## **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)

	FY16 FY17				FY18				
Revenue:									
Product	\$	670.8	\$	709.1	\$	871.5			
Subscription and support		707.7		1,052.5		1,401.6			
Total revenue		1,378.5		1,761.6		2,273.1			
Cost of revenue:									
Product		175.4		201.4		272.4			
Subscription and support		194.6		275.2		372.9			
Total cost of revenue		370.0		476.6		645.3			
Total gross profit		1,008.5		1,285.0		1,627.8			
Product gross margin		73.9 %		71.6 %		68.7 %			
Subscription and support gross margin		<i>72.5</i> %		<i>73.9 %</i>		73.4 %			
Total gross margin		73.2 %		72.9 %		71.6 %			
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		1,165.8		1,464.8		1,756.9			
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		(172.3)		(194.1)		(130.2)			
Provision for income taxes		20.4		22.5		17.7			
Net loss	\$	(192.7)	\$	(216.6)	\$	(147.9)			

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	Ç	2418
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
Product gross margin	74.2 %	ó	72.9 %		69.7 %		70.0 %		69.1 %		68.4 %		68.0 %		69.4 %
Subscription and support gross margin	74.8 %	ó	73.4 %		72.3 %		74.8 %		73.7 %		<i>72.0</i> %		74.1 %		73.7 %
Total gross margin	74.6 %	ó	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)

<sup>(1)</sup> 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)

	FY16	FY17	FY18
Revenue:			
Product	\$ 670.8	\$ 709.1	\$ 871.5
Subscription and support	707.7	1,052.5	1,401.6
Total revenue	1,378.5	1,761.6	2,273.1
Cost of revenue:			
Product	156.6	181.6	252.7
Subscription and support	144.5	208.1	287.5
Total cost of revenue	301.1	389.7	540.2
Total gross profit	1,077.4	1,371.9	1,732.9
Product gross margin	76.6 %	74.4 %	71.0 %
Subscription and support gross margin	79.6 %	80.2 %	79.5 %
Total gross margin	78.2 %	77.9 %	76.2 %
Operating expenses:			
Research and development	146.7	190.8	251.2
Sales and marketing	584.9	726.3	8.088
General and administrative	75.0	100.1	127.0
Total operating expenses	 806.6	1,017.2	1,259.0
Operating income	270.8	354.7	473.9
Interest expense	-	-	(8.0)
Other income, net	8.1	12.6	27.5
Income before income taxes	 278.9	 367.3	 500.6
Provision for income taxes	 106.0	 113.9	 119.2
Net income	\$ 172.9	\$ 253.4	\$ 381.4

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

	<b>Q1</b> :	17	Q	217	(	Q317	(	Q417	(	Q118	Q218	Ç	2318	(	<b>)418</b>
Revenue:															
Product	\$ 1	163.8	\$	168.8	\$	164.2	\$	212.3	\$	186.5	\$ 202.2	\$	215.2	\$	267.6
Subscription and support	2	234.3		253.8		267.6		296.8		319.0	340.2		351.9		390.5
Total revenue	3	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	3	316.2		332.1		330.1		393.5		388.2	411.5		431.9		501.3
Product gross margin	7	7.2 %		75.9 %		72.7 %		72.4 %		71.8 %	70.9 %		70.3 %		71.1 %
Subscription and support gross margin	8	1.0 %		80.4 %		78.8 %		80.8 %		79.7 %	78.8 %		79.8 %		79.6 %
Total gross margin	7	9.4 %		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	1	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		-		-		-		-		-	-		-		(8.0)
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

		FY16	FY17		FY18
GAAP to Non-GAAP Reconciliations GAAP product gross profit	\$	495.4 \$	507.7	\$	599.1
Share-based compensation related charges	Ψ	6.5	7.5	Ψ	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>\$</u>	514.2 \$	527.5	\$	618.8
Non-GAAP product gross margin		76.6%	74.4%		71.0%
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 Non-GAAP subscription and support gross profit	\$	7.5 563.2 \$	8.4 844.4	\$	14.2 1,114.1
Non-GAAP subscription and support gross margin	Ψ	79.6%	80.2%	Ψ	79.5%
GAAP total gross profit	\$	1,008.5 \$	1,285.0	\$	1,627.8
Share-based compensation related charges	Ψ	49.1	66.2	Ψ	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		1,077.4 \$		\$	1,732.9
Non-GAAP gross margin		78.2%	77.9%		76.2%
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	ф.	0.7	0.3	ď	251.2
Non-GAAP research and development expense  Non-GAAP research and development expense as a percentage of revenue		146.7 \$ 10.6%	190.8 10.8%	\$	251.2 11.1%
Non-GAAF research and development expense as a percentage of revenue		10.0%	10.0%		11.170
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	-		0.1
Amortization expense of acquired intangible assets Non-GAAP sales and marketing expense	\$	0.1 584.9 \$	726.3	\$	1.2 880.8
Non-GAAP sales and marketing expense as a percentage of revenue	Ψ	42.4%	41.2%	Ψ	38.7%
GAAP general and administrative expense	\$	138.4 \$	198.3	\$	257.8
Share-based compensation related charges Acquisition related costs <sup>(2)</sup>		63.4	73.8 3.1		72.2 17.8
Facility exit costs <sup>(3)</sup>		- -	21.3		40.8
Non-GAAP general and administrative expense	\$	75.0 \$	100.1	\$	127.0
Non-GAAP general and administrative expense as a percentage of revenue		5.5%	5.8%		5.6%
GAAP total operating expense	\$	1,165.8 \$	1,464.8	\$	1,756.9
Share-based compensation related charges	Ψ	358.4	422.7	Ψ	438.0
Acquisition related costs <sup>(2)</sup>		-	3.1		17.9
Amortization expense of acquired intangible assets		8.0	0.5		1.2
Facility exit costs <sup>(3)</sup>	ф.	-	21.3	ф.	40.8
Non-GAAP total operating expense  Non-GAAP total operating expense as a percentage of revenue		806.6 \$ 58.5%	1,017.2 57.8%	\$	1,259.0 55.4%
Non-GAAF total operating expense as a percentage of revenue		30.3%	37.0%		33.470
GAAP operating loss	\$	(157.3) \$		\$	(129.1)
Share-based compensation related charges		407.5	488.9		516.4
Acquisition related costs <sup>(2)</sup> Amortization expense of acquired intangible assets		8.3	3.1 8.9		17.9 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	\$	270.8 \$	354.7	\$	473.9
Non-GAAP operating margin		19.7%	20.1%		20.8%
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	\$	- \$		\$	(0.8)
Non-GAAP interest expense as a percentage of revenue		0.0%	0.0%		0.0%
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	\$	8.1 \$		\$	27.5
Non-GAAP other income, net as a percentage of revenue		0.6%	0.7%		1.2%
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> Non-cash interest expense related to convertible notes		23.4	21.3 24.5		40.8 28.8
Foreign currency (gain) loss associated with non-GAAP adjustments		(0.3)	24.5		(1.0)
Non-GAAP income before income taxes	\$	278.9 \$	367.3	\$	500.6

<sup>(1)</sup> Consists of the amortization of intellectual property licenses.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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).

		FY16	FY17	FY18
GAAP provision for income taxes	\$	20.4 \$	22.5	\$ 17.7
Income tax and other tax adjustments related to the above	Ψ	85.6	91.4	101.5
Non-GAAP provision for income taxes	\$	106.0 \$	113.9	
Non-GAAP effective tax rate <sup>(4)</sup>		38.0%	31.0%	23.8%
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 Non-GAAP net income	\$	(85.6) 172.9 \$	(91.4) 253.4	(101.5)
Non-GAAF het income	<u> </u>	172.9 \$	255.4	301.4
GAAP net loss per share, diluted	\$	(2.21) \$	(2.39)	
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> Facility exit costs <sup>(3)</sup>		0.14 0.00	0.14 0.24	0.13 0.44
Non-cash interest expense related to convertible notes		0.00	0.24	0.44
Foreign currency (gain) loss associated with non-GAAP adjustments		0.27	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	\$	1.89 \$		\$ 3.99
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		91.3	93.6	95.5
Net cash provided by operating activities <sup>(6)</sup>	\$	658.6 \$	868.5	\$ 1,037.0
Less: purchases of property, equipment, and other assets	Ψ	72.5	163.4	112.0
Free cash flow (non-GAAP) <sup>(6)</sup>	\$	586.1 \$	705.1	
Net cash used in investing activities	\$	(338.9) \$	(472.6)	
Net cash provided by (used in) financing activities	\$	38.9 \$	(386.0)	
Free cash flow margin (non-GAAP) <sup>(6)</sup>		42.5%	40.0%	40.7%
Other Key Metrics - Calculation of Billings				
Total revenue	\$	1,378.5 \$	1,761.6	\$ 2,273.1
Add: change in total deferred revenue, net of acquired deferred revenue	Ψ	527.1	531.8	587.1
Billings	\$	1,905.6 \$		\$ 2,860.2
Product revenue	\$	670.8 \$	709.1	871.5
Add: change in product deferred revenue	Ψ	(0.7)	2.0	
Product billings	\$	670.1 \$	711.1	871.5
Support revenue	\$	350.7 \$	501.7	642.0
Add: change in support deferred revenue	φ	228.9	213.6	214.2
Support billings	\$	579.6 \$	715.3	
Subscription revenue	\$	357.0 \$	550.8	759.6
Add: change in subscription deferred revenue, net of acquired subscription deferred revenue	φ	357.0 \$ 298.9	316.2	372.9
Subscription billings	\$	655.9 \$		\$ 1,132.5
	Ψ	555.7 ψ	007.0	1,102.0

- $\begin{tabular}{ll} (1) Consists of the amortization of intellectual property licenses. \end{tabular}$
- (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).
- (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.

Section   1964   1965	GAAP to Non-GAAP Reconciliations		<b>2117</b> <sup>(1)</sup>	Q217	Q317	Q417	Q118	Q218	Q318	Q418
Section   1	GAAP product gross profit Share-based compensation related charges	\$								185.6 1.4 0.2
Part	Litigation related charges <sup>(2)</sup>	\$								3.1 190.3
125   127   129   125   127   120   125   127   120   125   127   120										71.1%
Non-Authority can be deput up an authority of the second support up and authority of the second support up an authority of the second support up and authority of the second su	Share-based compensation related charges	\$	12.5	15.7	15.0	15.5	16.7	20.9	16.4	287.8 17.2
Pace	Non-GAAP subscription and support gross profit	\$	189.7 \$	204.0 \$	210.8 \$	239.9 \$	254.3 \$	268.1 \$	280.7 \$	6.0 311.0 79.6%
Section   Process of temples changes are supplied transport   19   18   22   23   24   24   24   24   24   24		\$								473.4 18.6
Processing   Process mergin   Process			3.1	3.0	3.1	3.1				6.2 3.1
Selection   Sele	9 .	\$	•							501.3 76.2%
Search Land development expenses   \$4.54 \$ 4.73 \$ 4.77 \$ 5.65 \$ 5.00 \$ 5.00 \$ 5.00 \$ 1.00 \$	Share-based compensation related charges	\$	38.6	42.5						110.3 37.5
Starts based comprosument ordered charges  Grant Control Contr	Non-GAAP research and development expense	\$	45.4 \$	47.3 \$						72.8 11.1%
Accordance opening of according intergrible asserts   1,000	Share-based compensation related charges	\$								297.8 54.6
Authorities	Amortization expense of acquired intangible assets			-						0.1
Share-based compensation retaked charges  Facility self-vision (1979)  Facility self-vision (1974)  Fac	9 .	\$								242.3 36.8%
Pach	Share-based compensation related charges	\$		19.8	17.7				14.3	56.7 17.4 4.5
CAP   Total operating expense   \$ 3450 \$ 3638 \$ 572 \$ 3070 \$ 418.4 \$ 4140 \$ 4588 \$ 468	Facility exit costs <sup>(4)</sup> Non-GAAP general and administrative expense	\$				25.5 \$	30.5 \$	31.0 \$	30.7 \$	34.8
Share-based compensation related clarges (and sequential related costs) (as of the property of		<u></u>					-			5.3% 464.8
Amortization expense of acquired intangible assets   0.2   0.1   0	Share-based compensation related charges	·		114.0	103.9				104.9	109.5 4.6
Section   Sect	Amortization expense of acquired intangible assets		0.2	0.1	0.1					0.8
Share-based compensation related charges   1156   1318   1206   1209   1209   1363   1231   1246   1200   1200   1200   1200   1231   1246   1200   1230   1231   1346   1200   1230   1231   1346   1200   1230   1231   1346   1	1 0 1	\$								349.9 53.2%
Amortization expense of acquired intangible asserts  Littgatiano related charges (**)  13.1 3.0 3.1 3.1 3.0 3.1 3.0 3.1 3.1 3.0 3.1 3.1 3.0 3.1 3.1 3.0 3.1 3.1 3.0 3.1 3.1 3.0 3.1 3.1 3.0 3.0 3.1 3.0 3.1 3.0 3.1 3.0 3.0 3.1 3.0 3.1 3.0 3.0 3.1 3.0 3.0 3.1 3.0 3.0 3.1 3.0 3.0 3.1 3.0 3.0 3.0 3.0 3.0 3.0 3.0 3.0 3.0 3.0	Share-based compensation related charges	\$	` '	131.8	120.6	. , .	. , .		123.1	8.6 128.1 4.6
Non-GAAP perenting income   18   8   811   8   793   8120   8   958   8111   8   1153   5   51   Non-GAAP perenting margin   180	Amortization expense of acquired intangible assets Litigation related charges <sup>(2)</sup>			2.0	2.3	3.1	3.1	3.0	3.6 3.1	7.0 3.1
Non-GAAP interest expense related to convertible notes  Non-GAAP interest expense as a percentage of revenue  Non-GAAP interest expense are a percentage	Non-GAAP operating income	\$				120.5 \$	95.8 \$	111.4 \$	115.3 \$	151.4 23.0%
Non-GAAP interest expenses a percentage of revenue	•	\$						` '		(10.4) 9.6
Non-GAP other income, net	Non-GAAP interest expense	\$	- \$	- \$	- \$	- \$	- \$	- \$	- \$	(0.8)
Non-GAP other income, net \( 2 \) \( 3 \) \( 5 \) \(		\$								10.2
Share-based compensation related charges   115.6   131.8   120.6   120.9   128.9   136.3   123.1   128   128.4   128	Non-GAAP other income, net	\$	2.3 \$	3.3 \$	3.5 \$	3.5 \$	5.3 \$	5.9 \$	6.6 \$	9.7 1.5%
Acquisition related costs		\$	` '							8.4
Litigation related charges   3.1   3.0   3.1   3.1   3.1   3.1   3.1   3.0   3.1	Acquisition related costs <sup>(3)</sup>		-	0.7	2.4	-	-	-	13.3	4.6 7.0
Non-cash interest expense related to convertible notes   6.0   6.1   6.2   6.2   6.3   6.4   6.5   9     Foreign currency (gain) loss associated with non-GAAP adjustments   74.1   8.64   8.28   124.0   101.1   117.3   121.9   106     Foreign currency (gain) loss associated with non-GAAP adjustments   74.1   8.64   8.28   7.7   7.6   8.2   1.6   2.8   1.0     Foreign currency (pain) income taxes   4.4   2.8   7.7   18.0   3.09   2.31   24.2   29.6   24     Foreign currency (pain) income taxes   18.5   2.29   2.68   2.57   3.85   3.13   2.58   2.68   3.55     Foreign currency (pain) income taxes   18.5   2.9   2.68   2.57   3.85   3.13   2.58   2.68   3.55     Foreign currency (pain) income taxes   2.1   2.29   2.68   2.57   3.65   3.65   3.10   2.29   2.29     Foreign currency (pain) income taxes   2.1   2.29   2.29   2.29   2.29   2.29   2.29   2.29   2.29   2.29   2.29   2.29     Foreign currency (pain) income taxes   2.1   2.29	Litigation related charges <sup>(2)</sup>					3.1	3.1	3.0	3.1	3.1
GAAP provision for (benefit from) income taxes	Non-cash interest expense related to convertible notes					6.2	6.3	6.4	6.5	9.6 (0.5)
Non-GAAP provision for income taxes   18.5   24.0   18.0   30.9   23.1   24.2   29.6   24     Non-GAAP provision for income taxes   \$ 22.9										160.3
Non-GAAP effective tax rate (5)  GAAP net loss Share-based compensation related charges Acquisition related costs(3) Acquisition expense of acquired intangible assets Litigation related charges(2) Litigation related charges(3) Facility exit costs(4) Non-cash interest expense related to convertible notes Foreign currency (gain) loss associated with non-GAAP adjustments (0.2) Income tax and other tax adjustments related to the above  31.0% 31	Income tax and other tax adjustments related to the above	\$	18.5	24.0	18.0	30.9	23.1	24.2	29.6	10.7 24.6 35.3
Share-based compensation related charges       115.6       131.8       120.6       120.9       128.9       136.3       123.1       128         Acquisition related costs <sup>(3)</sup> -       0.7       2.4       -       -       -       13.3       4         Amortization expense of acquired intangible assets       2.1       2.0       2.3       2.5       2.5       2.5       3.6       7         Litigation related charges <sup>(2)</sup> 3.1       3.0       3.1       3.1       3.1       3.0       4.0       4.0       6.2       6.2       6.3       6.4		<u> </u>								22.0%
Amortization expense of acquired intangible assets 2.1 2.0 2.3 2.5 2.5 2.5 3.6 7 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 Foreign currency (gain) loss associated with non-GAAP adjustments (0.2) 0.6 1.4 0.6 0.5 1.0 (2.0) (0 Income tax and other tax adjustments related to the above (18.5) (24.0) (18.0) (30.9) (23.1) (24.2) (29.6) (24.0)	Share-based compensation related charges	\$		131.8	120.6	120.9			123.1	(2.3) 128.1 4.6
Facility exit costs <sup>(4)</sup> Non-cash interest expense related to convertible notes  6.0  6.1  6.2  6.2  6.3  6.4  6.5  9  Foreign currency (gain) loss associated with non-GAAP adjustments  (0.2)  0.6  1.4  0.6  0.5  1.0  (2.0)  (0  10 (2.0)  (18.5)  (24.0)  (18.0)  (30.9)  (23.1)  (24.2)  (29.6)  (29.6)	Amortization expense of acquired intangible assets			2.0	2.3	2.5			3.6	7.0 3.1
Foreign currency (gain) loss associated with non-GAAP adjustments (0.2) 0.6 1.4 0.6 0.5 1.0 (2.0) (0 Income tax and other tax adjustments related to the above (18.5) (24.0) (18.0) (30.9) (23.1) (24.2) (29.6) (24.0)	Facility exit costs <sup>(4)</sup>		-	-	-	21.3	15.6	1.4	23.8	9.6
Non-GAAP net income \$ 51.2 \$ 59.6 \$ 57.1 \$ 85.5 \$ 69.8 \$ 91.5 \$ 95.1 \$ 125	Foreign currency (gain) loss associated with non-GAAP adjustments Income tax and other tax adjustments related to the above		(0.2) (18.5)	0.6 (24.0)	1.4 (18.0)	0.6 (30.9)	0.5 (23.1)	1.0 (24.2)	(2.0) (29.6)	(0.5) (24.6)
		\$	51.2 \$	59.6 \$	57.1 \$	85.5 \$	69.8 \$	91.5 \$	95.1 \$	125.0

<sup>(1)</sup> 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.

 $<sup>\</sup>ensuremath{\mbox{(2)}}\xspace \ensuremath{\mbox{Consists}}\xspace \ensuremath{\mbox{of}}\xspace \ensuremath{\mbox{the}}\xspace \ensuremath{\mbox{of}}\xspace \ensuremath{\mbox{challength}}\xspace \ensuremath{\mbox{challe$ 

<sup>(3)</sup> 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.

<sup>(4)</sup> 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).

<sup>(5)</sup> 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.

		<b>117</b> <sup>(1)</sup>	Q2	217	(	Q317	Q.	417	(	Q118		Q218	Q	318	Q	2418
GAAP net loss per share, diluted Share-based compensation related charges	\$	(0.63) 1.27	\$	(0.67) 1.42 0.01	\$	(0.67) : 1.30 0.03	\$	(0.42) 1.31 0.00	\$	(0.70) 1.38	\$	(0.38) 1.46	\$	(0.51) 1.30 0.14	\$	(0.02) 1.32 0.05
Acquisition related costs <sup>(3)</sup> Amortization expense of acquired intangible assets		0.00 0.02		0.02		0.03		0.03		0.00 0.03		0.00 0.03		0.04		0.08
Litigation related charges <sup>(2)</sup> Facility exit costs <sup>(4)</sup>		0.03		0.03		0.03 0.00		0.03 0.23		0.03 0.17		0.03 0.02		0.03 0.26		0.03
Non-cash interest expense related to convertible notes Foreign currency (gain) loss associated with non-GAAP adjustments		0.07 0.00		0.07 0.01		0.07 0.02		0.07 0.01		0.07 0.01		0.07 0.01		0.07 (0.02)		0.10 (0.01)
Income tax and other tax adjustments related to the above Non-GAAP net income per share, diluted	\$	(0.21) 0.55	\$	(0.26)	\$	(0.20) 0.61	\$	(0.34)	\$	(0.25)	\$	(0.27) 0.97	\$	(0.32)	\$	(0.27) 1.28
•	Ψ		Ψ		Ψ		Ψ		Ψ		Ψ		Ψ		Ψ	
GAAP weighted-average shares used to compute net loss per share, diluted Weighted-average effect of potentially dilutive securities <sup>(5)</sup>		89.8 3.9		90.7 3.2		91.0 2.3		90.9 2.4		90.9 2.8		91.1 2.8		91.9 4.3		92.8 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> Less: purchases of property, equipment, and other assets	\$	203.5 20.9	\$	214.3 44.7	\$	211.2 \$ 48.6	\$	239.5 49.2	\$	274.1 32.2	\$	243.7 S 25.6	\$	241.3 28.8	\$	277.9 25.4
Free cash flow (non-GAAP) <sup>(1)(6)</sup> Net cash used in investing activities	\$	182.6 (71.2)	\$	169.6 (173.1)		162.6		190.3		241.9 (52.4)	\$	(36.1)		212.5 (225.1)	\$	252.5 (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) (1)(6)		45.9 %		40.1 %		37.7 %		37.4 %		47.9 %		40.2 %		37.5 %		38.4 %
Other Key Metrics - Calculation of Billings																
Total revenue  Add: change in total deferred revenue, net of acquired deferred revenue	\$	398.1 118.8	\$	422.6 139.0	\$	431.8 \$ 112.3	\$	509.1 161.7	\$	505.5 91.0	\$	542.4 S 132.2	\$	567.1 153.9	\$	658.1 210.0
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

	]	FY15
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		(0.62)
Non-GAAP net income per share, diluted	\$	1.10

- (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)

	FY16			FY17	FY18
Assets					
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		1,774.0		1,976.3	4,132.0
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	\$	2,858.2	\$	3,438.3	\$ 5,823.0
<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		846.8		1,201.3	2,139.4
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		894.9		759.6	966.4
Total liabilities, temporary equity, and stockholders' equity	\$	2,858.2	\$	3,438.3	\$ 5,823.0

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

	Q117 <sup>(1)</sup>		Q217	Q317	Q417	Q118	Q218	Q318	Q418
Assets									
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		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		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
Liabilities, temporary equity, and stockholders' equity 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		_	_	-	531.0	537.4	543.8	550.4
Total current liabilities	1,400		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		1,613.3	1,615.8	1,599.7	1,573.2	1,575.9	1,717.6	1,967.4
Accumulated other comprehensive loss	(1	-	(5.1)	(4.2)	(3.4)	(7.0)	(7.2)	(13.2)	(16.4)
Accumulated deficit	(677		(737.6)	(798.5)	(836.7)	(900.7)	(935.6)	(982.3)	(984.6)
Total stockholders' equity	864		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

<sup>(1)</sup> 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
Cash flows from operating activities			
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
Cash flows from investing activities			
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)
Cash flows from financing activities			
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	\$ 734.4	\$ 744.3	\$ 2,506.9

<sup>(1)</sup> 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)

Net loss of the concile net lost not cash provided hyperating activities		Q117 <sup>(1)</sup>		Q217	Q317	Q417	Q118	Q218	Q318	Q418
Adjustments to reconcile net loss to net cash provided by operating activities:   Share-based compensation for equity based awards   1133   1273   1162   1177   1257   1308   1166   1236   1246	Cash flows from operating activities									
Share-based compensation for equity based awards	Net loss	\$	(56.9) \$	(60.6) \$	(60.9)	\$ (38.2) \$	6 (64.0)	\$ (34.9)	(46.7)	\$ (2.3)
Depreciation and amortization   136   144   151   167   213   221   246   248   24	Adjustments to reconcile net loss to net cash provided by operating activities:									
Cease-use loss and asset impairment related to facility exit	Share-based compensation for equity based awards		113.3	127.3	116.2	117.7	125.7	130.8	116.6	123.6
Amortization of debt discount and debt issuance costs	Depreciation and amortization		13.6	14.4	15.1	16.7	21.3	22.1	24.6	28.4
Amortization of investment premiums, net of accretion of purchase discounts:         0,7         0,6         0,5         0,1         -         (0,1)           Changes in operating assets and liabilities, net of effects of acquisitions:         2,2         (3,95)         22,4         (6,80)         81.3         (14.3)         5.5         (10,5)           Prepaid expenses and other assets         10.1         (13.9)         (80.0)         36.3         (64.0)         32.6         (13.8)         (65.2)           Accounts payable         18.8         (16.0)         2.6         3.1         (43.0)         38.7         (20.1)         68.6           Accrued compensation         (14.5)         19.8         36.0         41.1         (43.0)         38.7         (20.1)         68.6           Accrued and other liabilities         8.4         22.6         8.2         14.0         41.8         45.0         25.0         25.0         26.0         26.0         26.0         25.0         25.0         25.0         27.0         26.0         27.1         24.3         27.0         27.0         26.0         26.0         25.0         27.0         27.0         26.0         25.0         25.0         25.0         27.0         26.0         25.0         25.0	Cease-use loss and asset impairment related to facility exit		-	-	-	20.9	15.4	1.3	24.4	-
Changes in operating assets and liabilities, net of effects of acquisitions:  Accounts receivable, net  Accounts receivable, net  10.1 (13.9) (8.0) (36.3) (6.4) (32.6) (21.3) (65.2)  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 (14.5) 19.8 (36.6) 41.1 (43.0) 38.7 (20.1) (8.6) (8.6) (4.1)	Amortization of debt discount and debt issuance costs		6.0	6.1	6.2	6.2	6.3	6.4	6.5	9.6
Accounts receivable, net   2.2   33.5   22.4   68.0   81.3   14.3   5.5   10.5     Prepaid expenses and other assets   10.1   13.9   16.0   2.6   3.1   4.2   10.0   1.8   8.3     Accounts payable   18.8   16.6   2.6   3.1   4.2   10.0   1.8   8.3     Accrued compensation   14.5   19.8   2.6   8.2   14.0   41.8   4.5   3.9   2.5     Accrued and other liabilities   8.4   22.6   8.2   14.0   41.8   4.5   3.9   2.5     Deferred revenue   11.8   13.9   11.2   161.7   91.0   13.2   15.3   21.0     Net cash provided by operating activities   10.2   11.8   13.0   11.2   12.3   161.7   91.0   13.2   15.3   21.0     Net assist provided by operating activities   10.2   23.5   27.1   24.3   27.9     Purchases of investments   28.5   14.6   13.6   26.9   26.8   14.5   14.5   33.7     Purchases of investments   28.5   14.6   13.6   26.9   26.8   14.5   14.5   33.7     Purchases of investments   23.5   14.8   13.6   13.6   26.7   26.6   13.5   18.2   18.0     Purchases of property, equipment, and other assets   23.4   14.8   13.6   14.6   49.2   23.2   25.5   28.8   25.4     Purchase of property, equipment, and other assets   27.0   27.1   27.3   27.5   27.0   27.0   27.0     Purchase of property, equipment, and other assets   27.0   27.1   27.3   27.5   27.0   27.0   27.0     Purchase of property, equipment, and other assets   27.0   27.0   27.0   27.0   27.0   27.0   27.0   27.0   27.0     Purchase of nomiconscriptics   27.0	Amortization of investment premiums, net of accretion of purchase discounts		0.7	0.7	0.7	0.6	0.5	0.1	-	(0.1)
Prepaid expenses and other assets   10.1   13.9   18.0   13.63   16.4   13.26   12.13   16.52   18.2   16.5   18.3   18.5   18	Changes in operating assets and liabilities, net of effects of acquisitions:									
Accounts payable   1.8   1.6   2.6   3.1   4.2   10.6   1.8   8.3     Account compensation   1.8   1.6   1.9   1.8   3.6   4.1   4.3   38.7   20.1   68.6     Account donot the Habilities   8.4   2.2   8.2   1.4   4.1   4.3   38.7   20.1   68.6     Deferred revenue   11.8   13.0   11.2   16.1   10.0   13.2   15.3   21.0     Net cash provided by operating activities   20.3   21.3   21.2   23.5   27.1   24.3   24.3   27.9     Proveds from investing activities   22.5   22.5   22.5   22.5   22.5   22.5   22.5     Proceeds from minesting of univestinents   28.7   28.7   28.7   28.7   28.7   28.7   28.7   28.7     Proceeds from minesting of univesting activities   23.5   28.7   28.7   28.7   28.7   28.7   28.7   28.7     Proceeds from minesting of univesting activities   23.5   28.7   28.7   28.7   28.7   28.7   28.7   28.7   28.7     Proceeds from minesting of univesting activities   23.5   28.7   28.7   28.7   28.7   28.7   28.7   28.7     Proceeds from investing activities   23.5   28.7   28.7   28.7   28.7   28.7   28.7   28.7     Proceeds from financing activities   28.7   28.7   28.7   28.7   28.7   28.7   28.7   28.7     Proceeds from borrowings on convertible senior notes, net   28.7   28.7   28.7   28.7   28.7   28.7   28.7   28.7     Proceeds from borrowings on convertible senior notes, net   28.7   28.7   28.7   28.7   28.7   28.7   28.7   28.7     Proceeds from borrowings on convertible senior notes, net   28.7   28.7   28.7   28.7   28.7   28.7   28.7   28.7     Proceeds from borrowings on convertible senior notes, net   28.7   2	Accounts receivable, net		2.2	(39.5)	22.4	(68.0)	81.3	(14.3)	5.5	(105.5)
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 Perred revenue 118.8 13.0 12.2 239.5 274.1 243.7 241.3 277.9 Perced sproming activities (10.2) 20.3 21.4 21.2 239.5 274.1 243.7 241.3 277.9 Purchases of investing activities (10.2) 20.3 21.4 21.2 239.5 274.1 243.7 241.3 277.9 Purchases of investments (285.7) (27.0) (164.2) (269.0) (26.8) (145.7) (15.4) (337.8) Proceeds from maturities of investments (285.7) (27.0) (164.2) (269.0) (26.8) (145.7) (15.4) (337.8) Proceeds from maturities of investments (285.7) (27.0) (164.2) (269.0) (26.8) (145.7) (15.4) (337.8) Proceeds from maturities of investments (285.7) (27.0) (164.2) (269.0) (26.8) (145.7) (15.4) (269.0) Purchases of property, equipment, and other assets (20.9) (44.7) (48.6) (49.2) (32.2) (25.6) (28.8) (25.4) Purchases of property, equipment, and other assets (20.9) (44.7) (48.6) (49.2) (32.2) (25.6) (28.8) (25.4) Purchase of investing activities (20.2) (27.0)	Prepaid expenses and other assets		10.1	(13.9)	(8.0)	(36.3)	(6.4)	(32.6)	(21.3)	(65.2)
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   139.0   21.3   21.2   239.5   274.1   243.7   241.3   277.9     Cash flows from investing activities   235.4   245.7   245.7   245.7   245.7   245.7   245.7     Purchases of investments   235.4   148.6   136.7   256.7   266.6   135.2   189.2   160.8     Proceeds from maturities of investments   235.4   148.6   136.7   256.7   266.6   135.2   189.2   160.8     Business acquisitions, net of cash acquired   2.0   2.0   44.7   48.6   49.2   32.2   25.6   28.8   25.4     Purchases of property, equipment, and other assets   2.0   44.7   48.6   49.2   32.2   25.6   28.8   25.4     Purchases of property, equipment, and other assets   2.0   44.7   48.6   49.2   32.2   25.6   28.8   25.4     Purchase of monomorphing on convertible senior notes, net   2.0   4.7   48.6   49.2   32.2   25.6   28.8   25.4     Proceeds from financing activities   2.0   4.7   48.6   49.2   32.2   25.6   28.8   25.4     Proceeds from borrowings on convertible senior notes, net   2.0   2.0   2.0   2.0   2.0   2.0   2.0   2.0     Purchase of note hedges   2.0   2.0   2.0   2.0   2.0   2.0   2.0   2.0   2.0   2.0     Repurchases of common stock   2.0	Accounts payable		1.8	(1.6)	2.6	3.1	4.2	(10.6)	1.8	8.3
Pote trace of the provided by operating activities (1)(2)   2035   2143   2132   2395   2741   2437   2437   2437   2779   2779   278	Accrued compensation		(14.5)	19.8	(3.6)	41.1	(43.0)	38.7	(20.1)	68.6
Net cash provided by operating activities   10   203.5   214.3   211.2   239.5   274.1   243.7   241.3   277.9   278.1   243.7   243.7   243.7   243.8   243	Accrued and other liabilities		8.4	22.6	8.2	14.0	41.8	4.5	(3.9)	2.5
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   2.0   2.0   2.0   2.0   2.0   2.0   2.0   2.0   2.0     Purchases of property, equipment, and other assets   20.9   44.7   48.6   49.2   32.2   25.6   28.8   25.4     Proceeds from financing activities   2.0   2.0   2.0   2.0   2.0   2.0     Proceeds from financing activities   2.0   2.0   2.0   2.0   2.0   2.0   2.0     Proceeds from borrowings on convertible senior notes, net   2.0   2.0   2.0   2.0   2.0   2.0   2.0     Proceeds from issuance of warrants   2.0   2.0   2.0   2.0   2.0   2.0   2.0     Purchases of note hedges   2.0   2.0   2.0   2.0   2.0   2.0   2.0   2.0     Purchases of note hedges   2.0   2.0   2.0   2.0   2.0   2.0   2.0   2.0     Proceeds from issuance of warrants   2.0   2.0   2.0   2.0   2.0   2.0   2.0   2.0     Proceeds from asses of shares through employee equity incentive plans   22.7   2.0   2.0   2.0   2.0   2.0   2.0   2.0   2.0     Proceeds from takes related to net share settlement of equity awards   2.0   2.0   2.0   2.0   2.0   2.0   2.0   2.0   2.0   2.0     Payments for taxes related to net share settlement of equity awards   2.0	Deferred revenue		118.8	139.0	112.3	161.7	91.0	132.2	153.9	210.0
Purchases of investments         (285.7)         (277.0)         (164.2)         (290.0)         (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)         -         -         -         (70.0)         1.0         -         -         (70.1)         (40.8)           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)           Net cash used in investing activities         -         -         -         -         -         -         (50.0)         (10.1)         (166.8)         (61.5)         (52.4)         (36.1)         (25.1)         (206.4)         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -	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
Purchases of investments         (285.7)         (277.0)         (164.2)         (290.0)         (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)         -         -         -         (70.0)         1.0         -         -         (70.1)         (40.8)           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)           Net cash used in investing activities         -         -         -         -         -         -         (50.0)         (10.1)         (166.8)         (61.5)         (52.4)         (36.1)         (25.1)         (206.4)         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -	Cash flows from investing activities									
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)           Cash flows from financing activities           Proceeds from borrowings on convertible senior notes, net         -         <			(285.7)	(277.0)	(164.2)	(269.0)	(226.8)	(145.7)	(15.4)	(337.8)
Business acquisitions, net of cash acquired   Count of the cash seed in investing activities   Count of the cash used in investing ac	Proceeds from maturities of investments			,	,	,	, ,	,	, ,	,
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)           Cash flows from financing activities           Proceeds from borrowings on convertible senior notes, net         -			-	-		-	-	-		
Cash flows from financing activities         (71.2)         (173.1)         (166.8)         (61.5)         (52.4)         (36.1)         (225.1)         (206.4)           Cash flows from financing activities           Proceeds from borrowings on convertible senior notes, net         - <td>* *</td> <td></td> <td>(20.9)</td> <td>(44.7)</td> <td></td> <td>(49.2)</td> <td>(32.2)</td> <td>(25.6)</td> <td>,</td> <td></td>	* *		(20.9)	(44.7)		(49.2)	(32.2)	(25.6)	,	
Proceeds from borrowings on convertible senior notes, net         -	* * * * * *							_ `		
Proceeds from borrowings on convertible senior notes, net         -	Cash flows from financing activities									
Purchase of note hedges         -			-	-	-	-	-	-	-	1,682.4
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	Proceeds from issuance of warrants		-	-	-	-	-	-	-	145.4
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	Purchase of note hedges		-	-	-	-	-	-	-	(332.0)
Payments for taxes related to net share settlement of equity awards  Net cash provided by (used in) financing activities <sup>(1)</sup> Net increase (decrease) in cash and cash equivalents  105.0  (78.0)  (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	Repurchases of common stock		(50.0)	(120.1)	(125.0)	(115.9)	(134.1)	(125.0)	-	-
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	Proceeds from sales of shares through employee equity incentive plans		22.7	0.9	22.2	0.6	22.1	1.3	29.2	-
Net increase (decrease) in cash and cash equivalents Cash and cash equivalents - beginning of period  105.0  (78.0)  (69.4)  52.3  98.3  72.4  34.0  1,557.9  734.4  839.4  761.4  692.0  744.3  842.6  915.0  949.0	Payments for taxes related to net share settlement of equity awards		-	-	(11.0)	(10.4)	(11.4)	(11.5)	(11.4)	(9.4)
Cash and cash equivalents - beginning of period 734.4 839.4 761.4 692.0 744.3 842.6 915.0 949.0	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
Cash and cash equivalents - beginning of period 734.4 839.4 761.4 692.0 744.3 842.6 915.0 949.0	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 - end of period \$ 839.4 \$ 761.4 \$ 692.0 \$ 744.3 \$ 842.6 \$ 915.0 \$ 949.0 \$ 2,506.9			734.4		761.4		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

<sup>(1)</sup> 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.

<sup>(2)</sup> 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)

Revenue:         Provided (Propher)         Adjusted for ARC 600 (ARC 600)         Adjusted for ARC 600 (ARC 600)           Revenue:         \$709.1         \$708.5         \$871.5         \$870.9           Subscription and support         1,052.5         1,046.6         1,401.6         1,395.2           Total revenue         2,014.6         1,755.1         2,723.1         2,727.1           Product revenue         2014.         2014.         272.4         272.4           Product grossnergin         275.2         275.0         372.9         372.9           Total gross profit         1,285.0         1,278.7         1,630.0         1,630.0           Product gross margin         71.6         73.7         1,627.8         1,630.0           Subscription and support gross margin         73.9         73.7         1,630.0         1,630.0           Value gross margin         73.9         73.7         7,167.8         69.0         1,630.0           Subscription and support gross margin         33.9         73.7         7,36         7,37         7,37         7,162.7         7,162.0         7,16.9         7,16.9         7,16.9         7,16.9         7,16.9         7,16.9         7,16.9         7,16.9         7,16.9         7,16.9         7,		FY	17			FY	18	
Product Subscription and support         709.1 (1,052.5) (1,046.6) (1,401.6) (1,295.2)         8871.5 (1,295.2)         8879.9 (1,295.2)           Total revenue         1,761.6 (1,755.1) (2,273.1) (2,275.1)         2,275.1         2,275.1         2,275.1         2,275.1         2,275.1         2,275.1         2,275.1         2,275.1         2,275.2         2,275.2         3,272.9         3,72.7         3,72.7         3,72.7         3,72.9         3,72.7         3,72.9         3,72.7         3,72.9 <t< th=""><th></th><th>-</th><th></th><th></th><th>As</th><th>reported</th><th></th><th></th></t<>		-			As	reported		
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           Product gross margin         71.6 %         71.6 %         68.7 %         69.0 %           Subscription and support gross margin         73.9 %         73.7 %         73.4 %         73.3 %           Total gross margin         72.9 %         72.9 %         71.6 %         71.6 %         71.6 %           Subscription and support gross margin         347.4         347.4         400.7         73.3 %         73.3 %         73.3 %         73.4 %         73.4 %         73.4 %         73.6 %         73.6 %         73.6 %         73.6 %         73.6 %         73.6 %         73.8 %         73.7 %         73.6 %         73.6 %         73.6 %         73.6 %         73.6 %         73.6 %	Revenue:							
Total revenue         1,761.6         1,755.1         2,273.1         2,275.1           Cost of revenue:         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           Product gross margin         71.6 %         71.6 %         68.7 %         69.0 %           Subscription and support gross margin         73.9 %         73.7 %         73.4 %         73.3 %           Total gross margin         72.9 %         72.9 %         71.6 %         71.6 %           Total gross margin         347.4         347.4         400.7         400.7           Total gross margin         347.4         347.4         400.7         400.7           Sales 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         (14	Product	\$ 709.1	\$	708.5	\$	871.5	\$	879.9
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           Product gross margin         71.6 %         71.6 %         68.7 %         69.0 %           Subscription and support gross margin         73.9 %         73.7 %         73.4 %         73.3 %           Total gross margin         72.9 %         72.9 %         71.6 %         71.6 %         71.6 %         73.9 %         73.4 %         73.3 %         73.3 %         73.3 %         73.3 %         73.3 %         73.6 %         71.6	Subscription and support							
Product Subscription and support Subscription and support Subscription and support Total cost of revenue         201.4 (275.2) (275.0) (372.9) (372.7)         372.7 (372.7) <td>Total revenue</td> <td>1,761.6</td> <td></td> <td>1,755.1</td> <td></td> <td>2,273.1</td> <td></td> <td>2,275.1</td>	Total revenue	1,761.6		1,755.1		2,273.1		2,275.1
Subscription and support Total cost of revenue         275.2 476.6 476.4 476.4 645.3 645.1           Total gross profit         1,285.0 1,278.7 1,627.8 1,630.0           Product gross margin Subscription and support gross margin Total gross margin 73.9 % 73.7 % 73.4 % 73.3 % 73.4 % 73.3 % 73.4 % 73.3 % 73.4 % 73.4 % 73.4 % 73.4 % 73.3 % 73.4 % 73.4 % 73.3 % 73.4 % 73.4 % 73.4 % 73.4 % 73.4 % 73.4 % 73.4 % 73.4 % 73.4 % 73.4 % 73.4 % 73.4 % 73.4 % 73.4 % 73.4 % 73.4 % 73.4 % 73.4 % 73.3 % 73.4	Cost of revenue:							
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           Product gross margin         71.6 %         71.6 %         68.7 %         69.0 %           Subscription and support gross margin         73.9 %         73.7 %         73.4 %         73.3 %           Total gross margin         72.9 %         72.9 %         71.6 %         71.6 %           Operating expenses:         8         72.9 %         71.6 %         71.6 %           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	Product	201.4		201.4		272.4		272.4
Total gross profit         1,285.0         1,278.7         1,627.8         1,630.0           Product gross margin         71.6 %         71.6 %         68.7 %         69.0 %           Subscription and support gross margin         73.9 %         73.7 %         73.4 %         73.3 %           Total gross margin         72.9 %         72.9 %         71.6 %         71.6 %           Operating expenses:         8         8         72.9 %         72.9 %         71.6 %         71.6 %           Sales and development         347.4         347.4         400.7         400.7         400.7         Sales and marketing         919.1         898.8         1,098.4         1,074.3         1,074.3         347.4         1,409.4         1,074.3         1,074.3         257.8         24.5         24.5	Subscription and support			275.0		372.9		372.7
Product gross margin         71.6 %         71.6 %         68.7 %         69.0 %           Subscription and support gross margin         73.9 %         73.7 %         73.4 %         73.3 %           Total gross margin         72.9 %         72.9 %         71.6 %         71.6 %           Operating expenses:         8         8         72.9 %         71.6 %         71.6 %           Research and development         347.4         347.4         400.7         400.7         400.7         Sales and marketing         919.1         898.8         1,098.4         1,074.3         257.8	Total cost of revenue	 476.6		476.4		645.3		645.1
Subscription and support gross margin         73.9 %         73.7 %         73.4 %         73.3 %           Total gross margin         72.9 %         72.9 %         71.6 %         71.6 %           Operating expenses:         8         8         71.6 %         71.6 %           Research and development Sales and marketing General and administrative         919.1 898.8 1,098.4 1,074.3 257.8 257.8 257.8 257.8 257.8 257.8 198.3 198.3 257.8 257	Total gross profit	1,285.0		1,278.7		1,627.8		1,630.0
Total gross margin         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 per share, basic and diluted         \$ (23.9)         \$ (2.24)         \$ (1.61)         \$ (1.32)           Weighted-average shares used to compute net loss per share,         \$ (2.39)         \$ (2.24)         \$ (1.61)         \$ (1.32)	Product gross margin	71.6 %		71.6 %		68.7 %		69.0 %
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 per share, basic and diluted       \$ (23.9)       \$ (2.24)       \$ (1.61)       \$ (1.32)         Weighted-average shares used to compute net loss per share,	Subscription and support gross margin	73.9 %		73.7 %		73.4 %		73.3 %
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 per share, basic and diluted       \$ (216.6)       \$ (203.0)       \$ (147.9)       \$ (120.8)         Weighted-average shares used to compute net loss per share,       \$ (2.39)       \$ (2.24)       \$ (1.61)       \$ (1.32)	Total gross margin	72.9 %		72.9 %		71.6 %		71.6 %
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 per share, basic and diluted       \$ (216.6)       \$ (203.0)       \$ (147.9)       \$ (120.8)         Weighted-average shares used to compute net loss per share,       \$ (2.39)       \$ (2.24)       \$ (1.61)       \$ (1.32)	Operating expenses:							
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)		347.4		347.4		400.7		400.7
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,         \$ (2.39)         \$ (2.24)         \$ (1.61)         \$ (1.32)	Sales and marketing	919.1		898.8		1,098.4		1,074.3
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,         \$ (2.39)         \$ (2.24)         \$ (1.61)         \$ (1.32)	General and administrative	198.3		198.3		257.8		257.8
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,	Total operating expenses	1,464.8		1,444.5		1,756.9		1,732.8
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,	Operating loss	(179.8)		(165.8)		(129.1)		(102.8)
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,	Interest expense	(24.5)		(24.5)		(29.6)		(29.6)
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,	Other income, net	10.2		10.2		28.5		28.5
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,	Loss before income taxes	(194.1)		(180.1)		(130.2)		(103.9)
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,	Provision for income taxes	22.5		22.9		17.7		16.9
Weighted-average shares used to compute net loss per share,	Net loss	\$ (216.6)	\$	(203.0)	\$	(147.9)	\$	(120.8)
	•	\$ (2.39)	\$	(2.24)	\$	(1.61)	\$	(1.32)
		 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)

	Q118				Q218					Q3	18			Q4	18	
		viously ported		usted for SC 606		eviously ported		usted for SC 606		viously ported		usted for SC 606	As r	eported		sted for C 606
Revenue:						<u>.</u>								<u>.</u>		
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		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		141.4		141.3		159.3		159.4		159.9		159.9		184.7		184.5
Total gross profit		364.1		360.2		383.1		386.4		407.2		408.1		473.4		475.3
Product gross margin		69.1 %		68.8 %		68.4 %		68.8 %		68.0 %		68.4 %		69.4 %		69.9 %
Subscription and support gross margin		73.7 %		73.6 %		72.0 %		72.0 %		74.1 %		74.0 %		73.7 %		73.6 %
Total gross margin		73.7 % 72.0 %		73.6 % 71.8 %		72.0 % 70.6 %		72.0 % 70.8 %		74.1 %		74.0 % 71.8 %		73.7 % 71.9 %		73.0 % 72.0 %
Total gross margin		72.0 70		71.0 70		70.0 %		70.0 70		71.0 70		71.0 70		71.7 70		72.0 70
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		418.4		414.0		414.9		408.7		458.8		453.1		464.8		457.0
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)	\$	(64.0)	\$	(63.5)	\$	(34.9)	\$	(25.4)	\$	(46.7)	\$	(40.1)	\$	(2.3)	\$	8.2
Net income (loss) per share:																
Basic	\$	(0.70)	\$	(0.70)	\$	(0.38)	\$	(0.28)	\$	(0.51)	\$	(0.44)	\$	(0.02)	\$	0.09
Diluted	\$	(0.70)	\$	(0.70)	\$	(0.38)	\$	(0.28)	\$	(0.51)	\$	(0.44)	\$	(0.02)	\$	0.08
Weighted-average shares used to compute net income (loss) per share:																
Basic		90.9		90.9		91.1		91.1		91.9		91.9		92.8		92.8
Diluted		90.9		90.9		91.1		91.1		91.9	-	91.9		92.8		100.5

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)

	 FY	17		FY18						
	eviously eported		usted for SC 606	As	reported		justed for SC 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			
Product gross margin	74.4 %		74.4 %		71.0 %		71.3 %			
Subscription and support gross margin	80.2 %		80.1 %		79.5 %		79.4 %			
Total gross margin	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		8.088		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)

	 Q1	Q118			Q218					18			Q4	18	
	viously ported		usted for SC 606		eviously ported	,	usted for SC 606		viously ported	,	usted for SC 606	As r	eported	,	isted for SC 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
Product gross margin	71.8 %		71.5 %		70.9 %		71.3 %		70.3 %		70.7 %		71.1 %		71.6 %
Subscription and support gross margin	79.7 %		79.6 %		78.8 %		78.8 %		79.8 %		79.7 %		79.6 %		79.5 %
Total gross margin	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

		FY17				FY	18	
		eviously eported		usted for SC 606	As	reported		usted for SC 606
GAAP to Non-GAAP Reconciliations	ф.	507.7	\$	F07.1	¢	F00.1	¢	607.5
GAAP product gross profit Share-based compensation related charges	\$	507.7 7.5	Ф	507.1 7.5	\$	599.1 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
Non-GAAP product gross margin		74.4%		74.4%		71.0%		71.3%
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 Non-GAAP subscription and support gross profit	\$	8.4 844.4	\$	8.4	\$	14.2 1,114.1	\$	14.2 1,107.9
Non-GAAP subscription and support gross margin	Ψ	80.2%	Ψ	80.1%	Ψ	79.5%	Ψ	79.4%
CAADAAA	φ.	1 205 0	Φ.	1 270 7	Φ.	1 (27.0	Φ.	1 (20.0
GAAP total gross profit Share-based compensation related charges	\$	1,285.0 66.2	\$	1,278.7 66.2	\$	1,627.8 78.4	\$	1,630.0 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
Non-GAAP gross margin		77.9%		77.8%		76.2%		76.3%
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	ф.	0.3	ф.	0.3	<u></u>	251.2	ф	- 251.2
Non-GAAP research and development expense  Non-GAAP research and development expense as a percentage of revenue	\$	190.8 10.8%	\$	190.8 10.9%	\$	251.2 11.1%	\$	251.2 11.0%
Total G. 2.1. Foodal of all a development enpoise at a percentage of versitae		101070		10,270		111170		1110 70
GAAP sales and marketing expense	\$	919.1	\$	898.8	\$	1,098.4	\$	1,074.3
Share-based compensation related charges Acquisition related costs <sup>(2)</sup>		192.6		192.6		216.3 0.1		216.3 0.1
Acquisition related costs 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
Non-GAAP sales and marketing expense as a percentage of revenue		41.2%		40.2%		38.7%		37.7%
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>	\$	21.3 100.1	\$	21.3	\$	40.8 127.0	\$	40.8 127.0
Non-GAAP general and administrative expense  Non-GAAP general and administrative expense as a percentage of revenue	<u> </u>	5.8%	Þ	5.7%	<b>.</b>	5.6%	Ф	5.6%
GAAP total operating expense	\$	1,464.8 422.7	\$	1,444.5 422.7	\$	1,756.9	\$	1,732.8 438.0
Share-based compensation related charges Acquisition related costs <sup>(2)</sup>		3.1		3.1		438.0 17.9		436.0 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
Non-GAAP total operating expense as a percentage of revenue		57.8%		56.8%		55.4%		54.3%
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> Amortization expense of acquired intangible assets		3.1 8.9		3.1 8.9		17.9 15.6		17.9 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
Non-GAAP operating margin		20.1%		21.0%		20.8%		22.0%
GAAP interest expense	\$	(24.5)	\$	(24.5)	\$	(29.6)	\$	(29.6)
Non-cash interest expense related to convertible notes		24.5	Ť	24.5		28.8	-	28.8
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%
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 0.7%	\$	12.6 0.7%	\$	27.5	\$	27.5
Non-GAAP other income, net as a percentage of revenue		0.7 70		0.7 70		1.2%		1.2%
GAAP loss before income taxes	\$	(194.1)	\$	(180.1)	\$	(130.2)	\$	(103.9)
Share-based compensation related charges		488.9 3 1		488.9 3.1		516.4		516.4 17.9
Acquisition related costs <sup>(2)</sup> Amortization expense of acquired intangible assets		3.1 8.9		3.1 8.9		17.9 15.6		17.9 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  Non-GAAP income before income taxes	\$	2.4 367.3	\$	381.3	\$	(1.0) 500.6	\$	(1.0) 526.9
non dan monic before mediae and	Ψ	307.3	Ψ	301.3	Ψ	300.0	Ψ	320.7

<sup>(1)</sup> Consists of the amortization of intellectual property licenses.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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).

		FY	17			FY	18	
		eviously eported	,	usted for SC 606	As	reported		usted for SC 606
GAAP provision for income taxes Income tax and other tax adjustments related to the above	\$	22.5 91.4	\$	22.9 95.2	\$	17.7 101.5	\$	16.9 108.2
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 Share-based compensation related charges Acquisition related costs <sup>(2)</sup>	\$	(216.6) 488.9 3.1	\$	(203.0) 488.9 3.1	\$	(147.9) 516.4 17.9	\$	(120.8) 516.4 17.9
Acquisition related costs  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	ф.	(91.4)	ф	(95.2)		(101.5)	ф.	(108.2)
Non-GAAP net income	\$	253.4	\$	263.2	\$	381.4	\$	401.8
GAAP net loss per share, diluted Share-based compensation related charges	\$	(2.39) 5.30	\$	(2.24) 5.30	\$	(1.61) 5.47	\$	(1.32) 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> Non-cash interest expense related to convertible notes		0.24 0.27		0.24 0.27		0.44 0.31		0.44 0.31
Foreign currency (gain) loss associated with non-GAAP adjustments		0.27		0.27		(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	<u>\$</u> \$	(472.6)	\$	(472.6)	\$	(520.0) 1,245.6	<u>\$</u>	(520.0)
Net cash provided by (used in) financing activities  Free cash flow margin (non-GAAP) (6)	<u> </u>	(386.0)	Þ	(386.0)	<u> </u>	40.7%	<u> </u>	1,245.6 40.7%
Free cash flow margin (non-GAAP)		40.0%		40.2%		40.7%		40.7%
Other Key Metrics - Calculation of Billings								
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 Product billings	\$	711.1	\$	710.5	\$	871.5	\$	(1.2)
1 roduct omnigo	Φ	/ 11.1	φ	/ 10.3	Φ	0/1.3	ф	878.7
Support revenue  Add: change in support deferred revenue	\$	501.7 213.6	\$	497.4 172.2	\$	642.0 214.2	\$	637.1 228.7
Support billings	\$	715.3	\$	669.6	\$	856.2	\$	865.8
	Ψ	, 10.0	Ψ	557.6	Ψ	330.2	Ψ	333.0
Subscription revenue	\$	550.8	\$	549.2	\$	759.6	\$	758.1
Add: change in subscription deferred revenue, net of acquired subscription deferred revenue Subscription billings	\$	316.2 867.0	\$	322.4 871.6	\$	372.9 1,132.5	\$	353.7 1,111.8
outer part of mingo	Ψ	007.0	Ψ	0,1.0	Ψ	1,102.0	Ψ	1,111.0

 $<sup>\</sup>begin{tabular}{ll} \begin{tabular}{ll} \beg$ 

<sup>(2)</sup> 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.

<sup>(3)</sup> 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).

<sup>(4)</sup> 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.

<sup>(5)</sup> 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.

<sup>(6)</sup> 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.

	Q118				Q21	8	Q3	18			Q41	8
		eviously eported	Adjusted for ASC 606	Previo		Adjusted for ASC 606	Previously reported	Adjuste ASC 6		As repo	orted	Adjusted for ASC 606
GAAP to Non-GAAP Reconciliations GAAP product gross profit Share-based compensation related charges Amortization expense of acquired intangible assets	\$	128.9 1.9 -	\$ 127.2 1.9	\$	138.3 2.1	2.1	\$ 146.3 1.8	\$	149.2 1.8	\$	185.6 1.4 0.2	1.4 0.2
Litigation related charges <sup>(1)</sup> Non-GAAP product gross profit <i>Non-GAAP product gross margin</i>	\$	3.1 133.9 71.8%	\$ 132.2 71.5%		3.0 143.4 70.9%	3.0 \$ 146.0 71.3%	3.1 \$ 151.2 70.3%		3.1 154.1 70.7%		3.1 190.3 71.1%	3.1 \$ 194.9 71.6%
GAAP subscription and support gross profit Share-based compensation related charges Amortization expense of acquired intangible assets Non-GAAP subscription and support gross profit	\$	235.2 16.7 2.4 254.3	\$ 233.0 16.7 2.4 \$ 252.1		244.8 20.9 2.4 268.1	\$ 245.5 20.9 2.4 \$ 268.8	\$ 260.9 16.4 3.4 \$ 280.7		258.9 16.4 3.4 278.7		287.8 17.2 6.0 311.0	\$ 285.1 17.2 6.0 \$ 308.3
Non-GAAP subscription and support gross margin  GAAP total gross profit	\$	79.7% 364.1	\$ 360.2		78.8% 383.1	\$ 386.4	79.8% \$ 407.2		79.7% 408.1		79.6% 473.4	79.5% \$ 475.3
Share-based compensation related charges Amortization expense of acquired intangible assets Litigation related charges <sup>(1)</sup> Non-GAAP total gross profit	-	18.6 2.4 3.1 388.2	18.6 2.4 3.1 \$ 384.3		23.0 2.4 3.0	23.0 2.4 3.0 \$ 414.8	18.2 3.4 3.1 \$ 431.9		18.2 3.4 3.1 432.8		18.6 6.2 3.1	18.6 6.2 3.1 \$ 503.2
Non-GAAP gross profit Non-GAAP gross margin	<u> </u>	76.8%	76.6%		75.9%	76.0%	76.2%		76.2%		76.2%	76.3%
GAAP research and development expense Share-based compensation related charges Amortization expense of acquired intangible assets Non-GAAP research and development expense	\$ 	94.2 38.2 - 56.0	\$ 94.2 38.2 - \$ 56.0	\$	96.6 36.9 - 59.7	\$ 96.6 36.9 - \$ 59.7	\$ 99.6 36.9 - \$ 62.7	\$	99.6 36.9 - 62.7	\$	110.3 37.5 72.8	37.5
Non-GAAP research and development expense as a percentage of revenue	<u> </u>	11.1%	11.2%		11.0%	10.9%	11.1%		11.0%		11.1%	11.0%
GAAP sales and marketing expense  Share-based compensation related charges  Acquisition related costs <sup>(2)</sup> Amortization expense of acquired intangible assets	\$	258.5 52.5 - 0.1	\$ 254.1 52.5 - 0.1	\$	265.0 55.5 - 0.1	\$ 258.8 55.5 - 0.1	\$ 277.1 53.7 - 0.2	\$	271.4 53.7 - 0.2	\$	297.8 54.6 0.1 0.8	\$ 290.0 54.6 0.1 0.8
Non-GAAP sales and marketing expense  Non-GAAP sales and marketing expense as a percentage of revenue	\$	205.9	\$ 201.5 40.1%			\$ 203.2 37.2%	\$ 223.2 39.4%		217.5 38.3%			35.6%
GAAP general and administrative expense Share-based compensation related charges Acquisition related costs <sup>(2)</sup>	\$	65.7 19.6	\$ 65.7 19.6	\$	53.3 20.9	\$ 53.3 20.9	\$ 82.1 14.3 13.3	\$	82.1 14.3 13.3	\$	56.7 17.4 4.5	\$ 56.7 17.4 4.5
Facility exit costs <sup>(3)</sup> Non-GAAP general and administrative expense Non-GAAP general and administrative expense as a percentage of revenue	\$	15.6 30.5 6.0%	\$ 30.5 6.1%	\$	1.4 31.0	1.4 \$ 31.0 5.7%	23.8 \$ 30.7 5.4%	\$	23.8 30.7 5.4%	\$	34.8	34.8 5.3%
GAAP total operating expense Share-based compensation related charges Acquisition related costs <sup>(2)</sup>	\$	418.4 110.3	\$ 414.0 110.3		414.9 113.3	\$ 408.7 113.3	\$ 458.8 104.9		453.1 104.9		464.8 109.5	109.5
Amortization expense of acquired intangible assets Facility exit $\operatorname{costs}^{(3)}$	<del></del>	0.1 15.6	0.1 15.6		0.1 1.4	0.1	13.3 0.2 23.8		13.3 0.2 23.8		4.6 0.8	4.6 0.8
Non-GAAP total operating expense Non-GAAP total operating expense as a percentage of revenue	\$	292.4 57.8%	\$ 288.0 57.4%		300.1 55.4%	\$ 293.9 53.8%	\$ 316.6 55.9%		310.9 54.7%		349.9 53.2%	\$ 342.1 51.9%
GAAP operating income (loss)  Share-based compensation related charges Acquisition related costs <sup>(2)</sup>	\$	(54.3) 128.9	\$ (53.8) 128.9		(31.8) 136.3	\$ (22.3) 136.3	\$ (51.6) 123.1 13.3		(45.0) 123.1 13.3	\$	8.6 128.1 4.6	\$ 18.3 128.1 4.6
Amortization expense of acquired intangible assets Litigation related charges <sup>(1)</sup> Facility exit costs <sup>(3)</sup>		2.5 3.1 15.6	2.5 3.1 15.6		2.5 3.0 1.4	2.5 3.0 1.4	3.6 3.1 23.8		3.6 3.1 23.8		7.0 3.1	7.0 3.1
Non-GAAP operating income Non-GAAP operating margin	\$	95.8 19.0%	\$ 96.3 19.2%		111.4 20.5%	\$ 120.9 22.2%	\$ 115.3 20.3%		121.9 21.5%		151.4 23.0%	\$ 161.1 24.4%
GAAP interest expense Non-cash interest expense related to convertible notes Non-GAAP interest expense Non-GAAP interest expense Non-GAAP interest expense as a percentage of revenue	\$ \$	(6.3) 6.3 -	\$ (6.3) 6.3 \$ -	\$	(6.4) 6.4 - 0.0%	\$ (6.4) 6.4 \$ - 0.0%	\$ (6.5) 6.5 \$ -	\$	(6.5) 6.5 -	\$	(10.4) 9.6 (0.8)	9.6
GAAP other income, net Foreign currency (gain) loss associated with non-GAAP adjustments Non-GAAP other income, net	\$		\$ 4.8 0.5 \$ 5.3	\$	4.9 1.0		\$ 8.6 (2.0) \$ 6.6	\$	8.6 (2.0) 6.6	\$	10.2 (0.5) 9.7	\$ 10.2 (0.5)
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  Share-based compensation related charges Acquisition related costs <sup>(2)</sup> Amortization expense of acquired intangible assets	\$	(55.8) 128.9 - 2.5	\$ (55.3) 128.9 - 2.5		(33.3) : 136.3 - 2.5	\$ (23.8) 136.3 - 2.5	\$ (49.5) 123.1 13.3 3.6		(42.9) 123.1 13.3 3.6		8.4 128.1 4.6 7.0	\$ 18.1 128.1 4.6 7.0
Litigation related charges <sup>(1)</sup> Facility exit costs <sup>(3)</sup> Non-cash interest expense related to convertible notes		3.1 15.6 6.3	3.1 15.6 6.3		3.0 1.4 6.4	3.0 1.4 6.4	3.1 23.8 6.5		3.1 23.8 6.5		3.1 - 9.6	3.1 - 9.6
Foreign currency (gain) loss associated with non-GAAP adjustments Non-GAAP income before income taxes	\$	0.5 101.1	\$ 101.6	\$	1.0 117.3	\$ 1.0 \$ 126.8	\$ 121.9	\$	(2.0) 128.5	\$	(0.5) 160.3	(0.5) \$ 170.0
GAAP provision for (benefit from) income taxes  Income tax and other tax adjustments related to the above  Non-GAAP provision for income taxes	\$	8.2 23.1 31.3	23.3 \$ 31.5	\$		26.3 \$ 27.9	\$ (2.8) 29.6 \$ 26.8	\$	31.1 28.3	\$	10.7 : 24.6 : 35.3 : :	27.5 \$ 37.4
Non-GAAP effective tax rate <sup>(4)</sup> GAAP net income (loss)	\$	(64.0)	\$ (63.5)		(34.9)	\$ (25.4)	\$ (46.7)		(40.1)		(2.3)	22.0% 8.2
Share-based compensation related charges Acquisition related costs <sup>(2)</sup> Amortization expense of acquired intangible assets		128.9 - 2.5	128.9 - 2.5		136.3 - 2.5	136.3 - 2.5	123.1 13.3 3.6		123.1 13.3 3.6		128.1 4.6 7.0	128.1 4.6 7.0
Litigation related charges <sup>(1)</sup> Facility exit costs <sup>(3)</sup> Non-cash interest expense related to convertible notes Foreign currency (gain) loss associated with non-GAAP adjustments		3.1 15.6 6.3 0.5	3.1 15.6 6.3 0.5		3.0 1.4 6.4 1.0	3.0 1.4 6.4 1.0	3.1 23.8 6.5 (2.0)		3.1 23.8 6.5 (2.0)		3.1 - 9.6 (0.5)	3.1 - 9.6 (0.5)
Income tax and other tax adjustments related to the above Non-GAAP net income	\$	(23.1) 69.8	(23.3) \$ 70.1	\$	(24.2)	(26.3) \$ 98.9	(29.6) \$ 95.1	\$	(31.1)	\$	(24.6)	(27.5)

<sup>(1)</sup> Consists of the amortization of intellectual property licenses.

<sup>(2)</sup> 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.

<sup>(3)</sup> Consists of charges related to the relocation of our corporate headquarters (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).

<sup>(4)</sup> 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.

	Q118				Q218				Q3	18			Q4	18	
	Previously reported		Adjusted for ASC 606			reviously eported	,	justed for ASC 606	viously ported	,	usted for SC 606	As ı	reported	,	usted for SC 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 (4)		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) (5)		47.9%		48.2%	_	40.2%		40.0%	37.5%		37.4%		38.4%		38.3%
Other Kev Metrics - Calculation of Billings															
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

- (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 (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).
- (4) 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.
- (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)

	Q	17	Q1	118	Q218	Q318	Q418
	Previously reported	Adjusted for ASC 606	Previously reported	Adjusted for ASC 606	Previously Adjusted for reported ASC 606	Previously Adjusted for reported ASC 606	Adjusted for As reported ASC 606
Assets							
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	\$ 3,438.3	\$ 3,538.5	\$ 3,486.5	\$ 3,592.1	\$ 3,627.5 \$ 3,737.0	\$ 3,908.3 \$ 4,025.5	\$ 5,823.0 \$ 5,948.9
Liabilities, temporary equity, and stockholders' equity 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	\$ 3,438.3	\$ 3,538.5	\$ 3,486.5	\$ 3,592.1	\$ 3,627.5 \$ 3,737.0	\$ 3,908.3 \$ 4,025.5	\$ 5,823.0 \$ 5,948.9

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

		FY1	l <b>7</b>			FY	18	
	Previous reporte		,	sted for C 606	As rep	orted		justed for ASC 606
Cash flows from operating activities								
Net loss	\$ (216	.6)	\$	(203.0)	\$ (1	47.9)	\$	(120.8)
Adjustments to reconcile loss to net cash provided by operating activities:								
Share-based compensation for equity based awards	474	.5		474.5	4	96.7		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)	(1	25.5)		(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			496.6		87.1		581.2
Net cash provided by operating activities <sup>(1)</sup>	868			868.5		37.0		1,037.0
Cash flows from investing activities								
Purchases of investments	(995	.9)		(995.9)	(7	25.7)		(725.7)
Proceeds from sales of investments		-		-		-		-
Proceeds from maturities of investments	777	.4		777.4	6	91.8		691.8
Business acquisitions, net of cash acquired	(90	.7)		(90.7)	(3	74.1)		(374.1)
Purchases of property, equipment, and other assets	(163	.4)		(163.4)	(1	12.0)		(112.0)
Net cash used in investing activities	(472	.6)		(472.6)	(5	20.0)		(520.0)
Cash flows from financing activities								
Proceeds from borrowings on convertible senior notes, net		-		-		82.4		1,682.4
Proceeds from issuance of warrants		-		-		45.4		145.4
Purchase of note hedges		-		-		32.0)		(332.0)
Repurchases of common stock	(411	,		(411.0)		59.1)		(259.1)
Proceeds from sales of shares through employee equity incentive plans	46			46.4		52.6		52.6
Payments for taxes related to net share settlement of equity awards	(21			(21.4)		43.7)		(43.7)
Net cash provided by (used in) financing activities	(386	.0)		(386.0)	1,2	45.6		1,245.6
Net increase in cash and cash equivalents		.9		9.9	,	62.6		1,762.6
Cash and cash equivalents - beginning of period	734			734.4		44.3		744.3
Cash and cash equivalents - end of period	\$ 744	.3	\$	744.3	\$ 2,5	06.9	\$	2,506.9

<sup>(1)</sup> 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					Q2		Q3	18			Q4	18		
		riously orted		sted for C 606		viously ported	,	isted for SC 606	eviously ported	,	isted for SC 606	As	reported	,	sted for C 606
Cash flows from operating activities															
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
Cash flows from investing activities															
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)
Cash flows from financing activities															
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

<sup>(1)</sup> 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.