

Red Hat GAAP to Non-GAAP Reconciliation Quarterly

(Unaudited)								
(In thousands - except per share amounts)								
	Q416	Q117	Q217	Q317	Q417	Q118	Q218	Q318
	Quarter End	Quarter End	Quarter End	Quarter End	Quarter End	Quarter End	Quarter End	Quarter End
	2/29/2016	5/31/2016	8/31/2016	11/30/2016	2/28/2017	5/31/2017	8/31/2017	11/30/2017
GAAP Operating Income as reported	\$ 71,772	\$ 75,363	\$ 81,884	\$ 80,773	\$ 94,225	\$ 87,608	\$ 134,559	\$ 118,413
Add: Non-cash share-based compensation expense Cost of Revenue	3,946	4,305	4,054	4,037	4,157	3,948	4,261	4,199
Add: Non-cash share-based compensation expense S&M	19,703	18,440	20,361	26,624	27,952	20,612	20,817	23,278
Add: Non-cash share-based compensation expense R&D	12,511	12,002	12,969	13,814	13,639	13,447	14,220	14,937
Add: Non-cash share-based compensation expense G&A	9,608	6,528	7,973	10,266	5,409	5,711	7,649	9,904
Total Non-cash share-based compensation expense	45,768	41,275	45,357	54,741	51,157	43,718	46,947	52,318
Add: Amortization of intangible assets Cost of Revenue	3,434	3,623	3,846	4,234	3,861	3,836	4,326	4,329
Add: Amortization of intangible assets S&M	1,730	1,916	1,905	1,695	1,562	1,459	1,583	1,592
Add: Amortization of intangible assets R&D	(13)	34	34	34	35	34	35	34
Add: Amortization of intangible assets G&A	1,711	1,753	1,848	1,690	1,787	1,826	2,227	2,084
Total Amortization of intangible assets	6,862	7,326	7,633	7,653	7,245	7,155	8,171	8,039
Add: Transaction costs related to business combinations	40	—	1,789	—	—	142	1,220	(52)
Non-GAAP Operating Income	\$ 124,442	\$ 123,964	\$ 136,663	\$ 143,167	\$ 152,627	\$ 138,623	\$ 190,897	\$ 178,718
GAAP Operating Margin as reported	13.2%	13.3%	13.7%	13.1%	15.0%	12.9%	18.6%	15.8%
Non-GAAP Operating Margin	22.9%	21.8%	22.8%	23.3%	24.3%	20.5%	26.4%	23.9%
GAAP Net Income as reported	\$ 53,036	\$ 61,184	\$ 58,772	\$ 67,943	\$ 65,803	\$ 73,190	\$ 96,859	\$ 101,306
GAAP provision for income taxes	15,732	11,169	20,663	8,775	25,870	11,740	34,971	14,604
GAAP Income before provision for income taxes	68,768	72,353	79,435	76,718	91,673	84,930	131,830	115,910
Add: Non-cash share-based compensation expense	45,768	41,275	45,357	54,741	51,157	43,718	46,947	52,318
Add: Amortization of intangible assets	6,862	7,326	7,633	7,653	7,245	7,155	8,171	8,039
Add: Non-cash interest expense related to the debt discount	4,686	4,731	4,753	4,800	4,820	4,867	4,890	4,936
Add: Transaction costs related to business combinations	40	—	1,789	—	—	142	1,220	(52)
Non-GAAP adjusted income before provision for taxes	126,124	125,685	138,967	143,912	154,895	140,812	193,058	181,151
Non-GAAP provision for income taxes	29,094	33,507	37,739	33,160	45,203	39,115	54,790	48,075
Non-GAAP adjusted net income (basic and diluted)	\$ 97,030	\$ 92,178	\$ 101,228	\$ 110,752	\$ 109,692	\$ 101,697	\$ 138,268	\$ 133,076
GAAP net income per share:								
Basic	\$ 0.29	\$ 0.34	\$ 0.33	\$ 0.38	\$ 0.37	\$ 0.41	\$ 0.55	\$ 0.57
Diluted	\$ 0.29	\$ 0.33	\$ 0.32	\$ 0.37	\$ 0.36	\$ 0.40	\$ 0.53	\$ 0.54
Non-GAAP adjusted net income per share:								
Basic	\$ 0.53	\$ 0.51	\$ 0.56	\$ 0.62	\$ 0.62	\$ 0.57	\$ 0.78	\$ 0.75
Diluted	\$ 0.52	\$ 0.50	\$ 0.55	\$ 0.61	\$ 0.61	\$ 0.56	\$ 0.77	\$ 0.73
Weighted average shares outstanding:								
Basic	182,099	181,168	180,322	179,233	177,802	177,243	177,257	177,063
GAAP Diluted	184,888	184,187	183,346	182,682	181,197	181,810	183,021	186,160
Dilution offset from convertible note hedge transactions	(67)	—	(195)	(514)	(492)	(1,593)	(2,706)	(4,109)
Non-GAAP Diluted	184,821	184,187	183,151	182,168	180,705	180,217	180,315	182,051

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

(Unaudited)	Q416		Q117		Q217		Q317		Q417		Q118		Q218		Q318	
(In thousands - except per share amounts)	Quarter End		Quarter End		Quarter End		Quarter End		Quarter End		Quarter End		Quarter End		Quarter End	
	<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>8/31/2017</u>		<u>11/30/2017</u>	
Non-GAAP adjusted income before provision for income taxes	\$	126,124	\$	125,686	\$	138,967	\$	143,912	\$	154,895	\$	140,812	\$	193,058	\$	181,151
GAAP estimated annual effective tax rate		23.1%		27%		27.0%		27.0%		29.5%		27.5%		27.6%		26.0%
Provision for income taxes on non-GAAP adjusted income before discrete tax expenses (benefits)		29,094		33,935		37,521		38,856		45,698		38,723		53,425		46,908
Discrete tax expenses (benefits), excluding discrete benefits related to share-based compensation		—		(428)		218		(5,696)		(495)		391.884		1,365		1,167
Provision for income taxes on non-GAAP adjusted income, excluding discrete tax benefits related to share-based compensation	\$	29,094	\$	33,507	\$	37,739	\$	33,160	\$	45,203	\$	39,115	\$	54,790	\$	48,075

Red Hat GAAP to Non-GAAP Reconciliation Quarterly Gross Margins

(Unaudited)

(In thousands)

	Q416	Q117	Q217	Q317	Q417	Q118	Q218	Q318
	Quarter End	Quarter End	Quarter End	Quarter End	Quarter End	Quarter End	Quarter End	Quarter End
	<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>8/31/2017</u>	<u>11/30/2017</u>
GAAP Revenue:								
Subscriptions	\$ 479,642	\$ 501,665	\$ 531,209	\$ 543,318	\$ 559,588	\$ 596,508	\$ 637,562	\$ 656,832
Training and services	63,860	66,234	68,596	71,942	69,252	80,288	85,793	91,146
Total subscription, training and services revenue	543,502	567,899	599,805	615,260	628,840	676,796	723,355	747,978
Non-GAAP Cost of revenue:								
Subscriptions	28,275	30,765	33,828	34,487	36,229	37,834	39,863	40,873
Training and services	45,565	45,355	45,943	47,695	47,960	55,078	58,267	62,358
Total cost of subscription, training and services revenue	73,840	76,120	79,771	82,182	84,189	92,912	98,130	103,231
GAAP Gross Profit as reported	462,282	483,851	512,134	524,807	536,633	576,100	616,638	636,219
Add: Non-cash share-based compensation expense	3,946	4,305	4,054	4,037	4,157	3,948	4,261	4,199
Add: Amortization of intangible assets	3,434	3,623	3,846	4,234	3,861	3,836	4,326	4,329
Total Non-GAAP gross profit	469,662	491,779	520,034	533,078	544,651	583,884	625,225	644,747
Cost of revenue reconciliation GAAP to non-GAAP:								
Subscriptions (GAAP)	33,575	36,545	39,678	40,660	42,095	43,633	46,324	47,277
Less: non-cash share-based compensation expense	1,866	2,157	2,004	1,939	2,005	1,963	2,135	2,075
Less: Amortization of intangible assets	3,434	3,623	3,846	4,234	3,861	3,836	4,326	4,329
Subscriptions (non-GAAP)	28,275	30,765	33,828	34,487	36,229	37,834	39,863	40,873
Training and services (GAAP)	47,645	47,503	47,993	49,793	50,112	57,063	60,393	64,482
Less: non-cash share-based compensation expense	2,080	2,148	2,050	2,098	2,152	1,985	2,126	2,124
Less: Amortization of intangible assets	—	—	—	—	—	—	—	—
Training and services (non-GAAP)	45,565	45,355	45,943	47,695	47,960	55,078	58,267	62,358
GAAP Gross Margin	85.1%	85.2%	85.4%	85.3%	85.3%	85.1%	85.2%	85.1%
Non-GAAP Gross Margin	86.4%	86.6%	86.7%	86.6%	86.6%	86.3%	86.4%	86.2%
GAAP Subscription Gross Margin	93.0%	92.7%	92.5%	92.5%	92.5%	92.7%	92.7%	92.8%
Non-GAAP Subscription Gross Margin	94.1%	93.9%	93.6%	93.7%	93.5%	93.7%	93.7%	93.8%
GAAP Training and services Gross Margin	25.4%	28.3%	30.0%	30.8%	27.6%	28.9%	29.6%	29.3%
Non-GAAP Training and services Gross Margin	28.6%	31.5%	33.0%	33.7%	30.7%	31.4%	32.1%	31.6%

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	
	2/29/2012		2/28/2013		2/28/2014		2/28/2015		2/29/2016		2/28/2017	
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%		23.0%
GAAP Net Income as reported	\$	146,626	\$	150,204	\$	178,292	\$	180,201	\$	199,365	\$	253,703
GAAP provision for income taxes		61,383		59,548		61,256		75,297		75,500		66,477
GAAP Income before provision for income taxes	\$	208,009	\$	209,752	\$	239,548	\$	255,498	\$	274,865	\$	320,180
Add: Non-cash share-based compensation expense		79,267		98,698		113,774		135,232		166,234		192,530
Add: Amortization of intangible assets		19,749		23,523		28,204		26,885		25,803		29,856
Add: Non-cash interest expense related to the debt discount		—		—		—		7,292		18,570		19,104
Add: Transaction costs related to business combinations		—		—		—		4,001		3,884		1,789
Add: Facility exit costs		—		3,142		2,171		—		—		—
Non-GAAP adjusted income before provision for taxes		307,025		335,115		383,697		428,908		489,356		563,459
Non-GAAP provision for income taxes		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>Q4FY16</u>	<u>Q1FY17</u>	<u>Q2FY17</u>	<u>Q3FY17</u>	<u>Rolling Average Four Quarter Billings Proxy</u>	<u>Q4FY17</u>	<u>Q1FY18</u>	<u>Q2FY18</u>	<u>Q3FY18</u>	<u>Rolling Average Four Quarter Billings Proxy</u>	<u>Year-Over- Year Growth Rate</u>
	<u>Quarter End</u>	<u>Quarter End</u>	<u>Quarter End</u>	<u>Quarter End</u>		<u>Quarter End</u>	<u>Quarter End</u>	<u>Quarter End</u>	<u>Quarter End</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>8/31/2017</u>	<u>11/30/2017</u>		
Total Revenue	543,502	567,899	599,805	615,260		628,840	676,796	723,355	747,978		
Change in deferred revenue on Statement of Cash Flows	220,410	(46,093)	(26,953)	64,181		357,399	(45,717)	(40,575)	57,275		
Billings proxy	763,912	521,806	572,852	679,441	634,503	986,239	631,079	682,780	805,253	776,338	22.4%
Adjustment for currency impact to total revenue						1,570	5,145	(2,782)	(9,562)		
Billings Proxy on a Constant Currency basis						987,809	636,224	679,998	795,691	774,931	22.1%