23.6%	24.4%	23.5%	22.9%	23.6%
EPS Basic	0.44	1.62	0.44	0.48	0.48	0.53	1.94
EPS Diluted	0.43	1.60	0.44	0.47	0.48	0.52	1.91
Tax Rate	30.7%	29.5%	29.0%	29.0%	29.0%	23.1%	27.5%
Weighted Average Shares Outstanding							
Basic	183,459	186,529	183,130	183,179	183,179	182,099	182,817
Diluted	186,307	189,246	186,125	186,165	185,704	184,821	185,837
Balance Sheet	Q415	FY15	Q116	Q216	Q316	Q416	FY16
Total Cash & Investments	\$ 1,808,743	\$ 1,808,743	1,968,474	1,995,830	\$ 1,871,456	\$ 1,995,390	\$ 1,995,390
Short Term Deferred Revenue	\$ 1,095,115	\$ 1,095,115	\$ 1,066,254	\$1,047,732	\$ 1,080,572	\$ 1,272,908	\$ 1,272,908
Long Term Deferred Revenue	\$ 387,213	\$ 387,213	\$ 369,865	\$ 365,708	\$ 406,562	\$ 449,636	\$ 449,636
Prior Year Deferred Revenue Balance	1,289,197		1,272,569	1,251,797	\$ 1,300,125	\$ 1,482,328	
Constant currency change in Deferred Rev(1)	284,138		271,414	252,260	\$ 265,045	\$ 260,847	
Impact from foreign currency translation	(91,007)		(107,864)	(90,616)	\$ (78,036)	\$ (20,631)	
Ending Deferred Revenue Balance	1,482,328		1,436,119	1,413,441	\$ 1,487,134	\$ 1,722,544	
Cash Flow Statement	Q415	FY15	Q116	Q216	Q316	Q416	FY16
Short Term Deferred Revenue Change	180,984	186,314	(18,707)	(20,168)	46,880	182,875	190,880
Long Term Deferred Revenue Change	43,754	96,379	(12,855)	(4,849)	49,784	37,535	69,615
Total Change in Deferred Revenue	224,738	282,693	(31,562)	(25,017)	96,664	220,410	260,495
Net Operating Cash Flow	217,384	622,795	208,758	120,277	139,603	247,453	716,092

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

(1) Change in Deferred Revenue includes approximately \$1.5 million and \$0.4 million acquired as part of business combinations for FY15 and FY16, respectively. (Quarterly impacts to y/y change in deferred revenue are \$1.5 million in Q415 and \$0.5 million, \$0.2 million and \$0.2 million in Q116, Q216 and Q316, respectively.)

	15-Feb		15-May	15-Aug	15-Nov	16-Feb	
Bookings & Deal Metrics (in USD):	Q415	FY15	Q116	Q216	Q316	Q416	FY16
# of Top 25 Renewals	25		25	25	25	25	
Top 25 Renewal Rates (of prior deal value)	~115%		~115%	~115%	~120%	~120%	
Top 30 Deal Sizes							
Deals \$1M - \$5M	18	86	26	26	19	16	87
Deals \$5M - \$10M	11	28	0	3	8	9	20
Deals >\$10M	1	6	2	1	3	5	11
Deals containing App Dev & Emerging Tech	80%	68%	73%	67%	70%	83%	73%
Deals w/ only App Dev & Emerging Tech	13%	12%	23%	20%	17%	0%	15%
Indirect Channel Bookings	68%	68%	75%	75%	67%	71%	72%
Direct Bookings	32%	32%	25%	25%	33%	29%	28%
Bookings by Geography							
Americas	63%	60%	55%	60%	60%	64%	60%
EMEA	25%	25%	25%	22%	26%	23%	24%
APAC	12%	15%	20%	18%	14%	13%	16%
Average Contract Length (months)	22	22	20	20	22	22	21
% of Single Year Bookings	73%	72%	79%	77%	72%	73%	75%
% of Multi-Year Bookings	27%	28%	21%	23%	28%	27%	25%
Additional Metrics							
Employees	7,292		7,501	7,917	8,317	8,799	
Average EUR FX Rate	1.18	1.29	1.09	1.11	1.11	1.10	1.10
Average JPY FX Rate	119	108	120	123	121	118	121

(Unaudited)

	Q415	FY15	Q116	Q216	Q316	Q416	FY16
Share Repurchases							
# Shares purchased (millions)	0.7	9.1	0	0.9	1.0	1.6	3.5
Aggregate Principal Amount (\$ millions)	0	535	0	70	78	114	263
Remaining Balance on Plan at quarter-end ⁽¹⁾ (\$ millions)	80		500	430	352	237	
Days Sales Outstanding (DSO) (in thousands, except # of days)							
Total Revenue	463,941	1,789,489	481,001	504,148	523,580	543,502	2,052,230
Q/Q Δ deferred revenue (Balance Sheet)	182,203		(46,209)	(22,679)	73,694	235,410	
Deferred revenue (Cash Flow Stmt.)	224,738	282,693	(31,562)	(25,017)	96,664	220,410	260,495
Accounts Receivable, net	468,021		284,582	302,098	396,545	509,715	
Q/Q FX impact on Accounts Receivable	10,360		3,929	179	3,487	(1,098)	
Accounts Receivable in constant currency	478,381		288,510	302,277	400,032	508,617	
# calendar days in quarter	90		92	92	91	91	
DSO ⁽²⁾	65		60	58	60	60	
FX adj DSO ⁽³⁾	63		59	58	59	61	

(1) FY15 included an authorization of \$300m from previous year and a \$375m authorization for Accelerated Share Repurchase. FY16 authorization of \$500m expires March 2017.

(2) 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.

(3) 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, INC.

Quarterly Non-GAAP Consolidated Statement of Ops (see Non-GAAP reconciliation on following page)

(Unaudited)

(In thousands - except per share amounts)

	Q315 Quarter End <u>11/30/2014</u>	Q415 Quarter End <u>02/28/2015</u>	Q116 Quarter End <u>05/31/2015</u>	Q216 Quarter End <u>08/31/2015</u>	Q316 Quarter End <u>11/30/2015</u>	Q416 Quarter End <u>02/29/2016</u>
GAAP Revenue:						
Subscriptions	\$394,699	\$405,073	\$424,793	\$441,526	\$457,488	\$479,642
Training and services	61,196	58,869	56,208	62,622	66,092	63,860
Total subscription, training and services revenue	455,895	463,942	481,001	504,148	523,580	543,502
Non-GAAP Cost of revenue:						
Subscriptions	23,888	24,669	25,673	26,574	27,321	28,275
Training and services	40,567	39,404	39,424	42,621	46,553	45,565
Total cost of subscription, training and services revenue	64,455	64,073	65,097	69,195	73,874	73,840
Total Non-GAAP gross profit	391,440	399,869	415,904	434,953	449,706	469,662
Non-GAAP Operating expense:						
Sales and marketing	169,394	172,098	181,455	186,309	196,262	207,760
Research and development	82,233	81,362	86,307	90,174	91,535	96,000
General and administrative	31,290	35,896	34,810	35,332	38,853	41,460
Total operating expense	282,917	289,356	302,572	311,815	326,650	345,220
Non-GAAP Income from operations	108,523	110,513	113,332	123,138	123,056	124,442
GAAP Interest income	2,196	2,288	2,715	2,895	2,874	3,189
Other income (expense), net	1,559	4,784	(203)	(1,245)	49	(337)
Interest expense	(707)	(1,247)	(1,116)	(1,113)	(1,153)	(1,170)
Income before provision (benefit) for income taxes	111,571	116,338	114,728	123,675	124,826	126,124
Provision (benefit) for income taxes	32,356	35,754	33,271	35,866	36,200	29,094
Non-GAAP Net income	\$79,215	\$80,584	\$81,457	\$87,809	\$88,626	\$97,030
Net income-diluted	\$79,215	\$80,584	\$81,457	\$87,809	\$88,626	\$97,030
Non-GAAP Net income per share:						
Basic	\$0.43	\$0.44	\$0.44	\$0.48	\$0.48	\$0.53
Diluted	\$0.42	\$0.43	\$0.44	\$0.47	\$0.48	\$0.52
Weighted average shares outstanding:						
GAAP Diluted	187,674	186,307	186,175	186,750	186,094	184,888
Dilution offset from convertible note hedge transactions	-	-	(51)	(585)	(390)	(67)
Non-GAAP Diluted	187,674	186,307	186,124	186,165	185,704	184,821

Red Hat GAAP to Non-GAAP Reconciliation – Quarterly

(Unaudited)

(In thousands - except per share amounts)

	Q315 Quarter End 11/30/2014	Q415 Quarter End 02/28/2015	Q116 Quarter End 05/31/2015	Q216 Quarter End 08/31/2015	Q316 Quarter End 11/30/2015	Q416 Quarter End 02/29/2016
Revenue	\$455,895	\$463,942	\$481,001	\$504,148	\$523,580	\$543,502
GAAP Gross Profit as reported	\$384,530	\$393,724	\$409,604	\$428,184	\$442,532	\$462,282
Add: Non-cash share-based compensation expense	3,915	3,569	3,727	4,151	4,074	3,946
Add: Amortization of intangible assets	2,995	2,576	2,573	2,618	3,100	3,434
Non-GAAP Gross Profit	\$391,440	\$399,869	\$415,904	\$434,953	\$449,706	\$469,662
GAAP Operating Income as reported	\$67,197	\$67,608	\$70,930	\$76,470	\$68,877	\$71,772
Add: Non-cash share-based compensation expense – Cost of Revenue	3,915	3,569	3,727	4,151	4,074	3,946
Add: Non-cash share-based compensation expense – S&M	15,866	15,408	15,412	16,782	17,192	19,703
Add: Non-cash share-based compensation expense – R&D	8,130	10,426	10,874	12,022	13,059	12,511
Add: Non-cash share-based compensation expense – G&A	5,713	6,887	6,509	7,582	9,082	9,608
Total Non-cash share-based compensation expense	33,624	36,290	36,522	40,537	43,407	45,768
Add: Amortization of intangible assets – Cost of Revenue	2,995	2,576	2,573	2,618	3,100	3,434
Add: Amortization of intangible assets – S&M	1,958	2,305	2,005	2,010	2,330	1,730
Add: Amortization of intangible assets – R&D	250	250	250	292	312	-13
Add: Amortization of intangible assets – G&A	1,438	1,484	1,052	1,160	1,238	1,711
Total Amortization of intangible assets	6,641	6,615	5,880	6,080	6,980	6,862
Add: Transaction costs related to business combinations	1,061	-	-	51	3,792	40
Non-GAAP Operating Income	\$108,523	\$110,513	\$113,332	\$123,138	\$123,056	\$124,442
GAAP Gross Margin as reported	84.3%	84.9%	85.2%	84.9%	84.5%	85.1%
Non-GAAP Gross Margin	85.9%	86.2%	86.5%	86.3%	85.9%	86.4%
GAAP Operating Margin as reported	14.7%	14.6%	14.7%	15.2%	13.2%	13.2%
Non-GAAP Operating Margin	23.8%	23.8%	23.6%	24.4%	23.5%	22.9%
GAAP Net Income as reported	\$47,933	\$47,700	\$48,086	\$51,395	\$46,848	\$53,036
Provision for income taxes	19,578	21,177	19,641	20,992	19,135	15,732
GAAP Income before provision for income taxes	\$67,511	\$68,877	\$67,727	\$72,387	\$65,983	\$68,768
Add: Non-cash share-based compensation expense	33,624	36,290	36,522	40,537	43,407	45,768
Add: Amortization of intangible assets	6,641	6,615	5,880	6,080	6,980	6,862
Add: Non-cash interest expense related to the debt discount	2,734	4,556	4,599	4,620	4,664	4,686
Add: Transaction costs related to business combinations	1,061	-	-	51	3,792	40
Non-GAAP adjusted income before provision for taxes	111,571	116,338	114,728	123,675	124,826	126,124
Provision for income taxes	32,356	35,754	33,271	35,866	36,200	29,094
Non-GAAP adjusted net income	\$79,215	\$80,584	\$81,457	\$87,809	\$88,626	\$97,030
Non-GAAP adjusted net income per share:						
Basic	\$0.43	\$0.44	\$0.44	\$0.48	\$0.48	\$0.53
Diluted	\$0.42	\$0.43	\$0.44	\$0.47	\$0.48	\$0.52

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

(Unaudited)	Q315	Q415	Q116	Q216	Q316	Q416
(In thousands)	Quarter End	Quarter End	Quarter End	Quarter End	Quarter End	Quarter End
	<u>11/30/2014</u>	<u>02/28/2015</u>	<u>05/31/2015</u>	<u>08/31/2015</u>	<u>11/30/2015</u>	<u>02/29/2016</u>
GAAP Revenue:						
Subscriptions	\$394,699	\$405,073	\$424,793	\$441,526	\$457,488	\$479,642
Training and services	61,196	58,869	56,208	62,622	66,092	63,860
Total subscription, training and services revenue	455,895	463,942	481,001	504,148	523,580	543,502
Non-GAAP Cost of revenue:						
Subscriptions	23,888	24,669	25,673	26,574	27,321	28,275
Training and services	40,567	39,404	39,424	42,621	46,553	45,565
Total cost of subscription, training and services revenue	64,455	64,073	65,097	69,195	73,874	73,840
Total Non-GAAP gross profit	391,440	399,869	415,904	434,953	449,706	469,662
Non-GAAP Gross Margin	85.9%	86.2%	86.5%	86.3%	85.9%	86.4%
Non-GAAP Subscription Gross Margin	93.9%	93.9%	94.0%	94.0%	94.0%	94.1%
Non-GAAP Training and services Gross Margin	33.7%	33.1%	29.9%	31.9%	29.6%	28.6%
Cost of revenue reconciliation GAAP to non-GAAP						
Subscriptions (GAAP)	28,574	28,731	29,846	30,996	32,246	33,575
Less: non-cash share-based compensation expense	1,822	1,586	1,692	1,836	1,825	1,866
Less: Amortization of intangible assets	2,864	2,476	2,481	2,586	3,100	3,434
Subscriptions (non-GAAP)	23,888	24,669	25,673	26,574	27,321	28,275
Training and services (GAAP)	42,791	41,487	41,551	44,968	48,802	47,645
Less: non-cash share-based compensation expense	2,093	1,983	2,035	2,315	2,249	2,080
Less: Amortization of intangible assets	131	100	92	32	-	-
Training and services (non-GAAP)	40,567	39,404	39,424	42,621	46,553	45,565

RED HAT, INC.**Annual Non-GAAP Consolidated Statement of Ops**

(Unaudited)

(In thousands - except per share amounts)

	FY2012 Year End 02/29/2012	FY2013 Year End 02/28/2013	FY2014 Year End 02/28/2014	FY2015 Year End 02/28/2015	FY2016 Year End 02/29/2016
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	<u>90,603</u>	<u>95,139</u>	<u>98,226</u>	<u>126,399</u>	<u>134,431</u>
Net income	<u>\$216,422</u>	<u>\$239,976</u>	<u>\$285,471</u>	<u>\$302,509</u>	<u>\$354,925</u>
Net income per share at GAAP tax rate:					
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
Non-GAAP Diluted	196,451	195,804	192,036	189,246	186,119
Weighted average shares outstanding:					
GAAP Diluted	196,451	195,804	192,036	189,246	186,119
Dilution offset from convertible note hedge transactions	-	-	-	-	(282)
Non-GAAP Diluted	196,451	195,804	192,036	189,246	185,837

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%
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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
Effective tax rates, excluding discrete tax items	31%	26%
Non-GAAP provision for income taxes before discrete tax benefit	<u>\$92,668</u>	<u>\$102,451</u>
Discrete tax benefit	<u>2,066</u>	<u>4,225</u>
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

	FY12 Year End 02/29/2012	FY13 Year End 02/28/2013	FY14 Year End 02/28/2014	FY15 Year End 02/28/2015	FY16 Year End 02/29/2016
Revenue	\$1,133,103	\$1,328,817	\$1,534,615	\$1,789,489	\$2,052,230
GAAP Gross Profit as reported	\$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
Non-GAAP Gross Profit	\$965,968	\$1,143,593	\$1,323,988	\$1,540,989	\$1,770,225
GAAP Operating Income as reported	\$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
Total Non-cash share-based compensation expense	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
Total Amortization of intangible assets	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	-	-
Non-GAAP Operating Income	\$298,929	\$326,401	\$376,439	\$416,112	\$483,969
GAAP Gross Margin as reported	84.2%	84.9%	84.8%	84.7%	84.9%
Non-GAAP Gross Margin	85.2%	86.1%	86.3%	86.1%	86.3%
GAAP Operating Margin as reported	17.6%	15.1%	15.1%	14.0%	14.0%
Non-GAAP Operating Margin	26.4%	24.6%	24.5%	23.3%	23.6%
GAAP Net Income as reported	\$146,626	\$150,204	\$178,292	\$180,201	\$199,365
Provision for income taxes	61,383	59,548	61,256	75,297	75,500
GAAP Income before provision for income taxes	\$208,009	\$209,752	\$239,548	\$255,498	\$274,865
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 from accretion of 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	-	-
Non-GAAP adjusted income before provision for taxes	307,025	335,115	383,697	428,908	489,356
Provision for income taxes (1)	90,603	95,139	98,226	126,399	134,431
Non-GAAP adjusted net income	\$216,422	\$239,976	\$285,471	\$302,509	\$354,925
Non-GAAP adjusted net income per share (GAAP Tax Rate):					
Basic	\$1.12	\$1.24	\$1.50	\$1.62	\$1.94
Diluted	\$1.10	\$1.23	\$1.49	\$1.60	\$1.91

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
Effective tax rates, 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	\$90,602	\$98,226