

RED HAT, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands - except per share amounts)

	<u>Three Months Ended</u>	
	<u>May 31,</u>	<u>May 31,</u>
	<u>2009</u>	<u>2008</u>
Revenue:		
Subscriptions	\$148,790	\$130,694
Training and services	25,598	25,941
Total subscription, training and services revenue	<u>174,388</u>	<u>156,635</u>
Cost of revenue:		
Subscriptions	10,050	8,957
Training and services	16,418	17,472
Total cost of subscription, training and services revenue	<u>26,468</u>	<u>26,429</u>
Total gross profit	147,920	130,206
Operating expense:		
Sales and marketing	63,977	59,271
Research and development	35,102	28,911
General and administrative	23,785	22,114
Total operating expense	<u>122,864</u>	<u>110,296</u>
Income from operations	25,056	19,910
Other income, net	3,480	10,020
Interest expense	(53)	(1,586)
Income before provision for income taxes	28,483	28,344
Provision for income taxes	9,969	11,054
Net income	<u>\$18,514</u>	<u>\$17,290</u>
Net income-diluted	<u>\$18,514</u>	<u>\$18,184</u>
Net income per share:		
Basic	\$0.10	\$0.09
Diluted	\$0.10	\$0.08
Weighted average shares outstanding:		
Basic	188,916	190,779
Diluted	194,382	218,853
Diluted net income per share computation:		
Net income, basic	\$18,514	\$17,290
Interest expense on convertible debentures, net of related GAAP tax effects	0	435
Amortization of debt issuance costs, net of related GAAP tax effects	0	459
Net income, diluted	<u>\$18,514</u>	<u>\$18,184</u>

RED HAT, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands)

ASSETS

	<u>May 31, 2009</u>	<u>February 28, 2009</u>
	(Unaudited)	
Current assets:		
Cash and cash equivalents	\$510,616	\$515,548
Investments in debt and equity securities	206,891	147,178
Accounts receivable, net	106,639	128,669
Prepaid expenses and other current assets	<u>95,387</u>	<u>99,437</u>
Total current assets	919,533	890,832
Property and equipment, net	69,619	67,913
Goodwill	438,901	438,109
Identifiable intangibles, net	119,638	122,177
Investments in debt securities	167,028	183,363
Other assets, net	<u>51,104</u>	<u>51,242</u>
Total assets	<u>\$1,765,823</u>	<u>\$1,753,636</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$13,089	\$9,576
Accrued expenses	52,104	54,123
Deferred revenue	402,764	382,050
Other current obligations	<u>878</u>	<u>900</u>
Total current liabilities	468,835	446,649
Deferred lease credits	4,319	4,470
Long term deferred revenue	164,576	161,032
Other long term obligations	34,573	35,432
Stockholders' equity:		
Common stock	21	21
Additional paid-in capital	1,295,305	1,281,469
Retained earnings	69,033	50,519
Treasury stock, at cost	(283,054)	(236,283)
Accumulated other comprehensive income	<u>12,215</u>	<u>10,327</u>
Total stockholders' equity	<u>1,093,520</u>	<u>1,106,053</u>
Total liabilities and stockholders' equity	<u>\$1,765,823</u>	<u>\$1,753,636</u>

RED HAT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Three Months Ended	
	May 31, 2009	May 31, 2008
Cash flows from operating activities:		
Net income	\$18,514	\$17,290
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	10,810	9,097
Deferred income taxes	6,428	8,767
Excess tax benefits from share-based payment arrangements	(14,200)	(8,967)
Share-based compensation expense	10,676	10,561
Other	(124)	561
Changes in operating assets and liabilities net of effects of acquisitions:		
Accounts receivable	26,278	19,320
Prepaid expenses and other current assets	644	(5,003)
Accounts payable	2,997	(5,570)
Accrued expenses	(3,029)	1,986
Deferred revenue	2,361	15,454
Other assets, net	(152)	(134)
Net cash provided by operating activities	<u>61,203</u>	<u>63,362</u>
Cash flows from investing activities:		
Purchase of investment securities	(157,034)	(305,646)
Proceeds from sales and maturities of investment securities	122,449	216,534
Acquisitions of businesses, net of cash acquired	-	(43,750)
Proceeds from sales of investment in equity securities available-for-sale	221	-
Purchase of property and equipment	(6,028)	(9,522)
Purchase of developed software and other intangible assets	(989)	(1,615)
Net cash used in investing activities	<u>(41,381)</u>	<u>(143,999)</u>
Cash flows from financing activities:		
Excess tax benefits from share-based payment arrangements	14,200	8,967
Proceeds from exercise of common stock options	4,400	11,447
Purchase of treasury stock	(46,771)	(8,347)
Payments related to net settlement of employee share-based compensation awards	(1,798)	(800)
Structured stock repurchase	-	1,989
Proceeds from other borrowings	-	66
Payments on other borrowings	(900)	(23)
Net cash (used in) provided by financing activities	<u>(30,869)</u>	<u>13,299</u>
Effect of foreign currency exchange rates on cash and cash equivalents	6,115	158
Net decrease in cash and cash equivalents	(4,932)	(67,180)
Cash and cash equivalents at beginning of the period	<u>515,548</u>	<u>677,720</u>
Cash and cash equivalents at end of period	<u>\$510,616</u>	<u>\$610,540</u>

RED HAT, INC.
RECONCILIATION OF CERTAIN GAAP RESULTS TO NON-GAAP ADJUSTED RESULTS
(Unaudited)
(In thousands - except per share amounts)

Non cash share-based compensation expense included in Consolidated Statements of Operations:

	Three Months Ended	
	May 31, 2009	May 31, 2008
Cost of revenue	\$800	\$681
Sales and marketing	3,110	3,996
Research and development	3,274	2,508
General and administration	3,492	3,376
Total share-based compensation expense	<u>\$10,676</u>	<u>\$10,561</u>

Amortization of intangible assets expense included in Consolidated Statements of Operations:

	Three Months Ended	
	May 31, 2009	May 31, 2008
Cost of revenue	\$961	\$735
Sales and marketing	2,322	2,255
Research and development	925	0
General and administration	797	703
Total amortization of intangible assets expense	<u>\$5,005</u>	<u>\$3,694</u>

	Three Months Ended	
	May 31, 2009	May 31, 2008
GAAP net income	\$18,514	\$17,290
Provision for income taxes	9,969	11,054
GAAP income before provision for income taxes	\$28,483	\$28,344
Add: Non-cash share-based compensation expense per FAS 123R	10,676	10,561
Add: Amortization of intangible assets	5,005	3,694
Non-GAAP adjusted income before provision for income taxes	\$44,164	\$42,599
Provision for income taxes	\$15,457	\$16,614
Non-GAAP adjusted net income	<u>\$28,707</u>	<u>\$25,985</u>
Non-GAAP adjusted net income-diluted	<u>\$28,707</u>	<u>\$26,879</u>
Non-GAAP adjusted net income per share:		
Basic	\$0.15	\$0.14
Diluted	\$0.15	\$0.12
Non-GAAP diluted net income per share computation:		
Non-GAAP adjusted net income	\$28,707	\$25,985
Interest expense on convertible debentures, net of related GAAP tax effects	0	435
Amortization of debt issuance costs, net of related GAAP tax effects	0	459
Non-GAAP adjusted net income-diluted	<u>\$28,707</u>	<u>\$26,879</u>

RED HAT, INC.
RECONCILIATION OF CERTAIN GAAP RESULTS TO NON-GAAP ADJUSTED RESULTS
(Unaudited)
(In thousands - except per share amounts)

Reconciliation of GAAP results to non-GAAP adjusted results

	Three Months Ended	
	May 31, 2009	May 31, 2008
GAAP gross profit	\$147,920	\$130,206
Add: Non-cash share-based compensation expense per FAS 123R	800	681
Add: Amortization of intangible assets	961	735
Non-GAAP gross profit	<u>\$149,681</u>	<u>\$131,622</u>
Non-GAAP gross margin	86%	84%

	Three Months Ended	
	May 31, 2009	May 31, 2008
GAAP operating expenses	\$122,864	\$110,296
Deduct: Non-cash share-based compensation expense per FAS 123R	(9,876)	(9,880)
Deduct: Amortization of intangible assets	(4,044)	(2,959)
Non-GAAP adjusted operating expenses	<u>\$108,944</u>	<u>\$97,457</u>

	Three Months Ended	
	May 31, 2009	May 31, 2008
GAAP operating income	\$25,056	\$19,910
Add: Non-cash share-based compensation expense per FAS 123R	10,676	10,561
Add: Amortization of intangible assets	5,005	3,694
Non-GAAP adjusted operating income	<u>\$40,737</u>	<u>\$34,165</u>
Non-GAAP adjusted operating margin	23.4%	21.8%