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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, DC 20549

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**FORM 8-K**

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**CURRENT REPORT  
Pursuant to Section 13 or 15(d)  
of The Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported)**

**May 23, 2013**

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**PALO ALTO NETWORKS, INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction  
of incorporation)

**001-35594**  
(Commission  
File Number)

**20-2530195**  
(IRS Employer  
Identification No.)

**3300 Olcott Street**  
**Santa Clara, California 95054**  
(Address of principal executive offices, including zip code)

**(408) 753-4000**  
(Registrant's telephone number, including area code)

**Not Applicable**  
(Former name or former address, if changed since last report)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 2.02 Results of Operations and Financial Condition.**

On May 30, 2013, Palo Alto Networks, Inc. (the “Company”) issued a press release announcing its financial results for the three months ended April 30, 2013. A copy of the press release is furnished herewith as Exhibit 99.1 and is incorporated herein by reference.

The information contained in this Item 2.02 and in the accompanying Exhibit 99.1 shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or incorporated by reference in any filing under the Securities Act of 1933, as amended, regardless of any general incorporation language in such filing, unless expressly incorporated by specific reference in such filing.

**Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.****(b) Director Resignation**

On May 23, 2013, Venky V. Ganesan resigned from the Board of Directors (the “Board”) of the Company effective immediately. Mr. Ganesan’s resignation is not the result of any disagreement with the Company relating to the Company’s operations, policies or practices.

**(d) Appointment of New Director**

On May 23, 2013, the Board appointed Carl Eschenbach to serve as a member of the Board, effective immediately. Mr. Eschenbach will serve in the class of directors whose term expires at the Annual Meeting of Stockholders to be held in 2015. In addition, Mr. Eschenbach was appointed as a member of the audit committee of the Board (the “Audit Committee”), effective immediately.

Mr. Eschenbach, age 46, was appointed Chief Operating Officer and Co-President of VMware, Inc. in April 2012 and became President and Chief Operating Officer in December 2012. Mr. Eschenbach had previously served as VMware’s Co-President, Customer Operations from January 2011 to April 2012 and as VMware’s Executive Vice President of Worldwide Field Operations from May 2005 to January 2011. Prior to joining VMware in 2002, he was Vice President of North America Sales at Inktomi from 2000 to 2002. He also held various sales management positions with 3Com Corporation, Lucent Technologies Inc. and EMC.

In connection with his appointment to the Board, Mr. Eschenbach was granted an initial restricted stock unit equity award on May 30, 2013 in the amount of 16,000 shares of common stock. These restricted stock units will vest over three years, with 1/3 of the shares subject to the award vesting on the first anniversary of the grant date, and the remaining shares vesting equally over the next two years on a quarterly basis, subject to continued service on the Board on the applicable vesting date. In the event of a change of control, all shares subject to the award would become fully vested and immediately exercisable. The restricted stock units are subject to the terms and conditions of the Company’s 2012 Equity Incentive Plan and its related grant agreements. In addition, the Company expects to grant a restricted stock unit equity award covering shares of its common stock with a combined value of \$220,000 to Mr. Eschenbach on the date of each annual meeting of stockholders, in each case based on continuing service on the Board and the Audit Committee. Each annual restricted stock unit equity award is expected to vest over one year on a quarterly basis. The Company will also reimburse Mr. Eschenbach for all reasonable expenses in connection with his services to the Company. A copy of the offer letter between Mr. Eschenbach and the Company is filed as Exhibit 10.1 to this Current Report on Form 8-K.

In addition, Mr. Eschenbach has executed the Company’s standard form of indemnification agreement, a copy of which has been filed as Exhibit 10.1 to the Company’s Registration Statement on Form S-1 filed with the Securities and Exchange Commission on July 9, 2012.

There is no arrangement or understanding between Mr. Eschenbach and any other persons pursuant to which Mr. Eschenbach was elected as a director. Since the beginning of the Company’s last fiscal year, the Company has purchased an aggregate of approximately \$452,000 of VMware products and services from a VMware authorized reseller in arm’s length transactions.

**Item 9.01 Financial Statements and Exhibits.**

**(d) Exhibits.**

<u>Exhibit No.</u>	<u>Description</u>
10.1	Offer Letter between the Company and Carl Eschenbach, dated May 9, 2013.
99.1	Press release dated as of May 30, 2013.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**PALO ALTO NETWORKS, INC.**

By: /s/ Mark D. McLaughlin  
Mark D. McLaughlin  
President and Chief Executive Officer

Date: May 30, 2013

**EXHIBIT INDEX**

<u>Exhibit No.</u>	<u>Description</u>
10.1	Offer Letter between the Company and Carl Eschenbach, dated May 9, 2013.
99.1	Press release dated as of May 30, 2013.



May 9, 2013

Mr. Carl Eschenbach  
c/o VMware, Inc.  
3401 Hillview Ave  
Palo Alto, CA 94304

Dear Carl:

On behalf of the Board of Directors (the “Board”) of Palo Alto Networks, Inc. (the “Company”), we are pleased to inform you that it is the intention of the Nominating and Governance Committee of our Board to nominate you for election as a member of our Board and our Audit Committee.

As you are aware, the Company is a Delaware corporation and therefore your rights and duties as a Board member of the Company are prescribed by Delaware law, our charter documents as well as by the policies established by our Board from time to time. Your duties and responsibilities will be commensurate of those of a director of a publicly traded company. In addition, you may also be requested to serve as a director of one or more of our subsidiaries in which case you may be subject to other laws while serving in such a capacity.

From time to time, our Board may establish certain other committees to which it may delegate certain duties. You will be appointed by the Board to serve on at least one committee (initially, the Audit Committee). In addition to committee meetings, which shall be convened as needed, our Board meetings are generally held quarterly at the Company’s offices in Santa Clara, California. We would hope that your schedule would permit you to attend all of the meetings of the Board and any committees of which you are a member. In addition, from time to time, there may be telephonic meetings to address special matters.

It is expected that during the term of your Board membership with the Company you will not engage in any other employment, occupation, consulting or other business activity that competes with the business in which the Company is now involved in or becomes involved in during the term of your service to the Company, nor will you engage in any other activities that conflict with your obligations to the Company.

If you decide to join the Board, it will be recommended at the time of your election as a member of the Board that the Company grant you a restricted stock unit award in the amount of 16,000 shares of common stock (the “Award”) in consideration for your service as a member of the Board. The Award shares will vest over three years, with 1/3 of the shares subject to the Award grant vesting on the first anniversary of the grant date, and the remaining shares vesting equally over the next two years on a quarterly basis, subject to you continuing to serve as a Board member on each vesting date.

Following a Change in Control (defined below), all shares subject to the Award granted in accordance with the foregoing provisions shall fully vest and become immediately exercisable. “Change of Control” shall mean: (i) the sale or other disposition of all or substantially all of the assets of the Company; (ii) any sale or exchange of the capital stock of the Company by the stockholders of the Company in one transaction or series of related transactions where more than fifty percent (50%) of the outstanding voting power of the Company is acquired by a person or entity or group of related persons or entities; (iii) any reorganization, consolidation or merger of the Company where the outstanding voting securities of the Company immediately before the transaction represent or are converted into less than fifty percent (50%) of the outstanding voting power of the surviving entity (or its parent corporation) immediately after the transaction; or (iv) the consummation of the acquisition of fifty-one percent (51%) or more of the outstanding stock of the Company pursuant to a tender offer validly made under any federal or state law (other than a tender offer by the Company).

Palo Alto Networks, Inc. 3300 Olcott Street Santa Clara, CA 95054 Main: 408.753.4000 Sales: 866.320.4788 Fax: 408.753.4001 [www.paloaltonetworks.com](http://www.paloaltonetworks.com)

In addition to the Award, you will be eligible to receive annual restricted stock unit equity awards with a combined value of \$220,000 on the date of each annual meeting of stockholders, subject to your continuing service on the Board and the Audit Committee. Each annual restricted stock unit equity award is expected to vest over one year on a quarterly basis.

The payment of compensation to Board members is subject to many restrictions under applicable law, and as such, you should be aware that the compensation set forth above is subject to such future changes and modifications as the Board or its committees may deem necessary or appropriate. In addition, please note that unless otherwise approved by our Board or required under applicable law, directors of our subsidiaries shall not be entitled to any compensation.

You shall be entitled to reimbursement for reasonable expenses incurred by you in connection with your service to the Company and attendance of Board and committee meetings in accordance with the Company's established policies.

Please note that nothing in this letter or any agreement granting you equity should be construed to interfere with or otherwise restrict in any way the rights of the Company, its Board or stockholders from removing you from the Board or any committee in accordance with the provisions of applicable law. Furthermore, except as otherwise provided to other non-employee Board members or required by law, the Company does not intend to afford you any rights as an employee, including without limitation, the right to further employment or any other benefits.

We hope that you find the foregoing terms acceptable. You may indicate your agreement with these terms by signing and dating both the enclosed duplicate and original letter and returning them to me. By signing this letter you also represent that the execution and delivery of this agreement and the fulfillment of the terms hereof will not require the consent of another person, constitute a default under or conflict with any agreement or other instrument to which you are bound or a party.

On behalf of the Company it gives us great pleasure to welcome you as a member of our Board. We anticipate your leadership and experience shall make a key contribution to our success at this critical time in our growth and development.

Yours very truly,

/s/ Mark McLaughlin

Mark McLaughlin  
Chief Executive Officer  
Palo Alto Networks, Inc.

Acknowledged and agreed to

May 15, 2013

/s/ Carl Eschenbach

\_\_\_\_\_  
Carl Eschenbach

**Palo Alto Networks Reports 54 Percent Year-over-Year Revenue Growth in its Fiscal Third Quarter 2013**

- *Fiscal third quarter revenue grows 54 percent year-over-year to reach \$101.3 million*
- *Adds over 1,000 new end-customers in fiscal third quarter, reaching over 12,500 total end-customers*
- *Deferred revenue grows 88 percent year-over-year and 17 percent sequentially to reach \$219.3 million*

**SANTA CLARA, Calif., May 30, 2013** – Palo Alto Networks, Inc. (NYSE: PANW) today announced financial results for its fiscal third quarter of 2013 ended April 30, 2013.

Total revenue for the fiscal third quarter grew 54 percent year-over-year to \$101.3 million, compared with \$65.7 million in the fiscal third quarter of 2012. GAAP net loss for the fiscal third quarter was \$7.3 million, or \$0.10 per diluted share, compared with net income of \$0.8 million, or \$0.00 per diluted share, in the fiscal third quarter of 2012.

Palo Alto Networks recorded fiscal third quarter non-GAAP net income of \$4.5 million, or \$0.06 per diluted share, compared with non-GAAP net income of \$4.7 million, or \$0.07 per diluted share, in the fiscal third quarter of 2012. A reconciliation between GAAP and non-GAAP information is contained in the tables below.

“In our fiscal third quarter, we continued to gain market share, rapidly acquire new customers and extend our penetration within existing customers,” said Mark McLaughlin, president and chief executive officer of Palo Alto Networks. “Revenue grew 54 percent year-over-year despite a tough macroeconomic environment and, during the quarter, we added over 1,000 new end-customers for the sixth consecutive quarter.”



Commenting on the company's financial results, Steffan Tomlinson, chief financial officer of Palo Alto Networks, added, "On a sequential basis in the fiscal third quarter, gross margin and operating margin improved and we grew deferred revenue 17% to reach \$219.3 million. We also generated cash flow from operations of \$15.2 million to end the quarter with \$391.5 million in cash, equivalents and investments."

#### **Recent Highlights**

- Achieved Common Criteria Evaluation Assurance Level 4 (EAL 4+) certification; this expands our market opportunity by addressing the stringent certification requirements commonly demanded by certain federal, carrier, and financial organizations.
- Announced availability of the GlobalProtect app for iOS in the App Store™ and for Android™ Mobile OS in GooglePlay™, empowering enterprise customers to extend next-generation firewall security policies to mobile users.
- Published the inaugural publication of the Modern Malware Review, the first industry report to examine the behavior and lifecycle of bleeding-edge new malware, providing the industry and Palo Alto Networks customers' valuable insights that are key to improving their cybersecurity posture.
- Added Carl Eschenbach, President and Chief Operating Officer of VMware, to our Board of Directors.

#### **Conference Call Information**

Palo Alto Networks will host a conference call for analysts and investors to discuss its fiscal third quarter of 2013 results and outlook for its fiscal fourth quarter of 2013 today at 4:30 p.m. Eastern time / 1:30 p.m. Pacific time. Open to the public, investors may access the call by dialing (866) 318-8620 or (617) 399-5139 and entering the passcode 98558915. A live audio webcast of the conference call along with supplemental financial information will also be accessible from the "Investors" section of the company's website at [investors.paloaltonetworks.com](http://investors.paloaltonetworks.com). Following the webcast, an archived version will be available on the website for one year. A telephonic replay of the call will be available two hours after the call and will run for five business days and may be accessed by dialing (888) 286-8010 or (617) 801-6888 and entering passcode 23767068.

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## **Forward-Looking Statements**

This press release contains forward-looking statements that involve risks and uncertainties, including statements regarding continued momentum in the company's business. There are a significant number of factors that could cause actual results to differ materially from statements made in this press release, including: Palo Alto Networks' limited operating history, particularly as a new public company; risks associated with Palo Alto Networks' rapid growth, particularly outside of the U.S.; rapidly evolving technological developments in the market for network security products; and general market, political, economic and business conditions.

Additional risks and uncertainties that could affect Palo Alto Networks' financial results are included under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," in the company's quarterly report on Form 10-Q/A filed with the SEC on March 5, 2013 which is available on the company's website at [investors.paloaltonetworks.com](http://investors.paloaltonetworks.com) and on the SEC's website at [www.sec.gov](http://www.sec.gov). Additional information will also be set forth in other filings that the company makes with the SEC from time to time. All forward-looking statements in this press release are based on information available to the company as of the date hereof, and Palo Alto Networks does not assume any obligation to update the forward-looking statements provided to reflect events that occur or circumstances that exist after the date on which they were made.

## **Non-GAAP Financial Measures**

Palo Alto Networks has provided in this release financial information that has not been prepared in accordance with generally accepted accounting principles in the United States (GAAP). The company uses these non-GAAP financial measures internally in analyzing its financial results and believes that the use of these non-GAAP financial measures is useful to investors as an additional tool to evaluate ongoing operating results and trends and in comparing the company's financial results with other companies in its industry, many of which present similar non-GAAP financial measures.

Non-GAAP financial measures 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 the company's consolidated financial statements prepared in accordance with GAAP. A reconciliation of the company's non-GAAP financial measures to their most directly comparable GAAP measures has been provided in the financial statement tables included in this press release, and investors are encouraged to review the reconciliation.

*Non-GAAP net income and diluted net income per share.* Palo Alto Networks defines non-GAAP net income as net income (loss) plus share-based compensation expense less the related tax effects. Non-GAAP diluted net income per share is defined as non-GAAP net income divided by the diluted weighted-average shares outstanding. Palo Alto Networks considers these non-GAAP financial measures to be useful metrics for management and investors because they exclude the effect of share-based compensation expense so that management and investors can compare the company's "core business operating results," meaning its operating performance excluding not only share-based compensation but also, from time to time, discrete charges that are infrequent in nature, over multiple periods. The company also excludes from non-GAAP net income and non-GAAP diluted net income per share the tax effects, including income tax and payroll tax, associated with share-based compensation in order to provide a complete picture of the company's recurring core business operating results. Without excluding these tax effects, investors would only see the gross effect that excluding these expenses had on the company's operating results. There are a number of limitations related to the use of non-GAAP net income and non-GAAP diluted net income per share versus net income (loss) and diluted net income (loss) per share calculated in accordance with GAAP. First, non-GAAP net income and non-GAAP diluted net income per share exclude share-based compensation expense and related tax effects. Share-based compensation has been and will continue to be for the foreseeable future a significant recurring expense in the company's business. Second, share-based compensation is an important part of Palo Alto Networks employees' compensation and

impacts their performance. Third, the components of the costs that Palo Alto Networks excludes in its calculation of non-GAAP net income and non-GAAP diluted net income per share may differ from the components that its peer companies exclude when they report their non-GAAP results of operations. Palo Alto Networks compensates for these limitations by providing specific information regarding the GAAP amounts excluded from non-GAAP net income and non-GAAP diluted net income per share and evaluating non-GAAP net income and non-GAAP diluted net income per share together with net income (loss) and diluted net income (loss) per share calculated in accordance with GAAP. In the future, the company may also exclude non-recurring expenses and other expenses that do not reflect the company's core business operating results.

### **About Palo Alto Networks**

Palo Alto Networks is the network security company. Its innovative platform allows enterprises, service providers, and government entities to secure their networks and safely enable the increasingly complex and rapidly growing number of applications running on their networks. The core of the Palo Alto Networks platform is its Next-Generation Firewall, which delivers application, user, and content visibility and control integrated within the firewall through its proprietary hardware and software architecture. Palo Alto Networks products and services can address a broad range of network security requirements, from the data center to the network perimeter, as well as the distributed enterprise, which includes branch offices and a growing number of mobile devices. Palo Alto Networks products are used by more than 12,500 customers in over 100 countries. For more information, visit [www.paloaltonetworks.com](http://www.paloaltonetworks.com).

*Palo Alto Networks, "The Network Security Company," the Palo Alto Networks Logo, App-ID, GlobalProtect, and WildFire are trademarks of Palo Alto Networks, Inc. in the United States and in jurisdictions throughout the world. All other trademarks, trade names or service marks used or mentioned herein belong to their respective owners.*

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**Palo Alto Networks, Inc.**  
**Preliminary Condensed Consolidated Statements of Operations**  
(In thousands, except per share data)  
(Unaudited)

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2013	2012	2013	2012
<b>Revenue:</b>				
Product	\$ 60,793	\$43,524	\$178,251	\$125,023
Services	40,496	22,176	105,471	54,473
Total revenue	<u>101,289</u>	<u>65,700</u>	<u>283,722</u>	<u>179,496</u>
<b>Cost of revenue:</b>				
Product	15,855	11,524	46,907	32,082
Services	11,835	7,109	32,591	16,904
Total cost of revenue	<u>27,690</u>	<u>18,633</u>	<u>79,498</u>	<u>48,986</u>
Total gross profit	73,599	47,067	204,224	130,510
<b>Operating expenses:</b>				
Research and development	16,048	10,462	44,855	26,824
Sales and marketing	51,733	30,216	140,136	78,196
General and administrative	12,268	6,430	30,971	17,355
Total operating expenses	<u>80,049</u>	<u>47,108</u>	<u>215,962</u>	<u>122,375</u>
Operating income (loss)	(6,450)	(41)	(11,738)	8,135
Interest income	133	3	347	7
Other expense, net	(157)	(3)	(387)	(1,033)
Income (loss) before income taxes	(6,474)	(41)	(11,778)	7,109
Provision (benefit) for income taxes	808	(837)	1,632	1,773
Net income (loss)	<u>\$ (7,282)</u>	<u>\$ 796</u>	<u>\$ (13,410)</u>	<u>\$ 5,336</u>
<b>Net income (loss) attributable to common stockholders:</b>				
Basic	<u>\$ (7,282)</u>	<u>\$ 43</u>	<u>\$ (13,410)</u>	<u>\$ 40</u>
Diluted	<u>\$ (7,282)</u>	<u>\$ 53</u>	<u>\$ (13,410)</u>	<u>\$ 49</u>
<b>Net income (loss) per share attributable to common stockholders:</b>				
Basic	<u>\$ (0.10)</u>	<u>\$ 0.00</u>	<u>\$ (0.20)</u>	<u>\$ 0.00</u>
Diluted	<u>\$ (0.10)</u>	<u>\$ 0.00</u>	<u>\$ (0.20)</u>	<u>\$ 0.00</u>
<b>Weighted-average shares used to compute net income (loss) per share attributable to common stockholders:</b>				
Basic	<u>69,575</u>	<u>18,459</u>	<u>67,980</u>	<u>17,238</u>
Diluted	<u>69,575</u>	<u>24,888</u>	<u>67,980</u>	<u>23,020</u>

**Palo Alto Networks, Inc.**  
**Reconciliation of GAAP to Non-GAAP Financial Measures - Fiscal Quarter**  
(In thousands, except per share amounts)  
(Unaudited)

	Three Months Ended April 30, 2013			Three Months Ended April 30, 2012		
	GAAP Results	Adjustments	Non-GAAP Results	GAAP Results	Adjustments	Non-GAAP Results
Net income (loss)	\$ (7,282)	\$ 11,767 (a)	\$ 4,485	\$ 796	\$ 3,874 (c)	\$ 4,670
Net income (loss) attributable to common stockholders:						
Basic	\$ (7,282)	\$ 11,767 (a)	\$ 4,485	\$ 43	\$ 1,355 (e)	\$ 1,398
Diluted	\$ (7,282)	\$ 11,767 (a)	\$ 4,485	\$ 53	\$ 1,654 (e)	\$ 1,707
Net income (loss) per share attributable to common stockholders:						
Basic	\$ (0.10)	\$ 0.16 (a)	\$ 0.06	\$ 0.00	\$ 0.08 (e)	\$ 0.08
Diluted	\$ (0.10)	\$ 0.16 (a)	\$ 0.06	\$ 0.00	\$ 0.07 (e)	\$ 0.07
Weighted-average shares used to compute net income (loss) per share attributable to common stockholders:						
Basic	69,575	—	69,575	18,459	—	18,459
Diluted	69,575	8,466 (f)	78,041	24,888	—	24,888
	Nine Months Ended April 30, 2013			Nine Months Ended April 30, 2012		
	GAAP Results	Adjustments	Non-GAAP Results	GAAP Results	Adjustments	Non-GAAP Results
Net income (loss)	\$(13,410)	\$ 24,733 (b)	\$ 11,323	\$ 5,336	\$ 7,367 (d)	\$ 12,703
Net income (loss) attributable to common stockholders:						
Basic	\$(13,410)	\$ 24,733 (b)	\$ 11,323	\$ 40	\$ 2,073 (e)	\$ 2,113
Diluted	\$(13,410)	\$ 24,733 (b)	\$ 11,323	\$ 49	\$ 2,530 (e)	\$ 2,579
Net income (loss) per share attributable to common stockholders:						
Basic	\$ (0.20)	\$ 0.37 (b)	\$ 0.17	\$ 0.00	\$ 0.12 (e)	\$ 0.12
Diluted	\$ (0.20)	\$ 0.35 (b)	\$ 0.15	\$ 0.00	\$ 0.11 (e)	\$ 0.11
Weighted-average shares used to compute net income (loss) per share attributable to common stockholders:						
Basic	67,980	—	67,980	17,238	—	17,238
Diluted	67,980	9,752 (f)	77,732	23,020	—	23,020

- (a) To eliminate share-based compensation expense of \$12,634 and share-based payroll tax of \$1,135 offset by related income tax effect of \$2,002 for the three months ended April 30, 2013
- (b) To eliminate share-based compensation expense of \$29,730 and share-based payroll tax of \$1,135 offset by related income tax effect of \$6,132 for the nine months ended April 30, 2013
- (c) To eliminate share-based compensation expense of \$3,874 offset by related income tax effect of \$0 for the three months ended April 30, 2012
- (d) To eliminate share-based compensation expense of \$7,373 offset by related income tax effect of \$6 for the nine months ended April 30, 2012
- (e) Includes the effect of participating securities under the two-class method for determining net income (loss) attributable to common stockholders
- (f) Difference between weighted-average shares outstanding on a diluted basis under GAAP and non-GAAP due to application of the treasury stock method for dilutive shares

**Palo Alto Networks, Inc.**  
**Preliminary Condensed Consolidated Balance Sheets**  
(In thousands)  
(Unaudited)

	April 30, 2013	July 31, 2012
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$213,664	\$322,642
Short-term investments	148,033	—
Accounts receivable, net of allowance for doubtful accounts	91,489	45,642
Prepaid expenses and other current assets	19,538	13,373
Total current assets	472,724	381,657
Property and equipment, net	29,500	20,979
Long-term investments	29,767	—
Other assets	6,786	5,168
Total assets	<u>\$538,777</u>	<u>\$407,804</u>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 12,810	\$ 9,214
Accrued liabilities	15,578	15,189
Accrued compensation	19,662	11,307
Deferred revenue	133,968	86,296
Total current liabilities	182,018	122,006
Deferred revenue – non-current	85,336	49,512
Other long-term liabilities	7,542	7,215
Stockholders' equity:		
Preferred stock	—	—
Common stock	7	7
Additional paid-in capital	357,289	309,092
Accumulated other comprehensive income	23	—
Accumulated deficit	(93,438)	(80,028)
Total stockholders' equity	263,881	229,071
Total liabilities and stockholders' equity	<u>\$538,777</u>	<u>\$407,804</u>



**Palo Alto Networks, Inc.**  
**Preliminary Condensed Consolidated Statements of Cash Flows**  
(In thousands)  
(Unaudited)

	Nine Months Ended April 30,	
	2013	2012
<b>Cash flows from operating activities</b>		
Net income (loss)	\$ (13,410)	\$ 5,336
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	7,221	4,193
Amortization of investment premiums, net of accretion of purchase discounts	1,445	—
Share-based compensation for equity based awards	29,608	7,350
Excess tax benefit from share-based compensation	(177)	—
Change in fair value of preferred stock warrants	—	958
Changes in operating assets and liabilities:		
Accounts receivable, net	(45,847)	(9,119)
Prepaid expenses and other assets	(5,991)	(9,251)
Accounts payable	3,347	5,079
Accrued and other liabilities	13,097	3,834
Deferred revenue	83,496	49,397
Reimbursement of leasehold improvements	—	701
Net cash provided by operating activities	<u>72,789</u>	<u>58,478</u>
<b>Cash flows from investing activities</b>		
Purchase of property, equipment, and other assets	(16,595)	(11,281)
Purchase of investments	(310,683)	—
Proceeds from sales of investments	13,491	—
Proceeds from maturities of investments	117,150	—
Net cash used in investing activities	<u>(196,637)</u>	<u>(11,281)</u>
<b>Cash flows from financing activities</b>		
Excess tax benefit from share-based compensation	177	—
Changes in restricted cash	—	1,221
Proceeds from exercise of stock options	11,195	1,477
Proceeds from employee stock purchase plan	6,267	—
Proceeds from settlement of note receivable	—	637
Repurchase of restricted common stock from employees	(71)	(63)
Payments of initial public offering costs	(2,698)	(703)
Net cash provided by financing activities	<u>14,870</u>	<u>2,569</u>
Net increase (decrease) in cash and cash equivalents	(108,978)	49,766
Cash and cash equivalents - beginning of period	322,642	40,517
Cash and cash equivalents - end of period	<u>\$ 213,664</u>	<u>\$ 90,283</u>