

## **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 Years**  
**(In millions, except percentages)**

	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>
Revenue:			
Product	\$ 670.8	\$ 709.1	\$ 871.5
Subscription and support	707.7	1,052.5	1,401.6
Total revenue	<u>1,378.5</u>	<u>1,761.6</u>	<u>2,273.1</u>
Cost of revenue:			
Product	175.4	201.4	272.4
Subscription and support	194.6	275.2	372.9
Total cost of revenue	<u>370.0</u>	<u>476.6</u>	<u>645.3</u>
Total gross profit	1,008.5	1,285.0	1,627.8
<i>Product gross margin</i>	<i>73.9 %</i>	<i>71.6 %</i>	<i>68.7 %</i>
<i>Subscription and support gross margin</i>	<i>72.5 %</i>	<i>73.9 %</i>	<i>73.4 %</i>
<i>Total gross margin</i>	<i>73.2 %</i>	<i>72.9 %</i>	<i>71.6 %</i>
Operating expenses:			
Research and development	284.2	347.4	400.7
Sales and marketing	743.2	919.1	1,098.4
General and administrative	138.4	198.3	257.8
Total operating expenses	<u>1,165.8</u>	<u>1,464.8</u>	<u>1,756.9</u>
Operating loss	(157.3)	(179.8)	(129.1)
Interest expense	(23.4)	(24.5)	(29.6)
Other income, net	8.4	10.2	28.5
Loss before income taxes	<u>(172.3)</u>	<u>(194.1)</u>	<u>(130.2)</u>
Provision for income taxes	20.4	22.5	17.7
Net loss	<u>\$ (192.7)</u>	<u>\$ (216.6)</u>	<u>\$ (147.9)</u>

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

	Q117 <sup>(1)</sup>	Q217	Q317	Q417	Q118	Q218	Q318	Q418
Revenue:								
Product	\$ 163.8	\$ 168.8	\$ 164.2	\$ 212.3	\$ 186.5	\$ 202.2	\$ 215.2	\$ 267.6
Subscription and support	234.3	253.8	267.6	296.8	319.0	340.2	351.9	390.5
Total revenue	398.1	422.6	431.8	509.1	505.5	542.4	567.1	658.1
Cost of revenue:								
Product	42.2	45.8	49.7	63.7	57.6	63.9	68.9	82.0
Subscription and support	59.0	67.4	74.0	74.8	83.8	95.4	91.0	102.7
Total cost of revenue	101.2	113.2	123.7	138.5	141.4	159.3	159.9	184.7
Total gross profit	296.9	309.4	308.1	370.6	364.1	383.1	407.2	473.4
<i>Product gross margin</i>	74.2 %	72.9 %	69.7 %	70.0 %	69.1 %	68.4 %	68.0 %	69.4 %
<i>Subscription and support gross margin</i>	74.8 %	73.4 %	72.3 %	74.8 %	73.7 %	72.0 %	74.1 %	73.7 %
<i>Total gross margin</i>	74.6 %	73.2 %	71.4 %	72.8 %	72.0 %	70.6 %	71.8 %	71.9 %
Operating expenses:								
Research and development	84.2	89.9	86.0	87.3	94.2	96.6	99.6	110.3
Sales and marketing	220.1	226.7	226.9	245.4	258.5	265.0	277.1	297.8
General and administrative	41.6	47.2	44.3	65.2	65.7	53.3	82.1	56.7
Total operating expenses	345.9	363.8	357.2	397.9	418.4	414.9	458.8	464.8
Operating income (loss)	(49.0)	(54.4)	(49.1)	(27.3)	(54.3)	(31.8)	(51.6)	8.6
Interest expense	(6.0)	(6.1)	(6.2)	(6.2)	(6.3)	(6.4)	(6.5)	(10.4)
Other income, net	2.5	2.7	2.1	2.9	4.8	4.9	8.6	10.2
Income (loss) before income taxes	(52.5)	(57.8)	(53.2)	(30.6)	(55.8)	(33.3)	(49.5)	8.4
Provision for (benefit from) income taxes	4.4	2.8	7.7	7.6	8.2	1.6	(2.8)	10.7
Net loss	\$ (56.9)	\$ (60.6)	\$ (60.9)	\$ (38.2)	\$ (64.0)	\$ (34.9)	\$ (46.7)	\$ (2.3)

(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.**  
**Non-GAAP Condensed Consolidated Statements of Operations - Fiscal Years**  
**(In millions, except percentages)**

	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>
Revenue:			
Product	\$ 670.8	\$ 709.1	\$ 871.5
Subscription and support	707.7	1,052.5	1,401.6
Total revenue	<u>1,378.5</u>	<u>1,761.6</u>	<u>2,273.1</u>
Cost of revenue:			
Product	156.6	181.6	252.7
Subscription and support	144.5	208.1	287.5
Total cost of revenue	<u>301.1</u>	<u>389.7</u>	<u>540.2</u>
Total gross profit	1,077.4	1,371.9	1,732.9
<i>Product gross margin</i>	<i>76.6 %</i>	<i>74.4 %</i>	<i>71.0 %</i>
<i>Subscription and support gross margin</i>	<i>79.6 %</i>	<i>80.2 %</i>	<i>79.5 %</i>
<i>Total gross margin</i>	<i>78.2 %</i>	<i>77.9 %</i>	<i>76.2 %</i>
Operating expenses:			
Research and development	146.7	190.8	251.2
Sales and marketing	584.9	726.3	880.8
General and administrative	75.0	100.1	127.0
Total operating expenses	<u>806.6</u>	<u>1,017.2</u>	<u>1,259.0</u>
Operating income	270.8	354.7	473.9
Interest expense	-	-	(0.8)
Other income, net	8.1	12.6	27.5
Income before income taxes	<u>278.9</u>	<u>367.3</u>	<u>500.6</u>
Provision for income taxes	106.0	113.9	119.2
Net income	<u>\$ 172.9</u>	<u>\$ 253.4</u>	<u>\$ 381.4</u>

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

	Q117	Q217	Q317	Q417	Q118	Q218	Q318	Q418
Revenue:								
Product	\$ 163.8	\$ 168.8	\$ 164.2	\$ 212.3	\$ 186.5	\$ 202.2	\$ 215.2	\$ 267.6
Subscription and support	234.3	253.8	267.6	296.8	319.0	340.2	351.9	390.5
Total revenue	398.1	422.6	431.8	509.1	505.5	542.4	567.1	658.1
Cost of revenue:								
Product	37.3	40.7	44.9	58.7	52.6	58.8	64.0	77.3
Subscription and support	44.6	49.8	56.8	56.9	64.7	72.1	71.2	79.5
Total cost of revenue	81.9	90.5	101.7	115.6	117.3	130.9	135.2	156.8
Total gross profit	316.2	332.1	330.1	393.5	388.2	411.5	431.9	501.3
<i>Product gross margin</i>	77.2 %	75.9 %	72.7 %	72.4 %	71.8 %	70.9 %	70.3 %	71.1 %
<i>Subscription and support gross margin</i>	81.0 %	80.4 %	78.8 %	80.8 %	79.7 %	78.8 %	79.8 %	79.6 %
<i>Total gross margin</i>	79.4 %	78.6 %	76.4 %	77.3 %	76.8 %	75.9 %	76.2 %	76.2 %
Operating expenses:								
Research and development	45.4	47.3	47.7	50.4	56.0	59.7	62.7	72.8
Sales and marketing	175.3	175.0	178.9	197.1	205.9	209.4	223.2	242.3
General and administrative	23.7	26.7	24.2	25.5	30.5	31.0	30.7	34.8
Total operating expenses	244.4	249.0	250.8	273.0	292.4	300.1	316.6	349.9
Operating income	71.8	83.1	79.3	120.5	95.8	111.4	115.3	151.4
Interest expense	-	-	-	-	-	-	-	(0.8)
Other income, net	2.3	3.3	3.5	3.5	5.3	5.9	6.6	9.7
Income before income taxes	74.1	86.4	82.8	124.0	101.1	117.3	121.9	160.3
Provision for income taxes	22.9	26.8	25.7	38.5	31.3	25.8	26.8	35.3
Net income	\$ 51.2	\$ 59.6	\$ 57.1	\$ 85.5	\$ 69.8	\$ 91.5	\$ 95.1	\$ 125.0

**Palo Alto Networks, Inc.**  
**GAAP to Non-GAAP Reconciliations and Calculations of Other Key Metrics - Fiscal Years**  
(In millions, except percentages and per share amounts)

	FY16	FY17	FY18
<b>GAAP to Non-GAAP Reconciliations</b>			
GAAP product gross profit	\$ 495.4	\$ 507.7	\$ 599.1
Share-based compensation related charges	6.5	7.5	7.2
Amortization expense of acquired intangible assets	-	-	0.2
Litigation related charges <sup>(1)</sup>	12.3	12.3	12.3
Non-GAAP product gross profit	<u>\$ 514.2</u>	<u>\$ 527.5</u>	<u>\$ 618.8</u>
Non-GAAP product gross margin	<u>76.6%</u>	<u>74.4%</u>	<u>71.0%</u>
GAAP subscription and support gross profit	\$ 513.1	\$ 777.3	\$ 1,028.7
Share-based compensation related charges	42.6	58.7	71.2
Amortization expense of acquired intangible assets	7.5	8.4	14.2
Non-GAAP subscription and support gross profit	<u>\$ 563.2</u>	<u>\$ 844.4</u>	<u>\$ 1,114.1</u>
Non-GAAP subscription and support gross margin	<u>79.6%</u>	<u>80.2%</u>	<u>79.5%</u>
GAAP total gross profit	\$ 1,008.5	\$ 1,285.0	\$ 1,627.8
Share-based compensation related charges	49.1	66.2	78.4
Amortization expense of acquired intangible assets	7.5	8.4	14.4
Litigation related charges <sup>(1)</sup>	12.3	12.3	12.3
Non-GAAP total gross profit	<u>\$ 1,077.4</u>	<u>\$ 1,371.9</u>	<u>\$ 1,732.9</u>
Non-GAAP gross margin	<u>78.2%</u>	<u>77.9%</u>	<u>76.2%</u>
GAAP research and development expense	\$ 284.2	\$ 347.4	\$ 400.7
Share-based compensation related charges	136.8	156.3	149.5
Amortization expense of acquired intangible assets	0.7	0.3	-
Non-GAAP research and development expense	<u>\$ 146.7</u>	<u>\$ 190.8</u>	<u>\$ 251.2</u>
Non-GAAP research and development expense as a percentage of revenue	<u>10.6%</u>	<u>10.8%</u>	<u>11.1%</u>
GAAP sales and marketing expense	\$ 743.2	\$ 919.1	\$ 1,098.4
Share-based compensation related charges	158.2	192.6	216.3
Acquisition related costs <sup>(2)</sup>	-	-	0.1
Amortization expense of acquired intangible assets	0.1	0.2	1.2
Non-GAAP sales and marketing expense	<u>\$ 584.9</u>	<u>\$ 726.3</u>	<u>\$ 880.8</u>
Non-GAAP sales and marketing expense as a percentage of revenue	<u>42.4%</u>	<u>41.2%</u>	<u>38.7%</u>
GAAP general and administrative expense	\$ 138.4	\$ 198.3	\$ 257.8
Share-based compensation related charges	63.4	73.8	72.2
Acquisition related costs <sup>(2)</sup>	-	3.1	17.8
Facility exit costs <sup>(3)</sup>	-	21.3	40.8
Non-GAAP general and administrative expense	<u>\$ 75.0</u>	<u>\$ 100.1</u>	<u>\$ 127.0</u>
Non-GAAP general and administrative expense as a percentage of revenue	<u>5.5%</u>	<u>5.8%</u>	<u>5.6%</u>
GAAP total operating expense	\$ 1,165.8	\$ 1,464.8	\$ 1,756.9
Share-based compensation related charges	358.4	422.7	438.0
Acquisition related costs <sup>(2)</sup>	-	3.1	17.9
Amortization expense of acquired intangible assets	0.8	0.5	1.2
Facility exit costs <sup>(3)</sup>	-	21.3	40.8
Non-GAAP total operating expense	<u>\$ 806.6</u>	<u>\$ 1,017.2</u>	<u>\$ 1,259.0</u>
Non-GAAP total operating expense as a percentage of revenue	<u>58.5%</u>	<u>57.8%</u>	<u>55.4%</u>
GAAP operating loss	\$ (157.3)	\$ (179.8)	\$ (129.1)
Share-based compensation related charges	407.5	488.9	516.4
Acquisition related costs <sup>(2)</sup>	-	3.1	17.9
Amortization expense of acquired intangible assets	8.3	8.9	15.6
Litigation related charges <sup>(1)</sup>	12.3	12.3	12.3
Facility exit costs <sup>(3)</sup>	-	21.3	40.8
Non-GAAP operating income	<u>\$ 270.8</u>	<u>\$ 354.7</u>	<u>\$ 473.9</u>
Non-GAAP operating margin	<u>19.7%</u>	<u>20.1%</u>	<u>20.8%</u>
GAAP interest expense	\$ (23.4)	\$ (24.5)	\$ (29.6)
Non-cash interest expense related to convertible notes	23.4	24.5	28.8
Non-GAAP interest expense	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0.8)</u>
Non-GAAP interest expense as a percentage of revenue	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>
GAAP other income, net	\$ 8.4	\$ 10.2	\$ 28.5
Foreign currency (gain) loss associated with non-GAAP adjustments	(0.3)	2.4	(1.0)
Non-GAAP other income, net	<u>\$ 8.1</u>	<u>\$ 12.6</u>	<u>\$ 27.5</u>
Non-GAAP other income, net as a percentage of revenue	<u>0.6%</u>	<u>0.7%</u>	<u>1.2%</u>
GAAP loss before income taxes	\$ (172.3)	\$ (194.1)	\$ (130.2)
Share-based compensation related charges	407.5	488.9	516.4
Acquisition related costs <sup>(2)</sup>	-	3.1	17.9
Amortization expense of acquired intangible assets	8.3	8.9	15.6
Litigation related charges <sup>(1)</sup>	12.3	12.3	12.3
Facility exit costs <sup>(3)</sup>	-	21.3	40.8
Non-cash interest expense related to convertible notes	23.4	24.5	28.8
Foreign currency (gain) loss associated with non-GAAP adjustments	(0.3)	2.4	(1.0)
Non-GAAP income before income taxes	<u>\$ 278.9</u>	<u>\$ 367.3</u>	<u>\$ 500.6</u>

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

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

(3) Consists of charges related to the relocation of our corporate headquarters (impairment loss of \$20.9 million and accelerated depreciation during FY17 and cease-use loss of \$39.2 million and accelerated depreciation during FY18) and charges related to the relocation of our research and development center in Israel (cease-use loss of \$1.3 million and accelerated depreciation during FY18).

**Palo Alto Networks, Inc.**  
**GAAP to Non-GAAP Reconciliations and Calculations of Other Key Metrics - Fiscal Years**  
**(In millions, except percentages and per share amounts)**

	FY16	FY17	FY18
GAAP provision for income taxes	\$ 20.4	\$ 22.5	\$ 17.7
Income tax and other tax adjustments related to the above	85.6	91.4	101.5
Non-GAAP provision for income taxes	<u>\$ 106.0</u>	<u>\$ 113.9</u>	<u>\$ 119.2</u>
Non-GAAP effective tax rate <sup>(4)</sup>	<u>38.0%</u>	<u>31.0%</u>	<u>23.8%</u>
GAAP net loss	\$ (192.7)	\$ (216.6)	\$ (147.9)
Share-based compensation related charges	407.5	488.9	516.4
Acquisition related costs <sup>(2)</sup>	-	3.1	17.9
Amortization expense of acquired intangible assets	8.3	8.9	15.6
Litigation related charges <sup>(1)</sup>	12.3	12.3	12.3
Facility exit costs <sup>(3)</sup>	-	21.3	40.8
Non-cash interest expense related to convertible notes	23.4	24.5	28.8
Foreign currency (gain) loss associated with non-GAAP adjustments	(0.3)	2.4	(1.0)
Income tax and other tax adjustments related to the above	(85.6)	(91.4)	(101.5)
Non-GAAP net income	<u>\$ 172.9</u>	<u>\$ 253.4</u>	<u>\$ 381.4</u>
GAAP net loss per share, diluted	\$ (2.21)	\$ (2.39)	\$ (1.61)
Share-based compensation related charges	4.58	5.30	5.47
Acquisition related costs <sup>(2)</sup>	0.00	0.03	0.20
Amortization expense of acquired intangible assets	0.10	0.10	0.17
Litigation related charges <sup>(1)</sup>	0.14	0.14	0.13
Facility exit costs <sup>(3)</sup>	0.00	0.24	0.44
Non-cash interest expense related to convertible notes	0.27	0.27	0.31
Foreign currency (gain) loss associated with non-GAAP adjustments	0.00	0.03	(0.01)
Income tax and other tax adjustments related to the above	(0.99)	(1.01)	(1.11)
Non-GAAP net income per share, diluted	<u>\$ 1.89</u>	<u>\$ 2.71</u>	<u>\$ 3.99</u>
GAAP weighted-average shares used to compute net loss per share, diluted	87.1	90.6	91.7
Weighted-average effect of potentially dilutive securities <sup>(5)</sup>	4.2	3.0	3.8
Non-GAAP weighted-average shares used to compute net income per share, diluted	<u>91.3</u>	<u>93.6</u>	<u>95.5</u>
Net cash provided by operating activities <sup>(6)</sup>	\$ 658.6	\$ 868.5	\$ 1,037.0
Less: purchases of property, equipment, and other assets	72.5	163.4	112.0
Free cash flow (non-GAAP) <sup>(6)</sup>	<u>\$ 586.1</u>	<u>\$ 705.1</u>	<u>\$ 925.0</u>
Net cash used in investing activities	<u>\$ (338.9)</u>	<u>\$ (472.6)</u>	<u>\$ (520.0)</u>
Net cash provided by (used in) financing activities	<u>\$ 38.9</u>	<u>\$ (386.0)</u>	<u>\$ 1,245.6</u>
Free cash flow margin (non-GAAP) <sup>(6)</sup>	<u>42.5%</u>	<u>40.0%</u>	<u>40.7%</u>
<b>Other Key Metrics - Calculation of Billings</b>			
Total revenue	\$ 1,378.5	\$ 1,761.6	\$ 2,273.1
Add: change in total deferred revenue, net of acquired deferred revenue	527.1	531.8	587.1
Billings	<u>\$ 1,905.6</u>	<u>\$ 2,293.4</u>	<u>\$ 2,860.2</u>
Product revenue	\$ 670.8	\$ 709.1	\$ 871.5
Add: change in product deferred revenue	(0.7)	2.0	-
Product billings	<u>\$ 670.1</u>	<u>\$ 711.1</u>	<u>\$ 871.5</u>
Support revenue	\$ 350.7	\$ 501.7	\$ 642.0
Add: change in support deferred revenue	228.9	213.6	214.2
Support billings	<u>\$ 579.6</u>	<u>\$ 715.3</u>	<u>\$ 856.2</u>
Subscription revenue	\$ 357.0	\$ 550.8	\$ 759.6
Add: change in subscription deferred revenue, net of acquired subscription deferred revenue	298.9	316.2	372.9
Subscription billings	<u>\$ 655.9</u>	<u>\$ 867.0</u>	<u>\$ 1,132.5</u>

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(3) Consists of charges related to the relocation of our corporate headquarters (impairment loss of \$20.9 million and accelerated depreciation during FY17 and cease-use loss of \$39.2 million and accelerated depreciation during FY18) and charges related to the relocation of our research and development center in Israel (cease-use loss of \$1.3 million and accelerated depreciation during FY18).

(4) 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.

(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 FY18 includes the receipt of an upfront cash reimbursement of \$38.2 million from our landlords in Q1'18 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 and Calculation of Other Key Metrics - Fiscal Quarters**  
(In millions, except percentages and per share amounts)

	Q117 <sup>(1)</sup>	Q217	Q317	Q417	Q118	Q218	Q318	Q418
<b>GAAP to Non-GAAP Reconciliations</b>								
GAAP product gross profit	\$ 121.6	\$ 123.0	\$ 114.5	\$ 148.6	\$ 128.9	\$ 138.3	\$ 146.3	\$ 185.6
Share-based compensation related charges	1.8	2.1	1.7	1.9	1.9	2.1	1.8	1.4
Amortization expense of acquired intangible assets	-	-	-	-	-	-	-	0.2
Litigation related charges <sup>(2)</sup>	3.1	3.0	3.1	3.1	3.1	3.0	3.1	3.1
Non-GAAP product gross profit	\$ 126.5	\$ 128.1	\$ 119.3	\$ 153.6	\$ 133.9	\$ 143.4	\$ 151.2	\$ 190.3
Non-GAAP product gross margin	77.2%	75.9%	72.7%	72.4%	71.8%	70.9%	70.3%	71.1%
GAAP subscription and support gross profit	\$ 175.3	\$ 186.4	\$ 193.6	\$ 222.0	\$ 235.2	\$ 244.8	\$ 260.9	\$ 287.8
Share-based compensation related charges	12.5	15.7	15.0	15.5	16.7	20.9	16.4	17.2
Amortization expense of acquired intangible assets	1.9	1.9	2.2	2.4	2.4	2.4	3.4	6.0
Non-GAAP subscription and support gross profit	\$ 189.7	\$ 204.0	\$ 210.8	\$ 239.9	\$ 254.3	\$ 268.1	\$ 280.7	\$ 311.0
Non-GAAP subscription and support gross margin	81.0%	80.4%	78.8%	80.8%	79.7%	78.8%	79.8%	79.6%
GAAP total gross profit	\$ 296.9	\$ 309.4	\$ 308.1	\$ 370.6	\$ 364.1	\$ 383.1	\$ 407.2	\$ 473.4
Share-based compensation related charges	14.3	17.8	16.7	17.4	18.6	23.0	18.2	18.6
Amortization expense of acquired intangible assets	1.9	1.9	2.2	2.4	2.4	2.4	3.4	6.2
Litigation related charges <sup>(2)</sup>	3.1	3.0	3.1	3.1	3.1	3.0	3.1	3.1
Non-GAAP total gross profit	\$ 316.2	\$ 332.1	\$ 330.1	\$ 393.5	\$ 388.2	\$ 411.5	\$ 431.9	\$ 501.3
Non-GAAP gross margin	79.4%	78.6%	76.4%	77.3%	76.8%	75.9%	76.2%	76.2%
GAAP research and development expense	\$ 84.2	\$ 89.9	\$ 86.0	\$ 87.3	\$ 94.2	\$ 96.6	\$ 99.6	\$ 110.3
Share-based compensation related charges	38.6	42.5	38.3	36.9	38.2	36.9	36.9	37.5
Amortization expense of acquired intangible assets	0.2	0.1	-	-	-	-	-	-
Non-GAAP research and development expense	\$ 45.4	\$ 47.3	\$ 47.7	\$ 50.4	\$ 56.0	\$ 59.7	\$ 62.7	\$ 72.8
Non-GAAP research and development expense as a percentage of revenue	11.4%	11.2%	11.0%	9.9%	11.1%	11.0%	11.1%	11.1%
GAAP sales and marketing expense	\$ 220.1	\$ 226.7	\$ 226.9	\$ 245.4	\$ 258.5	\$ 265.0	\$ 277.1	\$ 297.8
Share-based compensation related charges	44.8	51.7	47.9	48.2	52.5	55.5	53.7	54.6
Acquisition related costs <sup>(3)</sup>	-	-	-	-	-	-	-	0.1
Amortization expense of acquired intangible assets	-	-	0.1	0.1	0.1	0.1	0.2	0.8
Non-GAAP sales and marketing expense	\$ 175.3	\$ 175.0	\$ 178.9	\$ 197.1	\$ 205.9	\$ 209.4	\$ 223.2	\$ 242.3
Non-GAAP sales and marketing expense as a percentage of revenue	44.0%	41.4%	41.4%	38.7%	40.7%	38.7%	39.4%	36.8%
GAAP general and administrative expense	\$ 41.6	\$ 47.2	\$ 44.3	\$ 65.2	\$ 65.7	\$ 53.3	\$ 82.1	\$ 56.7
Share-based compensation related charges	17.9	19.8	17.7	18.4	19.6	20.9	14.3	17.4
Acquisition related costs <sup>(3)</sup>	-	0.7	2.4	-	-	-	13.3	4.5
Facility exit costs <sup>(4)</sup>	-	-	-	21.3	15.6	1.4	23.8	-
Non-GAAP general and administrative expense	\$ 23.7	\$ 26.7	\$ 24.2	\$ 25.5	\$ 30.5	\$ 31.0	\$ 30.7	\$ 34.8
Non-GAAP general and administrative expense as a percentage of revenue	6.0%	6.3%	5.6%	5.0%	6.0%	5.7%	5.4%	5.3%
GAAP total operating expense	\$ 345.9	\$ 363.8	\$ 357.2	\$ 397.9	\$ 418.4	\$ 414.9	\$ 458.8	\$ 464.8
Share-based compensation related charges	101.3	114.0	103.9	103.5	110.3	113.3	104.9	109.5
Acquisition related costs <sup>(3)</sup>	-	0.7	2.4	-	-	-	13.3	4.6
Amortization expense of acquired intangible assets	0.2	0.1	0.1	0.1	0.1	0.1	0.2	0.8
Facility exit costs <sup>(4)</sup>	-	-	-	21.3	15.6	1.4	23.8	-
Non-GAAP total operating expense	\$ 244.4	\$ 249.0	\$ 250.8	\$ 273.0	\$ 292.4	\$ 300.1	\$ 316.6	\$ 349.9
Non-GAAP total operating expense as a percentage of revenue	61.4%	58.9%	58.0%	53.6%	57.8%	55.4%	55.9%	53.2%
GAAP operating income (loss)	\$ (49.0)	\$ (54.4)	\$ (49.1)	\$ (27.3)	\$ (54.3)	\$ (31.8)	\$ (51.6)	\$ 8.6
Share-based compensation related charges	115.6	131.8	120.6	120.9	128.9	136.3	123.1	128.1
Acquisition related costs <sup>(3)</sup>	-	0.7	2.4	-	-	-	13.3	4.6
Amortization expense of acquired intangible assets	2.1	2.0	2.3	2.5	2.5	2.5	3.6	7.0
Litigation related charges <sup>(2)</sup>	3.1	3.0	3.1	3.1	3.1	3.0	3.1	3.1
Facility exit costs <sup>(4)</sup>	-	-	-	21.3	15.6	1.4	23.8	-
Non-GAAP operating income	\$ 71.8	\$ 83.1	\$ 79.3	\$ 120.5	\$ 95.8	\$ 111.4	\$ 115.3	\$ 151.4
Non-GAAP operating margin	18.0%	19.7%	18.4%	23.7%	19.0%	20.5%	20.3%	23.0%
GAAP interest expense	\$ (6.0)	\$ (6.1)	\$ (6.2)	\$ (6.2)	\$ (6.3)	\$ (6.4)	\$ (6.5)	\$ (10.4)
Non-cash interest expense related to convertible notes	6.0	6.1	6.2	6.2	6.3	6.4	6.5	9.6
Non-GAAP interest expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (0.8)
Non-GAAP interest expense as a percentage of revenue	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%
GAAP other income, net	\$ 2.5	\$ 2.7	\$ 2.1	\$ 2.9	\$ 4.8	\$ 4.9	\$ 8.6	\$ 10.2
Foreign currency (gain) loss associated with non-GAAP adjustments	(0.2)	0.6	1.4	0.6	0.5	1.0	(2.0)	(0.5)
Non-GAAP other income, net	\$ 2.3	\$ 3.3	\$ 3.5	\$ 3.5	\$ 5.3	\$ 5.9	\$ 6.6	\$ 9.7
Non-GAAP other income, net as a percentage of revenue	0.6%	0.8%	0.8%	0.7%	1.0%	1.1%	1.2%	1.5%
GAAP income (loss) before income taxes	\$ (52.5)	\$ (57.8)	\$ (53.2)	\$ (30.6)	\$ (55.8)	\$ (33.3)	\$ (49.5)	\$ 8.4
Share-based compensation related charges	115.6	131.8	120.6	120.9	128.9	136.3	123.1	128.1
Acquisition related costs <sup>(3)</sup>	-	0.7	2.4	-	-	-	13.3	4.6
Amortization expense of acquired intangible assets	2.1	2.0	2.3	2.5	2.5	2.5	3.6	7.0
Litigation related charges <sup>(2)</sup>	3.1	3.0	3.1	3.1	3.1	3.0	3.1	3.1
Facility exit costs <sup>(4)</sup>	-	-	-	21.3	15.6	1.4	23.8	-
Non-cash interest expense related to convertible notes	6.0	6.1	6.2	6.2	6.3	6.4	6.5	9.6
Foreign currency (gain) loss associated with non-GAAP adjustments	(0.2)	0.6	1.4	0.6	0.5	1.0	(2.0)	(0.5)
Non-GAAP income before income taxes	\$ 74.1	\$ 86.4	\$ 82.8	\$ 124.0	\$ 101.1	\$ 117.3	\$ 121.9	\$ 160.3
GAAP provision for (benefit from) income taxes	\$ 4.4	\$ 2.8	\$ 7.7	\$ 7.6	\$ 8.2	\$ 1.6	\$ (2.8)	\$ 10.7
Income tax and other tax adjustments related to the above	18.5	24.0	18.0	30.9	23.1	24.2	29.6	24.6
Non-GAAP provision for income taxes	\$ 22.9	\$ 26.8	\$ 25.7	\$ 38.5	\$ 31.3	\$ 25.8	\$ 26.8	\$ 35.3
Non-GAAP effective tax rate <sup>(5)</sup>	31.0%	31.0%	31.0%	31.0%	31.0%	22.0%	22.0%	22.0%
GAAP net loss	\$ (56.9)	\$ (60.6)	\$ (60.9)	\$ (38.2)	\$ (64.0)	\$ (34.9)	\$ (46.7)	\$ (2.3)
Share-based compensation related charges	115.6	131.8	120.6	120.9	128.9	136.3	123.1	128.1
Acquisition related costs <sup>(3)</sup>	-	0.7	2.4	-	-	-	13.3	4.6
Amortization expense of acquired intangible assets	2.1	2.0	2.3	2.5	2.5	2.5	3.6	7.0
Litigation related charges <sup>(2)</sup>	3.1	3.0	3.1	3.1	3.1	3.0	3.1	3.1
Facility exit costs <sup>(4)</sup>	-	-	-	21.3	15.6	1.4	23.8	-
Non-cash interest expense related to convertible notes	6.0	6.1	6.2	6.2	6.3	6.4	6.5	9.6
Foreign currency (gain) loss associated with non-GAAP adjustments	(0.2)	0.6	1.4	0.6	0.5	1.0	(2.0)	(0.5)
Income tax and other tax adjustments related to the above	(18.5)	(24.0)	(18.0)	(30.9)	(23.1)	(24.2)	(29.6)	(24.6)
Non-GAAP net income	\$ 51.2	\$ 59.6	\$ 57.1	\$ 85.5	\$ 69.8	\$ 91.5	\$ 95.1	\$ 125.0

(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, operating lease, and other 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)

	Q117 <sup>(1)</sup>	Q217	Q317	Q417	Q118	Q218	Q318	Q418
GAAP net loss per share, diluted	\$ (0.63)	\$ (0.67)	\$ (0.67)	\$ (0.42)	\$ (0.70)	\$ (0.38)	\$ (0.51)	\$ (0.02)
Share-based compensation related charges	1.27	1.42	1.30	1.31	1.38	1.46	1.30	1.32
Acquisition related costs <sup>(3)</sup>	0.00	0.01	0.03	0.00	0.00	0.00	0.14	0.05
Amortization expense of acquired intangible assets	0.02	0.02	0.03	0.03	0.03	0.03	0.04	0.08
Litigation related charges <sup>(2)</sup>	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03
Facility exit costs <sup>(4)</sup>	0.00	0.00	0.00	0.23	0.17	0.02	0.26	0.00
Non-cash interest expense related to convertible notes	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.10
Foreign currency (gain) loss associated with non-GAAP adjustments	0.00	0.01	0.02	0.01	0.01	0.01	(0.02)	(0.01)
Income tax and other tax adjustments related to the above	(0.21)	(0.26)	(0.20)	(0.34)	(0.25)	(0.27)	(0.32)	(0.27)
Non-GAAP net income per share, diluted	\$ 0.55	\$ 0.63	\$ 0.61	\$ 0.92	\$ 0.74	\$ 0.97	\$ 0.99	\$ 1.28
GAAP weighted-average shares used to compute net loss per share, diluted	89.8	90.7	91.0	90.9	90.9	91.1	91.9	92.8
Weighted-average effect of potentially dilutive securities <sup>(5)</sup>	3.9	3.2	2.3	2.4	2.8	2.8	4.3	5.2
Non-GAAP weighted-average shares used to compute net income per share, diluted	93.7	93.9	93.3	93.3	93.7	93.9	96.2	98.0
Net cash provided by operating activities <sup>(1)(6)</sup>	\$ 203.5	\$ 214.3	\$ 211.2	\$ 239.5	\$ 274.1	\$ 243.7	\$ 241.3	\$ 277.9
Less: purchases of property, equipment, and other assets	20.9	44.7	48.6	49.2	32.2	25.6	28.8	25.4
Free cash flow (non-GAAP) <sup>(1)(6)</sup>	\$ 182.6	\$ 169.6	\$ 162.6	\$ 190.3	\$ 241.9	\$ 218.1	\$ 212.5	\$ 252.5
Net cash used in investing activities	\$ (71.2)	\$ (173.1)	\$ (166.8)	\$ (61.5)	\$ (52.4)	\$ (36.1)	\$ (225.1)	\$ (206.4)
Net cash provided by (used in) financing activities <sup>(1)</sup>	\$ (27.3)	\$ (119.2)	\$ (113.8)	\$ (125.7)	\$ (123.4)	\$ (135.2)	\$ 17.8	\$ 1,486.4
Free cash flow margin (non-GAAP) <sup>(1)(6)</sup>	45.9 %	40.1 %	37.7 %	37.4 %	47.9 %	40.2 %	37.5 %	38.4 %
<b>Other Key Metrics - Calculation of Billings</b>								
Total revenue	\$ 398.1	\$ 422.6	\$ 431.8	\$ 509.1	\$ 505.5	\$ 542.4	\$ 567.1	\$ 658.1
Add: change in total deferred revenue, net of acquired deferred revenue	118.8	139.0	112.3	161.7	91.0	132.2	153.9	210.0
Billings	\$ 516.9	\$ 561.6	\$ 544.1	\$ 670.8	\$ 596.5	\$ 674.6	\$ 721.0	\$ 868.1

(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, operating lease, and other 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 - Fiscal Year 2015 - Earnings Per Share**

	<u>FY15</u>
GAAP net loss per share, diluted	\$ (1.61)
Share-based compensation related charges	2.79
Acquisition related costs <sup>(2)</sup>	0.01
Amortization expense of acquired intangible assets	0.09
Litigation related charges <sup>(1)</sup>	0.15
Non-cash interest expense related to convertible notes	0.27
Foreign currency loss associated with non-GAAP adjustments	0.02
Income tax and other tax adjustments related to the above	<u>(0.62)</u>
Non-GAAP net income per share, diluted	<u>\$ 1.10</u>

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

(2) Consists of acquisition transaction costs.

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

	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 734.4	\$ 744.3	\$ 2,506.9
Short-term investments	551.2	630.7	896.5
Accounts receivable, net	348.7	432.1	467.3
Prepaid expenses and other current assets	139.7	169.2	261.3
Total current assets	<u>1,774.0</u>	<u>1,976.3</u>	<u>4,132.0</u>
Property and equipment, net	117.2	211.1	273.1
Long-term investments	652.8	789.3	547.5
Goodwill	163.5	238.8	522.8
Intangible assets, net	44.0	53.7	140.8
Other assets	106.7	169.1	206.8
Total assets	<u>\$ 2,858.2</u>	<u>\$ 3,438.3</u>	<u>\$ 5,823.0</u>
<b>Liabilities, temporary equity, and stockholders' equity</b>			
Current liabilities:			
Accounts payable	\$ 30.2	\$ 35.5	\$ 49.4
Accrued compensation	73.5	117.5	163.7
Accrued and other liabilities	39.2	79.9	107.0
Deferred revenue	703.9	968.4	1,268.9
Convertible senior notes, net	-	-	550.4
Total current liabilities	<u>846.8</u>	<u>1,201.3</u>	<u>2,139.4</u>
Convertible senior notes, net	500.2	524.7	1,369.7
Long-term deferred revenue	536.9	805.1	1,096.0
Other long-term liabilities	79.4	147.6	229.6
Temporary equity	-	-	21.9
Stockholders' equity:			
Preferred stock	-	-	-
Common stock and additional paid-in capital	1,515.5	1,599.7	1,967.4
Accumulated other comprehensive income (loss)	1.0	(3.4)	(16.4)
Accumulated deficit	(621.6)	(836.7)	(984.6)
Total stockholders' equity	<u>894.9</u>	<u>759.6</u>	<u>966.4</u>
Total liabilities, temporary equity, and stockholders' equity	<u>\$ 2,858.2</u>	<u>\$ 3,438.3</u>	<u>\$ 5,823.0</u>

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

	Q117 <sup>(1)</sup>	Q217	Q317	Q417	Q118	Q218	Q318	Q418
<b>Assets</b>								
Current assets:								
Cash and cash equivalents	\$ 839.4	\$ 761.4	\$ 692.0	\$ 744.3	\$ 842.6	\$ 915.0	\$ 949.0	\$ 2,506.9
Short-term investments	550.6	593.0	680.0	630.7	660.6	720.7	672.2	896.5
Accounts receivable, net	346.5	386.1	364.1	432.1	350.8	365.1	361.8	467.3
Prepaid expenses and other current assets	129.4	139.9	159.1	169.2	185.5	209.4	222.5	261.3
Total current assets	1,865.9	1,880.4	1,895.2	1,976.3	2,039.5	2,210.2	2,205.5	4,132.0
Property and equipment, net	125.0	154.1	192.3	211.1	256.9	264.7	264.2	273.1
Long-term investments	708.4	790.5	719.1	789.3	777.4	722.3	592.9	547.5
Goodwill	163.5	163.5	238.8	238.8	238.8	238.8	522.2	522.8
Intangible assets, net	41.7	39.5	56.5	53.7	51.0	48.3	147.7	140.8
Other assets	103.7	146.6	148.2	169.1	122.9	143.2	175.8	206.8
Total assets	\$ 3,008.2	\$ 3,174.6	\$ 3,250.1	\$ 3,438.3	\$ 3,486.5	\$ 3,627.5	\$ 3,908.3	\$ 5,823.0
<b>Liabilities, temporary equity, and stockholders' equity</b>								
Current liabilities:								
Accounts payable	\$ 29.2	\$ 28.0	\$ 33.2	\$ 35.5	\$ 38.8	\$ 33.4	\$ 32.7	\$ 49.4
Accrued compensation	59.0	78.8	76.4	117.5	74.5	113.2	95.1	163.7
Accrued and other liabilities	48.4	58.8	60.1	79.9	80.8	83.6	106.0	107.0
Deferred revenue	758.1	828.0	885.0	968.4	1,017.9	1,088.8	1,165.5	1,268.9
Convertible senior notes, net	506.2	-	-	-	531.0	537.4	543.8	550.4
Total current liabilities	1,400.9	993.6	1,054.7	1,201.3	1,743.0	1,856.4	1,943.1	2,139.4
Convertible senior notes, net	-	512.3	518.4	524.7	-	-	-	1,369.7
Long-term deferred revenue	601.5	670.6	726.8	805.1	846.6	907.9	989.4	1,096.0
Other long-term liabilities	80.2	127.5	137.1	147.6	192.2	196.6	226.0	229.6
Temporary equity	61.4	-	-	-	39.2	33.5	27.7	21.9
Stockholders' equity:								
Preferred stock	-	-	-	-	-	-	-	-
Common stock and additional paid-in capital	1,543.1	1,613.3	1,615.8	1,599.7	1,573.2	1,575.9	1,717.6	1,967.4
Accumulated other comprehensive loss	(1.9)	(5.1)	(4.2)	(3.4)	(7.0)	(7.2)	(13.2)	(16.4)
Accumulated deficit	(677.0)	(737.6)	(798.5)	(836.7)	(900.7)	(935.6)	(982.3)	(984.6)
Total stockholders' equity	864.2	870.6	813.1	759.6	665.5	633.1	722.1	966.4
Total liabilities, temporary equity, and stockholders' equity	\$ 3,008.2	\$ 3,174.6	\$ 3,250.1	\$ 3,438.3	\$ 3,486.5	\$ 3,627.5	\$ 3,908.3	\$ 5,823.0

(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.

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

	FY16	FY17	FY18
<b>Cash flows from operating activities</b>			
Net loss	\$ (192.7)	\$ (216.6)	\$ (147.9)
Adjustments to reconcile loss to net cash provided by operating activities:			
Share-based compensation for equity based awards	392.8	474.5	496.7
Depreciation and amortization	42.8	59.8	96.4
Cease-use loss and asset impairment related to facility exit	-	20.9	41.1
Amortization of debt discount and debt issuance costs	23.4	24.5	28.8
Amortization of investment premiums, net of accretion of purchase discounts	3.0	2.7	0.5
Changes in operating assets and liabilities, net of effects of acquisitions:			
Accounts receivable, net	(136.4)	(82.9)	(33.0)
Prepaid expenses and other assets	(31.2)	(48.1)	(125.5)
Accounts payable	15.1	5.9	3.7
Accrued compensation	(6.3)	42.8	44.2
Accrued and other liabilities	21.0	53.2	44.9
Deferred revenue	527.1	531.8	587.1
Net cash provided by operating activities <sup>(1)</sup>	658.6	868.5	1,037.0
<b>Cash flows from investing activities</b>			
Purchases of investments	(1,037.0)	(995.9)	(725.7)
Proceeds from sales of investments	141.9	-	-
Proceeds from maturities of investments	628.7	777.4	691.8
Business acquisitions, net of cash acquired	-	(90.7)	(374.1)
Purchases of property, equipment, and other assets	(72.5)	(163.4)	(112.0)
Net cash used in investing activities	(338.9)	(472.6)	(520.0)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings on convertible senior notes, net	-	-	1,682.4
Proceeds from issuance of warrants	-	-	145.4
Purchase of note hedges	-	-	(332.0)
Repurchases of common stock	-	(411.0)	(259.1)
Proceeds from sales of shares through employee equity incentive plans	45.3	46.4	52.6
Payments for taxes related to net share settlement of equity awards	-	(21.4)	(43.7)
Payment of deferred consideration related to prior year business acquisition	(6.4)	-	-
Net cash provided by (used in) financing activities	38.9	(386.0)	1,245.6
Net increase in cash and cash equivalents	358.6	9.9	1,762.6
Cash and cash equivalents - beginning of period	375.8	734.4	744.3
Cash and cash equivalents - end of period	<u>\$ 734.4</u>	<u>\$ 744.3</u>	<u>\$ 2,506.9</u>

(1) Cash provided by operating activities during FY18 includes the receipt of an upfront cash reimbursement of \$38.2 million from our landlords in Q1'18 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.**  
**Condensed Consolidated Statements of Cash Flows - Fiscal Quarters**  
(In millions)

	Q117 <sup>(1)</sup>	Q217	Q317	Q417	Q118	Q218	Q318	Q418
<b>Cash flows from operating activities</b>								
Net loss	\$ (56.9)	\$ (60.6)	\$ (60.9)	\$ (38.2)	\$ (64.0)	\$ (34.9)	(46.7)	\$ (2.3)
Adjustments to reconcile net loss to net cash provided by operating activities:								
Share-based compensation for equity based awards	113.3	127.3	116.2	117.7	125.7	130.8	116.6	123.6
Depreciation and amortization	13.6	14.4	15.1	16.7	21.3	22.1	24.6	28.4
Cease-use loss and asset impairment related to facility exit	-	-	-	20.9	15.4	1.3	24.4	-
Amortization of debt discount and debt issuance costs	6.0	6.1	6.2	6.2	6.3	6.4	6.5	9.6
Amortization of investment premiums, net of accretion of purchase discounts	0.7	0.7	0.7	0.6	0.5	0.1	-	(0.1)
Changes in operating assets and liabilities, net of effects of acquisitions:								
Accounts receivable, net	2.2	(39.5)	22.4	(68.0)	81.3	(14.3)	5.5	(105.5)
Prepaid expenses and other assets	10.1	(13.9)	(8.0)	(36.3)	(6.4)	(32.6)	(21.3)	(65.2)
Accounts payable	1.8	(1.6)	2.6	3.1	4.2	(10.6)	1.8	8.3
Accrued compensation	(14.5)	19.8	(3.6)	41.1	(43.0)	38.7	(20.1)	68.6
Accrued and other liabilities	8.4	22.6	8.2	14.0	41.8	4.5	(3.9)	2.5
Deferred revenue	118.8	139.0	112.3	161.7	91.0	132.2	153.9	210.0
Net cash provided by operating activities <sup>(1)(2)</sup>	203.5	214.3	211.2	239.5	274.1	243.7	241.3	277.9
<b>Cash flows from investing activities</b>								
Purchases of investments	(285.7)	(277.0)	(164.2)	(269.0)	(226.8)	(145.7)	(15.4)	(337.8)
Proceeds from maturities of investments	235.4	148.6	136.7	256.7	206.6	135.2	189.2	160.8
Business acquisitions, net of cash acquired	-	-	(90.7)	-	-	-	(370.1)	(4.0)
Purchases of property, equipment, and other assets	(20.9)	(44.7)	(48.6)	(49.2)	(32.2)	(25.6)	(28.8)	(25.4)
Net cash used in investing activities	(71.2)	(173.1)	(166.8)	(61.5)	(52.4)	(36.1)	(225.1)	(206.4)
<b>Cash flows from financing activities</b>								
Proceeds from borrowings on convertible senior notes, net	-	-	-	-	-	-	-	1,682.4
Proceeds from issuance of warrants	-	-	-	-	-	-	-	145.4
Purchase of note hedges	-	-	-	-	-	-	-	(332.0)
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	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)	(9.4)
Net cash provided by (used in) financing activities <sup>(1)</sup>	(27.3)	(119.2)	(113.8)	(125.7)	(123.4)	(135.2)	17.8	1,486.4
Net increase (decrease) in cash and cash equivalents	105.0	(78.0)	(69.4)	52.3	98.3	72.4	34.0	1,557.9
Cash and cash equivalents - beginning of period	734.4	839.4	761.4	692.0	744.3	842.6	915.0	949.0
Cash and cash equivalents - end of period	\$ 839.4	\$ 761.4	\$ 692.0	\$ 744.3	\$ 842.6	\$ 915.0	\$ 949.0	\$ 2,506.9

(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.

**Palo Alto Networks, Inc.**  
**Historical Financial Information - Adjusted for ASC 606**  
**Condensed Consolidated Statements of Operations - Fiscal Years**  
**(In millions, except percentages and per share amounts)**

	FY17		FY18	
	Previously reported	Adjusted for ASC 606	As reported	Adjusted for ASC 606
Revenue:				
Product	\$ 709.1	\$ 708.5	\$ 871.5	\$ 879.9
Subscription and support	1,052.5	1,046.6	1,401.6	1,395.2
Total revenue	1,761.6	1,755.1	2,273.1	2,275.1
Cost of revenue:				
Product	201.4	201.4	272.4	272.4
Subscription and support	275.2	275.0	372.9	372.7
Total cost of revenue	476.6	476.4	645.3	645.1
Total gross profit	1,285.0	1,278.7	1,627.8	1,630.0
<i>Product gross margin</i>	71.6 %	71.6 %	68.7 %	69.0 %
<i>Subscription and support gross margin</i>	73.9 %	73.7 %	73.4 %	73.3 %
<i>Total gross margin</i>	72.9 %	72.9 %	71.6 %	71.6 %
Operating expenses:				
Research and development	347.4	347.4	400.7	400.7
Sales and marketing	919.1	898.8	1,098.4	1,074.3
General and administrative	198.3	198.3	257.8	257.8
Total operating expenses	1,464.8	1,444.5	1,756.9	1,732.8
Operating loss	(179.8)	(165.8)	(129.1)	(102.8)
Interest expense	(24.5)	(24.5)	(29.6)	(29.6)
Other income, net	10.2	10.2	28.5	28.5
Loss before income taxes	(194.1)	(180.1)	(130.2)	(103.9)
Provision for income taxes	22.5	22.9	17.7	16.9
Net loss	\$ (216.6)	\$ (203.0)	\$ (147.9)	\$ (120.8)
Net loss per share, basic and diluted	\$ (2.39)	\$ (2.24)	\$ (1.61)	\$ (1.32)
Weighted-average shares used to compute net loss per share, basic and diluted	90.6	90.6	91.7	91.7

**Palo Alto Networks, Inc.**  
**Historical Financial Information - Adjusted for ASC 606**  
**Condensed Consolidated Statements of Operations - Fiscal Quarters**  
(In millions, except percentages and per share amounts)

	<u>Q118</u>		<u>Q218</u>		<u>Q318</u>		<u>Q418</u>	
	Previously reported	Adjusted for ASC 606	Previously reported	Adjusted for ASC 606	Previously reported	Adjusted for ASC 606	As reported	Adjusted for ASC 606
Revenue:								
Product	\$ 186.5	\$ 184.8	\$ 202.2	\$ 204.8	\$ 215.2	\$ 218.1	\$ 267.6	\$ 272.2
Subscription and support	319.0	316.7	340.2	341.0	351.9	349.9	390.5	387.6
Total revenue	<u>505.5</u>	<u>501.5</u>	<u>542.4</u>	<u>545.8</u>	<u>567.1</u>	<u>568.0</u>	<u>658.1</u>	<u>659.8</u>
Cost of revenue:								
Product	57.6	57.6	63.9	63.9	68.9	68.9	82.0	82.0
Subscription and support	83.8	83.7	95.4	95.5	91.0	91.0	102.7	102.5
Total cost of revenue	<u>141.4</u>	<u>141.3</u>	<u>159.3</u>	<u>159.4</u>	<u>159.9</u>	<u>159.9</u>	<u>184.7</u>	<u>184.5</u>
Total gross profit	364.1	360.2	383.1	386.4	407.2	408.1	473.4	475.3
<i>Product gross margin</i>	69.1 %	68.8 %	68.4 %	68.8 %	68.0 %	68.4 %	69.4 %	69.9 %
<i>Subscription and support gross margin</i>	73.7 %	73.6 %	72.0 %	72.0 %	74.1 %	74.0 %	73.7 %	73.6 %
<i>Total gross margin</i>	72.0 %	71.8 %	70.6 %	70.8 %	71.8 %	71.8 %	71.9 %	72.0 %
Operating expenses:								
Research and development	94.2	94.2	96.6	96.6	99.6	99.6	110.3	110.3
Sales and marketing	258.5	254.1	265.0	258.8	277.1	271.4	297.8	290.0
General and administrative	65.7	65.7	53.3	53.3	82.1	82.1	56.7	56.7
Total operating expenses	<u>418.4</u>	<u>414.0</u>	<u>414.9</u>	<u>408.7</u>	<u>458.8</u>	<u>453.1</u>	<u>464.8</u>	<u>457.0</u>
Operating income (loss)	(54.3)	(53.8)	(31.8)	(22.3)	(51.6)	(45.0)	8.6	18.3
Interest expense	(6.3)	(6.3)	(6.4)	(6.4)	(6.5)	(6.5)	(10.4)	(10.4)
Other income, net	4.8	4.8	4.9	4.9	8.6	8.6	10.2	10.2
Income (loss) before income taxes	(55.8)	(55.3)	(33.3)	(23.8)	(49.5)	(42.9)	8.4	18.1
Provision for (benefit from) income taxes	8.2	8.2	1.6	1.6	(2.8)	(2.8)	10.7	9.9
Net income (loss)	<u>\$ (64.0)</u>	<u>\$ (63.5)</u>	<u>\$ (34.9)</u>	<u>\$ (25.4)</u>	<u>\$ (46.7)</u>	<u>\$ (40.1)</u>	<u>\$ (2.3)</u>	<u>\$ 8.2</u>
Net income (loss) per share:								
Basic	<u>\$ (0.70)</u>	<u>\$ (0.70)</u>	<u>\$ (0.38)</u>	<u>\$ (0.28)</u>	<u>\$ (0.51)</u>	<u>\$ (0.44)</u>	<u>\$ (0.02)</u>	<u>\$ 0.09</u>
Diluted	<u>\$ (0.70)</u>	<u>\$ (0.70)</u>	<u>\$ (0.38)</u>	<u>\$ (0.28)</u>	<u>\$ (0.51)</u>	<u>\$ (0.44)</u>	<u>\$ (0.02)</u>	<u>\$ 0.08</u>
Weighted-average shares used to compute net income (loss) per share:								
Basic	<u>90.9</u>	<u>90.9</u>	<u>91.1</u>	<u>91.1</u>	<u>91.9</u>	<u>91.9</u>	<u>92.8</u>	<u>92.8</u>
Diluted	<u>90.9</u>	<u>90.9</u>	<u>91.1</u>	<u>91.1</u>	<u>91.9</u>	<u>91.9</u>	<u>92.8</u>	<u>100.5</u>

**Palo Alto Networks, Inc.**  
**Historical Financial Information - Adjusted for ASC 606**  
**Non-GAAP Condensed Consolidated Statements of Operations - Fiscal Years**  
**(In millions, except percentages and per share amounts)**

	FY17		FY18	
	Previously reported	Adjusted for ASC 606	As reported	Adjusted for ASC 606
Revenue:				
Product	\$ 709.1	\$ 708.5	\$ 871.5	\$ 879.9
Subscription and support	1,052.5	1,046.6	1,401.6	1,395.2
Total revenue	1,761.6	1,755.1	2,273.1	2,275.1
Cost of revenue:				
Product	181.6	181.6	252.7	252.7
Subscription and support	208.1	207.9	287.5	287.3
Total cost of revenue	389.7	389.5	540.2	540.0
Total gross profit	1,371.9	1,365.6	1,732.9	1,735.1
<i>Product gross margin</i>	74.4 %	74.4 %	71.0 %	71.3 %
<i>Subscription and support gross margin</i>	80.2 %	80.1 %	79.5 %	79.4 %
<i>Total gross margin</i>	77.9 %	77.8 %	76.2 %	76.3 %
Operating expenses:				
Research and development	190.8	190.8	251.2	251.2
Sales and marketing	726.3	706.0	880.8	856.7
General and administrative	100.1	100.1	127.0	127.0
Total operating expenses	1,017.2	996.9	1,259.0	1,234.9
Operating income	354.7	368.7	473.9	500.2
Interest expense	-	-	(0.8)	(0.8)
Other income, net	12.6	12.6	27.5	27.5
Income before income taxes	367.3	381.3	500.6	526.9
Provision for income taxes	113.9	118.1	119.2	125.1
Net income	\$ 253.4	\$ 263.2	\$ 381.4	\$ 401.8
Net income per share, diluted	\$ 2.71	\$ 2.81	\$ 3.99	\$ 4.21
Weighted-average shares used to compute net income per share, diluted	93.6	93.6	95.5	95.5

**Palo Alto Networks, Inc.**  
**Historical Financial Information - Adjusted for ASC 606**  
**Non-GAAP Condensed Consolidated Statements of Operations - Fiscal Quarters**  
**(In millions, except percentages and per share amounts)**

	Q118		Q218		Q318		Q418	
	Previously reported	Adjusted for ASC 606	Previously reported	Adjusted for ASC 606	Previously reported	Adjusted for ASC 606	As reported	Adjusted for ASC 606
Revenue:								
Product	\$ 186.5	\$ 184.8	\$ 202.2	\$ 204.8	\$ 215.2	\$ 218.1	\$ 267.6	\$ 272.2
Subscription and support	319.0	316.7	340.2	341.0	351.9	349.9	390.5	387.6
Total revenue	505.5	501.5	542.4	545.8	567.1	568.0	658.1	659.8
Cost of revenue:								
Product	52.6	52.6	58.8	58.8	64.0	64.0	77.3	77.3
Subscription and support	64.7	64.6	72.1	72.2	71.2	71.2	79.5	79.3
Total cost of revenue	117.3	117.2	130.9	131.0	135.2	135.2	156.8	156.6
Total gross profit	388.2	384.3	411.5	414.8	431.9	432.8	501.3	503.2
<i>Product gross margin</i>	71.8 %	71.5 %	70.9 %	71.3 %	70.3 %	70.7 %	71.1 %	71.6 %
<i>Subscription and support gross margin</i>	79.7 %	79.6 %	78.8 %	78.8 %	79.8 %	79.7 %	79.6 %	79.5 %
<i>Total gross margin</i>	76.8 %	76.6 %	75.9 %	76.0 %	76.2 %	76.2 %	76.2 %	76.3 %
Operating expenses:								
Research and development	56.0	56.0	59.7	59.7	62.7	62.7	72.8	72.8
Sales and marketing	205.9	201.5	209.4	203.2	223.2	217.5	242.3	234.5
General and administrative	30.5	30.5	31.0	31.0	30.7	30.7	34.8	34.8
Total operating expenses	292.4	288.0	300.1	293.9	316.6	310.9	349.9	342.1
Operating income	95.8	96.3	111.4	120.9	115.3	121.9	151.4	161.1
Interest expense	-	-	-	-	-	-	(0.8)	(0.8)
Other income, net	5.3	5.3	5.9	5.9	6.6	6.6	9.7	9.7
Income before income taxes	101.1	101.6	117.3	126.8	121.9	128.5	160.3	170.0
Provision for income taxes	31.3	31.5	25.8	27.9	26.8	28.3	35.3	37.4
Net income	\$ 69.8	\$ 70.1	\$ 91.5	\$ 98.9	\$ 95.1	\$ 100.2	\$ 125.0	\$ 132.6
Net income per share, diluted	\$ 0.74	\$ 0.75	\$ 0.97	\$ 1.05	\$ 0.99	\$ 1.04	\$ 1.28	\$ 1.35
Weighted-average shares used to compute net income per share, diluted	93.7	93.7	93.9	93.9	96.2	96.2	98.0	98.0

**Palo Alto Networks, Inc.**  
**Historical Financial Information - Adjusted for ASC 606**  
**GAAP to Non-GAAP Reconciliations and Calculations of Other Key Metrics - Fiscal Years**  
**(In millions, except percentages and per share amounts)**

	FY17		FY18	
	Previously reported	Adjusted for ASC 606	As reported	Adjusted for ASC 606
<b>GAAP to Non-GAAP Reconciliations</b>				
GAAP product gross profit	\$ 507.7	\$ 507.1	\$ 599.1	\$ 607.5
Share-based compensation related charges	7.5	7.5	7.2	7.2
Amortization expense of acquired intangible assets	-	-	0.2	0.2
Litigation related charges <sup>(1)</sup>	12.3	12.3	12.3	12.3
Non-GAAP product gross profit	\$ 527.5	\$ 526.9	\$ 618.8	\$ 627.2
<i>Non-GAAP product gross margin</i>	<u>74.4%</u>	<u>74.4%</u>	<u>71.0%</u>	<u>71.3%</u>
GAAP subscription and support gross profit	\$ 777.3	\$ 771.6	\$ 1,028.7	\$ 1,022.5
Share-based compensation related charges	58.7	58.7	71.2	71.2
Amortization expense of acquired intangible assets	8.4	8.4	14.2	14.2
Non-GAAP subscription and support gross profit	\$ 844.4	\$ 838.7	\$ 1,114.1	\$ 1,107.9
<i>Non-GAAP subscription and support gross margin</i>	<u>80.2%</u>	<u>80.1%</u>	<u>79.5%</u>	<u>79.4%</u>
GAAP total gross profit	\$ 1,285.0	\$ 1,278.7	\$ 1,627.8	\$ 1,630.0
Share-based compensation related charges	66.2	66.2	78.4	78.4
Amortization expense of acquired intangible assets	8.4	8.4	14.4	14.4
Litigation related charges <sup>(1)</sup>	12.3	12.3	12.3	12.3
Non-GAAP total gross profit	\$ 1,371.9	\$ 1,365.6	\$ 1,732.9	\$ 1,735.1
<i>Non-GAAP gross margin</i>	<u>77.9%</u>	<u>77.8%</u>	<u>76.2%</u>	<u>76.3%</u>
GAAP research and development expense	\$ 347.4	\$ 347.4	\$ 400.7	\$ 400.7
Share-based compensation related charges	156.3	156.3	149.5	149.5
Amortization expense of acquired intangible assets	0.3	0.3	-	-
Non-GAAP research and development expense	\$ 190.8	\$ 190.8	\$ 251.2	\$ 251.2
<i>Non-GAAP research and development expense as a percentage of revenue</i>	<u>10.8%</u>	<u>10.9%</u>	<u>11.1%</u>	<u>11.0%</u>
GAAP sales and marketing expense	\$ 919.1	\$ 898.8	\$ 1,098.4	\$ 1,074.3
Share-based compensation related charges	192.6	192.6	216.3	216.3
Acquisition related costs <sup>(2)</sup>	-	-	0.1	0.1
Amortization expense of acquired intangible assets	0.2	0.2	1.2	1.2
Non-GAAP sales and marketing expense	\$ 726.3	\$ 706.0	\$ 880.8	\$ 856.7
<i>Non-GAAP sales and marketing expense as a percentage of revenue</i>	<u>41.2%</u>	<u>40.2%</u>	<u>38.7%</u>	<u>37.7%</u>
GAAP general and administrative expense	\$ 198.3	\$ 198.3	\$ 257.8	\$ 257.8
Share-based compensation related charges	73.8	73.8	72.2	72.2
Acquisition related costs <sup>(2)</sup>	3.1	3.1	17.8	17.8
Facility exit costs <sup>(3)</sup>	21.3	21.3	40.8	40.8
Non-GAAP general and administrative expense	\$ 100.1	\$ 100.1	\$ 127.0	\$ 127.0
<i>Non-GAAP general and administrative expense as a percentage of revenue</i>	<u>5.8%</u>	<u>5.7%</u>	<u>5.6%</u>	<u>5.6%</u>
GAAP total operating expense	\$ 1,464.8	\$ 1,444.5	\$ 1,756.9	\$ 1,732.8
Share-based compensation related charges	422.7	422.7	438.0	438.0
Acquisition related costs <sup>(2)</sup>	3.1	3.1	17.9	17.9
Amortization expense of acquired intangible assets	0.5	0.5	1.2	1.2
Facility exit costs <sup>(3)</sup>	21.3	21.3	40.8	40.8
Non-GAAP total operating expense	\$ 1,017.2	\$ 996.9	\$ 1,259.0	\$ 1,234.9
<i>Non-GAAP total operating expense as a percentage of revenue</i>	<u>57.8%</u>	<u>56.8%</u>	<u>55.4%</u>	<u>54.3%</u>
GAAP operating loss	\$ (179.8)	\$ (165.8)	\$ (129.1)	\$ (102.8)
Share-based compensation related charges	488.9	488.9	516.4	516.4
Acquisition related costs <sup>(2)</sup>	3.1	3.1	17.9	17.9
Amortization expense of acquired intangible assets	8.9	8.9	15.6	15.6
Litigation related charges <sup>(1)</sup>	12.3	12.3	12.3	12.3
Facility exit costs <sup>(3)</sup>	21.3	21.3	40.8	40.8
Non-GAAP operating income	\$ 354.7	\$ 368.7	\$ 473.9	\$ 500.2
<i>Non-GAAP operating margin</i>	<u>20.1%</u>	<u>21.0%</u>	<u>20.8%</u>	<u>22.0%</u>
GAAP interest expense	\$ (24.5)	\$ (24.5)	\$ (29.6)	\$ (29.6)
Non-cash interest expense related to convertible notes	24.5	24.5	28.8	28.8
Non-GAAP interest expense	\$ -	\$ -	\$ (0.8)	\$ (0.8)
<i>Non-GAAP interest expense as a percentage of revenue</i>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>
GAAP other income, net	\$ 10.2	\$ 10.2	\$ 28.5	\$ 28.5
Foreign currency (gain) loss associated with non-GAAP adjustments	2.4	2.4	(1.0)	(1.0)
Non-GAAP other income, net	\$ 12.6	\$ 12.6	\$ 27.5	\$ 27.5
<i>Non-GAAP other income, net as a percentage of revenue</i>	<u>0.7%</u>	<u>0.7%</u>	<u>1.2%</u>	<u>1.2%</u>
GAAP loss before income taxes	\$ (194.1)	\$ (180.1)	\$ (130.2)	\$ (103.9)
Share-based compensation related charges	488.9	488.9	516.4	516.4
Acquisition related costs <sup>(2)</sup>	3.1	3.1	17.9	17.9
Amortization expense of acquired intangible assets	8.9	8.9	15.6	15.6
Litigation related charges <sup>(1)</sup>	12.3	12.3	12.3	12.3
Facility exit costs <sup>(3)</sup>	21.3	21.3	40.8	40.8
Non-cash interest expense related to convertible notes	24.5	24.5	28.8	28.8
Foreign currency (gain) loss associated with non-GAAP adjustments	2.4	2.4	(1.0)	(1.0)
Non-GAAP income before income taxes	\$ 367.3	\$ 381.3	\$ 500.6	\$ 526.9

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

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

(3) Consists of charges related to the relocation of our corporate headquarters (impairment loss of \$20.9 million and accelerated depreciation during FY17 and cease-use loss of \$39.2 million and accelerated depreciation during FY18) and charges related to the relocation of our research and development center in Israel (cease-use loss of \$1.3 million and accelerated depreciation during FY18).

**Palo Alto Networks, Inc.**  
**Historical Financial Information - Adjusted for ASC 606**  
**GAAP to Non-GAAP Reconciliations and Calculations of Other Key Metrics - Fiscal Years**  
**(In millions, except percentages and per share amounts)**

	FY17		FY18	
	Previously reported	Adjusted for ASC 606	As reported	Adjusted for ASC 606
GAAP provision for income taxes	\$ 22.5	\$ 22.9	\$ 17.7	\$ 16.9
Income tax and other tax adjustments related to the above	91.4	95.2	101.5	108.2
Non-GAAP provision for income taxes	\$ 113.9	\$ 118.1	\$ 119.2	\$ 125.1
Non-GAAP effective tax rate <sup>(4)</sup>	31.0%	31.0%	23.8%	23.7%
GAAP net loss	\$ (216.6)	\$ (203.0)	\$ (147.9)	\$ (120.8)
Share-based compensation related charges	488.9	488.9	516.4	516.4
Acquisition related costs <sup>(2)</sup>	3.1	3.1	17.9	17.9
Amortization expense of acquired intangible assets	8.9	8.9	15.6	15.6
Litigation related charges <sup>(1)</sup>	12.3	12.3	12.3	12.3
Facility exit costs <sup>(3)</sup>	21.3	21.3	40.8	40.8
Non-cash interest expense related to convertible notes	24.5	24.5	28.8	28.8
Foreign currency (gain) loss associated with non-GAAP adjustments	2.4	2.4	(1.0)	(1.0)
Income tax and other tax adjustments related to the above	(91.4)	(95.2)	(101.5)	(108.2)
Non-GAAP net income	\$ 253.4	\$ 263.2	\$ 381.4	\$ 401.8
GAAP net loss per share, diluted	\$ (2.39)	\$ (2.24)	\$ (1.61)	\$ (1.32)
Share-based compensation related charges	5.30	5.30	5.47	5.47
Acquisition related costs <sup>(2)</sup>	0.03	0.03	0.20	0.20
Amortization expense of acquired intangible assets	0.10	0.10	0.17	0.17
Litigation related charges <sup>(1)</sup>	0.14	0.14	0.13	0.13
Facility exit costs <sup>(3)</sup>	0.24	0.24	0.44	0.44
Non-cash interest expense related to convertible notes	0.27	0.27	0.31	0.31
Foreign currency (gain) loss associated with non-GAAP adjustments	0.03	0.03	(0.01)	(0.01)
Income tax and other tax adjustments related to the above	(1.01)	(1.06)	(1.11)	(1.18)
Non-GAAP net income per share, diluted	\$ 2.71	\$ 2.81	\$ 3.99	\$ 4.21
GAAP weighted-average shares used to compute net loss per share, diluted	90.6	90.6	91.7	91.7
Weighted-average effect of potentially dilutive securities <sup>(5)</sup>	3.0	3.0	3.8	3.8
Non-GAAP weighted-average shares used to compute net income per share, diluted	93.6	93.6	95.5	95.5
Net cash provided by operating activities <sup>(6)</sup>	\$ 868.5	\$ 868.5	\$ 1,037.0	\$ 1,037.0
Less: purchases of property, equipment, and other assets	163.4	163.4	112.0	112.0
Free cash flow (non-GAAP) <sup>(6)</sup>	\$ 705.1	\$ 705.1	\$ 925.0	\$ 925.0
Net cash used in investing activities	\$ (472.6)	\$ (472.6)	\$ (520.0)	\$ (520.0)
Net cash provided by (used in) financing activities	\$ (386.0)	\$ (386.0)	\$ 1,245.6	\$ 1,245.6
Free cash flow margin (non-GAAP) <sup>(6)</sup>	40.0%	40.2%	40.7%	40.7%
<b>Other Key Metrics - Calculation of Billings</b>				
Total revenue	\$ 1,761.6	\$ 1,755.1	\$ 2,273.1	\$ 2,275.1
Add: change in total deferred revenue, net of acquired deferred revenue	531.8	496.6	587.1	581.2
Billings	\$ 2,293.4	\$ 2,251.7	\$ 2,860.2	\$ 2,856.3
Product revenue	\$ 709.1	\$ 708.5	\$ 871.5	\$ 879.9
Add: change in product deferred revenue	2.0	2.0	-	(1.2)
Product billings	\$ 711.1	\$ 710.5	\$ 871.5	\$ 878.7
Support revenue	\$ 501.7	\$ 497.4	\$ 642.0	\$ 637.1
Add: change in support deferred revenue	213.6	172.2	214.2	228.7
Support billings	\$ 715.3	\$ 669.6	\$ 856.2	\$ 865.8
Subscription revenue	\$ 550.8	\$ 549.2	\$ 759.6	\$ 758.1
Add: change in subscription deferred revenue, net of acquired subscription deferred revenue	316.2	322.4	372.9	353.7
Subscription billings	\$ 867.0	\$ 871.6	\$ 1,132.5	\$ 1,111.8

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(4) 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.

(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 FY18 includes the receipt of an upfront cash reimbursement of \$38.2 million from our landlords in Q1'18 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.**  
**Historical Financial Information - Adjusted for ASC 606**  
**GAAP to Non-GAAP Reconciliations and Calculation of Other Key Metrics - Fiscal Quarters**  
**(In millions, except percentages and per share amounts)**

	Q118		Q218		Q318		Q418	
	Previously reported	Adjusted for ASC 606	Previously reported	Adjusted for ASC 606	Previously reported	Adjusted for ASC 606	As reported	Adjusted for ASC 606
<b>GAAP to Non-GAAP Reconciliations</b>								
GAAP product gross profit	\$ 128.9	\$ 127.2	\$ 138.3	\$ 140.9	\$ 146.3	\$ 149.2	\$ 185.6	\$ 190.2
Share-based compensation related charges	1.9	1.9	2.1	2.1	1.8	1.8	1.4	1.4
Amortization expense of acquired intangible assets	-	-	-	-	-	-	0.2	0.2
Litigation related charges <sup>(1)</sup>	3.1	3.1	3.0	3.0	3.1	3.1	3.1	3.1
Non-GAAP product gross profit	\$ 133.9	\$ 132.2	\$ 143.4	\$ 146.0	\$ 151.2	\$ 154.1	\$ 190.3	\$ 194.9
Non-GAAP product gross margin	71.8%	71.5%	70.9%	71.3%	70.3%	70.7%	71.1%	71.6%
GAAP subscription and support gross profit	\$ 235.2	\$ 233.0	\$ 244.8	\$ 245.5	\$ 260.9	\$ 258.9	\$ 287.8	\$ 285.1
Share-based compensation related charges	16.7	16.7	20.9	20.9	16.4	16.4	17.2	17.2
Amortization expense of acquired intangible assets	2.4	2.4	2.4	2.4	3.4	3.4	6.0	6.0
Non-GAAP subscription and support gross profit	\$ 254.3	\$ 252.1	\$ 268.1	\$ 268.8	\$ 280.7	\$ 278.7	\$ 311.0	\$ 308.3
Non-GAAP subscription and support gross margin	79.7%	79.6%	78.8%	78.8%	79.8%	79.7%	79.6%	79.5%
GAAP total gross profit	\$ 364.1	\$ 360.2	\$ 383.1	\$ 386.4	\$ 407.2	\$ 408.1	\$ 473.4	\$ 475.3
Share-based compensation related charges	18.6	18.6	23.0	23.0	18.2	18.2	18.6	18.6
Amortization expense of acquired intangible assets	2.4	2.4	2.4	2.4	3.4	3.4	6.2	6.2
Litigation related charges <sup>(1)</sup>	3.1	3.1	3.0	3.0	3.1	3.1	3.1	3.1
Non-GAAP total gross profit	\$ 388.2	\$ 384.3	\$ 411.5	\$ 414.8	\$ 431.9	\$ 432.8	\$ 501.3	\$ 503.2
Non-GAAP gross margin	76.8%	76.6%	75.9%	76.0%	76.2%	76.2%	76.2%	76.3%
GAAP research and development expense	\$ 94.2	\$ 94.2	\$ 96.6	\$ 96.6	\$ 99.6	\$ 99.6	\$ 110.3	\$ 110.3
Share-based compensation related charges	38.2	38.2	36.9	36.9	36.9	36.9	37.5	37.5
Amortization expense of acquired intangible assets	-	-	-	-	-	-	-	-
Non-GAAP research and development expense	\$ 56.0	\$ 56.0	\$ 59.7	\$ 59.7	\$ 62.7	\$ 62.7	\$ 72.8	\$ 72.8
Non-GAAP research and development expense as a percentage of revenue	11.1%	11.2%	11.0%	10.9%	11.1%	11.0%	11.1%	11.0%
GAAP sales and marketing expense	\$ 258.5	\$ 254.1	\$ 265.0	\$ 258.8	\$ 277.1	\$ 271.4	\$ 297.8	\$ 290.0
Share-based compensation related charges	52.5	52.5	55.5	55.5	53.7	53.7	54.6	54.6
Acquisition related costs <sup>(2)</sup>	-	-	-	-	-	-	0.1	0.1
Amortization expense of acquired intangible assets	0.1	0.1	0.1	0.1	0.2	0.2	0.8	0.8
Non-GAAP sales and marketing expense	\$ 205.9	\$ 201.5	\$ 209.4	\$ 203.2	\$ 223.2	\$ 217.5	\$ 242.3	\$ 234.5
Non-GAAP sales and marketing expense as a percentage of revenue	40.7%	40.1%	38.7%	37.2%	39.4%	38.3%	36.8%	35.6%
GAAP general and administrative expense	\$ 65.7	\$ 65.7	\$ 53.3	\$ 53.3	\$ 82.1	\$ 82.1	\$ 56.7	\$ 56.7
Share-based compensation related charges	19.6	19.6	20.9	20.9	14.3	14.3	17.4	17.4
Acquisition related costs <sup>(2)</sup>	-	-	-	-	13.3	13.3	4.5	4.5
Facility exit costs <sup>(3)</sup>	15.6	15.6	1.4	1.4	23.8	23.8	-	-
Non-GAAP general and administrative expense	\$ 30.5	\$ 30.5	\$ 31.0	\$ 31.0	\$ 30.7	\$ 30.7	\$ 34.8	\$ 34.8
Non-GAAP general and administrative expense as a percentage of revenue	6.0%	6.1%	5.7%	5.7%	5.4%	5.4%	5.3%	5.3%
GAAP total operating expense	\$ 418.4	\$ 414.0	\$ 414.9	\$ 408.7	\$ 458.8	\$ 453.1	\$ 464.8	\$ 457.0
Share-based compensation related charges	110.3	110.3	113.3	113.3	104.9	104.9	109.5	109.5
Acquisition related costs <sup>(2)</sup>	-	-	-	-	13.3	13.3	4.6	4.6
Amortization expense of acquired intangible assets	0.1	0.1	0.1	0.1	0.2	0.2	0.8	0.8
Facility exit costs <sup>(3)</sup>	15.6	15.6	1.4	1.4	23.8	23.8	-	-
Non-GAAP total operating expense	\$ 292.4	\$ 288.0	\$ 300.1	\$ 293.9	\$ 316.6	\$ 310.9	\$ 349.9	\$ 342.1
Non-GAAP total operating expense as a percentage of revenue	57.8%	57.4%	55.4%	53.8%	55.9%	54.7%	53.2%	51.9%
GAAP operating income (loss)	\$ (54.3)	\$ (53.8)	\$ (31.8)	\$ (22.3)	\$ (51.6)	\$ (45.0)	\$ 8.6	\$ 18.3
Share-based compensation related charges	128.9	128.9	136.3	136.3	123.1	123.1	128.1	128.1
Acquisition related costs <sup>(2)</sup>	-	-	-	-	13.3	13.3	4.6	4.6
Amortization expense of acquired intangible assets	2.5	2.5	2.5	2.5	3.6	3.6	7.0	7.0
Litigation related charges <sup>(1)</sup>	3.1	3.1	3.0	3.0	3.1	3.1	3.1	3.1
Facility exit costs <sup>(3)</sup>	15.6	15.6	1.4	1.4	23.8	23.8	-	-
Non-GAAP operating income	\$ 95.8	\$ 96.3	\$ 111.4	\$ 120.9	\$ 115.3	\$ 121.9	\$ 151.4	\$ 161.1
Non-GAAP operating margin	19.0%	19.2%	20.5%	22.2%	20.3%	21.5%	23.0%	24.4%
GAAP interest expense	\$ (6.3)	\$ (6.3)	\$ (6.4)	\$ (6.4)	\$ (6.5)	\$ (6.5)	\$ (10.4)	\$ (10.4)
Non-cash interest expense related to convertible notes	6.3	6.3	6.4	6.4	6.5	6.5	9.6	9.6
Non-GAAP interest expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (0.8)	\$ (0.8)
Non-GAAP interest expense as a percentage of revenue	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%	-0.1%
GAAP other income, net	\$ 4.8	\$ 4.8	\$ 4.9	\$ 4.9	\$ 8.6	\$ 8.6	\$ 10.2	\$ 10.2
Foreign currency (gain) loss associated with non-GAAP adjustments	0.5	0.5	1.0	1.0	(2.0)	(2.0)	(0.5)	(0.5)
Non-GAAP other income, net	\$ 5.3	\$ 5.3	\$ 5.9	\$ 5.9	\$ 6.6	\$ 6.6	\$ 9.7	\$ 9.7
Non-GAAP other income, net as a percentage of revenue	1.0%	1.1%	1.1%	1.1%	1.2%	1.2%	1.5%	1.5%
GAAP income (loss) before income taxes	\$ (55.8)	\$ (55.3)	\$ (33.3)	\$ (23.8)	\$ (49.5)	\$ (42.9)	\$ 8.4	\$ 18.1
Share-based compensation related charges	128.9	128.9	136.3	136.3	123.1	123.1	128.1	128.1
Acquisition related costs <sup>(2)</sup>	-	-	-	-	13.3	13.3	4.6	4.6
Amortization expense of acquired intangible assets	2.5	2.5	2.5	2.5	3.6	3.6	7.0	7.0
Litigation related charges <sup>(1)</sup>	3.1	3.1	3.0	3.0	3.1	3.1	3.1	3.1
Facility exit costs <sup>(3)</sup>	15.6	15.6	1.4	1.4	23.8	23.8	-	-
Non-cash interest expense related to convertible notes	6.3	6.3	6.4	6.4	6.5	6.5	9.6	9.6
Foreign currency (gain) loss associated with non-GAAP adjustments	0.5	0.5	1.0	1.0	(2.0)	(2.0)	(0.5)	(0.5)
Non-GAAP income before income taxes	\$ 101.1	\$ 101.6	\$ 117.3	\$ 126.8	\$ 121.9	\$ 128.5	\$ 160.3	\$ 170.0
GAAP provision for (benefit from) income taxes	\$ 8.2	\$ 8.2	\$ 1.6	\$ 1.6	\$ (2.8)	\$ (2.8)	\$ 10.7	\$ 9.9
Income tax and other tax adjustments related to the above	23.1	23.3	24.2	26.3	29.6	31.1	24.6	27.5
Non-GAAP provision for income taxes	\$ 31.3	\$ 31.5	\$ 25.8	\$ 27.9	\$ 26.8	\$ 28.3	\$ 35.3	\$ 37.4
Non-GAAP effective tax rate <sup>(4)</sup>	31.0%	31.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%
GAAP net income (loss)	\$ (64.0)	\$ (63.5)	\$ (34.9)	\$ (25.4)	\$ (46.7)	\$ (40.1)	\$ (2.3)	\$ 8.2
Share-based compensation related charges	128.9	128.9	136.3	136.3	123.1	123.1	128.1	128.1
Acquisition related costs <sup>(2)</sup>	-	-	-	-	13.3	13.3	4.6	4.6
Amortization expense of acquired intangible assets	2.5	2.5	2.5	2.5	3.6	3.6	7.0	7.0
Litigation related charges <sup>(1)</sup>	3.1	3.1	3.0	3.0	3.1	3.1	3.1	3.1
Facility exit costs <sup>(3)</sup>	15.6	15.6	1.4	1.4	23.8	23.8	-	-
Non-cash interest expense related to convertible notes	6.3	6.3	6.4	6.4	6.5	6.5	9.6	9.6
Foreign currency (gain) loss associated with non-GAAP adjustments	0.5	0.5	1.0	1.0	(2.0)	(2.0)	(0.5)	(0.5)
Income tax and other tax adjustments related to the above	(23.1)	(23.3)	(24.2)	(26.3)	(29.6)	(31.1)	(24.6)	(27.5)
Non-GAAP net income	\$ 69.8	\$ 70.1	\$ 91.5	\$ 98.9	\$ 95.1	\$ 100.2	\$ 125.0	\$ 132.6

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(4) 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.**  
**Historical Financial Information - Adjusted for ASC 606**  
**GAAP to Non-GAAP Reconciliations and Calculation of Other Key Metrics - Fiscal Quarters**  
(In millions, except percentages and per share amounts)

	Q118		Q218		Q318		Q418	
	Previously reported	Adjusted for ASC 606	Previously reported	Adjusted for ASC 606	Previously reported	Adjusted for ASC 606	As reported	Adjusted for ASC 606
GAAP net income (loss) per share, diluted	\$ (0.70)	\$ (0.70)	\$ (0.38)	\$ (0.28)	\$ (0.51)	\$ (0.44)	\$ (0.02)	\$ 0.08
Share-based compensation related charges	1.38	1.38	1.46	1.46	1.30	1.30	1.32	1.29
Acquisition related costs <sup>(2)</sup>	0.00	0.00	0.00	0.00	0.14	0.14	0.05	0.05
Amortization expense of acquired intangible assets	0.03	0.03	0.03	0.03	0.04	0.04	0.08	0.07
Litigation related charges <sup>(1)</sup>	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03
Facility exit costs <sup>(3)</sup>	0.17	0.17	0.02	0.02	0.26	0.26	0.00	0.00
Non-cash interest expense related to convertible notes	0.07	0.07	0.07	0.07	0.07	0.07	0.10	0.10
Foreign currency (gain) loss associated with non-GAAP adjustments	0.01	0.01	0.01	0.01	(0.02)	(0.02)	(0.01)	0.00
Income tax and other tax adjustments related to the above	(0.25)	(0.24)	(0.27)	(0.29)	(0.32)	(0.34)	(0.27)	(0.27)
Non-GAAP net income per share, diluted	\$ 0.74	\$ 0.75	\$ 0.97	\$ 1.05	\$ 0.99	\$ 1.04	\$ 1.28	\$ 1.35
GAAP weighted-average shares used to compute net income (loss) per share, diluted	90.9	90.9	91.1	91.1	91.9	91.9	92.8	100.5
Weighted-average effect of potentially dilutive securities <sup>(4)</sup>	2.8	2.8	2.8	2.8	4.3	4.3	5.2	(2.5)
Non-GAAP weighted-average shares used to compute net income per share, diluted	93.7	93.7	93.9	93.9	96.2	96.2	98.0	98.0
Net cash provided by operating activities <sup>(5)</sup>	\$ 274.1	\$ 274.1	\$ 243.7	\$ 243.7	\$ 241.3	\$ 241.3	\$ 277.9	\$ 277.9
Less: purchases of property, equipment, and other assets	32.2	32.2	25.6	25.6	28.8	28.8	25.4	25.4
Free cash flow (non-GAAP) <sup>(5)</sup>	\$ 241.9	\$ 241.9	\$ 218.1	\$ 218.1	\$ 212.5	\$ 212.5	\$ 252.5	\$ 252.5
Net cash used in investing activities	\$ (52.4)	\$ (52.4)	\$ (36.1)	\$ (36.1)	\$ (225.1)	\$ (225.1)	\$ (206.4)	\$ (206.4)
Net cash provided by (used in) financing activities	\$ (123.4)	\$ (123.4)	\$ (135.2)	\$ (135.2)	\$ 17.8	\$ 17.8	\$ 1,486.4	\$ 1,486.4
Free cash flow margin (non-GAAP) <sup>(5)</sup>	47.9%	48.2%	40.2%	40.0%	37.5%	37.4%	38.4%	38.3%
<b>Other Key Metrics - Calculation of Billings</b>								
Total revenue	\$ 505.5	\$ 501.5	\$ 542.4	\$ 545.8	\$ 567.1	\$ 568.0	\$ 658.1	\$ 659.8
Add: change in total deferred revenue, net of acquired deferred revenue	91.0	93.8	132.2	127.5	153.9	156.6	210.0	203.3
Billings	\$ 596.5	\$ 595.3	\$ 674.6	\$ 673.3	\$ 721.0	\$ 724.6	\$ 868.1	\$ 863.1

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(5) 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.**  
**Historical Financial Information - Adjusted for ASC 606**  
**Condensed Consolidated Balance Sheets - Fiscal Quarters**  
**(In millions)**

	<u>Q417</u>		<u>Q118</u>		<u>Q218</u>		<u>Q318</u>		<u>Q418</u>	
	Previously reported	Adjusted for ASC 606	As reported	Adjusted for ASC 606						
<b>Assets</b>										
Current assets:										
Cash and cash equivalents	\$ 744.3	\$ 744.3	\$ 842.6	\$ 842.6	\$ 915.0	\$ 915.0	\$ 949.0	\$ 949.0	\$ 2,506.9	\$ 2,506.9
Short-term investments	630.7	630.7	660.6	660.6	720.7	720.7	672.2	672.2	896.5	896.5
Accounts receivable, net	432.1	431.1	350.8	350.7	365.1	363.1	361.8	361.5	467.3	467.0
Prepaid expenses and other current assets	169.2	177.8	185.5	195.2	209.4	219.1	222.5	233.1	261.3	268.1
Total current assets	1,976.3	1,983.9	2,039.5	2,049.1	2,210.2	2,217.9	2,205.5	2,215.8	4,132.0	4,138.5
Property and equipment, net	211.1	211.1	256.9	256.9	264.7	264.7	264.2	264.2	273.1	273.1
Long-term investments	789.3	789.3	777.4	777.4	722.3	722.3	592.9	592.9	547.5	547.5
Goodwill	238.8	238.8	238.8	238.8	238.8	238.8	522.2	522.2	522.8	522.8
Intangible assets, net	53.7	53.7	51.0	51.0	48.3	48.3	147.7	147.7	140.8	140.8
Other assets	169.1	261.7	122.9	218.9	143.2	245.0	175.8	282.7	206.8	326.2
Total assets	<u>\$ 3,438.3</u>	<u>\$ 3,538.5</u>	<u>\$ 3,486.5</u>	<u>\$ 3,592.1</u>	<u>\$ 3,627.5</u>	<u>\$ 3,737.0</u>	<u>\$ 3,908.3</u>	<u>\$ 4,025.5</u>	<u>\$ 5,823.0</u>	<u>\$ 5,948.9</u>
<b>Liabilities, temporary equity, and stockholders' equity</b>										
Current liabilities:										
Accounts payable	\$ 35.5	\$ 35.5	\$ 38.8	\$ 38.8	\$ 33.4	\$ 33.4	\$ 32.7	\$ 32.7	\$ 49.4	\$ 49.4
Accrued compensation	117.5	117.5	74.5	74.5	113.2	113.2	95.1	95.1	163.7	163.7
Accrued and other liabilities	79.9	93.0	80.8	96.0	83.6	97.9	106.0	118.7	107.0	124.6
Deferred revenue	968.4	919.8	1,017.9	971.1	1,088.8	1,037.4	1,165.5	1,111.4	1,268.9	1,212.1
Convertible senior notes, net	-	-	531.0	531.0	537.4	537.4	543.8	543.8	550.4	550.4
Total current liabilities	1,201.3	1,165.8	1,743.0	1,711.4	1,856.4	1,819.3	1,943.1	1,901.7	2,139.4	2,100.2
Convertible senior notes, net	524.7	524.7	-	-	-	-	-	-	1,369.7	1,369.7
Long-term deferred revenue	805.1	772.6	846.6	815.1	907.9	876.3	989.4	963.2	1,096.0	1,065.8
Other long-term liabilities	147.6	147.6	192.2	192.2	196.6	196.6	226.0	226.0	229.6	229.6
Temporary equity	-	-	39.2	39.2	33.5	33.5	27.7	27.7	21.9	21.9
Stockholders' equity:										
Preferred stock	-	-	-	-	-	-	-	-	-	-
Common stock and additional paid-in capital	1,599.7	1,599.7	1,573.2	1,573.2	1,575.9	1,575.9	1,717.6	1,717.6	1,967.4	1,967.4
Accumulated other comprehensive loss	(3.4)	(3.4)	(7.0)	(7.0)	(7.2)	(7.2)	(13.2)	(13.2)	(16.4)	(16.4)
Accumulated deficit	(836.7)	(668.5)	(900.7)	(732.0)	(935.6)	(757.4)	(982.3)	(797.5)	(984.6)	(789.3)
Total stockholders' equity	759.6	927.8	665.5	834.2	633.1	811.3	722.1	906.9	966.4	1,161.7
Total liabilities, temporary equity, and stockholders' equity	<u>\$ 3,438.3</u>	<u>\$ 3,538.5</u>	<u>\$ 3,486.5</u>	<u>\$ 3,592.1</u>	<u>\$ 3,627.5</u>	<u>\$ 3,737.0</u>	<u>\$ 3,908.3</u>	<u>\$ 4,025.5</u>	<u>\$ 5,823.0</u>	<u>\$ 5,948.9</u>

**Palo Alto Networks, Inc.**  
**Historical Financial Information - Adjusted for ASC 606**  
**Condensed Consolidated Statements of Cash Flows - Fiscal Years**  
**(In millions)**

	FY17		FY18	
	Previously reported	Adjusted for ASC 606	As reported	Adjusted for ASC 606
<b>Cash flows from operating activities</b>				
Net loss	\$ (216.6)	\$ (203.0)	\$ (147.9)	\$ (120.8)
Adjustments to reconcile loss to net cash provided by operating activities:				
Share-based compensation for equity based awards	474.5	474.5	496.7	496.7
Depreciation and amortization	59.8	59.8	96.4	96.4
Cease-use loss and asset impairment related to facility exit	20.9	20.9	41.1	41.1
Amortization of debt discount and debt issuance costs	24.5	24.5	28.8	28.8
Amortization of investment premiums, net of accretion of purchase discounts	2.7	2.7	0.5	0.5
Changes in operating assets and liabilities, net of effects of acquisitions:				
Accounts receivable, net	(82.9)	(42.1)	(33.0)	(33.7)
Prepaid expenses and other assets	(48.1)	(68.2)	(125.5)	(150.5)
Accounts payable	5.9	5.9	3.7	3.7
Accrued compensation	42.8	42.8	44.2	44.2
Accrued and other liabilities	53.2	54.1	44.9	49.4
Deferred revenue	531.8	496.6	587.1	581.2
Net cash provided by operating activities <sup>(1)</sup>	868.5	868.5	1,037.0	1,037.0
<b>Cash flows from investing activities</b>				
Purchases of investments	(995.9)	(995.9)	(725.7)	(725.7)
Proceeds from sales of investments	-	-	-	-
Proceeds from maturities of investments	777.4	777.4	691.8	691.8
Business acquisitions, net of cash acquired	(90.7)	(90.7)	(374.1)	(374.1)
Purchases of property, equipment, and other assets	(163.4)	(163.4)	(112.0)	(112.0)
Net cash used in investing activities	(472.6)	(472.6)	(520.0)	(520.0)
<b>Cash flows from financing activities</b>				
Proceeds from borrowings on convertible senior notes, net	-	-	1,682.4	1,682.4
Proceeds from issuance of warrants	-	-	145.4	145.4
Purchase of note hedges	-	-	(332.0)	(332.0)
Repurchases of common stock	(411.0)	(411.0)	(259.1)	(259.1)
Proceeds from sales of shares through employee equity incentive plans	46.4	46.4	52.6	52.6
Payments for taxes related to net share settlement of equity awards	(21.4)	(21.4)	(43.7)	(43.7)
Net cash provided by (used in) financing activities	(386.0)	(386.0)	1,245.6	1,245.6
Net increase in cash and cash equivalents	9.9	9.9	1,762.6	1,762.6
Cash and cash equivalents - beginning of period	734.4	734.4	744.3	744.3
Cash and cash equivalents - end of period	\$ 744.3	\$ 744.3	\$ 2,506.9	\$ 2,506.9

(1) Cash provided by operating activities during FY18 includes the receipt of an upfront cash reimbursement of \$38.2 million from our landlords in Q1'18 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.**  
**Historical Financial Information - Adjusted for ASC 606**  
**Condensed Consolidated Statements of Cash Flows - Fiscal Quarters**  
**(In millions)**

	Q118		Q218		Q318		Q418	
	Previously reported	Adjusted for ASC 606	Previously reported	Adjusted for ASC 606	Previously reported	Adjusted for ASC 606	As reported	Adjusted for ASC 606
<b>Cash flows from operating activities</b>								
Net income (loss)	\$ (64.0)	\$ (63.5)	\$ (34.9)	\$ (25.4)	\$ (46.7)	\$ (40.1)	\$ (2.3)	\$ 8.2
Adjustments to reconcile net income (loss) to net cash provided by operating activities:								
Share-based compensation for equity based awards	125.7	125.7	130.8	130.8	116.6	116.6	123.6	123.6
Depreciation and amortization	21.3	21.3	22.1	22.1	24.6	24.6	28.4	28.4
Cease-use loss and asset impairment related to facility exit	15.4	15.4	1.3	1.3	24.4	24.4	-	-
Amortization of debt discount and debt issuance costs	6.3	6.3	6.4	6.4	6.5	6.5	9.6	9.6
Amortization of investment premiums, net of accretion of purchase discounts	0.5	0.5	0.1	0.1	-	-	(0.1)	(0.1)
Changes in operating assets and liabilities, net of effects of acquisitions:								
Accounts receivable, net	81.3	80.4	(14.3)	(12.4)	5.5	3.8	(105.5)	(105.5)
Prepaid expenses and other assets	(6.4)	(10.9)	(32.6)	(38.4)	(21.3)	(27.3)	(65.2)	(73.9)
Accounts payable	4.2	4.2	(10.6)	(10.6)	1.8	1.8	8.3	8.3
Accrued compensation	(43.0)	(43.0)	38.7	38.7	(20.1)	(20.1)	68.6	68.6
Accrued and other liabilities	41.8	43.9	4.5	3.6	(3.9)	(5.5)	2.5	7.4
Deferred revenue	91.0	93.8	132.2	127.5	153.9	156.6	210.0	203.3
Net cash provided by operating activities <sup>(1)</sup>	274.1	274.1	243.7	243.7	241.3	241.3	277.9	277.9
<b>Cash flows from investing activities</b>								
Purchases of investments	(226.8)	(226.8)	(145.7)	(145.7)	(15.4)	(15.4)	(337.8)	(337.8)
Proceeds from maturities of investments	206.6	206.6	135.2	135.2	189.2	189.2	160.8	160.8
Business acquisitions, net of cash acquired	-	-	-	-	(370.1)	(370.1)	(4.0)	(4.0)
Purchases of property, equipment, and other assets	(32.2)	(32.2)	(25.6)	(25.6)	(28.8)	(28.8)	(25.4)	(25.4)
Net cash used in investing activities	(52.4)	(52.4)	(36.1)	(36.1)	(225.1)	(225.1)	(206.4)	(206.4)
<b>Cash flows from financing activities</b>								
Proceeds from borrowings on convertible senior notes, net	-	-	-	-	-	-	1,682.4	1,682.4
Proceeds from issuance of warrants	-	-	-	-	-	-	145.4	145.4
Purchase of note hedges	-	-	-	-	-	-	(332.0)	(332.0)
Repurchases of common stock	(134.1)	(134.1)	(125.0)	(125.0)	-	-	-	-
Proceeds from sales of shares through employee equity incentive plans	22.1	22.1	1.3	1.3	29.2	29.2	-	-
Payments for taxes related to net share settlement of equity awards	(11.4)	(11.4)	(11.5)	(11.5)	(11.4)	(11.4)	(9.4)	(9.4)
Net cash provided by (used in) financing activities	(123.4)	(123.4)	(135.2)	(135.2)	17.8	17.8	1,486.4	1,486.4
Net increase in cash and cash equivalents	98.3	98.3	72.4	72.4	34.0	34.0	1,557.9	1,557.9
Cash and cash equivalents - beginning of period	744.3	744.3	842.6	842.6	915.0	915.0	949.0	949.0
Cash and cash equivalents - end of period	\$ 842.6	\$ 842.6	\$ 915.0	\$ 915.0	\$ 949.0	\$ 949.0	\$ 2,506.9	\$ 2,506.9

(1) 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.