

FY 2002 Statement of Operations

RED HAT, INC.  
**CONSOLIDATED STATEMENTS OF OPERATIONS - FY2002**

(In thousands - except per share amounts)

GAAP Format

|   | Adjusted<br>May, 31<br>2001 | Adjusted<br>August 31,<br>2001 | Adjusted<br>November, 30<br>2001 | Adjusted<br>February, 28<br>2002 | Adjusted<br>Fiscal Year<br>2002 |
|---|-----------------------------|--------------------------------|----------------------------------|----------------------------------|---------------------------------|
| Subscription and services revenue:                    |                             |                                |                                  |                                  |                                 |
| Subscription:   |                             |                                |                                  |                                  |                                 |
| Enterprise  | \$9,747                     | \$8,547                        | \$9,450                          | \$9,044                          | \$36,788                        |
| Embedded  | 1,607                       | 1,448                          | 1,440                            | 1,017                            | 5,512                           |
| Total subscription revenue                            | 11,354                      | 9,995                          | 10,890                           | 10,061                           | 42,300                          |
| Services:   |                             |                                |                                  |                                  |                                 |
| Network consulting                                    | -                           | -                              | -                                | -                                | -                               |
| Embedded development services                         | 4,572                       | 3,413                          | 2,889                            | 1,382                            | 12,256                          |
| Open source services                                  | 5,435                       | 5,519                          | 6,274                            | 7,126                            | 24,354                          |
| Total services revenue                                | 10,007                      | 8,932                          | 9,163                            | 8,508                            | 36,610                          |
| Total subscription and services revenue               | 21,361                      | 18,927                         | 20,053                           | 18,569                           | 78,910                          |
| Cost of subscription and services revenue:            |                             |                                |                                  |                                  |                                 |
| Subscription:   |                             |                                |                                  |                                  |                                 |
| Enterprise  | 2,751                       | 2,326                          | 2,081                            | 1,939                            | 9,097                           |
| Embedded  | 374                         | 146                            | 145                              | 125                              | 790                             |
| Total cost of subscription revenue                    | 3,125                       | 2,472                          | 2,226                            | 2,064                            | 9,887                           |
| Services:   |                             |                                |                                  |                                  |                                 |
| Network consulting                                    | -                           | -                              | -                                | -                                | -                               |
| Embedded development services                         | 2,424                       | 1,304                          | 1,789                            | 1,175                            | 6,692                           |
| Open source services                                  | 2,995                       | 2,558                          | 3,261                            | 3,149                            | 11,963                          |
| Total cost of services revenue                        | 5,419                       | 3,862                          | 5,050                            | 4,324                            | 18,655                          |
| Total cost of subscription and services revenue       | 8,544                       | 6,334                          | 7,276                            | 6,388                            | 28,542                          |
| Gross profit on subscription and services revenue     | 12,817                      | 12,593                         | 12,777                           | 12,181                           | 50,368                          |
| Hardware resale, net                                  | -                           | -                              | -                                | -                                | -                               |
| Operating expense:                                    |                             |                                |                                  |                                  |                                 |
| Sales and marketing                                   | 9,861                       | 8,422                          | 7,368                            | 7,791                            | 33,442                          |
| Research and development                              | 4,297                       | 4,213                          | 3,717                            | 4,202                            | 16,429                          |
| General and administrative                            | 3,293                       | 3,397                          | 3,347                            | 3,454                            | 13,491                          |
| General and administrative - mergers and acquisitions | 3,491                       | 396                            | 202                              | 646                              | 4,735                           |
| Idle facility expense                                 | -                           | -                              | -                                | 1,501                            | 1,501                           |
| Write-down of Red Hat Venture Investments             | -                           | -                              | -                                | -                                | -                               |
| Amortization of goodwill and intangibles              | 18,550                      | 12,694                         | 10,251                           | 8,052                            | 49,547                          |
| Stock-based compensation                              | 3,676                       | 3,171                          | 1,506                            | 1,797                            | 10,150                          |
| Restructuring charges                                 | -                           | 36,614                         | 1,947                            | 17,200                           | 55,761                          |
| Total operating expense                               | 43,168                      | 68,907                         | 28,338                           | 44,643                           | 185,056                         |
| Loss from operations                                  | (30,351)                    | (56,314)                       | (15,561)                         | (32,462)                         | (134,688)                       |
| Other interest income (expense), net                  | 4,480                       | 3,984                          | 3,514                            | 3,557                            | 15,535                          |
| Income (loss) from continuing operations              | (25,871)                    | (52,330)                       | (12,047)                         | (28,905)                         | \$(119,153)                     |
| Discontinued operations:                              |                             |                                |                                  |                                  |                                 |
| Income (loss) from discontinued operations            | (1,689)                     | (3,020)                        | (3,009)                          | (2,637)                          | (10,355)                        |
| Income (loss) on disposal of discontinued operations  | -                           | -                              | -                                | (10,347)                         | (10,347)                        |
| Net Income (loss)                                     | \$(27,560)                  | \$(55,350)                     | \$(15,056)                       | \$(41,889)                       | \$(139,855)                     |
| Net Income (loss) per common share:                   |                             |                                |                                  |                                  |                                 |
| Basic   | (\$0.16)                    | (\$0.33)                       | (\$0.09)                         | (\$0.19)                         | (\$0.76)                        |
| Diluted   | (\$0.16)                    | (\$0.33)                       | (\$0.09)                         | (\$0.19)                         | (\$0.76)                        |
| Weighted average shares outstanding:                  |                             |                                |                                  |                                  |                                 |
| Basic   | 169,003                     | 169,968                        | 169,242                          | 169,593                          | 169,451                         |
| Diluted   | 169,003                     | 169,968                        | 169,242                          | 169,593                          | 169,451                         |