

## **Non-GAAP Financial Measures and Other Key Metrics**

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

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

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

	Q216	Q316	Q416	Q117 <sup>(1)</sup>	Q217	Q317	Q417	Q118
Revenue:								
Product	\$ 169.9	\$ 162.1	\$ 191.1	\$ 163.8	\$ 168.8	\$ 164.2	\$ 212.3	\$ 186.5
Subscription and support	164.8	183.7	209.7	234.3	253.8	267.6	296.8	319.0
Total revenue	334.7	345.8	400.8	398.1	422.6	431.8	509.1	505.5
Cost of revenue:								
Product	44.9	43.2	48.5	42.2	45.8	49.7	63.7	57.6
Subscription and support	49.3	51.7	53.2	59.0	67.4	74.0	74.8	83.8
Total cost of revenue	94.2	94.9	101.7	101.2	113.2	123.7	138.5	141.4
Total gross profit	240.5	250.9	299.1	296.9	309.4	308.1	370.6	364.1
<i>Product gross margin</i>	73.5 %	73.4 %	74.6 %	74.2 %	72.9 %	69.7 %	70.0 %	69.1 %
<i>Subscription and support gross margin</i>	70.2 %	71.9 %	74.6 %	74.8 %	73.4 %	72.3 %	74.8 %	73.7 %
<i>Total gross margin</i>	71.9 %	72.6 %	74.6 %	74.6 %	73.2 %	71.4 %	72.8 %	72.0 %
Operating expenses:								
Research and development	74.0	74.0	76.5	84.2	89.9	86.0	87.3	94.2
Sales and marketing	182.4	195.9	205.4	220.1	226.7	226.9	245.4	258.5
General and administrative	34.2	33.5	39.9	41.6	47.2	44.3	65.2	65.7
Total operating expenses	290.6	303.4	321.8	345.9	363.8	357.2	397.9	418.4
Operating loss	(50.1)	(52.5)	(22.7)	(49.0)	(54.4)	(49.1)	(27.3)	(54.3)
Interest expense	(5.8)	(5.8)	(6.0)	(6.0)	(6.1)	(6.2)	(6.2)	(6.3)
Other income, net	2.5	1.0	2.7	2.5	2.7	2.1	2.9	4.8
Loss before income taxes	(53.4)	(57.3)	(26.0)	(52.5)	(57.8)	(53.2)	(30.6)	(55.8)
Provision for income taxes	3.9	6.8	5.4	4.4	2.8	7.7	7.6	8.2
Net loss	\$ (57.3)	\$ (64.1)	\$ (31.4)	\$ (56.9)	\$ (60.6)	\$ (60.9)	\$ (38.2)	\$ (64.0)

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

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

	Q216	Q316	Q416	Q117	Q217	Q317	Q417	Q118
Revenue:								
Product	\$ 169.9	\$ 162.1	\$ 191.1	\$ 163.8	\$ 168.8	\$ 164.2	\$ 212.3	\$ 186.5
Subscription and support	164.8	183.7	209.7	234.3	253.8	267.6	296.8	319.0
Total revenue	334.7	345.8	400.8	398.1	422.6	431.8	509.1	505.5
Cost of revenue:								
Product	40.1	38.5	43.6	37.3	40.7	44.9	58.7	52.6
Subscription and support	36.2	37.8	39.1	44.6	49.8	56.8	56.9	64.7
Total cost of revenue	76.3	76.3	82.7	81.9	90.5	101.7	115.6	117.3
Total gross profit	258.4	269.5	318.1	316.2	332.1	330.1	393.5	388.2
<i>Product gross margin</i>	76.4 %	76.3 %	77.2 %	77.2 %	75.9 %	72.7 %	72.4 %	71.8 %
<i>Subscription and support gross margin</i>	78.1 %	79.4 %	81.4 %	81.0 %	80.4 %	78.8 %	80.8 %	79.7 %
<i>Total gross margin</i>	77.2 %	77.9 %	79.4 %	79.4 %	78.6 %	76.4 %	77.3 %	76.8 %
Operating expenses:								
Research and development	37.5	36.7	38.5	45.4	47.3	47.7	50.4	56.0
Sales and marketing	140.9	150.5	162.2	175.3	175.0	178.9	197.1	205.9
General and administrative	18.1	16.9	22.3	23.7	26.7	24.2	25.5	30.5
Total operating expenses	196.5	204.1	223.0	244.4	249.0	250.8	273.0	292.4
Operating income	61.9	65.4	95.1	71.8	83.1	79.3	120.5	95.8
Interest expense	(0.1)	0.1	-	-	-	-	-	-
Other income, net	1.8	2.8	2.1	2.3	3.3	3.5	3.5	5.3
Income before income taxes	63.6	68.3	97.2	74.1	86.4	82.8	124.0	101.1
Provision for income taxes	24.1	26.0	36.9	22.9	26.8	25.7	38.5	31.3
Net income	\$ 39.5	\$ 42.3	\$ 60.3	\$ 51.2	\$ 59.6	\$ 57.1	\$ 85.5	\$ 69.8

**Palo Alto Networks, Inc.**

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

	Q216	Q316	Q416	Q117 <sup>(2)</sup>	Q217	Q317	Q417	Q118
<b>GAAP to Non-GAAP Reconciliations</b>								
GAAP product gross profit	\$ 125.0	\$ 118.9	\$ 142.6	\$ 121.6	\$ 123.0	\$ 114.5	\$ 148.6	\$ 128.9
Share-based compensation related charges	1.8	1.6	1.8	1.8	2.1	1.7	1.9	1.9
Litigation related charges <sup>(1)</sup>	3.0	3.1	3.1	3.1	3.0	3.1	3.1	3.1
Non-GAAP product gross profit	\$ 129.8	\$ 123.6	\$ 147.5	\$ 126.5	\$ 128.1	\$ 119.3	\$ 153.6	\$ 133.9
Non-GAAP product gross margin	76.4%	76.3%	77.2%	77.2%	75.9%	72.7%	72.4%	71.8%
GAAP subscription and support gross profit	\$ 115.5	\$ 132.0	\$ 156.5	\$ 175.3	\$ 186.4	\$ 193.6	\$ 222.0	\$ 235.2
Share-based compensation related charges	11.2	12.0	12.3	12.5	15.7	15.0	15.5	16.7
Amortization expense of acquired intangible assets	1.9	1.9	1.8	1.9	1.9	2.2	2.4	2.4
Non-GAAP subscription and support gross profit	\$ 128.6	\$ 145.9	\$ 170.6	\$ 189.7	\$ 204.0	\$ 210.8	\$ 239.9	\$ 254.3
Non-GAAP subscription and support gross margin	78.1%	79.4%	81.4%	81.0%	80.4%	78.8%	80.8%	79.7%
GAAP total gross profit	\$ 240.5	\$ 250.9	\$ 299.1	\$ 296.9	\$ 309.4	\$ 308.1	\$ 370.6	\$ 364.1
Share-based compensation related charges	13.0	13.6	14.1	14.3	17.8	16.7	17.4	18.6
Amortization expense of acquired intangible assets	1.9	1.9	1.8	1.9	1.9	2.2	2.4	2.4
Litigation related charges <sup>(1)</sup>	3.0	3.1	3.1	3.1	3.0	3.1	3.1	3.1
Non-GAAP total gross profit	\$ 258.4	\$ 269.5	\$ 318.1	\$ 316.2	\$ 332.1	\$ 330.1	\$ 393.5	\$ 388.2
Non-GAAP gross margin	77.2%	77.9%	79.4%	79.4%	78.6%	76.4%	77.3%	76.8%
GAAP research and development expense	\$ 74.0	\$ 74.0	\$ 76.5	\$ 84.2	\$ 89.9	\$ 86.0	\$ 87.3	\$ 94.2
Share-based compensation related charges	36.3	37.2	37.8	38.6	42.5	38.3	36.9	38.2
Amortization expense of acquired intangible assets	0.2	0.1	0.2	0.2	0.1	-	-	-
Non-GAAP research and development expense	\$ 37.5	\$ 36.7	\$ 38.5	\$ 45.4	\$ 47.3	\$ 47.7	\$ 50.4	\$ 56.0
Non-GAAP research and development expense as a percentage of revenue	11.2%	10.6%	9.6%	11.4%	11.2%	11.0%	9.9%	11.1%
GAAP sales and marketing expense	\$ 182.4	\$ 195.9	\$ 205.4	\$ 220.1	\$ 226.7	\$ 226.9	\$ 245.4	\$ 258.5
Share-based compensation related charges	41.5	45.3	43.2	44.8	51.7	47.9	48.2	52.5
Amortization expense of acquired intangible assets	-	0.1	-	-	-	0.1	0.1	0.1
Non-GAAP sales and marketing expense	\$ 140.9	\$ 150.5	\$ 162.2	\$ 175.3	\$ 175.0	\$ 178.9	\$ 197.1	\$ 205.9
Non-GAAP sales and marketing expense as a percentage of revenue	42.1%	43.5%	40.5%	44.0%	41.4%	41.4%	38.7%	40.7%
GAAP general and administrative expense	\$ 34.2	\$ 33.5	\$ 39.9	\$ 41.6	\$ 47.2	\$ 44.3	\$ 65.2	\$ 65.7
Share-based compensation related charges	16.1	16.6	17.6	17.9	19.8	17.7	18.4	19.6
Acquisition related costs	-	-	-	-	0.7	2.4	-	-
Facility exit costs <sup>(3)</sup>	-	-	-	-	-	-	21.3	15.6
Non-GAAP general and administrative expense	\$ 18.1	\$ 16.9	\$ 22.3	\$ 23.7	\$ 26.7	\$ 24.2	\$ 25.5	\$ 30.5
Non-GAAP general and administrative expense as a percentage of revenue	5.4%	4.9%	5.6%	6.0%	6.3%	5.6%	5.0%	6.0%
GAAP total operating expense	\$ 290.6	\$ 303.4	\$ 321.8	\$ 345.9	\$ 363.8	\$ 357.2	\$ 397.9	\$ 418.4
Share-based compensation related charges	93.9	99.1	98.6	101.3	114.0	103.9	103.5	110.3
Acquisition related costs	-	-	-	-	0.7	2.4	-	-
Amortization expense of acquired intangible assets	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1
Facility exit costs <sup>(3)</sup>	-	-	-	-	-	-	21.3	15.6
Non-GAAP total operating expense	\$ 196.5	\$ 204.1	\$ 223.0	\$ 244.4	\$ 249.0	\$ 250.8	\$ 273.0	\$ 292.4
Non-GAAP total operating expense as a percentage of revenue	58.7%	59.0%	55.7%	61.4%	58.9%	58.0%	53.6%	57.8%
GAAP operating loss	\$ (50.1)	\$ (52.5)	\$ (22.7)	\$ (49.0)	\$ (54.4)	\$ (49.1)	\$ (27.3)	\$ (54.3)
Share-based compensation related charges	106.9	112.7	112.7	115.6	131.8	120.6	120.9	128.9
Acquisition related costs	-	-	-	-	0.7	2.4	-	-
Amortization expense of acquired intangible assets	2.1	2.1	2.0	2.1	2.0	2.3	2.5	2.5
Litigation related charges <sup>(1)</sup>	3.0	3.1	3.1	3.1	3.0	3.1	3.1	3.1
Facility exit costs <sup>(3)</sup>	-	-	-	-	-	-	21.3	15.6
Non-GAAP operating income	\$ 61.9	\$ 65.4	\$ 95.1	\$ 71.8	\$ 83.1	\$ 79.3	\$ 120.5	\$ 95.8
Non-GAAP operating margin	18.5%	18.9%	23.7%	18.0%	19.7%	18.4%	23.7%	19.0%
GAAP interest expense	\$ (5.8)	\$ (5.8)	\$ (6.0)	\$ (6.0)	\$ (6.1)	\$ (6.2)	\$ (6.2)	\$ (6.3)
Non-cash interest expense related to convertible notes	5.7	5.9	6.0	6.0	6.1	6.2	6.2	6.3
Non-GAAP interest expense	\$ (0.1)	\$ 0.1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-GAAP interest expense as a percentage of revenue	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
GAAP other income, net	\$ 2.5	\$ 1.0	\$ 2.7	\$ 2.5	\$ 2.7	\$ 2.1	\$ 2.9	\$ 4.8
Foreign currency (gain) loss associated with non-GAAP adjustments	(0.7)	1.8	(0.6)	(0.2)	0.6	1.4	0.6	0.5
Non-GAAP other income, net	\$ 1.8	\$ 2.8	\$ 2.1	\$ 2.3	\$ 3.3	\$ 3.5	\$ 3.5	\$ 5.3
Non-GAAP other income, net as a percentage of revenue	0.5%	0.8%	0.5%	0.6%	0.8%	0.8%	0.7%	1.0%
GAAP loss before income taxes	\$ (53.4)	\$ (57.3)	\$ (26.0)	\$ (52.5)	\$ (57.8)	\$ (53.2)	\$ (30.6)	\$ (55.8)
Share-based compensation related charges	106.9	112.7	112.7	115.6	131.8	120.6	120.9	128.9
Acquisition related costs	-	-	-	-	0.7	2.4	-	-
Amortization expense of acquired intangible assets	2.1	2.1	2.0	2.1	2.0	2.3	2.5	2.5
Litigation related charges <sup>(1)</sup>	3.0	3.1	3.1	3.1	3.0	3.1	3.1	3.1
Facility exit costs <sup>(3)</sup>	-	-	-	-	-	-	21.3	15.6
Non-cash interest expense related to convertible notes	5.7	5.9	6.0	6.0	6.1	6.2	6.2	6.3
Foreign currency (gain) loss associated with non-GAAP adjustments	(0.7)	1.8	(0.6)	(0.2)	0.6	1.4	0.6	0.5
Non-GAAP income before income taxes	\$ 63.6	\$ 68.3	\$ 97.2	\$ 74.1	\$ 86.4	\$ 82.8	\$ 124.0	\$ 101.1
GAAP provision for income taxes	\$ 3.9	\$ 6.8	\$ 5.4	\$ 4.4	\$ 2.8	\$ 7.7	\$ 7.6	\$ 8.2
Income tax and other tax adjustments related to the above	20.2	19.2	31.5	18.5	24.0	18.0	30.9	23.1
Non-GAAP provision for income taxes	\$ 24.1	\$ 26.0	\$ 36.9	\$ 22.9	\$ 26.8	\$ 25.7	\$ 38.5	\$ 31.3
Non-GAAP effective tax rate <sup>(4)</sup>	38.0%	38.0%	38.0%	31.0%	31.0%	31.0%	31.0%	31.0%

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

(2) 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.

(3) Includes charges related to the relocation of our corporate headquarters, including an impairment loss of \$20.9 million and accelerated depreciation in Q4'17, and a cease-use loss of \$15.4 million and accelerated depreciation in Q1'18.

(4) Effective Q1'17, our non-GAAP effective tax rate changed from 38% to 31%.

**Palo Alto Networks, Inc.**

**GAAP to Non-GAAP Reconciliations and Calculation of Other Key Metrics - Fiscal Quarters**

(In millions, except percentages and per share amounts)

	Q216	Q316	Q416	Q117 <sup>(2)</sup>	Q217	Q317	Q417	Q118
GAAP net loss	\$ (57.3)	\$ (64.1)	\$ (31.4)	\$ (56.9)	\$ (60.6)	\$ (60.9)	\$ (38.2)	\$ (64.0)
Share-based compensation related charges	106.9	112.7	112.7	115.6	131.8	120.6	120.9	128.9
Acquisition related costs	-	-	-	-	0.7	2.4	-	-
Amortization expense of acquired intangible assets	2.1	2.1	2.0	2.1	2.0	2.3	2.5	2.5
Litigation related charges <sup>(1)</sup>	3.0	3.1	3.1	3.1	3.0	3.1	3.1	3.1
Facility exit costs <sup>(3)</sup>	-	-	-	-	-	-	21.3	15.6
Non-cash interest expense related to convertible notes	5.7	5.9	6.0	6.0	6.1	6.2	6.2	6.3
Foreign currency (gain) loss associated with non-GAAP adjustments	(0.7)	1.8	(0.6)	(0.2)	0.6	1.4	0.6	0.5
Income tax and other tax adjustments related to the above	(20.2)	(19.2)	(31.5)	(18.5)	(24.0)	(18.0)	(30.9)	(23.1)
Non-GAAP net income	\$ 39.5	\$ 42.3	\$ 60.3	\$ 51.2	\$ 59.6	\$ 57.1	\$ 85.5	\$ 69.8
GAAP net loss per share, diluted	\$ (0.66)	\$ (0.73)	\$ (0.35)	\$ (0.63)	\$ (0.67)	\$ (0.67)	\$ (0.42)	\$ (0.70)
Share-based compensation related charges	1.21	1.27	1.25	1.27	1.42	1.30	1.31	1.38
Acquisition related costs	0.00	0.00	0.00	0.00	0.01	0.03	0.00	0.00
Amortization expense of acquired intangible assets	0.02	0.02	0.02	0.02	0.02	0.03	0.03	0.03
Litigation related charges <sup>(1)</sup>	0.04	0.03	0.03	0.03	0.03	0.03	0.03	0.03
Facility exit costs <sup>(3)</sup>	0.00	0.00	0.00	0.00	0.00	0.00	0.23	0.17
Non-cash interest expense related to convertible notes	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07
Foreign currency (gain) loss associated with non-GAAP adjustments	(0.01)	0.02	(0.01)	0.00	0.01	0.02	0.01	0.01
Income tax and other tax adjustments related to the above	(0.24)	(0.22)	(0.35)	(0.21)	(0.26)	(0.20)	(0.34)	(0.25)
Non-GAAP net income per share, diluted	\$ 0.43	\$ 0.46	\$ 0.66	\$ 0.55	\$ 0.63	\$ 0.61	\$ 0.92	\$ 0.74
GAAP weighted-average shares used to compute net loss per share, diluted	86.6	87.8	88.9	89.8	90.7	91.0	90.9	90.9
Weighted-average effect of potentially dilutive securities <sup>(5)</sup>	5.1	3.5	2.8	3.9	3.2	2.3	2.4	2.8
Non-GAAP weighted-average shares used to compute net income per share, diluted	91.7	91.3	91.7	93.7	93.9	93.3	93.3	93.7
Net cash provided by operating activities <sup>(2)(4)</sup>	\$ 154.1	\$ 170.3	\$ 187.3	\$ 203.5	\$ 214.3	\$ 211.2	\$ 239.5	\$ 274.1
Less: purchases of property, equipment, and other assets	17.4	19.3	16.3	20.9	44.7	48.6	49.2	32.2
Free cash flow (non-GAAP) <sup>(2)(4)</sup>	\$ 136.7	\$ 151.0	\$ 171.0	\$ 182.6	\$ 169.6	\$ 162.6	\$ 190.3	\$ 241.9
Net cash provided by (used in) investing activities	\$ (21.2)	\$ (54.6)	\$ 0.4	\$ (71.2)	\$ (173.1)	\$ (166.8)	\$ (61.5)	\$ (52.4)
Net cash provided by (used in) financing activities <sup>(2)</sup>	\$ 4.5	\$ 21.1	\$ (3.3)	\$ (27.3)	\$ (119.2)	\$ (113.8)	\$ (125.7)	\$ (123.4)
Free cash flow margin (non-GAAP) <sup>(2)(4)</sup>	40.8%	43.7%	42.7%	45.9%	40.1%	37.7%	37.4%	47.9%
Net cash provided by operating activities <sup>(2)(4)</sup>	\$ 154.1	\$ 170.3	\$ 187.3	\$ 203.5	\$ 214.3	\$ 211.2	\$ 239.5	\$ 274.1
Less: purchases of property, equipment, and other assets	17.4	19.3	16.3	20.9	44.7	48.6	49.2	32.2
Free cash flow (non-GAAP) <sup>(2)(4)</sup>	\$ 136.7	\$ 151.0	\$ 171.0	\$ 182.6	\$ 169.6	\$ 162.6	\$ 190.3	\$ 241.9
Add: capital expenditures for new headquarters	0.3	0.2	0.6	2.6	31.1	32.8	25.5	11.2
Less: upfront cash reimbursement related to lease agreements <sup>(4)</sup>	-	-	-	-	-	-	-	38.2
Adjusted free cash flow (non-GAAP) <sup>(2)</sup>	\$ 137.0	\$ 151.2	\$ 171.6	\$ 185.2	\$ 200.7	\$ 195.4	\$ 215.8	\$ 214.9
Adjusted free cash flow margin (non-GAAP) <sup>(2)</sup>	40.9%	43.7%	42.8%	46.5%	47.5%	45.3%	42.4%	42.5%
<b>Other Key Metrics - Calculation of Billings</b>								
Total revenue	\$ 334.7	\$ 345.8	\$ 400.8	\$ 398.1	\$ 422.6	\$ 431.8	\$ 509.1	\$ 505.5
Add: change in total deferred revenue, net of acquired deferred revenue	124.3	140.4	171.6	118.8	139.0	112.3	161.7	91.0
Billings	\$ 459.0	\$ 486.2	\$ 572.4	\$ 516.9	\$ 561.6	\$ 544.1	\$ 670.8	\$ 596.5

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

(2) 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.

(3) Includes charges related to the relocation of our corporate headquarters, including an impairment loss of \$20.9 million and accelerated depreciation in Q4'17, and a cease-use loss of \$15.4 million and accelerated depreciation in Q1'18.

(4) 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.

(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.

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

	Q216	Q316	Q416	Q117 <sup>(1)</sup>	Q217	Q317	Q417	Q118
<b>Assets</b>								
Current assets:								
Cash and cash equivalents	\$ 413.2	\$ 550.0	\$ 734.4	\$ 839.4	\$ 761.4	\$ 692.0	\$ 744.3	\$ 842.6
Short-term investments	551.4	537.5	551.2	550.6	593.0	680.0	630.7	660.6
Accounts receivable, net	254.4	267.6	348.7	346.5	386.1	364.1	432.1	350.8
Prepaid expenses and other current assets	121.2	126.9	139.7	129.4	139.9	159.1	169.2	185.5
Total current assets	1,340.2	1,482.0	1,774.0	1,865.9	1,880.4	1,895.2	1,976.3	2,039.5
Property and equipment, net	92.6	100.5	117.2	125.0	154.1	192.3	211.1	256.9
Long-term investments	631.1	682.9	652.8	708.4	790.5	719.1	789.3	777.4
Goodwill	163.5	163.5	163.5	163.5	163.5	238.8	238.8	238.8
Intangible assets, net	48.7	46.4	44.0	41.7	39.5	56.5	53.7	51.0
Other assets	107.1	105.0	106.7	103.7	146.6	148.2	169.1	122.9
Total assets	\$ 2,383.2	\$ 2,580.3	\$ 2,858.2	\$ 3,008.2	\$ 3,174.6	\$ 3,250.1	\$ 3,438.3	\$ 3,486.5
<b>Liabilities, temporary equity, and stockholders' equity</b>								
Current liabilities:								
Accounts payable	\$ 32.5	\$ 24.3	\$ 30.2	\$ 29.2	\$ 28.0	\$ 33.2	\$ 35.5	\$ 38.8
Accrued compensation	71.2	56.4	73.5	59.0	78.8	76.4	117.5	74.5
Accrued and other liabilities	44.0	45.1	39.2	48.4	58.8	60.1	79.9	80.8
Deferred revenue	541.2	610.4	703.9	758.1	828.0	885.0	968.4	1,017.9
Convertible senior notes, net	488.3	494.2	-	506.2	-	-	-	531.0
Total current liabilities	1,177.2	1,230.4	846.8	1,400.9	993.6	1,054.7	1,201.3	1,743.0
Convertible senior notes, net	-	-	500.2	-	512.3	518.4	524.7	-
Long-term deferred revenue	387.6	458.8	536.9	601.5	670.6	726.8	805.1	846.6
Other long-term liabilities	72.3	78.0	79.4	80.2	127.5	137.1	147.6	192.2
Temporary equity	77.5	72.2	-	61.4	-	-	-	39.2
Stockholders' equity:								
Preferred stock	-	-	-	-	-	-	-	-
Common stock and additional paid-in capital	1,195.4	1,330.5	1,515.5	1,543.1	1,613.3	1,615.8	1,599.7	1,573.2
Accumulated other comprehensive income (loss)	(0.7)	0.6	1.0	(1.9)	(5.1)	(4.2)	(3.4)	(7.0)
Accumulated deficit	(526.1)	(590.2)	(621.6)	(677.0)	(737.6)	(798.5)	(836.7)	(900.7)
Total stockholders' equity	668.6	740.9	894.9	864.2	870.6	813.1	759.6	665.5
Total liabilities, temporary equity, and stockholders' equity	\$ 2,383.2	\$ 2,580.3	\$ 2,858.2	\$ 3,008.2	\$ 3,174.6	\$ 3,250.1	\$ 3,438.3	\$ 3,486.5

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

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

	Q216	Q316	Q416	Q117 <sup>(1)</sup>	Q217	Q317	Q417	Q118
<b>Cash flows from operating activities</b>								
Net loss	\$ (57.3)	\$ (64.1)	\$ (31.4)	\$ (56.9)	\$ (60.6)	\$ (60.9)	\$ (38.2)	\$ (64.0)
Adjustments to reconcile net loss to net cash provided by operating activities:								
Share-based compensation for equity based awards	101.9	108.4	109.6	113.3	127.3	116.2	117.7	125.7
Depreciation and amortization	10.3	11.2	12.1	13.6	14.4	15.1	16.7	21.3
Asset impairment related to facility exit	-	-	-	-	-	-	20.9	-
Cease-use loss related to facility exit	-	-	-	-	-	-	-	15.4
Amortization of debt discount and debt issuance costs	5.8	5.9	6.0	6.0	6.1	6.2	6.2	6.3
Amortization of investment premiums, net of accretion of purchase discounts	0.8	0.8	0.6	0.7	0.7	0.7	0.6	0.5
Changes in operating assets and liabilities, net of effects of acquisitions:								
Accounts receivable, net	(58.0)	(13.3)	(81.1)	2.2	(39.5)	22.4	(68.0)	81.3
Prepaid expenses and other assets	(20.2)	(4.9)	(13.4)	10.1	(51.7)	(8.0)	1.5	(6.4)
Accounts payable	8.4	(1.9)	3.4	1.8	(1.6)	2.6	3.1	4.2
Accrued compensation	18.4	(14.8)	17.1	(14.5)	19.8	(3.6)	41.1	(43.0)
Accrued and other liabilities	19.7	2.6	(7.2)	8.4	60.4	8.2	(23.8)	41.8
Deferred revenue	124.3	140.4	171.6	118.8	139.0	112.3	161.7	91.0
Net cash provided by operating activities <sup>(1)(2)</sup>	154.1	170.3	187.3	203.5	214.3	211.2	239.5	274.1
<b>Cash flows from investing activities</b>								
Purchases of investments	(97.7)	(219.9)	(206.9)	(285.7)	(277.0)	(164.2)	(269.0)	(226.8)
Proceeds from sales of investments	10.0	3.0	4.5	-	-	-	-	-
Proceeds from maturities of investments	83.9	181.6	219.1	235.4	148.6	136.7	256.7	206.6
Business acquisitions, net of cash acquired	-	-	-	-	-	(90.7)	-	-
Purchases of property, equipment, and other assets	(17.4)	(19.3)	(16.3)	(20.9)	(44.7)	(48.6)	(49.2)	(32.2)
Net cash provided by (used in) investing activities	(21.2)	(54.6)	0.4	(71.2)	(173.1)	(166.8)	(61.5)	(52.4)
<b>Cash flows from financing activities</b>								
Repurchases of common stock	-	-	-	(50.0)	(120.1)	(125.0)	(115.9)	(134.1)
Proceeds from sales of shares through employee equity incentive plans	4.5	21.1	3.1	22.7	0.9	22.2	0.6	22.1
Payments for taxes related to net share settlement of equity awards	-	-	-	-	-	(11.0)	(10.4)	(11.4)
Payment of deferred consideration related to prior year business acquisition	-	-	(6.4)	-	-	-	-	-
Net cash provided by (used in) financing activities <sup>(1)</sup>	4.5	21.1	(3.3)	(27.3)	(119.2)	(113.8)	(125.7)	(123.4)
Net increase (decrease) in cash and cash equivalents	137.4	136.8	184.4	105.0	(78.0)	(69.4)	52.3	98.3
Cash and cash equivalents - beginning of period	275.8	413.2	550.0	734.4	839.4	761.4	692.0	744.3
Cash and cash equivalents - end of period	\$ 413.2	\$ 550.0	\$ 734.4	\$ 839.4	\$ 761.4	\$ 692.0	\$ 744.3	\$ 842.6

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

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