

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

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>August 31,</u> <u>2009</u>	<u>August 31,</u> <u>2008</u>	<u>August 31,</u> <u>2009</u>	<u>August 31,</u> <u>2008</u>
Revenue:				
Subscriptions	\$156,273	\$135,709	\$305,063	\$266,403
Training and services	27,360	28,674	52,958	54,615
Total subscription, training and services revenue	<u>183,633</u>	<u>164,383</u>	<u>358,021</u>	<u>321,018</u>
Cost of revenue:				
Subscriptions	10,972	9,720	21,023	18,677
Training and services	17,468	17,788	33,886	35,260
Total cost of subscription, training and services revenue	<u>28,440</u>	<u>27,508</u>	<u>54,909</u>	<u>53,937</u>
Total gross profit	155,193	136,875	303,112	267,081
Operating expense:				
Sales and marketing	66,768	59,566	130,745	118,837
Research and development	36,360	31,728	71,462	60,639
General and administrative	24,523	24,177	48,308	46,291
Total operating expense	<u>127,651</u>	<u>115,471</u>	<u>250,515</u>	<u>225,767</u>
Income from operations	27,542	21,404	52,597	41,314
Other income, net	5,759	14,778	9,240	24,798
Interest expense	(43)	(1,530)	(96)	(3,116)
Income before provision for income taxes	33,258	34,652	61,741	62,996
Provision for income taxes	4,321	13,514	14,290	24,568
Net income	<u>\$28,937</u>	<u>\$21,138</u>	<u>\$47,451</u>	<u>\$38,428</u>
Net income-diluted	<u>\$28,937</u>	<u>\$22,032</u>	<u>\$47,451</u>	<u>\$40,215</u>
Net income per share:				
Basic	\$0.15	\$0.11	\$0.25	\$0.20
Diluted	\$0.15	\$0.10	\$0.25	\$0.18
Weighted average shares outstanding:				
Basic	187,099	191,485	188,007	191,132
Diluted	192,659	220,039	193,060	219,472
Diluted net income per share computation:				
Net income, basic	\$28,937	\$21,138	\$47,451	\$38,428
Interest expense on convertible debentures, net of related GAAP tax effects	0	435	0	869
Amortization of debt issuance costs, net of related GAAP tax effects	0	459	0	918
Net income, diluted	<u>\$28,937</u>	<u>\$22,032</u>	<u>\$47,451</u>	<u>\$40,215</u>

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

**ASSETS**

	<b>August 31, 2009</b>	<b>February 28, 2009</b>
	<u>(Unaudited)</u>	<u></u>
Current assets:		
Cash and cash equivalents	\$493,052	\$515,548
Investments in debt and equity securities	228,384	147,178
Accounts receivable, net	112,837	128,669
Prepaid expenses and other current assets	106,550	99,437
Total current assets	<u>940,823</u>	<u>890,832</u>
Property and equipment, net	70,276	67,913
Goodwill	439,035	438,109
Identifiable intangibles, net	115,611	122,177
Investments in debt securities	190,370	183,363
Other assets, net	36,957	51,242
Total assets	<u>\$1,793,072</u>	<u>\$1,753,636</u>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

Current liabilities:		
Accounts payable	\$17,938	\$9,576
Accrued expenses	57,033	54,123
Deferred revenue	419,505	382,050
Other current obligations	878	900
Total current liabilities	<u>495,354</u>	<u>446,649</u>
Deferred lease credits	4,191	4,470
Long term deferred revenue	161,430	161,032
Other long term obligations	34,573	35,432
Stockholders' equity:		
Common stock	21	21
Additional paid-in capital	1,320,005	1,281,469
Retained earnings	97,970	50,519
Treasury stock, at cost	(330,240)	(236,283)
Accumulated other comprehensive income	9,768	10,327
Total stockholders' equity	<u>1,097,524</u>	<u>1,106,053</u>
Total liabilities and stockholders' equity	<u>\$1,793,072</u>	<u>\$1,753,636</u>

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

	Three Months Ended		Six Months Ended	
	August 31, 2009	August 31, 2008	August 31, 2009	August 31, 2008
Cash flows from operating activities:				
Net income	\$28,937	\$21,138	\$47,451	\$38,428
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	11,442	9,828	22,252	18,925
Share-based compensation expense	11,013	10,870	21,689	21,431
Deferred income taxes	(940)	11,462	5,489	20,229
Excess tax benefits from share-based payment arrangements	(3,556)	(15,489)	(17,756)	(24,456)
Gain on sale of available-for-sale equity securities	(3,465)	(4,996)	(3,663)	(4,996)
Other	(80)	807	(6)	1,367
Changes in operating assets and liabilities net of effects of acquisitions:				
Accounts receivable	(5,666)	2,018	20,612	21,338
Prepaid expenses and other current assets	4,288	(1,908)	4,932	(6,910)
Accounts payable	4,790	(2,404)	7,788	(7,974)
Accrued expenses	5,214	7,816	2,185	9,802
Deferred revenue	10,155	15,261	12,516	30,714
Other assets, net	(127)	(137)	(281)	(270)
Net cash provided by operating activities	<u>62,005</u>	<u>54,266</u>	<u>123,208</u>	<u>117,628</u>
Cash flows from investing activities:				
Purchase of available-for-sale debt securities	(131,437)	(26,059)	(288,472)	(331,705)
Proceeds from sales and maturities of available-for-sale debt securities	83,655	133,282	206,104	349,816
Proceeds from sales of available-for-sale equity securities	3,838	5,568	4,059	5,568
Acquisitions of businesses, net of cash acquired	-	(3,052)	-	(46,802)
Purchase of developed technologies and other intangible assets	(1,081)	(727)	(2,070)	(2,342)
Purchase of property and equipment	(6,635)	(4,430)	(12,662)	(13,952)
Net cash provided by (used in) investing activities	<u>(51,660)</u>	<u>104,582</u>	<u>(93,041)</u>	<u>(39,417)</u>
Cash flows from financing activities:				
Excess tax benefits from share-based payment arrangements	3,556	15,489	17,756	24,456
Proceeds from exercise of common stock options	14,189	5,342	18,589	16,789
Purchase of treasury stock	(47,186)	-	(93,957)	(8,347)
Payments related to net settlement of employee share-based compensation awards	(502)	(219)	(2,300)	(1,019)
Structured stock repurchase	-	-	-	1,989
Proceeds from other borrowings	-	-	-	-
Payments on other borrowings	-	(66)	(900)	(23)
Net cash provided by (used in) financing activities	<u>(29,943)</u>	<u>20,546</u>	<u>(60,812)</u>	<u>33,845</u>
Effect of foreign currency exchange rates on cash and cash equivalents	2,034	(2,477)	8,149	(2,319)
Net increase (decrease) in cash and cash equivalents	(17,564)	176,917	(22,496)	109,737
Cash and cash equivalents at beginning of the period	<u>510,616</u>	<u>610,540</u>	<u>515,548</u>	<u>677,720</u>
Cash and cash equivalents at end of period	<u>\$493,052</u>	<u>\$787,457</u>	<u>\$493,052</u>	<u>\$787,457</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		Six Months Ended	
	August 31, 2009	August 31, 2008	August 31, 2009	August 31, 2008
Cost of revenue	\$759	\$643	\$1,560	\$1,324
Sales and marketing	3,138	2,205	6,248	6,202
Research and development	3,075	3,547	6,348	6,054
General and administration	4,041	4,475	7,533	7,851
Total share-based compensation expense	<u>\$11,013</u>	<u>\$10,870</u>	<u>\$21,689</u>	<u>\$21,431</u>

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

	Three Months Ended		Six Months Ended	
	August 31, 2009	August 31, 2008	August 31, 2009	August 31, 2008
Cost of revenue	\$989	\$810	\$1,949	\$1,545
Sales and marketing	2,293	2,305	4,615	4,560
Research and development	925	0	1,851	0
General and administration	804	754	1,601	1,457
Total amortization of intangible assets expense	<u>\$5,011</u>	<u>\$3,869</u>	<u>\$10,016</u>	<u>\$7,562</u>

	Three Months Ended		Six Months Ended	
	August 31, 2009	August 31, 2008	August 31, 2009	August 31, 2008
GAAP net income	\$28,937	\$21,138	\$47,451	\$38,428
Provision for income taxes	4,321	13,514	14,290	24,568
GAAP income before provision for income taxes	\$33,258	\$34,652	\$61,741	\$62,996
Add: Non-cash share-based compensation expense per FAS 123R	11,013	10,870	21,689	21,431
Add: Amortization of intangible assets	5,011	3,869	10,016	7,562
Non-GAAP adjusted income before provision for income taxes	\$49,282	\$49,391	\$93,446	\$91,989
Provision for income taxes (1)	\$9,930	\$19,263	\$25,387	\$35,876
Non-GAAP adjusted net income	<u>\$39,352</u>	<u>\$30,128</u>	<u>\$68,059</u>	<u>\$56,113</u>
Non-GAAP adjusted net income-diluted	<u>\$39,352</u>	<u>\$31,022</u>	<u>\$68,059</u>	<u>\$57,900</u>
Non-GAAP adjusted net income per share:				
Basic	\$0.21	\$0.16	\$0.36	\$0.29
Diluted	\$0.20	\$0.14	\$0.35	\$0.26
Non-GAAP diluted net income per share computation:				
Non-GAAP adjusted net income	\$39,352	\$30,128	\$68,059	\$56,113
Interest expense on convertible debentures, net of related GAAP tax effects	0	435	0	869
Amortization of debt issuance costs, net of related GAAP tax effects	0	459	0	918
Non-GAAP adjusted net income-diluted	<u>\$39,352</u>	<u>\$31,022</u>	<u>\$68,059</u>	<u>\$57,900</u>
(1) Provision for income taxes:				
Non-GAAP adjusted net income before income tax provision	\$49,282	\$49,391	\$93,446	\$91,989
Estimated annual effective tax rate	35%	39%	35%	39%
Non-GAAP provision for income taxes before discrete tax benefit	\$17,249	\$19,263	\$32,706	\$35,876
Discrete tax benefit	7,319	0	7,319	0
Provision for income taxes on Non-GAAP adjusted net income	<u>\$9,930</u>	<u>\$19,263</u>	<u>\$25,387</u>	<u>\$35,876</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		Six Months Ended	
	August 31, 2009	August 31, 2008	August 31, 2009	August 31, 2008
GAAP gross profit	\$155,193	\$136,875	\$303,112	\$267,081
Add: Non-cash share-based compensation expense per FAS 123R	759	643	1,560	1,324
Add: Amortization of intangible assets	989	810	1,949	1,545
Non-GAAP gross profit	\$156,941	\$138,328	\$306,621	\$269,950
Non-GAAP gross margin	85%	84%	86%	84%
	Three Months Ended		Six Months Ended	
	August 31, 2009	August 31, 2008	August 31, 2009	August 31, 2008
GAAP operating expenses	\$127,651	\$115,471	\$250,515	\$225,767
Deduct: Non-cash share-based compensation expense per FAS 123R	(10,254)	(10,227)	(20,129)	(20,107)
Deduct: Amortization of intangible assets	(4,022)	(3,059)	(8,067)	(6,017)
Non-GAAP adjusted operating expenses	\$113,375	\$102,185	\$222,319	\$199,643
	Three Months Ended		Six Months Ended	
	August 31, 2009	August 31, 2008	August 31, 2009	August 31, 2008
GAAP operating income	\$27,542	\$21,404	\$52,597	\$41,314
Add: Non-cash share-based compensation expense per FAS 123R	11,013	10,870	21,689	21,431
Add: Amortization of intangible assets	5,011	3,869	10,016	7,562
Non-GAAP adjusted operating income	\$43,566	\$36,143	\$84,302	\$70,307
Non-GAAP adjusted operating margin	23.7%	22.0%	23.5%	21.9%