

Q1 FY2019 FINANCIAL HIGHLIGHTS & SUPPLEMENTAL METRICS

June 21, 2018

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; risks related to errors or defects in our offerings and third-party products upon which our offerings depend; risks related to the security of our offerings and other data security vulnerabilities; 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; 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 21, 2018.

INTRODUCTION

The following presentation provides financial highlights and supplemental metrics for Red Hat's first quarter ended May 31, 2018. These financial highlights and supplemental metrics were made available on June 21, 2018 in connection with Red Hat's announcement of its financial results for the first quarter of fiscal year 2019. This presentation should be read in conjunction with Red Hat's press release issued on June 21, 2018 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>.

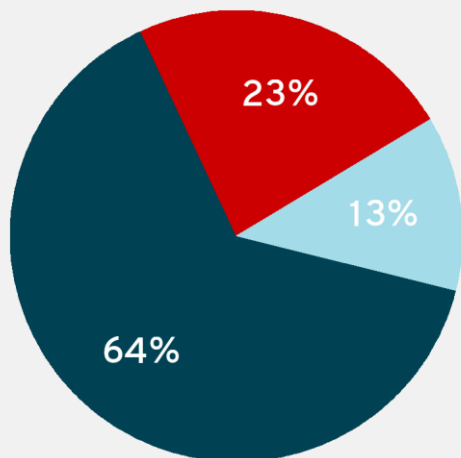
Non-GAAP Measures

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

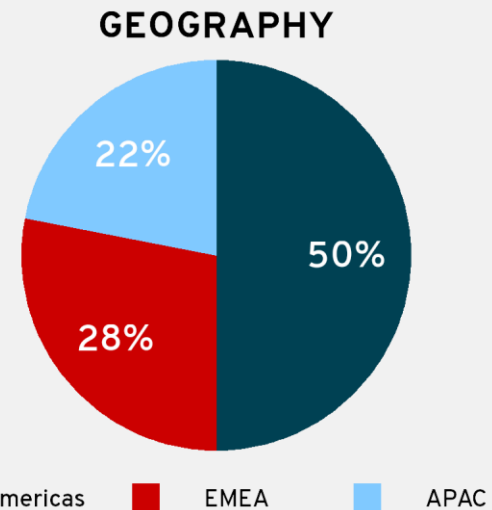
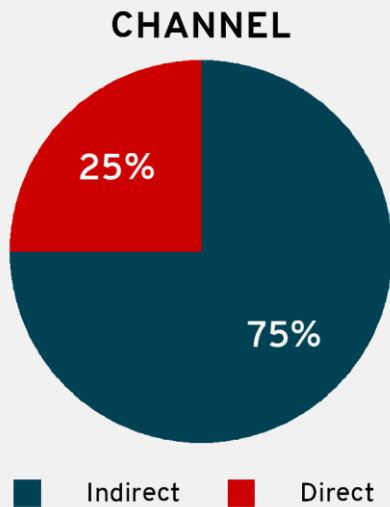


	Q119 Y/Y Growth	Q119 Y/Y Growth, cc ⁽¹⁾
App Dev & emerging tech	37%	32%
Infrastructure-related tech	14%	11%
Training & Consulting	27%	24%
Total Revenue	20%	17%

Q1 HIGHLIGHTS:

- 65th consecutive quarter of revenue growth
- Subscription revenue of \$712 million

Q119 BOOKINGS & DEAL METRICS



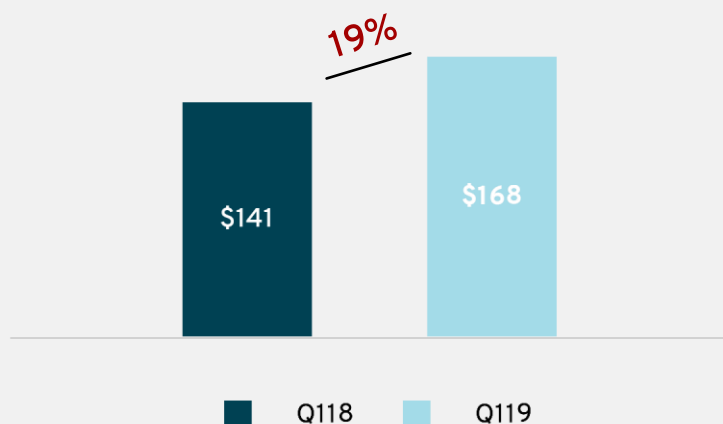
Q1 HIGHLIGHTS:

- Total of 65 deals >\$1M, representing 48% y/y growth from deals >\$1M in Q118
- Strong cross-selling with 71% of deals >\$1M including an App Dev & Emerging technology offering

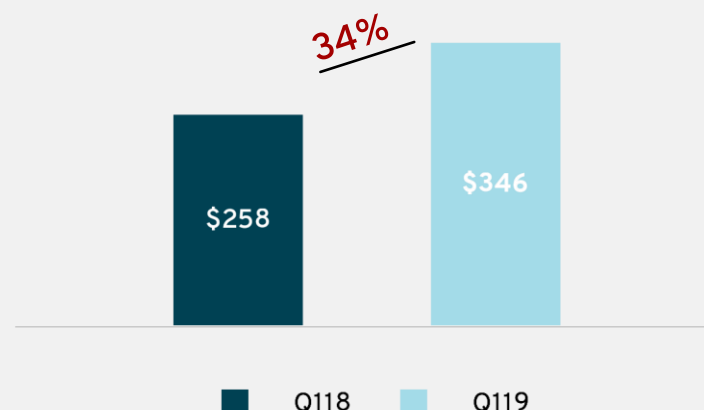
(\$ millions, y/y growth)

QUARTERLY PROFITABILITY & CASH FLOW

NON-GAAP OPERATING INCOME



OPERATING CASH FLOW



Q1 HIGHLIGHTS:

- 13.8% GAAP and 20.7% non-GAAP operating margins
- 19% y/y total deferred revenue growth
- \$2.5B cash & investments balance

Q118 non-GAAP and GAAP operating income have been adjusted to reflect the full retrospective adoption of Accounting Standards Update 2014-09, Revenue from Contracts with Customers, now commonly referred to as Accounting Standards Codification Topic 606 ("ASC 606").

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 \$51 million in Q118 and \$56 million in Q119 from GAAP operating income of \$90 million in Q118 and \$112 million in Q119. See reconciliation in the following GAAP to Non-GAAP Reconciliation section

SUPPLEMENTAL FINANCIAL & BUSINESS METRICS

(Unaudited)
(\$ in thousands)

	May'17	Aug'17	Nov'17	Feb'18		May'18
Revenue	Q118	Q218	Q318	Q418	FY18	Q119
Infrastructure-related subscriptions	457,961	487,447	494,974	510,013	1,950,396	522,402
y/y change	14%	14%	15%	17%	15%	14%
<i>constant currency y/y change</i>	14%	14%	14%	13%	14%	11%
App dev & emerging subscriptions	138,547	150,115	161,858	173,263	623,782	189,119
y/y change	41%	44%	44%	39%	42%	37%
<i>constant currency y/y change</i>	42%	43%	42%	34%	40%	32%
Total Subscription Revenue	596,508	637,562	656,832	683,276	2,574,178	711,521
y/y change	19%	20%	21%	22%	21%	19%
<i>constant currency y/y change</i>	20%	20%	19%	18%	19%	16%
Training & services revenue	80,288	85,793	91,146	89,056	346,283	102,009
y/y change	21%	25%	27%	29%	25%	27%
<i>constant currency y/y change</i>	22%	25%	25%	23%	24%	24%
Total Revenue	676,796	723,355	747,978	772,332	2,920,461	813,530
y/y change	19%	21%	22%	23%	21%	20%
<i>constant currency y/y change</i>	20%	20%	20%	18%	20%	17%

Percent of Total Revenue (in USD)

Infrastructure-related subscriptions	68%	67%	66%	66%	67%	64%
App dev & emerging subscriptions	20%	21%	22%	22%	21%	23%
Total Subscription Revenue	88%	88%	88%	88%	88%	87%
Training & services revenue	12%	12%	12%	12%	12%	13%
Total Revenue	100%	100%	100%	100%	100%	100%

(Unaudited)
(\$ in thousands)

	May'17	Aug'17	Nov'17	Feb'18		May'18
Revenue by Geography	Q118	Q218	Q318	Q418	FY18	Q119
Americas	438,380	463,359	471,773	484,492	1,858,004	500,306
y/y change	20%	20%	20%	18%	19%	14%
constant currency y/y change	20%	20%	20%	19%	19%	15%
EMEA	143,671	159,722	173,718	180,087	657,197	195,148
y/y change	16%	25%	31%	37%	27%	36%
constant currency y/y change	20%	21%	22%	20%	21%	21%
APAC	94,745	100,274	102,487	107,753	405,260	118,076
y/y change	22%	16%	15%	24%	19%	25%
constant currency y/y change	22%	18%	17%	18%	19%	21%
Total Revenue	676,796	723,355	747,978	772,332	2,920,461	813,530
y/y change	19%	21%	22%	23%	21%	20%
constant currency y/y change	20%	20%	20%	18%	20%	17%
Percent of Total Revenue (in USD)						
Americas	65%	64%	63%	63%	64%	61%
EMEA	21%	22%	23%	23%	22%	24%
APAC	14%	14%	14%	14%	14%	15%
Total Revenue	100%	100%	100%	100%	100%	100%

(Unaudited)

(\$ in thousands, except per share amounts)

	May'17	Aug'17	Nov'17	Feb'18		May'18
Non-GAAP Income Statement*: ⁽¹⁾	Q118	Q218	Q318	Q418	FY18	Q119
Gross Profit	583,884	625,225	644,747	668,375	2,522,231	702,100
Operating Income	140,759	191,128	179,023	190,554	701,464	168,082
Net Income	104,246	138,441	133,340	167,940	543,967	133,108
Gross Margin	86.3%	86.4%	86.2%	86.5%	86.4%	86.3%
Subscription Gross Margin	93.7%	93.7%	93.8%	93.9%		93.8%
Training & Services Gross Margin	31.4%	32.1%	31.6%	30.1%		33.7%
Operating Margin	20.8%	26.4%	23.9%	24.7%	24.0%	20.7%
EPS Basic	0.59	0.78	0.75	0.95	3.07	0.75
EPS Diluted	0.58	0.77	0.73	0.92	3.00	0.72
Tax Rate before discrete items	27.1%	28.4%	26.5%	18.4%	24.8%	22.5%
Weighted Average Shares Outstanding						
Basic	177,243	177,257	177,063	177,034	177,150	177,302
Diluted	180,217	180,315	182,051	183,005	181,157	185,053
Balance Sheet	Q118	Q218	Q318	Q418	FY18	Q119
Total Cash & Investments	2,309,581	2,314,416	2,321,173	2,472,932	2,472,932	2,527,129
Current Deferred Revenue	1,486,409	1,471,434	1,482,428	1,853,719	1,853,719	1,721,300
Long-Term Deferred Revenue	567,755	581,077	623,150	741,453	741,453	723,207
Prior Year Deferred Revenue Balance	1,692,156	1,680,652	1,707,978	2,069,956		2,054,164
Constant currency change in Deferred Revenue ⁽²⁾	349,267	335,313	328,407	433,040		374,165
Impact from foreign currency translation ⁽³⁾	12,741	36,546	69,193	92,176		16,178
Ending Deferred Revenue Balance	2,054,164	2,052,511	2,105,578	2,595,172		2,444,507
Cash Flow Statement	Q118	Q218	Q318	Q418	FY18	Q119
Current Deferred Revenue Change	(45,758)	(41,741)	13,966	351,968	278,435	(103,780)
Long-Term Deferred Revenue Change	41	1,166	43,309	109,231	153,747	(812)
Total Change in Deferred Revenue	(45,717)	(40,575)	57,275	461,199	432,182	(104,592)
Net Operating Cash Flow	257,872	142,896	160,307	362,063	923,138	346,159

* See reconciliation in the following GAAP to non-GAAP reconciliation section.

(1) Income statement data for FY18 has been adjusted to reflect the full retrospective adoption of ASC 606.

(2) Change in deferred revenue includes \$858 acquired as part of a business combination during the twelve months ended May 31, 2018.

(3) Quarterly FX impacts to y/y change in deferred revenue are (\$46.1) million in Q1FY19, \$27.6 million in Q4FY18, (\$4.2) million in Q3FY18 and \$38.9 million in Q2FY18.

	May'17	Aug'17	Nov'17	Feb'18		May'18
Bookings & Deal Metrics:	Q118	Q218	Q318	Q418	FY18	Q119
# of Top 25 Renewals	25	25	25	24		25
Top 25 Renewal Rates (of prior deal value)	>120%	~115%	>120%	>120%		>120%
Deals >\$1M	44	66	94	169	373	65
Deals >\$1M - \$5M	37	62	77	143	319	59
Deals >\$5M - \$10M	3	4	13	12	32	5
Deals >\$10M - \$20M	3	—	3	12	18	1
Deals >\$20M	1	—	1	2	4	—
Deals containing App Dev & Emerging Tech	68%	61%	62%	81%	71%	71%
Deals w/ only App Dev & Emerging Tech	5%	17%	12%	19%	15%	19%
Indirect Channel Bookings	72%	79%	67%	71%	72%	75%
Direct Bookings	28%	21%	33%	29%	28%	25%
Bookings by Geography						
Americas	55%	57%	57%	58%	57%	50%
EMEA	24%	24%	28%	27%	26%	28%
APAC	21%	19%	15%	15%	17%	22%
Average Contract Length (months)	22	21	24	23	23	21
% of Single Year Bookings	73%	76%	67%	68%	71%	74%
% of Multi-Year Bookings	27%	24%	33%	32%	29%	26%
Additional Metrics						
Employees	10,706	11,084	11,413	11,874		12,212
Average EUR FX Rate	1.08	1.11	1.18	1.24	1.15	1.21
Average JPY FX Rate	112	112	112	108	111	108

(Unaudited)

	May'17	Aug'17	Nov'17	Feb'18		May'18
	Q118	Q218	Q318	Q418	FY18	Q119
Share Repurchases						
# Shares purchased (millions)	0.7	0.8	0.8	—	2.3	0.9
Aggregate Principal Amount (\$ millions)	62	75	100	—	237	150
Remaining Balance on Plan at quarter-end (\$ millions)	574	499	399	399	399	249
Days Sales Outstanding (DSO) (in thousands, except # of days)						
Total Revenue	676,796	723,355	747,978	772,332	2,920,461	813,530
Q/Q Δ deferred revenue (Balance Sheet)	(15,792)	(1,653)	53,067	489,594		(150,665)
Deferred revenue (Cash Flow Stmt.)	(45,717)	(40,575)	57,275	461,199	432,182	(104,592)
Accounts Receivable, net	429,908	418,449	531,509	806,744		498,964
Q/Q FX impact on Accounts Receivable	<u>(4,416)</u>	<u>(5,524)</u>	<u>1,400</u>	<u>(6,839)</u>		<u>7,779</u>
Accounts Receivable in constant currency	425,492	412,925	532,909	799,905		506,743
# calendar days in quarter	92	92	91	90		92
DSO ⁽¹⁾	60	55	60	58		69
FX adj DSO ⁽²⁾	62	56	60	58		66

⁽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 ⁽¹⁾

(Unaudited)

(In thousands - except per share amounts)

	Q118	Q218	Q318	Q418	Q119
	Quarter End	Quarter End	Quarter End	Quarter End	Quarter End
	<u>5/31/2017</u>	<u>8/31/2017</u>	<u>11/30/2017</u>	<u>2/28/2018</u>	<u>5/31/2018</u>
GAAP Operating Income as reported	\$ 89,744	\$ 134,790	\$ 118,718	\$ 132,480	\$ 112,156
Add: Non-cash share-based compensation expense Cost of Revenue	3,948	4,261	4,199	4,454	5,128
Add: Non-cash share-based compensation expense S&M	20,612	20,817	23,278	22,451	19,520
Add: Non-cash share-based compensation expense R&D	13,447	14,220	14,937	14,404	14,782
Add: Non-cash share-based compensation expense G&A	5,711	7,649	9,904	7,957	6,575
Total Non-cash share-based compensation expense	43,718	46,947	52,318	49,266	46,005
Add: Amortization of intangible assets Cost of Revenue	3,836	4,326	4,329	4,214	6,141
Add: Amortization of intangible assets S&M	1,459	1,583	1,592	1,561	1,362
Add: Amortization of intangible assets R&D	34	35	34	35	34
Add: Amortization of intangible assets G&A	1,826	2,227	2,084	2,270	2,373
Total Amortization of intangible assets	7,155	8,171	8,039	8,080	9,910
Add: Transaction costs related to business combinations	142	1,220	(52)	728	11
Non-GAAP Operating Income	\$ 140,759	\$ 191,128	\$ 179,023	\$ 190,554	\$ 168,082
GAAP Operating Margin as reported	13.3%	18.6%	15.9%	17.2%	13.8%
Non-GAAP Operating Margin	20.8%	26.4%	23.9%	24.7%	20.7%
 GAAP Net Income as reported	 \$ 75,314	 \$ 97,088	 \$ 101,609	 \$ (12,160)	 \$ 113,190
GAAP provision for income taxes	11,752	34,973	14,606	154,809	(1,713)
GAAP Income before provision for income taxes	87,066	132,061	116,215	142,649	111,477
Add: Non-cash share-based compensation expense	43,718	46,947	52,318	49,266	46,005
Add: Amortization of intangible assets	7,155	8,171	8,039	8,080	9,910
Add: Non-cash interest expense related to the debt discount	4,867	4,890	4,936	4,961	5,007
Add: Transaction costs related to business combinations	142	1,220	(52)	728	11
Non-GAAP adjusted income before provision for taxes	142,948	193,289	181,456	205,684	172,410
Non-GAAP provision for income taxes	38,702	54,848	48,116	37,744	39,302
Non-GAAP adjusted net income (basic and diluted)	\$ 104,246	\$ 138,441	\$ 133,340	\$ 167,940	\$ 133,108
GAAP net income per share:					
Basic	\$ 0.42	\$ 0.55	\$ 0.57	\$ (0.07)	\$ 0.64
Diluted	\$ 0.41	\$ 0.53	\$ 0.55	\$ (0.07)	\$ 0.59
Non-GAAP adjusted net income per share:					
Basic	\$ 0.59	\$ 0.78	\$ 0.75	\$ 0.95	\$ 0.75
Diluted	\$ 0.58	\$ 0.77	\$ 0.73	\$ 0.92	\$ 0.72
Weighted average shares outstanding:					
Basic	177,243	177,257	177,063	177,034	177,302
GAAP Diluted	181,810	183,021	186,160	177,034	190,739
Dilutive effect of outstanding equity awards, convertible notes and warrants	—	—	—	10,699	—
Dilution offset from convertible note hedge transactions	(1,593)	(2,706)	(4,109)	(4,728)	(5,686)
Non-GAAP Diluted	180,217	180,315	182,051	183,005	185,053

⁽¹⁾ Income statement data for Q4FY17 and all FY18 quarters has been adjusted to reflect the full retrospective adoption of ASC 606.

Red Hat GAAP to Non-GAAP Reconciliation Quarterly ⁽¹⁾
(continued)

(Unaudited)

(In thousands - except per share amounts)

	Q118		Q218		Q318		Q418		Q119	
	Quarter End		Quarter End		Quarter End		Quarter End		Quarter End	
	<u>5/31/2017</u>		<u>8/31/2017</u>		<u>11/30/2017</u>		<u>2/28/2018</u>		<u>5/31/2018</u>	
Non-GAAP adjusted income before provision for income taxes	\$	142,948	\$	193,289	\$	181,456	\$	205,684	\$	172,410
GAAP estimated annual effective tax rate		26.8%		27.6%		25.9%		17.8%		22.5%
Provision for income taxes on non-GAAP adjusted income before discrete tax benefits		38,310		53,483		46,949		35,592		38,792
Discrete tax expense (benefit), excluding discrete benefits related to share-based compensation		392		1,365		1,167		2,152		510
Provision for income taxes on non-GAAP adjusted income, excluding impact of tax reform and discrete tax benefits related to share-based compensation	\$	38,702	\$	54,848	\$	48,116	\$	37,744	\$	39,302

⁽¹⁾ Income statement data for Q4FY17 and all FY18 quarters has been adjusted to reflect the full retrospective adoption of ASC 606.

Red Hat GAAP to Non-GAAP Reconciliation Quarterly Gross Margins

(Unaudited)

(In thousands)

	Q118	Q218	Q318	Q418	Q119
	Quarter End	Quarter End	Quarter End	Quarter End	Quarter End
	<u>5/31/2017</u>	<u>8/31/2017</u>	<u>11/30/2017</u>	<u>2/28/2018</u>	<u>5/31/2018</u>
GAAP Revenue:					
Subscriptions	\$ 596,508	\$ 637,562	\$ 656,832	\$ 683,276	\$ 711,521
Training and services	80,288	85,793	91,146	89,056	102,009
Total subscription, training and services revenue	676,796	723,355	747,978	772,332	813,530
Non-GAAP Cost of revenue:					
Subscriptions	37,834	39,863	40,873	41,738	43,839
Training and services	55,078	58,267	62,358	62,219	67,591
Total cost of subscription, training and services revenue	92,912	98,130	103,231	103,957	111,430
GAAP Gross Profit as reported	576,100	616,638	636,219	659,707	690,831
Add: Non-cash share-based compensation expense	3,948	4,261	4,199	4,454	5,128
Add: Amortization of intangible assets	3,836	4,326	4,329	4,214	6,141
Total Non-GAAP gross profit	583,884	625,225	644,747	688,375	702,100
Cost of revenue reconciliation GAAP to non-GAAP:					
Subscriptions (GAAP)	43,633	46,324	47,277	48,105	52,173
Less: non-cash share-based compensation expense	1,963	2,135	2,075	2,153	2,193
Less: Amortization of intangible assets	3,836	4,326	4,329	4,214	6,141
Subscriptions (non-GAAP)	37,834	39,863	40,873	41,738	43,839
Training and services (GAAP)	57,063	60,393	64,482	64,520	70,526
Less: non-cash share-based compensation expense	1,985	2,126	2,124	2,301	2,935
Less: Amortization of intangible assets	—	—	—	—	—
Training and services (non-GAAP)	55,078	58,267	62,358	62,219	67,591
GAAP Gross Margin	85.1%	85.2%	85.1%	85.4%	84.9%
Non-GAAP Gross Margin	86.3%	86.4%	86.2%	86.5%	86.3%
GAAP Subscription Gross Margin	92.7%	92.7%	92.8%	93.0%	92.7%
Non-GAAP Subscription Gross Margin	93.7%	93.7%	93.8%	93.9%	93.8%
GAAP Training and services Gross Margin	28.9%	29.6%	29.3%	27.6%	30.9%
Non-GAAP Training and services Gross Margin	31.4%	32.1%	31.6%	30.1%	33.7%

Red Hat GAAP to Non-GAAP Reconciliation – Annual ⁽¹⁾

(Unaudited)

(In thousands - except per share amounts)

	FY17	FY18
	Year End	Year End
	<u>2/28/2017</u>	<u>2/28/2018</u>
GAAP Operating Income as reported	\$ 334,075	\$ 475,732
Add: Non-cash share-based compensation expense – Cost of Revenue	16,553	16,862
Add: Non-cash share-based compensation expense – S&M	93,378	87,158
Add: Non-cash share-based compensation expense – R&D	52,424	57,008
Add: Non-cash share-based compensation expense – G&A	30,175	31,221
Total Non-cash share-based compensation expense	192,530	192,249
Add: Amortization of intangible assets – Cost of Revenue	15,562	16,705
Add: Amortization of intangible assets – S&M	7,078	6,195
Add: Amortization of intangible assets – R&D	138	138
Add: Amortization of intangible assets – G&A	7,078	8,407
Total Amortization of intangible assets	29,856	31,445
Add: Transaction costs related to business combinations	1,789	2,038
Add: Facility exit costs	—	—
Non-GAAP Operating Income	\$ 558,250	\$ 701,464
GAAP Operating Margin as reported	13.8%	16.2%
Non-GAAP Operating Margin	23.1%	24.0%
GAAP Net Income as reported	\$ 255,390	\$ 261,851
GAAP provision for income taxes	66,620	216,140
GAAP Income before provision for income taxes	\$ 322,010	\$ 477,991
Add: Non-cash share-based compensation expense	192,530	192,249
Add: Amortization of intangible assets	29,856	31,445
Add: Non-cash interest expense related to the debt discount	19,104	19,654
Add: Transaction costs related to business combinations	1,789	2,038
Add: Facility exit costs	—	—
Non-GAAP adjusted income before provision for taxes	565,289	723,377
Non-GAAP provision for income taxes	149,618	179,410
Non-GAAP adjusted net income	\$ 415,671	\$ 543,967
GAAP net income per share:		
Basic	\$ 1.42	\$ 1.48
Diluted	\$ 1.40	\$ 1.42
Non-GAAP adjusted net income per share:		
Basic	\$ 2.31	\$ 3.07
Diluted	\$ 2.28	\$ 3.00
Weighted average shares outstanding:		
Basic	179,642	177,150
GAAP Diluted	182,961	184,602
Dilution offset from convertible note hedge transactions	(292)	(3,445)
Non-GAAP Diluted	182,669	181,157

⁽¹⁾ Income statement data for FY17 and FY18 has been adjusted to reflect the full retrospective adoption of ASC 606.

Red Hat GAAP to Non-GAAP Reconciliation Annual ⁽¹⁾ (continued)

(Unaudited)

(In thousands - except per share amounts)

Note FY17 and FY18 included discrete tax benefits, please see below for provision for income tax breakout:

	FY17	FY18
	Year End	Year End
	<u>2/28/2017</u>	<u>2/28/2018</u>
Non-GAAP adjusted net income before income tax provision	565,289	\$ 723,377
GAAP effective tax rate, excluding discrete tax items	27.6%	24.1%
Non-GAAP provision for income taxes before discrete tax benefit	156,020	\$ 174,334
Discrete tax benefit	(6,402)	5,076
Provision for income taxes on Non-GAAP adjusted net income	149,618	179,410
GAAP Gross Profit as reported	2,057,425	2,488,664
Add: Non-cash share-based compensation expense	16,553	16,862
Add: Amortization of intangible assets	15,562	16,705
Total Non-GAAP gross profit	2,089,540	2,522,231
GAAP Gross Margin as reported	85.3%	85.2%
Non-GAAP Gross Margin	86.6%	86.4%

⁽¹⁾ Income statement data for FY17 and FY18 has been adjusted to reflect the full retrospective adoption of ASC 606.

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

(Unaudited)

(In thousands)

	<u>Q2FY17</u>	<u>Q3FY17</u>	<u>Q4FY17</u>	<u>Q1FY18</u>	Rolling Average Four Quarter Billings Proxy	<u>Q2FY18</u>	<u>Q3FY18</u>	<u>Q4FY18</u>	<u>Q1FY19</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>8/31/2016</u>	<u>11/30/2016</u>	<u>2/28/2017</u>	<u>5/31/2017</u>		<u>8/31/2017</u>	<u>11/30/2017</u>	<u>2/28/2018</u>	<u>5/31/2018</u>		
Total Revenue	599,805	615,260	628,840	676,796		723,355	747,978	772,332	813,530		
Change in deferred revenue on Statement of Cash Flows	(26,953)	64,181	357,399	(45,717)		(40,575)	57,275	461,199	(104,592)		
Billings proxy	572,852	679,441	986,239	631,079	717,403	682,780	805,253	1,233,531	708,938	857,626	19.5%
Adjustment for currency impact to total revenue						(2,782)	(9,562)	(27,234)	(22,518)		
Billings Proxy on a Constant Currency basis						679,998	795,691	1,206,297	686,420	842,102	17.4%