

Non-GAAP Financial Measures and Other Key Metrics

This supplemental financial information contains financial statements that have not been prepared in accordance with generally accepted accounting principles in the United States (GAAP). We use these non-GAAP financial measures and key metrics internally in analyzing our financial results and believe that the use of these non-GAAP financial measures and key metrics is useful to investors as an additional tool to evaluate ongoing operating results and trends and in comparing our financial results with other companies in our industry, many of which present similar non-GAAP financial measures or key metrics.

Non-GAAP financial measures and key metrics are not meant to be considered in isolation or as a substitute for comparable GAAP financial measures, and should be read only in conjunction with our consolidated financial statements prepared in accordance with GAAP. A reconciliation of our non-GAAP financial measures and key metrics to the most directly comparable GAAP measures has been provided in the financial statement tables included in this supplemental financial information, and investors are encouraged to review these reconciliations. We have not provided a reconciliation of forward-looking non-GAAP measures to the corresponding GAAP measures as they are not available without unreasonable effort.

Palo Alto Networks, Inc.
Condensed Consolidated Statements of Operations - Fiscal Quarters
(In millions, except percentages)

	Q416	Q117⁽¹⁾	Q217	Q317	Q417	Q118	Q218	Q318
Revenue:								
Product	\$ 191.1	\$ 163.8	\$ 168.8	\$ 164.2	\$ 212.3	\$ 186.5	\$ 202.2	\$ 215.2
Subscription and support	209.7	234.3	253.8	267.6	296.8	319.0	340.2	351.9
Total revenue	400.8	398.1	422.6	431.8	509.1	505.5	542.4	567.1
Cost of revenue:								
Product	48.5	42.2	45.8	49.7	63.7	57.6	63.9	68.9
Subscription and support	53.2	59.0	67.4	74.0	74.8	83.8	95.4	91.0
Total cost of revenue	101.7	101.2	113.2	123.7	138.5	141.4	159.3	159.9
Total gross profit	299.1	296.9	309.4	308.1	370.6	364.1	383.1	407.2
<i>Product gross margin</i>	74.6 %	74.2 %	72.9 %	69.7 %	70.0 %	69.1 %	68.4 %	68.0 %
<i>Subscription and support gross margin</i>	74.6 %	74.8 %	73.4 %	72.3 %	74.8 %	73.7 %	72.0 %	74.1 %
<i>Total gross margin</i>	74.6 %	74.6 %	73.2 %	71.4 %	72.8 %	72.0 %	70.6 %	71.8 %
Operating expenses:								
Research and development	76.5	84.2	89.9	86.0	87.3	94.2	96.6	99.6
Sales and marketing	205.4	220.1	226.7	226.9	245.4	258.5	265.0	277.1
General and administrative	39.9	41.6	47.2	44.3	65.2	65.7	53.3	82.1
Total operating expenses	321.8	345.9	363.8	357.2	397.9	418.4	414.9	458.8
Operating loss	(22.7)	(49.0)	(54.4)	(49.1)	(27.3)	(54.3)	(31.8)	(51.6)
Interest expense	(6.0)	(6.0)	(6.1)	(6.2)	(6.2)	(6.3)	(6.4)	(6.5)
Other income, net	2.7	2.5	2.7	2.1	2.9	4.8	4.9	8.6
Loss before income taxes	(26.0)	(52.5)	(57.8)	(53.2)	(30.6)	(55.8)	(33.3)	(49.5)
Provision for (benefit from) income taxes	5.4	4.4	2.8	7.7	7.6	8.2	1.6	(2.8)
Net loss	\$ (31.4)	\$ (56.9)	\$ (60.6)	\$ (60.9)	\$ (38.2)	\$ (64.0)	\$ (34.9)	\$ (46.7)

(1) In Q2'17, we early adopted new share-based payment accounting guidance. As a result, certain amounts for Q1'17 have been adjusted to reflect the adoption of the guidance.

Palo Alto Networks, Inc.
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(In millions, except percentages)

	Q416	Q117	Q217	Q317	Q417	Q118	Q218	Q318
Revenue:								
Product	\$ 191.1	\$ 163.8	\$ 168.8	\$ 164.2	\$ 212.3	\$ 186.5	\$ 202.2	\$ 215.2
Subscription and support	209.7	234.3	253.8	267.6	296.8	319.0	340.2	351.9
Total revenue	400.8	398.1	422.6	431.8	509.1	505.5	542.4	567.1
Cost of revenue:								
Product	43.6	37.3	40.7	44.9	58.7	52.6	58.8	64.0
Subscription and support	39.1	44.6	49.8	56.8	56.9	64.7	72.1	71.2
Total cost of revenue	82.7	81.9	90.5	101.7	115.6	117.3	130.9	135.2
Total gross profit	318.1	316.2	332.1	330.1	393.5	388.2	411.5	431.9
<i>Product gross margin</i>	77.2 %	77.2 %	75.9 %	72.7 %	72.4 %	71.8 %	70.9 %	70.3 %
<i>Subscription and support gross margin</i>	81.4 %	81.0 %	80.4 %	78.8 %	80.8 %	79.7 %	78.8 %	79.8 %
<i>Total gross margin</i>	79.4 %	79.4 %	78.6 %	76.4 %	77.3 %	76.8 %	75.9 %	76.2 %
Operating expenses:								
Research and development	38.5	45.4	47.3	47.7	50.4	56.0	59.7	62.7
Sales and marketing	162.2	175.3	175.0	178.9	197.1	205.9	209.4	223.2
General and administrative	22.3	23.7	26.7	24.2	25.5	30.5	31.0	30.7
Total operating expenses	223.0	244.4	249.0	250.8	273.0	292.4	300.1	316.6
Operating income	95.1	71.8	83.1	79.3	120.5	95.8	111.4	115.3
Interest expense	-	-	-	-	-	-	-	-
Other income, net	2.1	2.3	3.3	3.5	3.5	5.3	5.9	6.6
Income before income taxes	97.2	74.1	86.4	82.8	124.0	101.1	117.3	121.9
Provision for income taxes	36.9	22.9	26.8	25.7	38.5	31.3	25.8	26.8
Net income	\$ 60.3	\$ 51.2	\$ 59.6	\$ 57.1	\$ 85.5	\$ 69.8	\$ 91.5	\$ 95.1

Palo Alto Networks, Inc.

GAAP to Non-GAAP Reconciliations and Calculation of Other Key Metrics - Fiscal Quarters
(In millions, except percentages and per share amounts)

	Q416	Q117 ⁽¹⁾	Q217	Q317	Q417	Q118	Q218	Q318
GAAP to Non-GAAP Reconciliations								
GAAP product gross profit	\$ 142.6	\$ 121.6	\$ 123.0	\$ 114.5	\$ 148.6	\$ 128.9	\$ 138.3	\$ 146.3
Share-based compensation related charges	1.8	1.8	2.1	1.7	1.9	1.9	2.1	1.8
Litigation related charges ⁽²⁾	3.1	3.1	3.0	3.1	3.1	3.1	3.0	3.1
Non-GAAP product gross profit	\$ 147.5	\$ 126.5	\$ 128.1	\$ 119.3	\$ 153.6	\$ 133.9	\$ 143.4	\$ 151.2
Non-GAAP product gross margin	77.2%	77.2%	75.9%	72.7%	72.4%	71.8%	70.9%	70.3%
GAAP subscription and support gross profit	\$ 156.5	\$ 175.3	\$ 186.4	\$ 193.6	\$ 222.0	\$ 235.2	\$ 244.8	\$ 260.9
Share-based compensation related charges	12.3	12.5	15.7	15.0	15.5	16.7	20.9	16.4
Amortization expense of acquired intangible assets	1.8	1.9	1.9	2.2	2.4	2.4	2.4	3.4
Non-GAAP subscription and support gross profit	\$ 170.6	\$ 189.7	\$ 204.0	\$ 210.8	\$ 239.9	\$ 254.3	\$ 268.1	\$ 280.7
Non-GAAP subscription and support gross margin	81.4%	81.0%	80.4%	78.8%	80.8%	79.7%	78.8%	79.8%
GAAP total gross profit	\$ 299.1	\$ 296.9	\$ 309.4	\$ 308.1	\$ 370.6	\$ 364.1	\$ 383.1	\$ 407.2
Share-based compensation related charges	14.1	14.3	17.8	16.7	17.4	18.6	23.0	18.2
Amortization expense of acquired intangible assets	1.8	1.9	1.9	2.2	2.4	2.4	2.4	3.4
Litigation related charges ⁽²⁾	3.1	3.1	3.0	3.1	3.1	3.1	3.0	3.1
Non-GAAP total gross profit	\$ 318.1	\$ 316.2	\$ 332.1	\$ 330.1	\$ 393.5	\$ 388.2	\$ 411.5	\$ 431.9
Non-GAAP gross margin	79.4%	79.4%	78.6%	76.4%	77.3%	76.8%	75.9%	76.2%
GAAP research and development expense	\$ 76.5	\$ 84.2	\$ 89.9	\$ 86.0	\$ 87.3	\$ 94.2	\$ 96.6	\$ 99.6
Share-based compensation related charges	37.8	38.6	42.5	38.3	36.9	38.2	36.9	36.9
Amortization expense of acquired intangible assets	0.2	0.2	0.1	-	-	-	-	-
Non-GAAP research and development expense	\$ 38.5	\$ 45.4	\$ 47.3	\$ 47.7	\$ 50.4	\$ 56.0	\$ 59.7	\$ 62.7
Non-GAAP research and development expense as a percentage of revenue	9.6%	11.4%	11.2%	11.0%	9.9%	11.1%	11.0%	11.1%
GAAP sales and marketing expense	\$ 205.4	\$ 220.1	\$ 226.7	\$ 226.9	\$ 245.4	\$ 258.5	\$ 265.0	\$ 277.1
Share-based compensation related charges	43.2	44.8	51.7	47.9	48.2	52.5	55.5	53.7
Amortization expense of acquired intangible assets	-	-	-	0.1	0.1	0.1	0.1	0.2
Non-GAAP sales and marketing expense	\$ 162.2	\$ 175.3	\$ 175.0	\$ 178.9	\$ 197.1	\$ 205.9	\$ 209.4	\$ 223.2
Non-GAAP sales and marketing expense as a percentage of revenue	40.5%	44.0%	41.4%	41.4%	38.7%	40.7%	38.7%	39.4%
GAAP general and administrative expense	\$ 39.9	\$ 41.6	\$ 47.2	\$ 44.3	\$ 65.2	\$ 65.7	\$ 53.3	\$ 82.1
Share-based compensation related charges	17.6	17.9	19.8	17.7	18.4	19.6	20.9	14.3
Acquisition related costs ⁽³⁾	-	-	0.7	2.4	-	-	-	13.3
Facility exit costs ⁽⁴⁾	-	-	-	-	21.3	15.6	1.4	23.8
Non-GAAP general and administrative expense	\$ 22.3	\$ 23.7	\$ 26.7	\$ 24.2	\$ 25.5	\$ 30.5	\$ 31.0	\$ 30.7
Non-GAAP general and administrative expense as a percentage of revenue	5.6%	6.0%	6.3%	5.6%	5.0%	6.0%	5.7%	5.4%
GAAP total operating expense	\$ 321.8	\$ 345.9	\$ 363.8	\$ 357.2	\$ 397.9	\$ 418.4	\$ 414.9	\$ 458.8
Share-based compensation related charges	98.6	101.3	114.0	103.9	103.5	110.3	113.3	104.9
Acquisition related costs ⁽³⁾	-	-	0.7	2.4	-	-	-	13.3
Amortization expense of acquired intangible assets	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.2
Facility exit costs ⁽⁴⁾	-	-	-	-	21.3	15.6	1.4	23.8
Non-GAAP total operating expense	\$ 223.0	\$ 244.4	\$ 249.0	\$ 250.8	\$ 273.0	\$ 292.4	\$ 300.1	\$ 316.6
Non-GAAP total operating expense as a percentage of revenue	55.7%	61.4%	58.9%	58.0%	53.6%	57.8%	55.4%	55.9%
GAAP operating loss	\$ (22.7)	\$ (49.0)	\$ (54.4)	\$ (49.1)	\$ (27.3)	\$ (54.3)	\$ (31.8)	\$ (51.6)
Share-based compensation related charges	112.7	115.6	131.8	120.6	120.9	128.9	136.3	123.1
Acquisition related costs ⁽³⁾	-	-	0.7	2.4	-	-	-	13.3
Amortization expense of acquired intangible assets	2.0	2.1	2.0	2.3	2.5	2.5	2.5	3.6
Litigation related charges ⁽²⁾	3.1	3.1	3.0	3.1	3.1	3.1	3.0	3.1
Facility exit costs ⁽⁴⁾	-	-	-	-	21.3	15.6	1.4	23.8
Non-GAAP operating income	\$ 95.1	\$ 71.8	\$ 83.1	\$ 79.3	\$ 120.5	\$ 95.8	\$ 111.4	\$ 115.3
Non-GAAP operating margin	23.7%	18.0%	19.7%	18.4%	23.7%	19.0%	20.5%	20.3%
GAAP interest expense	\$ (6.0)	\$ (6.0)	\$ (6.1)	\$ (6.2)	\$ (6.2)	\$ (6.3)	\$ (6.4)	\$ (6.5)
Non-cash interest expense related to convertible notes	6.0	6.0	6.1	6.2	6.2	6.3	6.4	6.5
Non-GAAP interest expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-GAAP interest expense as a percentage of revenue	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
GAAP other income, net	\$ 2.7	\$ 2.5	\$ 2.7	\$ 2.1	\$ 2.9	\$ 4.8	\$ 4.9	\$ 8.6
Foreign currency (gain) loss associated with non-GAAP adjustments	(0.6)	(0.2)	0.6	1.4	0.6	0.5	1.0	(2.0)
Non-GAAP other income, net	\$ 2.1	\$ 2.3	\$ 3.3	\$ 3.5	\$ 3.5	\$ 5.3	\$ 5.9	\$ 6.6
Non-GAAP other income, net as a percentage of revenue	0.5%	0.6%	0.8%	0.8%	0.7%	1.0%	1.1%	1.2%
GAAP loss before income taxes	\$ (26.0)	\$ (52.5)	\$ (57.8)	\$ (53.2)	\$ (30.6)	\$ (55.8)	\$ (33.3)	\$ (49.5)
Share-based compensation related charges	112.7	115.6	131.8	120.6	120.9	128.9	136.3	123.1
Acquisition related costs ⁽³⁾	-	-	0.7	2.4	-	-	-	13.3
Amortization expense of acquired intangible assets	2.0	2.1	2.0	2.3	2.5	2.5	2.5	3.6
Litigation related charges ⁽²⁾	3.1	3.1	3.0	3.1	3.1	3.1	3.0	3.1
Facility exit costs ⁽⁴⁾	-	-	-	-	21.3	15.6	1.4	23.8
Non-cash interest expense related to convertible notes	6.0	6.0	6.1	6.2	6.2	6.3	6.4	6.5
Foreign currency (gain) loss associated with non-GAAP adjustments	(0.6)	(0.2)	0.6	1.4	0.6	0.5	1.0	(2.0)
Non-GAAP income before income taxes	\$ 97.2	\$ 74.1	\$ 86.4	\$ 82.8	\$ 124.0	\$ 101.1	\$ 117.3	\$ 121.9
GAAP provision for (benefit from) income taxes	\$ 5.4	\$ 4.4	\$ 2.8	\$ 7.7	\$ 7.6	\$ 8.2	\$ 1.6	\$ (2.8)
Income tax and other tax adjustments related to the above	31.5	18.5	24.0	18.0	30.9	23.1	24.2	29.6
Non-GAAP provision for income taxes	\$ 36.9	\$ 22.9	\$ 26.8	\$ 25.7	\$ 38.5	\$ 31.3	\$ 25.8	\$ 26.8
Non-GAAP effective tax rate ⁽⁵⁾	38.0%	31.0%	31.0%	31.0%	31.0%	31.0%	22.0%	22.0%
GAAP net loss	\$ (31.4)	\$ (56.9)	\$ (60.6)	\$ (60.9)	\$ (38.2)	\$ (64.0)	\$ (34.9)	\$ (46.7)
Share-based compensation related charges	112.7	115.6	131.8	120.6	120.9	128.9	136.3	123.1
Acquisition related costs ⁽³⁾	-	-	0.7	2.4	-	-	-	13.3
Amortization expense of acquired intangible assets	2.0	2.1	2.0	2.3	2.5	2.5	2.5	3.6
Litigation related charges ⁽²⁾	3.1	3.1	3.0	3.1	3.1	3.1	3.0	3.1
Facility exit costs ⁽⁴⁾	-	-	-	-	21.3	15.6	1.4	23.8
Non-cash interest expense related to convertible notes	6.0	6.0	6.1	6.2	6.2	6.3	6.4	6.5
Foreign currency (gain) loss associated with non-GAAP adjustments	(0.6)	(0.2)	0.6	1.4	0.6	0.5	1.0	(2.0)
Income tax and other tax adjustments related to the above	(31.5)	(18.5)	(24.0)	(18.0)	(30.9)	(23.1)	(24.2)	(29.6)
Non-GAAP net income	\$ 60.3	\$ 51.2	\$ 59.6	\$ 57.1	\$ 85.5	\$ 69.8	\$ 91.5	\$ 95.1

(1) In Q2'17, we early adopted new share-based payment accounting guidance. As a result, certain amounts for Q1'17 have been adjusted to reflect the adoption of the guidance. Additionally, we elected to adopt the guidance related to the presentation of excess tax benefits in the statement of cash flows on a retrospective basis and, as a result, certain cash flow amounts for periods prior to fiscal 2017 have been adjusted.

(2) Consists of the amortization of intellectual property licenses.

(3) Consists of acquisition transaction costs, share-based compensation related to the cash settlement of certain equity awards, and costs to terminate certain employment and operating lease contracts of the acquired companies.

(4) Consists of charges related to the relocation of our corporate headquarters (impairment loss of \$20.9 million and accelerated depreciation in Q4'17, cease-use loss of \$15.4 million and accelerated depreciation in Q1'18, and additional cease-use loss of \$23.8 million in Q3'18) and charges related to the relocation of our research and development center in Israel (cease-use loss of \$1.3 million and accelerated depreciation in Q2'18).

(5) Effective Q1'17, our non-GAAP effective tax rate changed from 38% to 31%. Effective Q2'18, our non-GAAP effective tax rate changed from 31% to 22% due to the reduction of the U.S. federal corporate income tax rate under the U.S. Tax Cuts and Jobs Act, which was enacted into law on December 22, 2017.

Palo Alto Networks, Inc.

GAAP to Non-GAAP Reconciliations and Calculation of Other Key Metrics - Fiscal Quarters
(In millions, except percentages and per share amounts)

	Q416	Q117 ⁽¹⁾	Q217	Q317	Q417	Q118	Q218	Q318
GAAP net loss per share, diluted	\$ (0.35)	\$ (0.63)	\$ (0.67)	\$ (0.67)	\$ (0.42)	\$ (0.70)	\$ (0.38)	\$ (0.51)
Share-based compensation related charges	1.25	1.27	1.42	1.30	1.31	1.38	1.46	1.30
Acquisition related costs ⁽³⁾	0.00	0.00	0.01	0.03	0.00	0.00	0.00	0.14
Amortization expense of acquired intangible assets	0.02	0.02	0.02	0.03	0.03	0.03	0.03	0.04
Litigation related charges ⁽²⁾	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03
Facility exit costs ⁽⁴⁾	0.00	0.00	0.00	0.00	0.23	0.17	0.02	0.26
Non-cash interest expense related to convertible notes	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07
Foreign currency (gain) loss associated with non-GAAP adjustments	(0.01)	0.00	0.01	0.02	0.01	0.01	0.01	(0.02)
Income tax and other tax adjustments related to the above	(0.35)	(0.21)	(0.26)	(0.20)	(0.34)	(0.25)	(0.27)	(0.32)
Non-GAAP net income per share, diluted	\$ 0.66	\$ 0.55	\$ 0.63	\$ 0.61	\$ 0.92	\$ 0.74	\$ 0.97	\$ 0.99
GAAP weighted-average shares used to compute net loss per share, diluted	88.9	89.8	90.7	91.0	90.9	90.9	91.1	91.9
Weighted-average effect of potentially dilutive securities ⁽⁵⁾	2.8	3.9	3.2	2.3	2.4	2.8	2.8	4.3
Non-GAAP weighted-average shares used to compute net income per share, diluted	91.7	93.7	93.9	93.3	93.3	93.7	93.9	96.2
Net cash provided by operating activities ⁽¹⁾⁽⁶⁾	\$ 187.3	\$ 203.5	\$ 214.3	\$ 211.2	\$ 239.5	\$ 274.1	\$ 243.7	\$ 241.3
Less: purchases of property, equipment, and other assets	16.3	20.9	44.7	48.6	49.2	32.2	25.6	28.8
Free cash flow (non-GAAP) ⁽¹⁾⁽⁶⁾	\$ 171.0	\$ 182.6	\$ 169.6	\$ 162.6	\$ 190.3	\$ 241.9	\$ 218.1	\$ 212.5
Net cash provided by (used in) investing activities	\$ 0.4	\$ (71.2)	\$ (173.1)	\$ (166.8)	\$ (61.5)	\$ (52.4)	\$ (36.1)	\$ (225.1)
Net cash provided by (used in) financing activities ⁽¹⁾	\$ (3.3)	\$ (27.3)	\$ (119.2)	\$ (113.8)	\$ (125.7)	\$ (123.4)	\$ (135.2)	\$ 17.8
Free cash flow margin (non-GAAP) ⁽¹⁾⁽⁶⁾	42.7 %	45.9 %	40.1 %	37.7 %	37.4 %	47.9 %	40.2 %	37.5 %
Other Key Metrics - Calculation of Billings								
Total revenue	\$ 400.8	\$ 398.1	\$ 422.6	\$ 431.8	\$ 509.1	\$ 505.5	\$ 542.4	\$ 567.1
Add: change in total deferred revenue, net of acquired deferred revenue	171.6	118.8	139.0	112.3	161.7	91.0	132.2	153.9
Billings	\$ 572.4	\$ 516.9	\$ 561.6	\$ 544.1	\$ 670.8	\$ 596.5	\$ 674.6	\$ 721.0

(1) In Q2'17, we early adopted new share-based payment accounting guidance. As a result, certain amounts for Q1'17 have been adjusted to reflect the adoption of the guidance. Additionally, we elected to adopt the guidance related to the presentation of excess tax benefits in the statement of cash flows on a retrospective basis and, as a result, certain cash flow amounts for periods prior to fiscal 2017 have been adjusted.

(2) Consists of the amortization of intellectual property licenses.

(3) Consists of acquisition transaction costs, share-based compensation related to the cash settlement of certain equity awards, and costs to terminate certain employment and operating lease contracts of the acquired companies.

(4) Consists of charges related to the relocation of our corporate headquarters (impairment loss of \$20.9 million and accelerated depreciation in Q4'17, cease-use loss of \$15.4 million and accelerated depreciation in Q1'18, and additional cease-use loss of \$23.8 million in Q3'18) and charges related to the relocation of our research and development center in Israel (cease-use loss of \$1.3 million and accelerated depreciation in Q2'18).

(5) Our potentially dilutive securities include the potentially dilutive effect of employee equity incentive plan awards and our convertible senior notes outstanding and related warrant agreements, partially offset by the anti-dilutive impact of our note hedge agreements.

(6) Cash provided by operating activities during Q1'18 includes the receipt of an upfront cash reimbursement of \$38.2 million from our landlords in connection with the exercise of their option to amend the lease payment schedules and eliminate the rent holiday periods under certain of our lease agreements. The upfront cash reimbursement will be applied against rental payments due in fiscal years 2018 through 2020 under the amended lease agreements.

Palo Alto Networks, Inc.

**GAAP to Non-GAAP Reconciliations - Earnings per Share - Fiscal Years
(In millions, except percentages and per share amounts)**

	FY15	FY16	FY17
GAAP net loss per share, diluted	\$ (1.61)	\$ (2.21)	\$ (2.39)
Share-based compensation related charges	2.79	4.58	5.30
Acquisition related costs ⁽³⁾	0.01	0.00	0.03
Amortization expense of acquired intangible assets	0.09	0.10	0.10
Litigation related charges ⁽¹⁾	0.15	0.14	0.14
Non-cash interest expense related to convertible notes	0.27	0.27	0.27
Facility exit costs ⁽²⁾	0.00	0.00	0.24
Foreign currency (gain) loss associated with non-GAAP adjustments	0.02	0.00	0.03
Income tax and other tax adjustments related to the above	(0.62)	(0.99)	(1.01)
Non-GAAP net income per share, diluted	<u>\$ 1.10</u>	<u>\$ 1.89</u>	<u>\$ 2.71</u>

(1) Consists of the amortization of intellectual property licenses.

(2) Consists of charges related to the relocation of our corporate headquarters, including an impairment loss of \$20.9 million and accelerated depreciation.

(3) Consists of a combination of acquisition transaction costs, share-based compensation related to the cash settlement of certain equity awards, and costs to terminate certain employment and operating lease contracts of the acquired companies.

Palo Alto Networks, Inc.
Condensed Consolidated Balance Sheets - Fiscal Quarters
(In millions)

	Q416	Q117 ⁽¹⁾	Q217	Q317	Q417	Q118	Q218	Q318
Assets								
Current assets:								
Cash and cash equivalents	\$ 734.4	\$ 839.4	\$ 761.4	\$ 692.0	\$ 744.3	\$ 842.6	\$ 915.0	\$ 949.0
Short-term investments	551.2	550.6	593.0	680.0	630.7	660.6	720.7	672.2
Accounts receivable, net	348.7	346.5	386.1	364.1	432.1	350.8	365.1	361.8
Prepaid expenses and other current assets	139.7	129.4	139.9	159.1	169.2	185.5	209.4	222.5
Total current assets	1,774.0	1,865.9	1,880.4	1,895.2	1,976.3	2,039.5	2,210.2	2,205.5
Property and equipment, net	117.2	125.0	154.1	192.3	211.1	256.9	264.7	264.2
Long-term investments	652.8	708.4	790.5	719.1	789.3	777.4	722.3	592.9
Goodwill	163.5	163.5	163.5	238.8	238.8	238.8	238.8	522.2
Intangible assets, net	44.0	41.7	39.5	56.5	53.7	51.0	48.3	147.7
Other assets	106.7	103.7	146.6	148.2	169.1	122.9	143.2	175.8
Total assets	\$ 2,858.2	\$ 3,008.2	\$ 3,174.6	\$ 3,250.1	\$ 3,438.3	\$ 3,486.5	\$ 3,627.5	\$ 3,908.3
Liabilities, temporary equity, and stockholders' equity								
Current liabilities:								
Accounts payable	\$ 30.2	\$ 29.2	\$ 28.0	\$ 33.2	\$ 35.5	\$ 38.8	\$ 33.4	\$ 32.7
Accrued compensation	73.5	59.0	78.8	76.4	117.5	74.5	113.2	95.1
Accrued and other liabilities	39.2	48.4	58.8	60.1	79.9	80.8	83.6	106.0
Deferred revenue	703.9	758.1	828.0	885.0	968.4	1,017.9	1,088.8	1,165.5
Convertible senior notes, net	-	506.2	-	-	-	531.0	537.4	543.8
Total current liabilities	846.8	1,400.9	993.6	1,054.7	1,201.3	1,743.0	1,856.4	1,943.1
Convertible senior notes, net	500.2	-	512.3	518.4	524.7	-	-	-
Long-term deferred revenue	536.9	601.5	670.6	726.8	805.1	846.6	907.9	989.4
Other long-term liabilities	79.4	80.2	127.5	137.1	147.6	192.2	196.6	226.0
Temporary equity	-	61.4	-	-	-	39.2	33.5	27.7
Stockholders' equity:								
Preferred stock	-	-	-	-	-	-	-	-
Common stock and additional paid-in capital	1,515.5	1,543.1	1,613.3	1,615.8	1,599.7	1,573.2	1,575.9	1,717.6
Accumulated other comprehensive income (loss)	1.0	(1.9)	(5.1)	(4.2)	(3.4)	(7.0)	(7.2)	(13.2)
Accumulated deficit	(621.6)	(677.0)	(737.6)	(798.5)	(836.7)	(900.7)	(935.6)	(982.3)
Total stockholders' equity	894.9	864.2	870.6	813.1	759.6	665.5	633.1	722.1
Total liabilities, temporary equity, and stockholders' equity	\$ 2,858.2	\$ 3,008.2	\$ 3,174.6	\$ 3,250.1	\$ 3,438.3	\$ 3,486.5	\$ 3,627.5	\$ 3,908.3

(1) In Q2'17, we early adopted new share-based payment accounting guidance. As a result, certain amounts for Q1'17 have been adjusted to reflect the adoption of the guidance.

Palo Alto Networks, Inc.
Condensed Consolidated Statements of Cash Flows - Fiscal Quarters
(In millions)

	Q416	Q117 ⁽¹⁾	Q217	Q317	Q417	Q118	Q218	Q318
Cash flows from operating activities								
Net loss	\$ (31.4)	\$ (56.9)	\$ (60.6)	\$ (60.9)	\$ (38.2)	\$ (64.0)	\$ (34.9)	\$ (46.7)
Adjustments to reconcile net loss to net cash provided by operating activities:								
Share-based compensation for equity based awards	109.6	113.3	127.3	116.2	117.7	125.7	130.8	116.6
Depreciation and amortization	12.1	13.6	14.4	15.1	16.7	21.3	22.1	24.6
Asset impairment related to facility exit	-	-	-	-	20.9	-	-	-
Cease-use loss related to facility exit	-	-	-	-	-	15.4	1.3	24.4
Amortization of debt discount and debt issuance costs	6.0	6.0	6.1	6.2	6.2	6.3	6.4	6.5
Amortization of investment premiums, net of accretion of purchase discounts	0.6	0.7	0.7	0.7	0.6	0.5	0.1	-
Changes in operating assets and liabilities, net of effects of acquisitions:								
Accounts receivable, net	(81.1)	2.2	(39.5)	22.4	(68.0)	81.3	(14.3)	5.5
Prepaid expenses and other assets	(13.4)	10.1	(13.9)	(8.0)	(36.3)	(6.4)	(32.6)	(21.3)
Accounts payable	3.4	1.8	(1.6)	2.6	3.1	4.2	(10.6)	1.8
Accrued compensation	17.1	(14.5)	19.8	(3.6)	41.1	(43.0)	38.7	(20.1)
Accrued and other liabilities	(7.2)	8.4	22.6	8.2	14.0	41.8	4.5	(3.9)
Deferred revenue	171.6	118.8	139.0	112.3	161.7	91.0	132.2	153.9
Net cash provided by operating activities ⁽¹⁾⁽²⁾	187.3	203.5	214.3	211.2	239.5	274.1	243.7	241.3
Cash flows from investing activities								
Purchases of investments	(206.9)	(285.7)	(277.0)	(164.2)	(269.0)	(226.8)	(145.7)	(15.4)
Proceeds from sales of investments	4.5	-	-	-	-	-	-	-
Proceeds from maturities of investments	219.1	235.4	148.6	136.7	256.7	206.6	135.2	189.2
Business acquisitions, net of cash acquired	-	-	-	(90.7)	-	-	-	(370.1)
Purchases of property, equipment, and other assets	(16.3)	(20.9)	(44.7)	(48.6)	(49.2)	(32.2)	(25.6)	(28.8)
Net cash provided by (used in) investing activities	0.4	(71.2)	(173.1)	(166.8)	(61.5)	(52.4)	(36.1)	(225.1)
Cash flows from financing activities								
Repurchases of common stock	-	(50.0)	(120.1)	(125.0)	(115.9)	(134.1)	(125.0)	-
Proceeds from sales of shares through employee equity incentive plans	3.1	22.7	0.9	22.2	0.6	22.1	1.3	29.2
Payments for taxes related to net share settlement of equity awards	-	-	-	(11.0)	(10.4)	(11.4)	(11.5)	(11.4)
Payment of deferred consideration related to prior year business acquisition	(6.4)	-	-	-	-	-	-	-
Net cash provided by (used in) financing activities ⁽¹⁾	(3.3)	(27.3)	(119.2)	(113.8)	(125.7)	(123.4)	(135.2)	17.8
Net increase (decrease) in cash and cash equivalents	184.4	105.0	(78.0)	(69.4)	52.3	98.3	72.4	34.0
Cash and cash equivalents - beginning of period	550.0	734.4	839.4	761.4	692.0	744.3	842.6	915.0
Cash and cash equivalents - end of period	\$ 734.4	\$ 839.4	\$ 761.4	\$ 692.0	\$ 744.3	\$ 842.6	\$ 915.0	\$ 949.0

(1) In Q2'17, we early adopted new share-based payment accounting guidance. As a result, certain amounts for Q1'17 have been adjusted to reflect the adoption of the guidance. Additionally, we elected to adopt the guidance related to the presentation of excess tax benefits in the statement of cash flows on a retrospective basis and, as a result, certain amounts for periods prior to fiscal 2017 have been adjusted.

(2) Cash provided by operating activities during Q1'18 includes the receipt of an upfront cash reimbursement of \$38.2 million from our landlords in connection with the exercise of their option to amend the lease payment schedules and eliminate the rent holiday periods under certain of our lease agreements. The upfront cash reimbursement will be applied against rental payments due in fiscal years 2018 through 2020 under the amended lease agreements.