

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended July 31 , 2024

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number 001-35594

Palo Alto Networks, Inc .

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

20-2530195

(I.R.S. Employer
Identification No.)

3000 Tannery Way
Santa Clara , California 95054

(Address of principal executive offices, including zip code)

(408) 753-4000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, \$0.0001 par value per share	PANW	The Nasdaq Stock Market LLC (Nasdaq Global Select Market)

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect

the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of voting stock held by non-affiliates of the registrant was approximately \$ 108.1 billion as of January 31, 2024, the last business day of the registrant's most recently completed second fiscal quarter (based on the closing sales price for the common stock on the Nasdaq Global Select Market on such date). Shares of common stock held by each executive officer and director have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

On August 19, 2024, 325.6 million shares of the registrant's common stock, \$0.0001 par value, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the information called for by Part III of this Annual Report on Form 10-K is hereby incorporated by reference from the definitive proxy statement for the registrant's 2024 annual meeting of stockholders, which will be filed with the Securities and Exchange Commission not later than 120 days after the registrant's fiscal year ended July 31, 2024.

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Part I

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K, including, without limitation, the sections entitled “Business,” “Risk Factors,” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements generally can be identified by words such as “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potentially,” “projects,” “will,” “will be,” “will continue,” “will likely result,” “would,” and similar expressions that convey uncertainty of future events or outcomes.

These forward-looking statements include, but are not limited to, statements concerning the following:

- expectations regarding the cybersecurity landscape;
- expectations regarding our platformization strategy and related progress and opportunities;
- expectations regarding annual recurring revenue and product development strategy;
- expectations regarding artificial intelligence;
- expectations regarding our strategic partnerships;
- expectations regarding drivers of and factors affecting growth in our business;
- statements regarding expected profitability, our mix of product and subscription and support revenue, cost of revenue, gross margin, cash flows, operating expenses, including future share-based compensation expense, income taxes, investment plans, and liquidity;
- expected recurring revenues resulting from growth in our end-customers and increased adoption of our products and cloud-delivered security solutions;
- the performance advantages of our products and subscription and support offerings and the potential benefits to our customers;
- expectations regarding future investments in research and development and product development, customer support, in our employees and in our sales force, including expectations regarding growth in our sales headcount;
- expectations that we will continue to expand our global presence;
- expectations regarding our revenues, including the seasonality and cyclicity from quarter to quarter;
- the sufficiency of our cash flow from operations with existing cash, cash equivalents, and investments to meet our cash needs for the foreseeable future;
- our ability to successfully acquire and integrate companies and assets and our expectations and intentions with respect to the products and technologies that we acquire and introduce;
- the timing and amount of capital expenditures and share repurchases;
- the effects of worldwide economic and geopolitical conditions, including but not limited to hostilities in Israel and the surrounding region, inflation, interest rate levels, growth rates and other conditions, on our operating and financial results and performance;
- the effects of litigation or regulatory developments involving us or affecting our industry; and
- other statements regarding our future operations, financial condition and prospects, and business strategies.

These forward-looking statements are subject to a number of risks, uncertainties, and assumptions, including those described in “Risk Factors” included in Part I, Item 1A and elsewhere in this Annual Report on Form 10-K. Moreover, we operate in a very competitive and rapidly changing environment, and new risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties, and assumptions, the forward-looking events and circumstances discussed in this Annual Report on Form 10-K may not occur, and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

Item 1. Business

General

Palo Alto Networks, Inc. is a global cybersecurity provider with a vision of a world where each day is safer and more secure than the one before. We were incorporated in 2005 and are headquartered in Santa Clara, California.

We empower enterprises, organizations, service providers, and government entities to protect themselves against today's most sophisticated cyber threats. Our cybersecurity platforms and services help secure enterprise users, networks, clouds, and endpoints by delivering comprehensive cybersecurity backed by artificial intelligence ("AI") and automation. A key element of our strategy is to help our customers simplify their security architectures through consolidating disparate point products. We execute on this strategy by developing our capabilities and packaging our offerings into platforms which are able to cover many of our customers' needs in the markets in which we operate. Our platformization strategy combines various products and services into a tightly integrated architecture and makes security faster, less complex, and more cost-effective. We focus on delivering value in four sectors of the cybersecurity industry:

Network Security:

- Our network security platform, designed to deliver complete zero trust solutions to our customers, includes our hardware and software ML-Powered Next-Generation Firewalls, AI Runtime Security, as well as a cloud-delivered Secure Access Service Edge ("SASE"). Prisma® Access, our Security Services Edge ("SSE") solution, when combined with Prisma SD-WAN, provides a comprehensive single-vendor SASE offering that is used to secure remote workforces and securely enable the cloud-delivered branch. Our network security platform also includes our cloud-delivered security services, such as Advanced Threat Prevention, Advanced WildFire®, Advanced URL Filtering, Advanced DNS Security, IoT/OT Security, GlobalProtect®, Enterprise Data Loss Prevention ("Enterprise DLP"), AI for IT Operations ("AIOps"), SaaS Security, and AI Access Security. Through these add-on security services, our customers are able to secure their content, applications, users, and devices across their entire organization. Strata Cloud Manager, our network security management solution, can centrally manage our network security platform irrespective of form factor, location, or scale. Strata Cloud Manager includes the Strata Copilot which provides a natural language interface to simplify and accelerate platform management.

Cloud Security:

- We deliver scalable and comprehensive security across the cloud application development lifecycle through our Code to Cloud™ platform, Prisma Cloud. As a comprehensive Cloud Native Application Protection Platform ("CNAPP"), Prisma Cloud secures multi- and hybrid-cloud environments for applications, data, generative AI ("GenAI") ecosystem, and the entire cloud native technology stack across the full development lifecycle, from code to cloud. We also offer our VM-Series and CN-Series virtual firewalls for inline network security on multi- and hybrid-cloud environments.

Security Operations:

- We deliver the next generation of security operations capabilities that combine security analytics, endpoint security, automation, and attack surface management ("ASM") solutions through our Cortex® platform. These include Cortex XSIAM®, our AI-driven security operations platform, Cortex XDR® for the prevention, detection, and response to complex cybersecurity attacks, Cortex XSOAR® for security orchestration, automation, and response ("SOAR"), and Cortex Xpanse® for ASM. These products are delivered as software as a service ("SaaS") or software subscriptions.

Threat Intelligence and Advisory Services (Unit 42):

- Unit 42® brings together world-renowned threat researchers with an elite team of incident responders and security consultants to create an intelligence-driven, response-ready organization to help customers manage cyber risk. Our consultants serve as trusted advisors to our customers by assessing and testing their security controls against the right threats, transforming their security strategy with a threat-informed approach, and responding to security incidents on behalf of our clients. Additionally, Unit 42 offers managed detection and response and managed threat hunting services.

Product, Subscription, and Support

Our customer offerings are available in the form of the product, subscription, and support offerings described below:

PRODUCTS

Hardware and software firewalls. Our ML-Powered Next Generation Firewalls embed machine learning in the core of the firewall and employ inline deep learning in the cloud, empowering our customers to stop zero-day threats in real time, see and secure their entire enterprise including Internet of Things (“IoT”), and reduce errors with automatic policy recommendations. All of our hardware and software firewalls incorporate our PAN-OS® operating system and come with the same rich set of features, ensuring consistent operation across our entire product line. The content, applications, users, and devices—the elements that run a business—become integral components of an enterprise’s security policy via our Content-ID™, App-ID™, User-ID™, and Device-ID technologies. In addition to these components, key features include site-to-site virtual private network (“VPN”), remote access Secure Sockets Layer (“SSL”) VPN, and Quality-of-Service. Our appliances and software are designed for different performance requirements throughout an organization and are classified based on throughput, ranging from our PA-410, which is designed for small organizations and branch offices, to our top-of-the-line PA-7500 Series, which is designed for large-scale data centers and service providers. Our firewalls come in a hardware form factor, a containerized form factor, called CN-Series, as well as a virtual form factor, called VM-Series, that is available for virtualization and cloud environments from companies such as Broadcom Inc., Microsoft Corporation (“Microsoft”), Amazon.com, Inc. (“Amazon”), and Alphabet Inc. (“Alphabet”), and in Kernel-based Virtual Machine /OpenStack environments. We also offer Cloud NGFW, a managed next-generation firewall (“NGFW”) offering, to secure customers’ applications on Amazon Web Services (“AWS”) and Microsoft Azure (“Azure”).

SD-WAN. Our SD-WAN is integrated with PAN-OS so that our end-customers can get the security features of our PAN-OS ML-Powered Next-Generation Firewall together with SD-WAN functionality. The SD-WAN overlay supports dynamic, intelligent path selection based on the applications, services, and conditions of the links that each application or service is allowed to use, allowing applications to be prioritized based on criteria such as whether the application is mission-critical, latency-sensitive, or meets certain health criteria.

Panorama. Panorama is our centralized security management solution for global control of our network security platform. Panorama can be deployed as a virtual appliance or a physical appliance. Panorama is used for centralized policy management, device management, software licensing and updates, centralized logging and reporting, and log storage. Many of our existing deployments continue using Panorama as the security management solution, while new deployments benefit from using Strata Cloud Manager instead for managing network security estate—including our Next-Generation Firewalls and SASE—with a cloud-based, unified management interface.

SUBSCRIPTIONS

We offer a number of subscriptions as part of our network security platform. Of these subscription offerings, cloud-delivered security services, such as Advanced Threat Prevention, Advanced WildFire, Advanced URL Filtering, Advanced DNS Security, IoT/OT Security, SaaS Security Inline, GlobalProtect, Enterprise DLP, AIOps, and AI Runtime Security are sold as options to our hardware and software firewalls, whereas SaaS Security API, AI Access Security, Prisma Access, Prisma SD-WAN, Strata Cloud Manager, Prisma Cloud, Cortex XSIAM, Cortex XDR, Cortex XSOAR, and Cortex Xpanse are sold on a per-user, per-endpoint, or capacity-based basis—and they can be activated by customers with or without our firewalls. Our subscription offerings include:

Cloud-delivered security services:

- **Advanced Threat Prevention.** This cloud-delivered security service provides intrusion detection and prevention capabilities and blocks vulnerability exploits, viruses, spyware, buffer overflows, denial-of-service attacks, and port scans from compromising and damaging enterprise information resources. It includes mechanisms—such as protocol decoder-based analysis, protocol anomaly-based protection, stateful pattern matching, statistical anomaly detection, heuristic-based analysis, custom vulnerability and spyware “phone home” signatures, and workflows—to manage popular open-source signature formats to extend our coverage. In addition, it offers inline deep learning to deliver real-time detection and prevention of unknown, evasive, and targeted command-and-control (“C2”) communications over HTTP, unknown-TCP, unknown-UDP, and encrypted over SSL. Advanced Threat Prevention is the first offering to protect the enterprise from unknown command and control in real-time.
- **Advanced WildFire.** This cloud-delivered security service provides protection against targeted malware and advanced persistent threats and provides a near real-time analysis engine for detecting previously unseen malware while resisting attacker evasion techniques. Advanced WildFire combines dynamic and static analysis, recursive analysis, and a custom-built analysis environment with network traffic profiling and fileless attack detection to discover even the most sophisticated and evasive threats. In addition, Advanced WildFire defeats highly evasive modern malware at scale with a new infrastructure and patented analysis techniques, including intelligent runtime memory analysis, dependency emulation, malware family fingerprinting, and more. Once identified, whether in the cloud or inline, preventive measures are automatically generated and delivered in seconds or less to our network security platform.

- **Advanced URL Filtering.** This cloud-delivered security service offers the industry's first Inline Deep Learning powered web protection engine. It delivers real-time detection and prevention of unknown, evasive, and targeted web-based threats, such as phishing, malware, and C2. While many vendors use machine learning to categorize web content or prevent malware downloads, Advanced URL Filtering is the industry's first inline web protection engine capable of detecting never-before-seen web-based threats and preventing them in real-time. In addition, it includes a cloud-based URL filtering database which consists of millions of URLs across many categories and is designed to analyze web traffic and prevent web-based threats, such as phishing, malware, and C2.
- **Advanced DNS Security.** This cloud-delivered security service uses machine learning to proactively block malicious domains and stop attacks in progress. Unlike other solutions, it does not require endpoint routing configurations to be maintained and therefore cannot be bypassed. It allows our network security platform access to Domain Name System ("DNS") signatures that are generated using advanced predictive analysis, machine learning, and malicious domain data from a growing threat intelligence sharing community of which we are a part. Expanded categorization of DNS traffic and comprehensive analytics allow deep insights into threats, empowering security personnel with the context to optimize their security posture. It offers comprehensive DNS attack coverage and includes industry-first protections against multiple emerging DNS-based network attacks, including real-time analysis of DNS response to prevent DNS hijacking.
- **IoT/OT Security.** This cloud-delivered security service uses machine learning to accurately identify and classify various IoT and operational technology ("OT") devices, including never-been-seen-before devices, mission-critical OT devices, and unmanaged legacy systems. It uses machine learning to baseline normal behavior, identify anomalous activity, assess risk, and provide policy recommendations to allow trusted behavior with a new Device-ID policy construct on our network security platform. Other subscriptions have also been enhanced with IoT context to prevent threats on various devices, including IoT and OT devices.
- **SaaS Security API.** SaaS Security API (formerly Prisma SaaS) is a multi-mode, cloud access security broker ("CASB") that helps govern sanctioned SaaS application usage across all users and helps prevent breaches and non-compliance. Specifically, the service enables the discovery and classification of data stored in supported SaaS applications, protects sensitive data from accidental exposure, identifies and protects against known and unknown malware, and performs user activity monitoring to identify potential misuse or data exfiltration. It delivers complete visibility and granular enforcement across all user, folder, and file activity within sanctioned SaaS applications, and can be combined with SaaS Security Inline for a complete integrated CASB.
- **SaaS Security Inline.** SaaS Security Inline adds an inline service to automatically gain visibility and control over thousands of known and new sanctioned, unsanctioned and tolerated SaaS applications in use within organizations today. It provides enterprise data protection and compliance across all SaaS applications and prevents cloud threats in real time with best-in-class security. The solution is easy to deploy being natively integrated on network security platform, eliminating the architectural complexity of traditional CASB products, while offering low total cost of ownership. It can be combined with SaaS Security API as a complete integrated CASB.
- **GlobalProtect.** This subscription provides protection for users of both traditional laptop and mobile devices. It expands the boundaries of the end-users' physical network, effectively establishing a logical perimeter that encompasses remote laptop and mobile device users irrespective of their location. When a remote user logs into the device, GlobalProtect automatically determines the closest gateway available to the roaming device and establishes a secure connection. Regardless of the operating systems, laptops, tablets, and phones will stay connected to the corporate network when they are on a network of any kind and, as a result, are protected as if they never left the corporate campus. GlobalProtect ensures that the same secure application enablement policies that protect users at the corporate site are enforced for all users, independent of their location.
- **Enterprise DLP.** This cloud-delivered security service provides consistent, reliable protection of sensitive data, such as personally identifiable information and intellectual property, for all traffic types, applications, and users. Native integration with our products makes it simple to deploy, and advanced machine learning minimizes management complexity. Enterprise DLP allows organizations to consistently discover, classify, monitor, and protect sensitive data, wherever it may reside. It helps minimize the risk of a data breach both on-premises and in the cloud—such as in Office/Microsoft 365™, Salesforce®, and Box—and assists in meeting stringent data privacy and compliance regulations, including the E.U. General Data Protection Regulation, the California Consumer Privacy Act, the Payment Card Industry Data Security Standard, HIPAA (Health Insurance Portability and Accountability Act) requirements, and others.
- **AI Access Security.** GenAI applications can inadvertently expose sensitive company data, such as intellectual property, trade secrets, source code, financial records and customer information, leading to significant business and compliance risks. In addition, public GenAI tools can be exploited to spread malware and compromise cybersecurity defenses. AI Access Security classifies and prioritizes GenAI applications to assess risk, detect anomalies and visualize insights across multiple GenAI-specific attributes. It prevents sensitive data loss and defends against malicious responses, ensuring safe and effective AI adoption.

- **AIOps:** AIOps is available in both free and licensed premium versions. AIOps redefines network operational experience by empowering security teams to proactively strengthen security posture and resolve network disruptions. AIOps provides continuous best practice recommendations powered by machine learning based on industry standards, security policy context, and advanced telemetry data collected from our network security customers to improve security posture. It also intelligently predicts health, performance, and capacity problems up to seven days in advance and provides actionable insights to resolve the predicted disruptions.

Secure Access Service Edge:

- **Prisma Access.** Prisma Access is a cloud-delivered security offering that helps organizations deliver consistent security to remote networks and mobile users. Located in more than 100 locations around the world, Prisma Access consistently inspects all traffic across all ports and provides bidirectional networking to enable branch-to-branch and branch-to-headquarter traffic. Prisma Access consolidates point-products into a single converged cloud-delivered offering, transforming network security and allowing organizations to enable secure hybrid workforces. Prisma Access protects all application traffic with complete, best-in-class security while ensuring an exceptional user experience with industry-leading service-level agreements ("SLA"s). With native SASE integration, Prisma Access Browser extends Zero Trust to any device—managed or unmanaged—in minutes. Prisma Access delivers exceptional user experience with a combination of application acceleration—up to 5x faster than direct-to-internet—and Autonomous Digital Experience Management. With these capabilities, Prisma Access delivers an optimized digital experience and application performance to end users.
- **Prisma SD-WAN.** Our Prisma SD-WAN solution is a next-generation SD-WAN solution that makes the secure cloud-delivered branch possible. Prisma SD-WAN enables organizations to replace traditional Multiprotocol Label Switching based WAN architectures with affordable broadband and internet transport types that promote improved bandwidth availability, redundancy and performance at a reduced cost. Prisma SD-WAN leverages real-time application performance SLAs and visibility to control and intelligently steer application traffic to deliver an exceptional user experience. Prisma SD-WAN also provides the flexibility of deploying with an on-premises controller to help businesses meet their industry-specific security compliance requirements and manage deployments with application-defined policies. Our Prisma SD-WAN simplifies network and security operations using machine learning and automation.

AI Runtime Security:

- AI applications and large language model ("LLM") models challenge traditional security. Increasingly sophisticated attacks on AI ecosystems require protection from AI applications, models and datasets. AI Runtime Security continuously monitors AI applications, models and datasets for potential threats and anomalies. It quickly adjusts to evolving attack techniques and detects suspicious activities in real time. It shields customers' AI application ecosystem from AI-specific and conventional network attacks by leveraging real-time, AI-powered security.

Strata Cloud Manager:

- Strata Cloud Manager enables our customers to easily manage their Palo Alto Networks' Network Security infrastructure—including NGFWs and SASE environment—from the cloud, via one unified management interface. In addition to getting complete visibility, with Strata Cloud Manager, customers can predict and prevent network health issues, strengthen security, and configure and manage their entire network security estate. Strata Copilot, a part of Strata Cloud Manager, helps security teams quickly and easily find, understand and address threats leveraging the power and simplicity of natural language.

Cloud Security:

- **Prisma Cloud.** Prisma Cloud is a comprehensive CNAPP, securing both cloud-native and lift-and-shift applications across multi- and hybrid-cloud environments. With broad security and compliance coverage and a flexible agentless, as well as agent-based, architecture, Prisma Cloud protects cloud-native applications across their lifecycle from code to cloud. The platform helps developers prevent risks as they code and build the application, secures the software supply chain and the continuous integration and continuous development ("CI/CD") pipeline, and provides complete visibility and real-time protection for applications running in the cloud.

With its code-to-cloud security capabilities, Prisma Cloud creates a complete security picture by tracing back thousands of cloud risks and vulnerabilities that occur in the application runtime to their origin in the code-and-build phase of the application. Prisma Cloud does this by consolidating multiple code and cloud security technologies such as Software Composition Analysis, Infrastructure as Code security, CI/CD security, secrets scanning, Cloud Security Posture Management, Cloud Identity and Entitlements Management, API security, Vulnerability Management, Cloud Workload Protection, Web Application and API Security, Cloud Network Security, and Cloud Discovery and Exposure Management into a single unified platform. The platform enables organizations to "shift security left" and fix issues at the source (in code) before they proliferate as a large number of risks in the cloud. The contextualized visibility to alerts, attack paths, and vulnerabilities delivered by Prisma Cloud facilitates collaboration between security and development teams to drive down risks and deliver better security outcomes. The context helps security teams block attacks in the cloud runtime and developers fix risks in source code.

A comprehensive library of compliance frameworks included in Prisma Cloud vastly simplifies the task of maintaining compliance. Seamless integration with security orchestration tools ensures rapid remediation of vulnerabilities and security issues.

Further, the Code to Cloud Platform is positioned to secure AI-powered applications for enterprises. In March 2024, we announced limited general availability of data security posture management (“DSPM”) capabilities and in May 2024, we released the early preview of AI security posture management (“AI-SPM”) capabilities to our customers. These features were made available to all customers in our August 2024 software release. Prisma Cloud customers can activate them within the platform to discover, classify, protect, and govern AI-powered applications. DSPM and AI-SPM together provide visibility into the entire GenAI ecosystem, identify LLM vulnerabilities, prioritize misconfiguration risks, reduce the risk of data exposure, and surface compliance violations. The native integration of Prisma Cloud with Cortex XSIAM is further expanded with the recent addition of cloud detection and response (“CDR”) capabilities, providing a broader context to protect, detect, and respond to advanced cloud threats. It also brings together cloud security and security operations teams, fostering strong collaboration.

With a flexible, integrated platform that enables customers to license and activate cloud security capabilities that match their need, Prisma Cloud helps secure organizations at every stage in their cloud adoption journey. The platform enables security teams to consolidate multiple products that address individual risks with an integrated solution that also delivers best-in-class capabilities. Prisma Cloud's code-to-cloud CNAPP delivers comprehensive protection for applications and their code, infrastructure (workloads, network, and storage), data, APIs, and associated identities.

Security Operations:

- **Cortex XSIAM.** This cloud-based AI-driven security operations platform for the modern SOC harnesses the power of AI to radically improve security outcomes and transform security operations. Cortex XSIAM customers can consolidate multiple products into a single unified platform that delivers security information and event management, extended detection and response (“XDR”), SOAR, network traffic analysis, ASM, threat intelligence management (“TIM”), identity threat detection and response, and CDR. CDR is the latest addition to Cortex XSIAM and XDR that addresses the growing need for security teams to respond to cloud threats with purpose-built SOC tools that seamlessly integrate with their security programs. Cortex XSIAM integrates these capabilities into a single, converged platform built for security operations, enabling organizations to simplify operations, stop threats at scale, and accelerate incident remediation. Cortex XSIAM automates data integration, analysis, and triage to respond to most alerts, enabling analysts to focus on only the incidents that require human intervention.
- **Cortex XDR.** This cloud-based subscription enables organizations to collect telemetry from endpoint, network, identity and cloud data sources and apply advanced analytics and machine learning, to quickly find and stop targeted attacks, insider abuse, and compromised endpoints. Cortex XDR has two product tiers: XDR Prevent and XDR Pro. XDR Prevent delivers enterprise-class endpoint security focused on preventing attacks. XDR Pro extends endpoint detection and response (“EDR”) to include cross-data analytics for network, cloud, and identity data. Going beyond EDR, Cortex XDR detects the most complex threats using analytics across key data sources and reveals the root cause, which can significantly reduce investigation time as compared to siloed tools and manual processes.
- **Cortex XSOAR.** Available as a stand-alone cloud-based subscription, an on-premises appliance, or delivered natively through Cortex XSIAM, Cortex XSOAR is a comprehensive SOAR offering that unifies playbook automation, case management, real-time collaboration, and TIM to serve security teams across the incident lifecycle. With Cortex XSOAR, security teams can standardize processes, automate repeatable tasks, and manage incidents across their security product stack to improve response time and analyst productivity. Cortex XSOAR learns from the real-life analyst interactions and past investigations to help SOC teams with analyst assignment suggestions, playbook enhancements, and best next steps for investigations. Many of our customers see significantly faster SOC response times and a significant reduction in the number of SOC alerts which require human intervention.
- **Cortex Xpanse.** Available as a stand-alone cloud-based subscription and a cloud-based subscription module within Cortex XSIAM, Cortex Xpanse provides ASM, which is the ability for an organization to identify what an attacker would see among all of its sanctioned and unsanctioned Internet-facing assets. In addition, Cortex Xpanse detects risky or out-of-policy communications between Internet-connected assets that can be exploited for data breaches or ransomware attacks. Cortex Xpanse continuously identifies Internet assets, risky services, or misconfigurations in third parties to help secure a supply chain or identify risks for mergers and acquisitions due diligence. Finally, compliance teams use Cortex Xpanse to improve their audit processes and stay in compliance by assessing their access controls against regulatory frameworks.

SUPPORT

Customer Support. Global customer support helps our customers achieve their security outcomes with services and support capabilities covering the customer's entire journey with Palo Alto Networks. This post-sales, global organization advances our customers' security maturity, supporting them when, where, and how they need it. We offer Standard Support, Premium Support, and Platinum Support to our end-customers and channel partners. Our channel partners that operate a Palo Alto Networks Authorized Support Center typically deliver level-one and level-two support. We provide level-three support 24 hours a day, seven days a week through regional support centers that are located worldwide. We also offer a service offering called Focused Services that includes Customer Success Managers to provide support for end-customers with unique or complex support requirements. We offer our end-customers ongoing support for hardware, software, and certain cloud offerings, which includes ongoing security updates, PAN-OS upgrades, bug fixes, and repairs. End-customers typically purchase these services for a one-year or longer term at the time of the initial product sale and typically renew for successive one-year or longer periods. Additionally, we provide expedited replacement for any defective hardware. We use a third-party logistics provider to manage our worldwide deployment of spare appliances and other accessories.

Threat Intelligence, Incident Response and Security Consulting. Unit 42 brings together world-renowned threat researchers, incident responders, and security consultants to create an intelligence-driven, response-ready organization that is passionate about helping clients proactively manage cyber risk. We help security leaders assess and test their security controls, transform their security strategy with a threat-informed approach, and respond to incidents rapidly. The Unit 42 Threat Intelligence team provides threat research that enables security teams to understand adversary intent and attribution, while enhancing protections offered by our products and services to stop advanced attacks. Our security consultants serve as trusted partners with state-of-the-art cyber risk expertise and incident response capabilities, helping customers build effective security programs, uncover critical exposures to prevent incidents, and, should incidents occur, respond to them with speed and confidence.

Professional Services. Professional services are primarily delivered directly by Palo Alto Networks and through a global network of authorized channel partners to our end-customers and include on-location and remote, hands-on experts who plan, design, and deploy effective security solutions tailored to our end-customers' specific requirements. These services include architecture design and planning, implementation, configuration, and firewall migrations for all our products, including Prisma and Cortex deployments. Customers can also purchase on-going technical experts to be part of customer's security teams to aid in the implementation and operation of their Palo Alto Networks capabilities. Our education services include certifications, as well as free online technical courses and in-classroom training, which are primarily delivered through our authorized training partners.

RESEARCH AND DEVELOPMENT

Our research and development efforts are focused on developing new hardware and software and on enhancing and improving our existing product and subscription offerings. We believe that hardware and software are both critical to expanding our leadership in the enterprise security industry. Our engineering team has deep networking security, cloud security, endpoint security, security operations, and incident response expertise as well as expertise in AI and machine learning capabilities that are applied across these areas. Our scale and position in multiple areas of the security market enable us to leverage core competencies across hardware, software, and SaaS and also share expertise and research around threats, which allows us to respond to the rapidly changing threat landscape. We supplement our own research and development efforts with technologies and products that we license from third parties. We test our products thoroughly to certify and ensure interoperability with third-party hardware and software products.

We believe that innovation and timely development of new features and products is essential to meeting the needs of our end-customers and improving our competitive position. During fiscal 2024, we introduced several new offerings, including: Prisma Cloud Darwin release with newly integrated Code to Cloud intelligence capabilities, PAN-OS 11.2 Quasar, Cortex XSIAM 2.0, new Cortex XSIAM features, Prisma SASE 3.0, and Precision AI™. Additionally, we acquired productive investments that fit well within our long-term strategy. For example, in December 2023, we acquired Dig Security Solutions Ltd. ("Dig"), which we expect will enhance our Prisma Cloud capabilities with a DSPM solution; and we acquired Talon Cyber Security Ltd. ("Talon"), which will support Prisma SASE's approach to provide secure access to business applications for unmanaged and personal devices with an enterprise browser.

We plan to continue to significantly invest in our research and development efforts as we evolve and extend the capabilities of our portfolio.

INTELLECTUAL PROPERTY

We believe that our intellectual property rights are valuable and important to our business, and that our success depends, in part, on our ability to protect and use our core technology and intellectual property rights. We rely on a combination of trademarks, patents, copyrights, trade secrets, license agreements, intellectual property assignment agreements, confidentiality procedures, non-disclosure agreements, and employee non-disclosure and invention assignment agreements to establish, protect and control the use of our proprietary technology and intellectual property rights. We continue to grow our global portfolio of intellectual property rights in connection with our products, services, research and development. We file patent applications to protect our intellectual property and believe that the duration of our issued patents is sufficient when considering the expected lives of our products. We have registered various trademarks for our company and our products in the United States ("U.S.") and other jurisdictions internationally. We intend to continue pursuing additional protections for our proprietary technology and intellectual property to the extent we believe it would be beneficial and cost-effective.

Despite our efforts to protect our proprietary technology and intellectual property rights, our rights may not be respected in the future or may be invalidated, circumvented, or challenged. Our industry is characterized by the existence of a large number of patents and frequent claims and related litigation based on allegations of patent infringement or other violations of intellectual property rights. We believe that competitors will try to develop products that are similar to ours and that may infringe our intellectual property rights. Our competitors, third-parties and non-practicing entities, may also claim that our cybersecurity platforms and services infringe their intellectual property rights. From time to time, third parties have in the past and may in the future assert claims of infringement, misappropriation and other violations of intellectual property rights against us or our customers, with whom our license or other agreements may obligate us to indemnify against these claims. Successful claims of infringement by a third party could prevent us from offering certain products or features, require us to develop alternate, non-infringing technology, which could require significant time and during which we could be unable to continue to offer our affected products or solutions, require us to obtain a license, which may not be available on reasonable terms or at all, or force us to pay substantial damages, royalties, or other fees. For additional information, see the section titled "Risks Related to Intellectual Property and Technology Licensing" in Part I, Item 1A "Risk Factors" in this Form 10-K.

GOVERNMENT REGULATION

We are subject to numerous U.S. federal, state, and foreign laws and regulations covering a wide variety of subject matters. Like other companies in the technology industry, we face scrutiny from both U.S. and foreign governments with respect to our compliance with laws and regulations. Our compliance with these laws and regulations may be onerous and could, individually or in the aggregate, increase our cost of doing business, impact our competitive position relative to our peers, and/or otherwise have an adverse impact on our business, reputation, financial condition, and operating results. For additional information about government regulation applicable to our business, see Part I, Item 1A "Risk Factors" in this Form 10-K.

COMPETITION

We operate in the intensely competitive enterprise security industry that is characterized by constant change and innovation. Changes in the application, threat, and technology landscape result in evolving customer requirements for the protection from threats and the safe enablement of applications. Our main competitors fall into four categories:

- large companies that incorporate security features in their products, such as Cisco Systems, Inc. ("Cisco"), Microsoft, Alphabet, or those that have acquired, or may acquire, security vendors and have the technical and financial resources to bring competitive solutions to the market;
- independent security vendors, such as Check Point Software Technologies Ltd. ("Check Point"), Fortinet, Inc. ("Fortinet"), CrowdStrike Holdings, Inc. ("CrowdStrike"), Zscaler, Inc. ("Zscaler"), and Wiz, Inc. ("Wiz"), that offer a mix of security products;
- startups and point-product vendors that offer independent or emerging solutions across various areas of security; and
- public cloud vendors and startups that offer solutions for cloud security (private, public, and hybrid cloud).

As our market grows, it will attract more highly specialized vendors, as well as larger vendors that may continue to acquire or bundle their products more effectively.

The principal competitive factors in our market include:

- product features, reliability, performance, and effectiveness;
- product line breadth, diversity, and applicability;
- product extensibility and ability to integrate with other technology infrastructures;
- price and total cost of ownership;
- adherence to industry standards and certifications;
- strength of sales and marketing efforts; and
- brand awareness and reputation.

We believe we generally compete favorably with our competitors on the basis of these factors as a result of the features and performance of our portfolio, the ease of integration of our security solutions with technological infrastructures, and the relatively low total cost of ownership of our products. However, many of our competitors have substantially greater financial, technical, and other resources, greater name recognition, larger sales and marketing budgets, broader distribution, more diversified product lines, and larger and more mature intellectual property portfolios.

SALES, MARKETING, SERVICES, AND SUPPORT

Customers. Our end-customers are predominantly medium to large enterprises, service providers, and government entities. Our end-customers operate in a variety of industries, including education, energy, financial services, government entities, healthcare, Internet and media, manufacturing, public sector, and telecommunications. Our end-customers deploy our portfolio of solutions for a variety of security functions across a variety of deployment scenarios. Typical deployment scenarios include the enterprise network, the enterprise data center, cloud locations, and branch or remote locations. No single end-customer accounted for more than 10% of our total revenue in fiscal 2024, 2023, or 2022.

Distribution. We primarily sell our products and subscription and support offerings to end-customers through our channel partners utilizing a two-tier, indirect fulfillment model whereby we sell our products and subscription and support offerings to our distributors, which, in turn, sell to our resellers, which then sell to our end-customers. Sales are generally subject to our standard, non-exclusive distributor agreement, which provides for an initial term of one year, one-year renewal terms, termination by us with 30 to 90 days written notice prior to the renewal date, and payment to us from the channel partner within 30 to 45 calendar days of the date we issue an invoice for such sales. For fiscal 2024, 59.0% of our total revenue was derived from sales to four distributors.

We also sell our VM-Series virtual firewalls directly to end-customers through Amazon's AWS Marketplace, Microsoft's Azure Marketplace, and Alphabet's Google Cloud Marketplace under a usage-based licensing model.

Sales. Our sales organization is responsible for large-account acquisition and overall market development, which includes the management of the relationships with our channel partners, working with our channel partners in winning and supporting end-customers through a direct-touch approach, and acting as the liaison between our end-customers and our marketing and product development organizations. We pursue sales opportunities both through our direct sales force and as assisted by our channel partners, which include resellers, global and regional systems integrators, service providers, and cloud providers. We expect to continue to grow our sales headcount to expand our reach in all key growth sectors.

Our sales organization is supported by sales engineers with responsibility for pre-sales technical support, solutions engineering for our end-customers, and technical training for our channel partners.

Channel Program. Our NextWave Channel Partner program is focused on building in-depth relationships with solutions-oriented distributors and channel partners that have strong security expertise. The program rewards these partners based on a number of attainment goals, as well as provides them access to marketing funds, technical and sales training, and support. To promote optimal productivity, we operate a formal accreditation program for our channel partners' sales and technical professionals. As of July 31, 2024, we had more than 6,500 channel partners.

Global Customer Success. Our Global Customer Success organization is responsible for delivering professional, educational, and support services directly to our channel partners and end-customers. We leverage the capabilities of our channel partners and train them in the delivery of professional, educational, and support services to enable these services to be locally delivered. We believe that a broad range of support services is essential to the successful customer deployment and ongoing support of our products, and we have hired support engineers with proven experience to provide those services.

Marketing. Our marketing is focused on building our brand reputation and the market awareness of our portfolio and driving pipeline and end-customer demand. Our marketing team consists primarily of product marketing, brand, demand generation, field marketing, digital marketing, communications, analyst relations, and marketing analytics functions. Marketing activities include pipeline development through demand generation, social media and advertising programs, managing the corporate website and partner portal, trade shows and conferences, analyst relationships, customer advocacy, and customer awareness. Every year we organize multiple signature events, such as our end-customer conference “Ignite” and focused conferences such as “Cortex Symphony” and “SASE Converge.” We also publish threat intelligence research, such as the Unit 42 Cloud Threat Report and the Unit 42 Network Threat Trends Research Report, which are based on data from our global threat intelligence team, Unit 42. These activities and tools benefit both our direct and indirect channels and are available at no cost to our channel partners.

Our products and services have been recognized as leading in 24 categories by third-party industry analysts firms that perform independent assessments of these categories. This recognition by third parties is an important measure of validation for our customers.

Backlog. Orders for subscription and support offerings for multiple years are generally billed upfront upon fulfillment and are included in deferred revenue. Contract amounts that are not recorded in deferred revenue or revenue are considered backlog. We expect backlog related to subscription and support offerings will change from period to period for various reasons, including the timing and duration of customer orders and varying billing cycles of those orders. Products are billed upon hardware shipment or delivery of software license. The majority of our product revenue comes from orders that are received and shipped in the same quarter. However, insufficient supply and inventory may delay our hardware product shipments. As such, we do not believe that our product backlog at any particular time is necessarily indicative of our future operating results.

Seasonality. Our business is affected by seasonal fluctuations in customer spending patterns. We have begun to see seasonal patterns in our business, which we expect to become more pronounced as we continue to grow, with our strongest sequential revenue growth generally occurring in our fiscal second and fourth quarters.

MANUFACTURING

We outsource the manufacturing of our products to various manufacturing partners, which include our electronics manufacturing services provider (“EMS provider”) and original design manufacturers. This approach allows us to reduce our costs as it reduces our manufacturing overhead and inventory and also allows us to adjust more quickly to changing end-customer demand. Our EMS provider is Flextronics International, Ltd. (“Flex”), who assembles our products using design specifications, quality assurance programs, and standards that we establish, and procures components and assembles our products based on our demand forecasts. These forecasts represent our estimates of future demand for our products based upon historical trends and analysis from our sales and product management functions as adjusted for overall market conditions.

The component parts within our products are either sourced by our manufacturing partners or by us from various component suppliers. Our manufacturing and supply contracts, generally, do not guarantee a certain level of supply or fixed pricing, which increases our exposure to supply shortages or price increases.

HUMAN CAPITAL

We believe our ongoing success depends on our employees. Development and investment in our people is central to who we are, and will continue to be so. With a global workforce of 15,289 as of July 31, 2024, our People Strategy is a critical element of our overall company strategy. Our People Strategy is a comprehensive approach to source, hire, onboard, develop, listen, and engage employees. Our approach is grounded on core tenets: respect each employee as a unique individual, demonstrate fairness and equity, facilitate personalization whenever possible, and nurture a culture where employees have access to industry-leading professional development programs and are empowered to do the best work of their careers. Our values of disruption, execution, collaboration, inclusion, and integrity were co-created with employees and serve as the foundation of our culture.

Source & Hire. At Palo Alto Networks, sourcing talent with the necessary skills and capabilities to contribute to our culture is central to our talent acquisition strategy, known as “The Way We Hire.” We prioritize internal mobility to foster career growth within Palo Alto Networks, enabling employees to advance through traditional career paths or explore roles across different business functions, at times leading to promotions.

We utilize structured interviewing practices, thorough job analyses, and success profiles to identify high-quality candidates and staff critical roles. Our Global Hiring Committee, introduced in fiscal 2023, plays a key role in maintaining our hiring standards, which help drive objectivity. This group of cross-functional senior leaders reviews every finalist candidate to ensure they meet our criteria and fit well with our company.

Interviewer training is a critical component of our strategy. In fiscal 2024, we began to implement a structured three-tier program to improve interviewer skills, save time across the hiring process, and enhance hiring quality. Interviewers receive learning courses focused on effective feedback and practical assessments; hiring managers are provided with in-depth, in-person training, and hiring champions receive a scenario-based training program.

To attract a diverse range of expertise and perspectives, and reach underrepresented talent, we promote job descriptions across diverse hiring channels, conduct interviews with a diverse slate of panelists, and encourage employee referrals. Our hiring managers also receive unconscious bias training, and our interviewing process emphasizes values and capabilities that support our culture.

Onboard & Develop. Each member of our workforce is unique, and their integration into Palo Alto Networks and career journey involve individual needs, interests, and goals. In response, our development programs are grounded on personalization, flexibility, and choice. From onboarding to professional development, FLEXLearn, our comprehensive platform offers multiple paths to assess, develop, and grow.

Before an employee's start date, they are provided access to foundational tools to help them prepare to join Palo Alto Networks. We view pre-boarding as fundamental to introducing new employees to our culture, building trust, and facilitating rapid productivity. Welcome Day is a combination of in-person, virtual learning platforms and communication channels that provide new employees with inspirational, often personalized, onboarding experiences that carry on through the first year of employment. We have specialized learning tracks for interns and new graduates that have been recognized as best in class externally to support early-in-career individuals in acclimating to our culture as they progress on their career journey. As part of our merger and acquisition strategy, we have established a robust integration program that works to enable individuals joining our teams to feel part of our culture.

Following onboarding, there are a variety of ways that employees can assess their interests and skills, build a development plan specific to those insights, and continue to grow using FLEXLearn. The platform contains curated content and programs, such as assessment instruments, thousands of courses, workshops, and mentoring and coaching services. Leaders and executives also have access to tools that allow them to identify their strengths and areas for development, and personalized learning tracks that help them deliver maximum personal and team performance. Employees have agency to direct their growth at their pace and choosing. Development information about core business elements, required company-wide compliance training and information about activities on topics ranging from inclusion to well-being and collaboration, are also deployed through FLEXLearn. On average, employees had completed 33 hours of development through the FLEXLearn platform during fiscal 2024.

Listen & Engage. We aim to foster engagement and strive to meet our unique employees where they are, and in ways that help them feel connected to our mission and values. Through our multifaceted approach, we collect, understand, and act on employee feedback. We share and gather information through corporate and functional "All Hands" meetings, digital displays across our sites, our intranet, regular email communications, an active Slack platform, and regular two-way dialogue—such as the small, in-person monthly listening sessions our CEO hosts. We also conduct ad-hoc pulse surveys and offer a peer-to-peer recognition platform.

We also listen to and address engagement through external sources such as Glassdoor, The Best Practice Institute, Comparably, and others. In addition, based on employee participation in an anonymous survey, the Best Practice Institute has certified Palo Alto Networks as "Top 100 Global Most Loved Workplaces" since 2021. Palo Alto Networks has been recognized by Comparably, Human Rights Campaign, Disability:IN, and others as an employer of choice. Our CEO has also earned a 91% employee approval rating on Glassdoor, a top percentile score.

In addition to a comprehensive compensation and diverse benefits program, we believe in an always-on feedback and rewards philosophy. From recurring 1:1 sessions, quarterly performance feedback, semi-annual performance reviews to use of our Cheers for Peers peer recognition program, employees get continuous input about the value they bring to the organization.

These listening and engagement strategies have informed our holistic People Strategy. Based on employee feedback, ratings from external sources, our modest attrition rate compared to market trends, and strong participation in our development and Internal Mobility programs, we believe employees at Palo Alto Networks feel engaged.

Inclusion & Diversity. We are intentional about including diverse points of view, perspectives, experiences, backgrounds, and ideas in our decision-making processes. Our corporate inclusion and diversity ("I&D") programs are designed to promote a workforce where employees feel safe and where they are encouraged to understand, listen, support, and elevate one another.

We have eleven employee network groups ("ENG"s) that play a vital role in building understanding and awareness. As of July 2024, 26% of our global workforce was involved in at least one ENG. We involve our ENGs in listening sessions with executive teams and they contribute to our annual I&D plans.

Our I&D philosophy is integrated in our programs to source, hire, onboard, develop, listen and engage talent. The diversity of our board of directors, with women representing 40% of our board as of July 31, 2024, is an example of our commitment to I&D.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE

We believe integrating environmental, social, and governance (“ESG”) practices throughout our operations builds business resilience and helps manage risk. Our ESG strategy is designed to enhance safety, security, and sustainability for our stakeholders: customers, investors, employees, suppliers and our broader communities. This includes executing a science-based environmental strategy, investing in our global workforce and communities, and operating with integrity. We work to keep our stakeholders informed and maintain their trust by publishing an annual ESG report aligned to globally-recognized ESG reporting frameworks and standards.

Environmental. Palo Alto Networks acknowledges the risk and opportunities associated with climate change and remains committed to doing our part to address the climate crisis by reaching our 1.5°C-aligned and externally verified Science-Based Targets, procuring 100% renewable electricity to run our managed sites by 2030, and working collaboratively across our value chain. Fiscal 2024 is the first full year that we powered our Santa Clara, California headquarters with 100% renewable energy through our local utility provider. Our near-term scope 1, 2, and 3 emissions reduction goals have been verified by the Science Based Targets initiative. We were also recognized by CDP (formerly Carbon Disclosure Project) as a “Climate Change A-List” company and a “Supplier Engagement Leader.” We report progress towards our goals in our annual ESG report.

Social. In addition to our People Strategy described in the section titled “Human Capital” above, we continue to communicate our expectations regarding labor standards, business practices, and workplace health and safety conditions to our supply chain through our Global Supplier Code of Conduct. During fiscal 2024, we maintained our affiliate membership in the Responsible Business Alliance. We also value our role as a trusted corporate citizen and in fiscal 2024 continued to execute our social impact programs. We made charitable grants through our donor-advised fund to support nonprofit organizations providing services in areas such as cybersecurity education and disaster relief. We maintained our work to provide cybersecurity curriculum to schools, universities, and nonprofit organizations to help individuals of all ages protect their digital way of life and to prepare people for careers in cybersecurity. Employees continued to participate in our volunteering and giving programs to positively impact their local communities.

Governance. Integrity is one of our core values. Our corporate behavior and leadership practices model ethical decision-making. All employees are informed about our governance expectations through our Codes of Conduct, compliance training programs, and ongoing communications. Our board of directors is governed by Corporate Governance Guidelines, which are amended from time to time to incorporate best practices in corporate governance. Reinforcing the importance of our ESG performance, the charter of the Governance and Sustainability Committee of the board of directors includes the primary oversight of ESG.

AVAILABLE INFORMATION

Our website is located at www.paloaltonetworks.com, and our investor relations website is located at investors.paloaltonetworks.com. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), are available free of charge on the Investors portion of our website as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (“SEC”). We also provide a link to the section of the SEC’s website at www.sec.gov that has all of our public filings, including Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, all amendments to those reports, our Proxy Statements, and other ownership-related filings.

We also use our investor relations website as a channel of distribution for important company information. For example, webcasts of our earnings calls and certain events we participate in or host with members of the investment community are on our investor relations website. Additionally, we announce investor information, including news and commentary about our business and financial performance, SEC filings, notices of investor events, and our press and earnings releases, on our investor relations website. Investors and others can receive notifications of new information posted on our investor relations website in real time by signing up for email alerts and RSS feeds. Further corporate governance information, including our corporate governance guidelines, board committee charters, and code of conduct, is also available on our investor relations website under the heading “Governance.” The contents of our websites are not incorporated by reference into this Annual Report on Form 10-K or in any other report or document we file with the SEC, and any references to our websites are intended to be inactive textual references only. All trademarks, trade names, or service marks used or mentioned herein belong to their respective owners.

Item 1A. Risk Factors

Our operations and financial results are subject to various risks and uncertainties including those described below. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, also may become important factors that affect us. If any of the following risks or others not specified below materialize, our business, financial condition, and operating results could be materially adversely affected, and the market price of our common stock could decline. In addition, the impacts of any worsening of the economic environment may exacerbate the risks described below, any of which could have a material impact on us.

Risk Factor Summary

Our business is subject to numerous risks and uncertainties. These risks include, but are not limited to, the following:

- Our operating results may be adversely affected by unfavorable economic and market conditions and the uncertain geopolitical environment.
- Our business and operations have experienced growth in recent periods, and if we do not effectively manage any future growth or are unable to improve our systems, processes, and controls, our operating results could be adversely affected.
- Our revenue growth rate in recent periods may not be indicative of our future performance, and we may not be able to maintain profitability, which could cause our business, financial condition, and operating results to suffer.
- Our operating results may vary significantly from period to period, which makes our results difficult to predict and could cause our results to fall short of expectations, and such results may not be indicative of future performance.
- Seasonality may cause fluctuations in our revenue.
- If we are unable to sell new and additional product, subscription, and support offerings to our end-customers, especially to large enterprise customers, our future revenue and operating results will be harmed.
- If we are unable to attract new customers, our future results of operations could be harmed.
- We rely on revenue from subscription and support offerings, and because we recognize revenue from subscription and support over the term of the relevant service period, downturns or upturns in sales or renewals of these subscription and support offerings are not immediately reflected in full in our operating results.
- The sales prices of our products, subscriptions, and support offerings may decrease, which may reduce our revenue and gross profits and adversely impact our financial results.
- We rely on our channel partners to sell substantially all of our products, including subscriptions and support, and if these channel partners fail to perform, our ability to sell and distribute our products and subscriptions will be limited and our operating results will be harmed.
- We are exposed to the credit and liquidity risk of our customers, and to credit exposure in weakened markets, which could result in material losses.
- A portion of our revenue is generated by sales to government entities, which are subject to a number of challenges and risks.
- We face intense competition in our market and we may lack sufficient financial or other resources to maintain or improve our competitive position.
- We may acquire other businesses, which could subject us to adverse claims or liabilities, require significant management attention, disrupt our business, adversely affect our operating results, may not result in the expected benefits of such acquisitions, and may dilute stockholder value.
- If we do not accurately predict, prepare for, and respond promptly to rapidly evolving technological and market developments and successfully manage product and subscription introductions and transitions to meet changing end-customer needs in the enterprise security industry, our competitive position and prospects will be harmed.
- Issues in the development and deployment of AI may result in reputational harm and legal liability and could adversely affect our results of operations.
- A network or data security incident may allow unauthorized access to our network or data, harm our reputation, create additional liability, and adversely impact our financial results.
- Defects, errors, or vulnerabilities in our products, subscriptions, or support offerings, the failure of our products or subscriptions to block a virus or prevent a security breach or incident, misuse of our products, or risks of product liability claims could harm our reputation and adversely impact our operating results.
- Our ability to sell our products and subscriptions is dependent on the quality of our technical support services and those of our channel partners, and the failure to offer high-quality technical support services could have a material adverse effect on our end-customers' satisfaction with our products and subscriptions, our sales, and our operating results.

- Claims by others that we infringe their intellectual property rights could harm our business.
- Our proprietary rights may be difficult to enforce or protect, which could enable others to copy or use aspects of our products or subscriptions without compensating us.
- Our use of open source software in our products and subscriptions could negatively affect our ability to sell our products and subscriptions and subject us to possible litigation.
- We license technology from third parties, and our inability to maintain those licenses could harm our business.
- Because we depend on manufacturing partners to build and ship our hardware products, we are susceptible to manufacturing and logistics delays and pricing fluctuations that could prevent us from shipping customer orders on time, if at all, or on a cost-effective basis, which may result in the loss of sales and end-customers.
- Managing the supply of our hardware products and product components is complex. Insufficient supply and inventory would result in lost sales opportunities or delayed revenue, while excess inventory would harm our gross margins.
- Because some of the key components in our hardware products come from limited sources of supply, we are susceptible to supply shortages or supply changes, which, in certain cases, have disrupted or delayed our scheduled product deliveries to our end-customers, increased our costs and may result in the loss of sales and end-customers.
- If we are unable to attract, retain, and motivate our key technical, sales, and management personnel, our business could suffer.
- We generate a significant amount of revenue from sales to distributors, resellers, and end-customers outside of the United States, and we are therefore subject to a number of risks associated with international sales and operations.
- We are exposed to fluctuations in foreign currency exchange rates, which could negatively affect our financial condition and operating results.
- We face risks associated with having operations and employees located in Israel.
- We are subject to governmental export and import controls that could subject us to liability or impair our ability to compete in international markets.
- We may incur increased costs to comply with privacy and data protection laws and, if we fail to comply, we could be subject to government enforcement actions, private litigation and adverse publicity.
- We may have exposure to tax liabilities that are greater than anticipated.
- If our estimates or judgments relating to our critical accounting policies are based on assumptions that change or prove to be incorrect, our operating results could fall below our publicly announced guidance or the expectations of securities analysts and investors, resulting in a decline in the market price of our common stock.
- We are obligated to maintain proper and effective internal control over financial reporting. We may not complete our analysis of our internal control over financial reporting in a timely manner, or our internal control may not be determined to be effective, which may adversely affect investor confidence in our company and, as a result, the value of our common stock.
- Our reputation and/or business could be negatively impacted by ESG matters and/or our reporting of such matters.
- Failure to comply with governmental laws and regulations could harm our business.
- We may not have the ability to raise the funds necessary to settle conversions of our Notes, repurchase our Notes upon a fundamental change, or repay our Notes in cash at their maturity, and our future debt may contain limitations on our ability to pay cash upon conversion or repurchase of our Notes.
- We may still incur substantially more debt or take other actions that would diminish our ability to make payments on our Notes when due.
- The market price of our common stock historically has been volatile, and the value of an investment in our common stock could decline.
- The convertible note hedge and warrant transactions may affect the value of our common stock.
- The issuance of additional stock in connection with financings, acquisitions, investments, our stock incentive plans, the conversion of our Notes or exercise of the related Warrants, or otherwise will dilute stock held by all other stockholders.
- We cannot guarantee that our share repurchase program will be fully consummated or that it will enhance shareholder value, and share repurchases could affect the price of our common stock.
- We do not intend to pay dividends for the foreseeable future.
- Our charter documents and Delaware law, as well as certain provisions contained in the indentures governing our Notes, could discourage takeover attempts and lead to management entrenchment, which could also reduce the market price of our common stock.
- Our business is subject to the risks of earthquakes, fire, power outages, floods, health risks, and other catastrophic events, and to interruption by man-made problems, such as terrorism.

Risks Related to Global Economic and Geopolitical Conditions

Our operating results may be adversely affected by unfavorable economic and market conditions and the uncertain geopolitical environment.

We operate globally, and as a result, our business and revenues are impacted by global economic and geopolitical conditions. The instability in the global credit markets, inflation, changes in public policies such as domestic and international regulations, taxes, any increases in interest rates, fluctuations in foreign currency exchange rates, or international trade agreements, international trade disputes, geopolitical turmoil, and other disruptions to global and regional economies and markets continue to add uncertainty to global economic conditions. Military actions or armed conflict, including the hostilities in Israel and the surrounding region, Russia's invasion of Ukraine and any related political or economic responses and counter-responses, and uncertainty about, or changes in, government and trade relationships, policies, and treaties could also lead to worsening economic and market conditions and geopolitical environment. In response to Russia's invasion of Ukraine, the United States, along with the European Union (the "E.U.") has imposed restrictive sanctions on Russia, Russian entities, and Russian citizens ("Sanctions on Russia"). We are subject to these governmental sanctions and export controls, which may subject us to liability if we are not in full compliance with applicable laws. Any continued or further uncertainty, weakness or deterioration in economic and market conditions or the geopolitical environment could have a material and adverse impact on our business, financial condition, and results of operations, including reductions in sales of our products and subscriptions, longer sales cycles, reductions in subscription or contract duration and value, slower adoption of new technologies, alterations in the spending patterns or priorities of current and prospective customers (including delaying purchasing decisions), increased costs for the chips and components to manufacture our products, and increased price competition.

Risks Related to Our Business

RISKS RELATED TO OUR GROWTH

Our business and operations have experienced growth in recent periods, and if we do not effectively manage any future growth or are unable to improve our systems, processes, and controls, our operating results could be adversely affected.

We have experienced growth and increased demand for our products and subscriptions over the last few years. As a result, our employee headcount has increased, and we expect it to continue to grow over the next year. For example, from the end of fiscal 2023 to the end of fiscal 2024, our headcount increased from 13,948 to 15,289 employees. In addition, as we have grown, the number of end-customers has also increased, and we have managed more complex deployments of our products and subscriptions with larger end-customers. The growth and expansion of our business and product, subscription, and support offerings places a significant strain on our management, operational, and financial resources. To manage any future growth effectively, we must continue to improve and expand our information technology and financial infrastructure, our operating and administrative systems and controls, and our ability to manage headcount, capital, and processes in an efficient manner.

We may not be able to successfully implement, scale, or manage improvements to our systems, processes, and controls in an efficient or timely manner, which could result in material disruptions of our operations and business. In addition, our existing systems, processes, and controls may not prevent or detect all errors, omissions, or fraud. We may also experience difficulties in managing improvements to our systems, processes, and controls, or in connection with third-party software licensed to help us with such improvements. Any future growth would add complexity to our organization and require effective coordination throughout our organization. Failure to manage any future growth effectively could result in increased costs, disrupt our existing end-customer relationships, reduce demand for or limit us to smaller deployments of our products, or materially harm our business performance and operating results.

Our revenue growth rate in recent periods may not be indicative of our future performance, and we may not be able to maintain profitability, which could cause our business, financial condition, and operating results to suffer.

We have experienced revenue growth rates of 16.5% and 25.3% in fiscal 2024 and fiscal 2023, respectively. Our revenue for any quarterly or annual period should not be relied upon as an indication of our future revenue or revenue growth for any future period. If we are unable to maintain consistent or increasing revenue or revenue growth, the market price of our common stock could be volatile, and it may be difficult for us to maintain profitability or maintain or increase cash flow on a consistent basis.

In addition, we have incurred losses in fiscal years prior to fiscal 2023. We anticipate that our operating expenses will continue to increase in the foreseeable future as we continue to grow our business. Our growth efforts may prove more expensive than we currently anticipate, and we may not succeed in increasing our revenues sufficiently, or at all, to offset increasing expenses. Revenue growth may slow or revenue may decline for a number of possible reasons, including slowing demand for our products or subscriptions, increasing competition, a decrease in the growth of, or a demand shift in, our overall market, or a failure to capitalize on growth opportunities. We have also entered into a substantial amount of capital commitments for operating lease obligations and other purchase commitments. Any failure to increase our revenue as we grow our business could prevent us from maintaining profitability or maintaining or increasing cash flow on a consistent basis, or satisfying our capital commitments. If we are unable to navigate these challenges as we encounter them, our business, financial condition, and operating results may suffer.

Our operating results may vary significantly from period to period, which makes our results difficult to predict and could cause our results to fall short of expectations, and such results may not be indicative of future performance.

Our operating results have fluctuated in the past, and will likely continue to fluctuate in the future, as a result of a number of factors, many of which are outside of our control and may be difficult to predict, including those factors described in this Risk Factor section. For example, we have historically received a substantial portion of sales orders and generated a substantial portion of revenue during the last few weeks of each fiscal quarter. If expected revenue at the end of any fiscal quarter is delayed for any reason, including the failure of anticipated purchase orders to materialize (particularly for large enterprise end-customers with lengthy sales cycles), our logistics partners' inability to ship products prior to fiscal quarter-end to fulfill purchase orders received near the end of a fiscal quarter, our failure to manage inventory to meet demand, any failure of our systems related to order review and processing, or any delays in shipments based on trade compliance requirements (including new compliance requirements imposed by new or renegotiated trade agreements), our revenue could fall below our expectations and the estimates of analysts for that quarter. Due to these fluctuations, comparing our revenue, margins, or other operating results on a period-to-period basis may not be meaningful, and our past results should not be relied on as an indication of our future performance.

This variability and unpredictability could also result in our failure to meet our revenue, margin, or other operating result expectations contained in any forward-looking statements (including financial or business expectations we have provided) or those of securities analysts or investors for a particular period. If we fail to meet or exceed such expectations for these, or any other, reasons, the market price of our common stock could fall substantially, and we could face costly lawsuits, including securities class action suits.

Seasonality may cause fluctuations in our revenue.

We believe there are significant seasonal factors that may cause our second and fourth fiscal quarters to record greater revenue sequentially than our first and third fiscal quarters. We believe that this seasonality results from a number of factors, including:

- end-customers with a December 31 fiscal year-end choosing to spend remaining unused portions of their discretionary budgets before their fiscal year-end, which potentially results in a positive impact on our revenue in our second fiscal quarter;
- our sales compensation plans, which are typically structured around annual quotas and commission rate accelerators, which potentially results in a positive impact on our revenue in our fourth fiscal quarter; and
- the timing of end-customer budget planning at the beginning of the calendar year, which can result in a delay in spending at the beginning of the calendar year, potentially resulting in a negative impact on our revenue in our third fiscal quarter.

As we continue to grow, seasonal or cyclical variations in our operations may become more pronounced, and our business, operating results, and financial position may be adversely affected.

RISKS RELATED TO OUR PRODUCTS AND TECHNOLOGY

If we are unable to sell new and additional product, subscription, and support offerings to our end-customers, especially to large enterprise customers, our future revenue and operating results will be harmed.

Our future success depends, in part, on our ability to expand the deployment of our portfolio with existing end-customers, especially large enterprise customers, including through our platformization strategy, and create demand for our new offerings. The rate at which our end-customers purchase additional products, subscriptions, and support depends on a number of factors, including the perceived need for additional security products, including subscription and support offerings, as well as general economic conditions. If our efforts to sell additional products and subscriptions to our end-customers are not successful, our revenues may grow more slowly than expected or decline.

Sales to large enterprise end-customers, which is part of our growth strategy, involve risks that may not be present, or that are present to a lesser extent, with sales to smaller entities, such as (a) longer sales cycles and the associated risk that substantial time and resources may be spent on a potential end-customer that elects not to purchase our products, subscriptions, and support, and (b) increased purchasing power and leverage held by large end-customers in negotiating contractual arrangements. Deployments for large enterprise end-customers are also more complex, require greater product functionality, scalability, and a broader range of services, and are more time-consuming. All of these factors add further risk to business conducted with these end-customers. Failure to realize sales from large enterprise end-customers could materially and adversely affect our business, operating results, and financial condition.

If we are unable to attract new customers, our future results of operations could be harmed.

To increase our revenue and maintain profitability, we must add new customers. To do so, we must successfully convince prospective customers of the value of adopting our solutions. We are engaging in costly marketing and sales efforts to accelerate platformization and attract new customers, which may fail or may not be as successful as intended or at all. Additionally, prospective customers' decisions to purchase our solutions depend on a variety of factors, many of which are out of our control. These factors significantly impact our ability to add new customers and increase the time, resources and sophistication required to do so. For example, prospective customers may face real or perceived switching costs when switching to our solutions from legacy security vendors and products. Deployment of our solutions may require a significant commitment of resources from our customers. Any deterioration in general economic conditions, including as a result of the geopolitical environment or inflation (as well as government policies such as raising interest rates in response to inflation), have in the past caused, and may in the future cause, our current and prospective customers to delay or cut their overall security and IT operations spending. If our efforts to attract new customers are not successful, our sales may not grow as quickly as anticipated, or at all, and our business, operating results, and financial condition will be harmed.

We rely on revenue from subscription and support offerings, and because we recognize revenue from subscription and support over the term of the relevant service period, downturns or upturns in sales or renewals of these subscription and support offerings are not immediately reflected in full in our operating results.

Subscription and support revenue accounts for a significant portion of our revenue, comprising 80.0% of total revenue in fiscal 2024, 77.1% of total revenue in fiscal 2023, and 75.2% of total revenue in fiscal 2022. Sales and renewals of subscription and support contracts may decline and fluctuate as a result of a number of factors, including end-customers' level of satisfaction with our products and subscriptions, the frequency and severity of subscription outages, our product uptime or latency, the prices of our products and subscriptions, and reductions in our end-customers' spending levels. Existing end-customers have no contractual obligation to, and may not, renew their subscription and support contracts after the completion of their initial contract period. Additionally, our end-customers may renew their subscription and support agreements for shorter contract lengths or on other terms that are less economically beneficial to us. If our sales of new or renewal subscription and support contracts decline, our total revenue and revenue growth rate may decline, and our business will suffer. In addition, because we recognize subscription and support revenue over the term of the relevant service period, which is typically one to five years, a decline in subscription or support contracts in any one fiscal quarter will not be fully or immediately reflected in revenue in that fiscal quarter but will negatively affect our revenue in future fiscal quarters.

The sales prices of our products, subscriptions, and support offerings may decrease, which may reduce our revenue and gross profits and adversely impact our financial results.

The sales prices for our products, subscriptions, and support offerings may decline for a variety of reasons, including competitive pricing pressures, discounts, a change in our mix of products, subscriptions, and support offerings, anticipation of the introduction of new products, subscriptions, or support offerings, or promotional programs or pricing pressures. Furthermore, we anticipate that the sales prices and gross profits for our products could decrease over product life cycles. Declining sales prices could adversely affect our revenue, gross profits, and profitability.

We rely on our channel partners to sell substantially all of our products, including subscriptions and support, and if these channel partners fail to perform, our ability to sell and distribute our products and subscriptions will be limited and our operating results will be harmed.

Substantially all of our revenue is generated by sales through our channel partners, including distributors and resellers. For fiscal 2024, four distributors individually represented 10% or more of our total revenue and in the aggregate represented 59.0% of our total revenue. As of July 31, 2024, two distributors individually represented 10% or more of our gross accounts receivable and in the aggregate represented 31.5% of our gross accounts receivable.

We provide our channel partners with specific training and programs to assist them in selling our products, including subscriptions and support offerings, but there can be no assurance that these steps will be utilized or effective. In addition, our channel partners may be unsuccessful in marketing, selling, and supporting our products and subscriptions. We may not be able to incentivize these channel partners to sell our products and subscriptions to end-customers and, in particular, to large enterprises. These channel partners may also have incentives to promote our competitors' products and may devote more resources to the marketing, sales, and support of competitive products. Our agreements with our channel partners may generally be terminated for any reason by either party with advance notice prior to each annual renewal date. We cannot be certain that we will retain these channel partners or that we will be able to secure additional or replacement channel partners. In addition, any new channel partner requires extensive training and may take several months or more to achieve productivity. Our channel partner sales structure could subject us to lawsuits, potential liability, and reputational harm if, for example, any of our channel partners misrepresent the functionality of our products or subscriptions to end-customers or violate laws or our corporate policies. If we fail to effectively manage our sales channels or channel partners, our ability to sell our products and subscriptions and operating results will be harmed.

We are exposed to the credit and liquidity risk of our customers, and to credit exposure in weakened markets, which could result in material losses.

Most of our sales are made on an open credit basis. Beyond our open credit arrangements, we have also experienced demands for customer financing and deferred payments due to, among other things, macro-economic conditions. Increases in deferred payments result in payments being made over time, negatively impacting our short-term cash flows, and subject us to risk of non-payment by our customers, including as a result of insolvency. We monitor customer payment capability in granting such financing arrangements, seek to limit the amounts to what we believe customers can pay and maintain reserves we believe are adequate to cover exposure for doubtful accounts to mitigate credit risks of these customers. However, there can be no assurance that these programs will be effective in reducing our credit risks. To the degree that turmoil in the credit markets makes it more difficult for some customers to obtain financing, those customers' ability to pay could be adversely impacted, which in turn could have a material adverse impact on our business, operating results, and financial condition.

Our exposure to the credit risks relating to the financing activities described above may increase if our customers are adversely affected by a global economic downturn or periods of economic uncertainty. If we are unable to adequately control these risks, our business, operating results, and financial condition could be harmed. In addition, in the past, we have experienced non-material losses due to bankruptcies among customers. If these losses increase due to global economic conditions, they could harm our business and financial condition.

A portion of our revenue is generated by sales to government entities, which are subject to a number of challenges and risks.

Sales to government entities are subject to a number of risks. Selling to government entities can be highly competitive, expensive, and time-consuming, often requiring significant upfront time and expense without any assurance that these efforts will generate a sale. The substantial majority of our sales to date to government entities have been made indirectly through our channel partners. Government certification requirements for products and subscriptions like ours may change, thereby restricting our ability to sell into the federal government sector until we have attained the revised certification. If our products and subscriptions are late in achieving or fail to achieve compliance with these certifications and standards, or our competitors achieve compliance with these certifications and standards, we may be disqualified from selling our products, subscriptions, and support offerings to such governmental entity, or be at a competitive disadvantage, which would harm our business, operating results, and financial condition. Government demand and payment for our products, subscriptions, and support offerings may be impacted by government shutdowns, public sector budgetary cycles, contracting requirements, and funding authorizations, with funding reductions or delays adversely affecting public sector demand for our products, subscriptions, and support offerings. Government entities may have statutory, contractual, or other legal rights to terminate contracts with our distributors and resellers for convenience or due to a default, and any such termination may adversely impact our future operating results. Governments routinely investigate and audit government contractors' administrative processes, and any unfavorable audit could result in the government refusing to continue buying our products, subscriptions, and support offerings, a reduction of revenue, or fines or civil or criminal liability if the audit uncovers improper or illegal activities, which could adversely impact our operating results in a material way. Additionally, the U.S. government may require certain of the products that it purchases to be manufactured in the United States and other relatively high-cost manufacturing locations, and we may not manufacture all products in locations that meet such requirements, affecting our ability to sell these products, subscriptions, and support offerings to the U.S. government.

We face intense competition in our market and we may lack sufficient financial or other resources to maintain or improve our competitive position.

The industry for enterprise security products is intensely competitive, and we expect competition to increase in the future from established competitors and new market entrants. Our main competitors fall into four categories:

- large companies that incorporate security features in their products, such as Cisco, Microsoft, Alphabet or those that have acquired, or may acquire, security vendors and have the technical and financial resources to bring competitive solutions to the market;
- independent security vendors, such as Check Point, Fortinet, CrowdStrike, Zscaler, and Wiz, that offer a mix of security products;
- startups and point-product vendors that offer independent or emerging solutions across various areas of security; and
- public cloud vendors and startups that offer solutions for cloud security (private, public, and hybrid cloud).

Many of our competitors have greater financial, technical, marketing, sales, and other resources, greater name recognition, longer operating histories, and a larger base of customers than we do. They may be able to devote greater resources to the promotion and sale of products and services than we can, and they may offer lower pricing than we do. Further, they may have greater resources for research and development of new technologies, the provision of customer support, and the pursuit of acquisitions. They may also have larger and more mature intellectual property portfolios, and broader and more diverse product and service offerings, which allow them to leverage their relationships based on other products or incorporate functionality into existing products to gain business in a manner that discourages users from purchasing our products and subscriptions, including incorporating cybersecurity features into their existing products or services and product bundling, selling at zero or negative margins, and offering concessions or a closed technology offering. Some competitors may have broader distribution and established relationships with distribution partners and end-customers. Other competitors specialize in providing protection from a single type of security threat, which may allow them to deliver these specialized security products to the market more quickly than we can.

We also face competition from companies that have entrenched legacy offerings at end-user customers. End-user customers have also often invested substantial personnel and financial resources to design and operate their networks and have established deep relationships with other providers of networking and security products. As a result, these organizations may prefer to purchase from their existing suppliers rather than add or switch to a new supplier such as us. In addition, as our customers refresh the security products bought in prior years, they may seek to consolidate vendors, which may result in current customers choosing to purchase products from our competitors. Due to budget constraints or economic downturns, organizations may add solutions to their existing network security infrastructure rather than replacing it with our products and subscriptions.

Conditions in our market could change rapidly and significantly as a result of technological advancements, partnering or acquisitions by our competitors, or continuing market consolidation. Our competitors and potential competitors may be able to develop new or disruptive technologies, products, or services, and leverage new business models that are equal or superior to ours, achieve greater market acceptance of their products and services, disrupt our markets, and increase sales by utilizing different distribution channels than we do. In addition, new and enhanced technologies, including AI and machine learning, continue to increase our competition. To compete successfully, we must accurately anticipate technology developments and deliver innovative, relevant, and useful products, services, and technologies in a timely manner. Some of our competitors have made or could make acquisitions of businesses that may allow them to offer more directly competitive and comprehensive solutions than they had previously offered and adapt more quickly to new technologies and end-customer needs. Our current and potential competitors may also establish cooperative relationships among themselves or with third parties that may further enhance their resources.

These competitive pressures in our market or our failure to compete effectively may result in price reductions, fewer orders, reduced revenue and gross margins, and loss of market share. If we are unable to compete successfully, or if competing successfully requires us to take aggressive pricing or other actions, our business, financial condition, and results of operations would be adversely affected.

We may acquire other businesses, which could subject us to adverse claims or liabilities, require significant management attention, disrupt our business, adversely affect our operating results, may not result in the expected benefits of such acquisitions, and may dilute stockholder value.

As part of our business strategy, we acquire and make investments in complementary companies, products, or technologies. The identification of suitable acquisition candidates is difficult, and we may not be able to complete such acquisitions on favorable terms, if at all. In addition, we may be subject to claims or liabilities assumed from an acquired company, product, or technology; acquisitions we complete could be viewed negatively by our end-customers, investors, and securities analysts; and we may incur costs and expenses necessary to address an acquired company's failure to comply with laws and governmental rules and regulations. Additionally, we may be subject to litigation or other claims in connection with the acquired company, including claims from terminated employees, customers, former stockholders, or other third parties, which may differ from or be more significant than the risks our business faces.

If we are unsuccessful at integrating past or future acquisitions in a timely manner, or the technologies, products, or operations associated with such acquisitions, into our company, our revenue and operating results could be adversely affected. Any integration process may require significant time and resources, which may disrupt our ongoing business and divert management's attention, and we may not be able to manage the integration process successfully or in a timely manner. We may have difficulty retaining key personnel of the acquired business. We may not successfully evaluate or utilize the acquired technology, products, or personnel, realize anticipated synergies from the acquisition, or accurately forecast the financial impact of an acquisition transaction and integration of such acquisition, including accounting charges and any potential impairment of goodwill and intangible assets recognized in connection with such acquisitions. In addition, any acquisitions may be viewed negatively by our customers, financial markets, or investors and may not ultimately strengthen our competitive position or achieve our goals and business strategy.

We may have to pay cash, incur debt, or issue equity or equity-linked securities to pay for any future acquisitions, each of which could adversely affect our financial condition or the market price of our common stock. Furthermore, the sale of equity or issuance of equity-linked debt to finance any future acquisitions could result in dilution to our stockholders. The occurrence of any of these risks could harm our business, operating results, and financial condition.

If we do not accurately predict, prepare for, and respond promptly to rapidly evolving technological and market developments and successfully manage product and subscription introductions and transitions to meet changing end-customer needs in the enterprise security industry, our competitive position and prospects will be harmed.

The enterprise security industry has grown quickly and continues to evolve rapidly. Moreover, many of our end-customers operate in markets characterized by rapidly changing technologies and business plans, which require them to add numerous network access points and adapt increasingly complex enterprise networks, incorporating a variety of hardware, software applications, operating systems, and networking protocols. If we fail to effectively anticipate, identify, and respond to rapidly evolving technological and market developments in a timely manner, our business will be harmed.

In order to anticipate and respond effectively to rapid technological changes and market developments, as well as evolving security threats, we must invest effectively in research and development to increase the reliability, availability, and scalability of our existing products and subscriptions and introduce new products and subscriptions. Our investments in research and development, including investments in AI, may not result in design or performance improvements, marketable products, subscriptions, or features, or may not achieve the cost savings or additional revenue that we expect. In addition, new and evolving products and services, including those that use AI, require significant investment and raise ethical, technological, legal, regulatory, and other challenges, which may negatively affect our brands and demand for our products and services. Because all of these investment areas are inherently risky, no assurance can be given that such strategies and offerings will be successful or will not harm our reputation, financial condition, and operating results.

In addition, we must continually change our products and expand our business strategy in response to changes in network infrastructure requirements, including the expanding use of cloud computing. For example, organizations are moving portions of their data to be managed by third parties, primarily infrastructure, platform, and application service providers, and may rely on such providers' internal security measures. While we have historically been successful in developing, acquiring, and marketing new products and product enhancements that respond to technological change and evolving industry standards, we may not be able to continue to do so, and there can be no assurance that our new or future offerings will be successful or will achieve widespread market acceptance. If we fail to accurately predict and address end-customers' changing needs and emerging technological trends in the enterprise security industry, including in the areas of AI, mobility, virtualization, cloud computing, and software-defined networks, our business could be harmed.

The technology in our portfolio is especially complex because it needs to effectively identify and respond to new and increasingly sophisticated methods of attack, while minimizing the impact on network performance. Additionally, some of our new features and related enhancements may require us to develop new hardware architectures that involve complex, expensive, and time-consuming research and development processes. The development of our portfolio is difficult and the timetable for commercial release and availability is uncertain as there can be long time periods between releases and availability of new features. If we experience unanticipated delays in the availability of new products, features, and subscriptions, and fail to meet customer expectations for such availability, our competitive position and business prospects will be harmed.

The success of new features depends on several factors, including appropriate new product definition, differentiation of new products, subscriptions, and features from those of our competitors, and market acceptance of these products, services, and features. Moreover, successful new product introduction and transition depends on a number of factors, including our ability to manage the risks associated with new product production ramp-up issues, the availability of application software for new products, the effective management of purchase commitments and inventory, the availability of products in appropriate quantities and costs to meet anticipated demand, and the risk that new products may have quality or other defects or deficiencies, especially in the early stages of introduction. There can be no assurance that we will successfully identify opportunities for new products and subscriptions, develop and bring new products and subscriptions to market in a timely manner, achieve market acceptance of our products and subscriptions, or that products, subscriptions, and technologies developed by others will not render our products, subscriptions, and technologies obsolete or noncompetitive.

Issues in the development and deployment of AI may result in reputational harm and legal liability and could adversely affect our results of operations.

We have incorporated, and are continuing to develop and deploy, AI into many of our products and solutions, including services that support our products and solutions. We are also incorporating AI into the operations of our business. AI presents challenges and risks that could affect our products and solutions, and the operations of our business. For example, AI algorithms may have flaws, and datasets used to train models may be insufficient or contain biased information. The AI that is being incorporated into our products, solutions, and business operation tools may not be successful or beneficial, and instead may cause technical, legal or ethical problems or result in increased costs. The investments that we are making across our business in AI reflect our ongoing efforts to innovate and provide products and services that are useful to our customers, as well as provide efficiencies in our business. Such investments ultimately may not be commercially viable or may not result in an adequate return of capital and we may incur unanticipated liabilities. These efforts could subject us to regulatory risk, legal liability, including under new proposed legislation regulating AI in jurisdictions such as the E.U. and regulations being considered in other jurisdictions, or brand or reputational harm.

The rapid evolution of AI, including potential government regulation of AI, requires us to invest significant resources to develop, test, and maintain AI in our products and services in a manner that meets evolving requirements and expectations. The rules and regulations adopted by policymakers over time may require us to make changes to our business practices. Developing, testing, and deploying AI systems may also increase the cost profile of our offerings due to the nature of the computing costs involved in such systems.

The intellectual property ownership and license rights surrounding AI technologies, as well as data protection laws related to the use and development of AI, are currently not fully addressed by courts or regulators. The use or adoption of AI technologies in our products may result in exposure to claims by third parties of copyright infringement or other intellectual property misappropriation, which may require us to pay compensation or license fees to third parties. The evolving legal, regulatory, and compliance framework for AI technologies may also impact our ability to protect our own data and intellectual property against infringing use.

A network or data security incident may allow unauthorized access to our network or data, harm our reputation, create additional liability, and adversely impact our financial results.

Increasingly, companies are subject to a wide variety of attacks on their networks on an ongoing basis. In addition to traditional computer “hackers,” malicious code (such as viruses and worms), phishing attempts, employee theft or misuse, and denial of service attacks, sophisticated nation-state and nation-state supported actors engage in intrusions and attacks (including advanced persistent threat intrusions and supply chain attacks), and add to the risks to our internal networks, cloud-deployed enterprise and customer-facing environments and the information they store and process. Incidences of cyberattacks and other cybersecurity breaches and incidents have increased and are likely to continue to increase. We and our third-party service providers face security threats and attacks from a variety of sources. Despite our efforts and processes to prevent breaches of our internal networks, systems, and websites, our data, corporate systems, and security measures, as well as those of our third-party service providers, are still vulnerable to computer viruses, break-ins, phishing attacks, ransomware attacks, or other types of attacks from outside parties, or breaches due to employee error, malfeasance, or some combination of these. We cannot guarantee that the measures we have taken to protect our networks, systems, and websites will provide adequate security. Furthermore, as a well-known provider of security solutions, we may be a more attractive target for such attacks. The conflict in Ukraine and associated activities in Ukraine and Russia may increase the risk of cyberattacks on various types of infrastructure and operations, and the United States government has warned companies to be prepared for a significant increase in Russian cyberattacks in response to the Sanctions on Russia.

A security breach or incident, or an attack against our service availability suffered by us, or our third-party service providers, could impact our networks or networks secured by our products and subscriptions, creating system disruptions or slowdowns and exploiting security vulnerabilities of our products. In addition, the information stored or otherwise processed on our networks, or those of our third-party service providers, could be accessed, publicly disclosed, altered, lost, stolen, rendered unavailable, or otherwise used or processed without authorization, which could subject us to liability and cause us financial harm. Any actual or perceived breach of security in our systems or networks, or any other actual or perceived data security incident we or our third-party service providers suffer, could result in significant damage to our reputation, negative publicity, loss of channel partners, end-customers, and sales, loss of competitive advantages over our competitors, increased costs to remedy any problems and otherwise respond to any incident, regulatory investigations and enforcement actions, demands, costly litigation, and other liability. In addition, we may incur significant costs and operational consequences of investigating, remediating, eliminating, and putting in place additional tools, devices, and other measures designed to prevent actual or perceived security breaches and other security incidents, as well as the costs to comply with any notification obligations resulting from any security incidents. Any of these negative outcomes could adversely impact the market perception of our products and subscriptions and end-customer and investor confidence in our company and could seriously harm our business or operating results.

Defects, errors, or vulnerabilities in our products, subscriptions, or support offerings, the failure of our products or subscriptions to block a virus or prevent a security breach or incident, misuse of our products, or risks of product liability claims could harm our reputation and adversely impact our operating results.

Because our products and subscriptions are complex, they have contained and may contain design or manufacturing defects or errors that are not detected until after their commercial release and deployment by our end-customers. For example, from time to time, certain of our end-customers have reported defects in our products related to performance, scalability, and compatibility. Additionally, defects or vulnerabilities may cause our products or subscriptions to become temporarily unavailable, to be vulnerable to security attacks, cause them to fail to help secure networks, or temporarily interrupt end-customers' networking traffic, or the availability of other information technology infrastructure or systems. For example, in April 2024, we became aware of a command injection vulnerability in the GlobalProtect feature of certain versions of our PAN-OS software. To remediate the matter, we published a security advisory to advise customers, provided software updates for affected PAN-OS versions, and are actively engaged in customer outreach, support and remediation efforts for potentially impacted customers. Because the techniques used by computer hackers to access or sabotage networks change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques and provide a solution in time to protect our end-customers' networks. In addition, due to the Russian invasion of Ukraine, there could be a significant increase in Russian cyberattacks against our customers, resulting in an increased risk of a security breach of our end-customers' systems.

Furthermore, defects or errors in products or software or updates to those products or software could result in a failure to effectively update end-customers' hardware and cloud-based products or otherwise cause problems in our customers hardware, networks or information technology infrastructure or systems. The data centers, networks, and cloud infrastructure that we use to deliver our products and services may experience technical failures and downtime or may fail to meet the increased requirements of a growing installed end-customer base, any of which could temporarily or permanently expose our end-customers' networks, leaving their networks unprotected against the latest security threats. Moreover, our products must interoperate with our end-customers' existing infrastructure, which often have varied specifications, utilize multiple protocol standards, deploy products from multiple vendors, and contain multiple generations of products that have been added over time. As a result, when problems occur in a network, it may be difficult to identify the sources of these problems. Any such technical failure, downtime or failures in general may temporarily or permanently disable our end-customers' networks, information technology infrastructure or other systems, or expose our end-customers' networks to attacks from security threats.

The occurrence of any such problem in our products and subscriptions, whether real or perceived, could result in:

- expenditure of significant financial and product development resources in efforts to analyze, correct, eliminate, or work-around errors or defects or to address and eliminate vulnerabilities;
- loss of existing or potential end-customers or channel partners;
- delayed or lost revenue;
- delay or failure to attain market acceptance;
- an increase in warranty claims compared with our historical experience, or an increased cost of servicing warranty claims, either of which would adversely affect our gross margins; and
- litigation, regulatory inquiries, investigations, or other proceedings, each of which may be costly and harm our reputation.

Further, our products and subscriptions may be misused by end-customers or third parties that obtain access to our products and subscriptions. For example, our products and subscriptions could be used to censor private access to certain information on the Internet. Such use of our products and subscriptions for censorship could result in negative press coverage and negatively affect our reputation.

The limitation of liability provisions in our standard terms and conditions of sale may not fully or effectively protect us from claims as a result of federal, state, or local laws or ordinances, or unfavorable judicial decisions in the United States or other countries. The sale and support of our products and subscriptions also entails the risk of product liability claims. Although we may be indemnified by our third-party manufacturers for product liability claims arising out of manufacturing defects, because we control the design of our products and subscriptions, we may not be indemnified for product liability claims arising out of design defects. While we maintain insurance coverage for certain types of losses, our insurance coverage may not adequately cover any claim asserted against us, if at all. In addition, even claims that ultimately are unsuccessful could result in our expenditure of funds in litigation, divert management's time and other resources, and harm our reputation.

In addition, our classifications of application type, virus, spyware, vulnerability exploits, data, or URL categories may falsely detect, report, and act on applications, content, or threats that do not actually exist. This risk is heightened by the inclusion of a “heuristics” feature in our products and subscriptions, which attempts to identify applications and other threats not based on any known signatures but based on characteristics or anomalies which indicate that a particular item may be a threat. These false positives may impair the perceived reliability of our products and subscriptions and may therefore adversely impact market acceptance of our products and subscriptions and could result in damage to our reputation, negative publicity, loss of channel partners, end-customers and sales, increased costs to remedy any problem, and costly litigation.

Our ability to sell our products and subscriptions is dependent on the quality of our technical support services and those of our channel partners, and the failure to offer high-quality technical support services could have a material adverse effect on our end-customers’ satisfaction with our products and subscriptions, our sales, and our operating results.

After our products and subscriptions are deployed within our end-customers’ networks, our end-customers depend on our technical support services, as well as the support of our channel partners, to resolve any issues relating to our products. Many larger enterprise, service provider, and government entity end-customers have more complex networks and require higher levels of support than smaller end-customers. If our channel partners do not effectively provide support to the satisfaction of our end-customers, we may be required to provide direct support to such end-customers, which would require us to hire additional personnel and to invest in additional resources. If we are not able to hire such resources fast enough to keep up with unexpected demand, support to our end-customers will be negatively impacted, and our end-customers’ satisfaction with our products and subscriptions will be adversely affected. Additionally, to the extent that we may need to rely on our sales engineers to provide post-sales support while we are ramping up our support resources, our sales productivity will be negatively impacted, which would harm our revenues. Accordingly, our failure, or our channel partners’ failure, to provide and maintain high-quality support services could have a material adverse effect on our business, financial condition, and operating results.

RISKS RELATED TO INTELLECTUAL PROPERTY AND TECHNOLOGY LICENSING

Claims by others that we infringe their intellectual property rights could harm our business.

Companies in the enterprise security industry own large numbers of patents, copyrights, trademarks, domain names, and trade secrets and frequently enter into litigation based on allegations of infringement, misappropriation, or other violations of intellectual property rights. In addition, non-practicing entities also frequently bring claims of infringement of intellectual property rights. Third parties are asserting, have asserted, and may in the future assert claims of infringement of intellectual property rights against us. For example, on January 31, 2024, in the Centripetal Networks, Inc. lawsuit against us, a jury returned a verdict of non-willful infringement with a lump sum amount of \$151.5 million, plus statutory interest, for which we have accrued \$184.4 million for the verdict amount and estimated interest as of July 31, 2024. Additional examples of patent infringement cases have been disclosed in Note 12. Commitments and Contingencies in Part II, Item 8 of this Annual Report on Form 10-K.

Third parties may also assert such claims against our end-customers or channel partners, whom our standard license and other agreements obligate us to indemnify against claims that our products and subscriptions infringe the intellectual property rights of third parties. In addition, to the extent we hire personnel from competitors, we may be subject to allegations that they have been improperly solicited, that they have divulged proprietary or other confidential information, or that their former employers own their inventions or other work product. Furthermore, we may be unaware of the intellectual property rights of others that may cover some or all of our technology, products, subscriptions, and services. As we expand our footprint, both in our platforms, products, subscriptions, and services and geographically, more overlaps occur and we may face more infringement claims both in the United States and abroad.

While we have been increasing the size of our patent portfolio, our competitors and others may now and in the future have significantly larger and more mature patent portfolios than we have. In addition, litigation has involved and will likely continue to involve patent-holding companies or other adverse patent owners who have no relevant product revenue and against whom our own patents may therefore provide little or no deterrence or protection. In addition, we have not registered our trademarks in all of our geographic markets and failure to secure those registrations could adversely affect our ability to enforce and defend our trademark rights. Any claim of infringement by a third party, even those without merit, could cause us to incur substantial costs defending against the claim, could distract our management from our business, and could require us to cease use of such intellectual property. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation. A successful claimant could secure a judgment, or we may agree to a settlement that prevents us from distributing certain products or performing certain services or that requires us to pay substantial damages, royalties, or other fees. Any of these events could seriously harm our business, financial condition, and operating results.

Our proprietary rights may be difficult to enforce or protect, which could enable others to copy or use aspects of our products or subscriptions without compensating us.

We rely and expect to continue to rely on a combination of confidentiality and license agreements with our employees, consultants, and third parties with whom we have relationships, as well as trademark, copyright, patent, and trade secret protection laws, to protect our proprietary rights. We have filed various applications for certain aspects of our intellectual property. Valid patents may not issue from our pending applications, and the claims eventually allowed on any patents may not be sufficiently broad to comprehensively protect our technology or products and subscriptions. We cannot be certain that we were the first to make the inventions claimed in our pending patent applications or that we were the first to file for patent protection, which could prevent our patent applications from issuing as patents or invalidate our patents following issuance. Additionally, the process of obtaining patent protection is expensive and time-consuming, and we may not be able to prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. Any issued patents may be challenged, invalidated or circumvented, and any rights granted under these patents may not actually provide adequate defensive protection or competitive advantages to us. Additional uncertainty may result from changes to patent-related laws and court rulings in the United States and other jurisdictions. As a result, we may not be able to obtain adequate patent protection or effectively enforce any issued patents.

Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our products or subscriptions or obtain and use information that we regard as proprietary. We generally enter into confidentiality or license agreements with our employees, consultants, vendors, and end-customers, and generally limit access to and distribution of our proprietary information. However, we cannot be certain that we have entered into such agreements with all parties who may have or have had access to our confidential information or that the agreements we have entered into will not be breached. We cannot guarantee that any of the measures we have taken will prevent misappropriation of our technology. Because we may be an attractive target for computer hackers, we may have a greater risk of unauthorized access to, and misappropriation of, our proprietary information. In addition, the laws of some foreign countries do not protect our proprietary rights to as great an extent as the laws of the United States, and many foreign countries do not enforce these laws as diligently as government agencies and private parties in the United States. From time to time, we may need to take legal action to enforce our patents and other intellectual property rights, to protect our trade secrets, to determine the validity and scope of the proprietary rights of others, or to defend against claims of infringement or invalidity. Such litigation could result in substantial costs and diversion of resources and could negatively affect our business, operating results, and financial condition. Attempts to enforce our rights against third parties could also provoke these third parties to assert their own intellectual property or other rights against us or result in a holding that invalidates or narrows the scope of our rights, in whole or in part. If we are unable to protect our proprietary rights (including aspects of our software and products protected other than by patent rights), we may find ourselves at a competitive disadvantage to others who need not incur the additional expense, time, and effort required to create the innovative products that have enabled us to be successful to date. Any of these events would have a material adverse effect on our business, financial condition, and operating results.

Our use of open source software in our products and subscriptions could negatively affect our ability to sell our products and subscriptions and subject us to possible litigation.

Our products and subscriptions contain software modules licensed to us by third-party authors under “open source” licenses. Some open source licenses contain requirements that we make available applicable source code for modifications or derivative works we create based upon the type of open source software we use. If we combine our proprietary software with open source software in a certain manner, we could, under certain open source licenses, be required to release the source code of our proprietary software to the public. This would allow our competitors to create similar products or subscriptions with lower development effort and time and ultimately could result in a loss of product sales for us.

Although we take reasonable steps to monitor our use of open source software to avoid subjecting our products and subscriptions to conditions we do not intend, the terms of many open source licenses have not been interpreted by United States courts, and there is a risk that these licenses could be construed in a way that could impose unanticipated conditions or restrictions on our ability to commercialize our products and subscriptions. From time to time, there have been claims against companies that distribute or use open source software in their products and subscriptions, asserting that open source software infringes the claimants’ intellectual property rights. We could be subject to suits by parties claiming infringement of intellectual property rights in what we believe to be licensed open source software. If we are held to have breached the terms of an open source software license, we could be required to seek licenses from third parties to continue offering our products and subscriptions on terms that are not economically feasible, to reengineer our products and subscriptions, to discontinue the sale of our products and subscriptions if reengineering could not be accomplished on a timely basis, or to make generally available, in source code form, our proprietary code, any of which could adversely affect our business, operating results, and financial condition.

In addition to risks related to license requirements, usage of open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or assurance of title or controls on origin of the software. In addition, many of the risks associated with usage of open source software, such as the lack of warranties or assurances of title, cannot be eliminated, and could, if not properly addressed, negatively affect our business. We have established processes to help alleviate these risks, including a review process for screening requests from our development organizations for the use of open source software, but we cannot be sure that our processes for controlling our use of open source software in our products and subscriptions will be effective.

We license technology from third parties, and our inability to maintain those licenses could harm our business.

We incorporate technology that we license from third parties, including software, into our products and subscriptions. We cannot be certain that our licensors are not infringing the intellectual property rights of third parties or that our licensors have sufficient rights to the licensed intellectual property in all jurisdictions in which we may sell our products and subscriptions. In addition, some licenses may be non-exclusive, and therefore our competitors may have access to the same technology licensed to us. Some of our agreements with our licensors may be terminated for convenience by them. We may also be subject to additional fees or be required to obtain new licenses if any of our licensors allege that we have not properly paid for such licenses or that we have improperly used the technologies under such licenses, and such licenses may not be available on terms acceptable to us or at all. If we are unable to continue to license any of this technology because of intellectual property infringement claims brought by third parties against our licensors or against us, or claims against us by our licensors, or if we are unable to continue our license agreements or enter into new licenses on commercially reasonable terms, our ability to develop and sell products and subscriptions containing such technology would be severely limited and our business could be harmed. Additionally, if we are unable to license necessary technology from third parties, we may be forced to acquire or develop alternative technology, which we may be unable to do in a commercially feasible manner or at all, and we may be required to use alternative technology of lower quality or performance standards. This would limit and delay our ability to offer new or competitive products and subscriptions and increase our costs of production. As a result, our margins, market share, and operating results could be significantly harmed.

RISKS RELATED TO OPERATIONS

Because we depend on manufacturing partners to build and ship our hardware products, we are susceptible to manufacturing and logistics delays and pricing fluctuations that could prevent us from shipping customer orders on time, if at all, or on a cost-effective basis, which may result in the loss of sales and end-customers.

We depend on manufacturing partners, primarily our EMS provider, Flex, to manufacture our hardware product lines. Our substantial reliance on Flex, as well as other manufacturing partners subjects us to potential concentration risks, such as reduced control over the manufacturing process, quality assurance, product costs, product supply, and timing. Our hardware products are manufactured by our manufacturing partners at facilities located primarily in the United States. Some of the components in our products are sourced either through Flex or directly by us from component suppliers outside the United States. The portion of our hardware products that are sourced outside the United States may subject us to geopolitical risks, additional logistical risks or risks associated with complying with local rules and regulations in foreign countries.

Significant changes to existing international trade agreements could lead to sourcing or logistics disruption resulting from import delays or the imposition of increased tariffs on our sourcing partners. For example, the United States and Chinese governments have each enacted, and discussed additional, import tariffs. Some components that we import for final manufacturing in the United States have been impacted by these tariffs. As a result, our costs have increased and we have raised, and may be required to further raise, prices on our hardware products.

Our manufacturing partners typically fulfill our supply requirements on the basis of individual purchase orders. We do not have long-term contracts with these manufacturers that guarantee capacity, the continuation of particular pricing terms, or the extension of credit limits. Accordingly, they are not obligated to continue to fulfill our supply requirements and the prices we pay for manufacturing services could be increased on short notice. Our contract with Flex permits them to terminate the agreement for their convenience, subject to prior notice requirements. If we are required to change manufacturing partners, our ability to meet our scheduled product deliveries to our end-customers could be adversely affected, which could cause the loss of sales to existing or potential end-customers, delayed revenue or an increase in our costs which could adversely affect our gross margins. Any production interruptions for any reason, such as a natural disaster, epidemic or pandemic, capacity shortages, or quality problems at one of our manufacturing partners would negatively affect sales of our product lines manufactured by that manufacturing partner and adversely affect our business and operating results.

Managing the supply of our hardware products and product components is complex. Insufficient supply and inventory would result in lost sales opportunities or delayed revenue, while excess inventory would harm our gross margins.

Our manufacturing partners procure components and build our hardware products based on our forecasts, and we generally do not hold inventory for a prolonged period of time. These forecasts are based on estimates of future demand for our products, which are in turn based on historical trends and analyses from our sales and product management organizations, adjusted for overall market conditions. In order to reduce manufacturing lead times and plan for adequate component supply, from time to time we may issue forecasts for components and products that are non-cancelable and non-returnable.

Our inventory management systems and related supply chain visibility tools may be inadequate to enable us to forecast accurately and effectively manage supply of our hardware products and product components. If we ultimately determine that we have excess supply, we may have to reduce our prices and write-down inventory, which in turn could result in lower gross margins. If our actual component usage and product demand are lower than the forecast we provide to our manufacturing partners, we accrue for losses on manufacturing commitments in excess of forecasted demand. Alternatively, insufficient supply levels may lead to shortages that result in delayed hardware product revenue or loss of sales opportunities altogether as potential end-customers turn to competitors' products that are readily available. If we are unable to effectively manage our supply and inventory, our operating results could be adversely affected.

Because some of the key components in our hardware products come from limited sources of supply, we are susceptible to supply shortages or supply changes, which, in certain cases, have disrupted or delayed our scheduled product deliveries to our end-customers, increased our costs and may result in the loss of sales and end-customers.

Our hardware products rely on key components, including integrated circuit components, which our manufacturing partners purchase on our behalf from a limited number of component suppliers, including sole source providers. The manufacturing operations of some of our component suppliers are geographically concentrated in Asia and elsewhere, which makes our supply chain vulnerable to regional disruptions, such as natural disasters, fire, political instability, civil unrest, power outages, or health risks. In the past, we experienced supply chain disruption and have incurred increased costs resulting from inflationary pressures. We are also monitoring the tensions between China and Taiwan, and between the U.S. and China, which could have an adverse impact on our business or results of operations in future periods.

Further, we do not have volume purchase contracts with any of our component suppliers, and they could cease selling to us at any time. If we are unable to obtain a sufficient quantity of these components in a timely manner for any reason, sales of our hardware products could be delayed or halted, or we could be forced to expedite shipment of such components or our hardware products at dramatically increased costs. Our component suppliers also change their selling prices frequently in response to market trends, including industry-wide increases in demand. Because we do not have, for the most part, volume purchase contracts with our component suppliers, we are susceptible to price fluctuations related to raw materials and components and may not be able to adjust our prices accordingly. Additionally, poor quality in any of the sole-sourced components in our products could result in lost sales or sales opportunities.

If we are unable to obtain a sufficient volume of the necessary components for our hardware products on commercially reasonable terms or the quality of the components do not meet our requirements, we could also be forced to redesign our products and qualify new components from alternate component suppliers. The resulting stoppage or delay in selling our hardware products and the expense of redesigning our hardware products would result in lost sales opportunities and damage to customer relationships, which would adversely affect our business and operating results.

If we are unable to attract, retain, and motivate our key technical, sales, and management personnel, our business could suffer.

Our future success depends, in part, on our ability to continue to attract, retain, and motivate the members of our management team and other key employees. For example, we are substantially dependent on the continued service of our engineering personnel because of the complexity of our offerings. Competition for highly skilled personnel, particularly in engineering, including in the areas of AI and machine learning, is often intense, especially in the San Francisco Bay Area, where we have a substantial presence and need for such personnel. In addition, the industry in which we operate generally experiences high employee attrition. Our future performance depends on the continuing services and contributions of our senior management to execute on our business plan and to identify and pursue new opportunities and product innovations. If we are unable to hire, integrate, train, or retain the qualified and highly skilled personnel required to fulfill our current or future needs, our business, financial condition, and operating results could be harmed.

Further, we believe that a critical contributor to our success and our ability to retain highly skilled personnel has been our corporate culture, which we believe fosters innovation, inclusion, teamwork, passion for end-customers, focus on execution, and the facilitation of critical knowledge transfer and knowledge sharing. As we grow and change, we may find it difficult to maintain these important aspects of our corporate culture. While we are taking steps to develop a more inclusive and diverse workforce, there is no guarantee that we will be able to do so. Any failure to preserve our culture as we grow could limit our ability to innovate and could negatively affect our ability to retain and recruit personnel, continue to perform at current levels or execute on our business strategy.

We generate a significant amount of revenue from sales to distributors, resellers, and end-customers outside of the United States, and we are therefore subject to a number of risks associated with international sales and operations.

Our ability to grow our business and our future success will depend to a significant extent on our ability to expand our operations and customer base worldwide. Many of our customers, resellers, partners, suppliers, and manufacturers operate around the world. Operating in a global marketplace, we are subject to risks associated with having an international reach and compliance and regulatory requirements. We may experience difficulties in attracting, managing, and retaining an international staff, and we may not be able to recruit and maintain successful strategic distributor relationships internationally. Business practices in the international markets that we serve may differ from those in the United States and may require us in the future to include terms other than our standard terms related to payment, warranties, or performance obligations in end-customer contracts.

Additionally, our international sales and operations are subject to a number of risks, including the following:

- political, economic, and social uncertainty around the world, health risks such as epidemics and pandemics like COVID-19, macroeconomic challenges, terrorist activities, Russia's invasion of Ukraine, tensions between China and Taiwan, the hostilities in Israel and the surrounding region, and continued hostilities in the Middle East;
- unexpected changes in, or the application of, foreign and domestic laws and regulations (including intellectual property rights protections), regulatory practices, trade restrictions, and foreign legal requirements, including those applicable to the importation, certification, and localization of our products, tariffs, and tax laws and treaties, including regulatory and trade policy changes adopted by the current administration, such as the Sanctions on Russia, or foreign countries in response to regulatory changes adopted by the current administration; and
- non-compliance with U.S. and foreign laws, including antitrust regulations, anti-corruption laws, such as the U.S. Foreign Corrupt Practices Act and the United Kingdom ("U.K.") Bribery Act, U.S. or foreign sanctions regimes and export or import control laws, and any trade regulations ensuring fair trade practices.

These and other factors could harm our future international revenues and, consequently, materially impact our business, operating results, and financial condition. The expansion of our existing international operations and entry into additional international markets will require significant management attention and financial resources. Our failure to successfully manage our international operations and the associated risks effectively could limit the future growth of our business.

We are exposed to fluctuations in foreign currency exchange rates, which could negatively affect our financial condition and operating results.

Our sales contracts are denominated in U.S. dollars, and therefore, our revenue is not subject to foreign currency risk; however, in the event of a strengthening of the U.S. dollar against foreign currencies in which we conduct business, the cost of our products to our end-customers outside of the United States would increase, which could adversely affect our financial condition and operating results. In addition, increased international sales in the future, including through our channel partners and other partnerships or as a result of our acquisitions, may result in foreign currency denominated sales, increasing our foreign currency risk.

Our operating expenses incurred outside the United States and denominated in foreign currencies are generally increasing and are subject to fluctuations due to changes in foreign currency exchange rates. If we are not able to successfully hedge against the risks associated with foreign currency fluctuations, our financial condition and operating results could be adversely affected. We have entered into forward contracts in an effort to reduce our foreign currency exchange exposure related to our foreign currency denominated expenditures. As of July 31, 2024, the total notional amount of our outstanding foreign currency forward contracts was \$1.2 billion. For more information on our hedging transactions, refer to Note 6. Derivative Instruments in Part II, Item 8 of this Annual Report on Form 10-K. The effectiveness of our existing hedging transactions and the availability and effectiveness of any hedging transactions we may decide to enter into in the future may be limited and we may not be able to successfully hedge our exposure, which could adversely affect our financial condition and operating results.

We face risks associated with having operations and employees located in Israel.

We have business operations in Israel and intend to continue growing our presence in Israel. Our operations in Israel could be disrupted by political instability, civil unrest, terrorist attacks, acts of violence, acts of war, or other military actions, including the hostilities in Israel and the surrounding region. The future of peace efforts between Israel and its Arab neighbors remains uncertain. The effects of hostilities and violence on the Israeli economy and our operations in Israel are unclear, and we cannot predict the effect on us of further increases in these hostilities or future armed conflict, political instability, or violence in the region. Current or future tensions and conflicts in the Middle East could adversely affect our business, operating results, financial condition, and cash flows.

In addition, many of our employees in Israel are obligated to perform annual reserve duty in the Israeli military and are subject to being called for active duty under emergency circumstances, which has occurred as a result of hostilities in Israel and the surrounding region. We cannot predict the full impact of these conditions on us in the future, particularly if emergency circumstances or an escalation in the political situation occurs. If many of our employees in Israel are called for active duty for a significant period of time, our operations and our business could be disrupted and may not be able to function at full capacity. Any disruption in our operations in Israel could adversely affect our business.

We are subject to governmental export and import controls that could subject us to liability or impair our ability to compete in international markets.

Because we incorporate encryption technology into our products, certain of our products are subject to U.S. export controls and may be exported outside the United States only with the required export license or through an export license exception. If we were to fail to comply with U.S. export licensing requirements, U.S. customs regulations, U.S. economic sanctions, or other laws, we could be subject to substantial civil and criminal penalties, including fines, incarceration for responsible employees and managers, and the possible loss of export or import privileges. Obtaining the necessary export license for a particular sale may be time-consuming and may result in the delay or loss of sales opportunities. Furthermore, U.S. export control laws and economic sanctions prohibit the shipment of certain products to U.S. embargoed or sanctioned countries, governments, and persons. Even though we take precautions to ensure that our channel partners comply with all relevant regulations, any failure by our channel partners to comply with such regulations could have negative consequences for us, including reputational harm, government investigations, and penalties.

In addition, various countries regulate the import of certain encryption technology, including through import permit and license requirements, and have enacted laws that could limit our ability to distribute our products or could limit our end-customers' ability to implement our products in those countries. Changes in our products or changes in export and import regulations may create delays in the introduction of our products into international markets, prevent our end-customers with international operations from deploying our products globally or, in some cases, prevent or delay the export or import of our products to certain countries, governments, or persons altogether. Any change in export or import regulations, economic sanctions, such as the Sanctions on Russia, or related legislation, shift in the enforcement or scope of existing regulations, or change in the countries, governments, persons, or technologies targeted by such regulations could result in decreased use of our products by, or in our decreased ability to export or sell our products to, existing or potential end-customers with international operations. Any decreased use of our products or limitation on our ability to export to or sell our products in international markets would likely adversely affect our business, financial condition, and operating results.

RISKS RELATED TO PRIVACY AND DATA PROTECTION

We may incur increased costs to comply with privacy and data protection laws and, if we fail to comply, we could be subject to government enforcement actions, private litigation and adverse publicity.

A wide variety of laws and regulations apply to the collection, use, retention, protection, disclosure, transfer, and other processing of personal data in jurisdictions where we and our customers operate. Compliance with these laws and regulations is difficult and costly. These laws and regulations are also subject to frequent, inconsistent and unexpected changes; new, modified or additional laws or regulations may be adopted; and rulings that invalidate prior laws, regulations, or interpretations of such laws or regulations may be issued. For example, we are subject to the E.U. General Data Protection Regulation ("E.U. GDPR") and the U.K. General Data Protection Regulation ("U.K. GDPR," and collectively the "GDPR"), both of which impose stringent data protection requirements, provide for costly penalties for noncompliance (up to the greater of (a) €20 million under the "E.U. GDPR" or £17.5 million under the "U.K. GDPR," and (b) 4% of annual worldwide turnover), and confer the right upon data subjects and consumer associations to lodge complaints with supervisory authorities, seek judicial remedies, and obtain compensation for damages resulting from violations.

The GDPR requires, among other things, that personal data be transferred outside of the E.U. (or, in the case of the U.K. GDPR, the U.K.) to the United States and other jurisdictions only where adequate safeguards are implemented or a derogation applies. In practice, we rely on standard contractual clauses approved under the GDPR to carry out such transfers and to receive personal data subject to the GDPR (directly or indirectly) in the United States. In addition, with respect to the personal data that we process on behalf of our customers, we self-certified to the E.U.-U.S. Data Privacy Framework ("E.U.-U.S. DPF"), which has been approved for transfers of personal data subject to the GDPR to the United States. The E.U.-U.S. DPF has been recognized as adequate under the E.U. law to allow transfers of personal data from the E.U. to companies in the U.S. that have self-certified to the framework. However, the E.U.-U.S. DPF may be subject to legal challenge, which could cause the legal requirements for data transfers from the E.U. to be uncertain.

Among other effects, we may experience additional costs associated with increased compliance burdens, reduced demand for our offerings from current or prospective customers in the European Economic Area ("EEA"), Switzerland, and the U.K. (collectively, "Europe") to use our products, on account of the risks identified in the Schrems II decision, and we may find it necessary or desirable to make further changes to our processing of personal data of European residents. The regulatory environment applicable to the handling of European residents' personal data, and our actions taken in response, may cause us to assume additional liabilities or incur additional costs. Moreover, much like with Schrems II, we anticipate future legal challenges to the approved data transfer mechanisms between Europe and the United States, including a challenge to the E.U.-U.S. DPF. Such legal challenges could result in additional legal and regulatory risk, compliance costs, and in our business, operating results, and financial condition being harmed.

We are also subject to the California Consumer Privacy Act, as amended by the California Privacy Rights Act (collectively, the "CCPA"). The CCPA requires, among other things, covered companies to provide enhanced disclosures to California consumers and to afford such consumers certain rights regarding their personal data, including the right to opt out of data sales for targeted advertising, and creates a private right of action to individuals affected by a data breach, if the breach was caused by a lack of reasonable security. The effects of the CCPA have been significant, requiring us to modify our data processing practices and policies and to incur substantial costs and expenses for compliance. Moreover, additional state privacy laws have been passed and will require potentially substantial efforts to obtain compliance. These include laws enacted in at least 19 states, and six other states have active privacy bills pending in state legislative processes.

We may also from time to time be subject to obligations relating to personal data by contract, or face assertions that we are subject to self-regulatory obligations or industry standards. Additionally, the Federal Trade Commission and many state attorneys general are more regularly bringing enforcement actions in connection with federal and state consumer protection laws for false or deceptive acts or practices in relation to the online collection, use, dissemination, and security of personal data. Internationally, data localization laws may mandate that personal data collected in a foreign country be processed and stored within that country.

We and our customers may face risk of enforcement actions by regulators or data protection authorities, private litigation and adverse publicity including reputational damage and loss of customer confidence for alleged violations of any of the foregoing obligations. Any such claims could result in substantial costs, ongoing remedial, audit and reporting obligations, and diversion of resources, and distract management and technical personnel. These potential liabilities and enforcement actions could also have an overall negative effect on our business, operating results, and financial condition. The amount and scope of insurance we maintain may not cover all types of claims that may arise.

New legislation affecting the scope of personal data and personal information where we or our customers and partners have operations, especially relating to classification of Internet Protocol ("IP") addresses, machine identification, AI and machine learning, location data, and other information, may limit or inhibit our ability to operate or expand our business, including limiting strategic partnerships that may involve the sharing or uses of data, and may require significant expenditures and efforts in order to comply. Notably, public perception of potential privacy, data protection, or information security concerns—whether or not valid—may harm our reputation and inhibit adoption of our products and subscriptions by current and future end-customers. Each of these laws and regulations, and any changes to these laws and regulations, or new laws and regulations, could impose significant limitations, or require changes to our business model or practices or growth strategy, which may increase our compliance expenses and make our business more costly or less efficient to conduct.

Tax, Accounting, Compliance, and Regulatory Risks

We may have exposure to tax liabilities that are greater than anticipated.

Our income tax obligations are based in part on our corporate structure and intercompany arrangements, including the manner in which we develop, value, and use our intellectual property and the valuations of our intercompany transactions. The tax laws applicable to our business, including the laws of the United States and various other jurisdictions, are subject to interpretation and certain jurisdictions may aggressively interpret their laws, regulations, and policies, including in an effort to raise additional tax revenue. The tax authorities of the jurisdictions in which we operate may challenge our methodologies for valuing developed or acquired technology or determining the proper charges for intercompany arrangements, which could increase our worldwide effective tax rate, harm our financial position and operating results, and have a negative effect on our cash flow. For example, beginning in fiscal 2023, we were required to capitalize and amortize research and development expenses as required by the Tax Cuts and Jobs Act. As a result of this change and our increased profitability, we have paid significantly more U.S. cash taxes during fiscal 2024 and we expect our cash tax payments to increase in future periods. Some tax authorities of jurisdictions other than the United States may seek to assert extraterritorial taxing rights on our transactions or operations. It is possible that domestic or international tax authorities may subject us to tax examinations, or audits, and such tax authorities may disagree with certain positions we have taken, and any adverse outcome of such an examination, review or audit could result in additional tax liabilities and penalties and otherwise have a negative effect on our financial position, operating results, and cash flow. Further, the determination of our worldwide provision for or benefit from income taxes and other tax liabilities requires significant judgment by management, and there are transactions where the ultimate tax determination is uncertain. Although we believe that our estimates are reasonable, the ultimate tax outcome may differ from the amounts recorded on our consolidated financial statements and may materially affect our financial results in the period or periods for which such determination is made.

In addition, our future income tax obligations could be adversely affected by changes in, or interpretations of, tax laws, regulations, policies, or decisions in the United States or in the other jurisdictions in which we operate.

If our estimates or judgments relating to our critical accounting policies are based on assumptions that change or prove to be incorrect, our operating results could fall below our publicly announced guidance or the expectations of securities analysts and investors, resulting in a decline in the market price of our common stock.

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") requires management to make estimates and assumptions that affect the amounts reported on our consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying amounts of assets, liabilities, equity, revenue, and expenses that are not readily apparent from other sources. For more information, refer to the section entitled "Critical Accounting Estimates" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of this Annual Report on Form 10-K. In general, if our estimates, judgments or assumptions relating to our critical accounting policies change or if actual circumstances differ from our estimates, judgments or assumptions, our operating results may be adversely affected and could fall below our publicly announced guidance or the expectations of securities analysts and investors, resulting in a decline in the market price of our common stock.

We are obligated to maintain proper and effective internal control over financial reporting. We may not complete our analysis of our internal control over financial reporting in a timely manner, or our internal control may not be determined to be effective, which may adversely affect investor confidence in our company and, as a result, the value of our common stock.

If we are unable to assert that our internal controls are effective, our independent registered public accounting firm may not be able to formally attest to the effectiveness of our internal control over financial reporting. If, in the future, our chief executive officer, chief financial officer, or independent registered public accounting firm determines that our internal control over financial reporting is not effective as defined under Section 404, we could be subject to one or more investigations or enforcement actions by state or federal regulatory agencies, stockholder lawsuits, or other adverse actions requiring us to incur defense costs, pay fines, settlements, or judgments, causing investor perceptions to be adversely affected and potentially resulting in a decline in the market price of our stock.

Our reputation and/or business could be negatively impacted by ESG matters and/or our reporting of such matters.

There is an increasing focus from regulators, certain investors, and other stakeholders concerning ESG matters, both in the United States and internationally. We communicate certain ESG-related initiatives, goals, and/or commitments regarding environmental matters, diversity, responsible sourcing and social investments, and other matters in our annual ESG Report, on our website, in our filings with the SEC, and elsewhere. These initiatives, goals, or commitments could be difficult to achieve and costly to implement. We could fail to achieve, or be perceived to fail to achieve, our ESG-related initiatives, goals, or commitments. In addition, we could be criticized for the timing, scope or nature of these initiatives, goals, or commitments, or for any revisions to them. To the extent that our required and voluntary disclosures about ESG matters increase, we could be criticized for the accuracy, adequacy, or completeness of such disclosures. Our actual or perceived failure to achieve our ESG-related initiatives, goals, or commitments could negatively impact our reputation, result in ESG-focused investors not purchasing and holding our stock, or otherwise materially harm our business.

In addition, we are or may become subject to various new and proposed climate-related and other sustainability-related laws and regulations, including, for example, the E.U.'s Corporate Sustainability Reporting Directive. Additional regulation may require us to incur significant additional costs associated with increased compliance burdens, including the implementation of additional internal controls processes and procedures, and impose increased oversight obligations on our management and board of directors, as well as require us to retain third-party experts. Noncompliance with applicable regulations or requirements could subject us to investigations, sanctions, enforcement actions, fines or litigation, which could negatively impact our business, operating results or financial condition.

Failure to comply with governmental laws and regulations could harm our business.

Our business is subject to regulation by various federal, state, local, and foreign governmental agencies, including agencies responsible for monitoring and enforcing employment and labor laws, workplace safety, product safety, environmental laws, consumer protection laws, privacy, data security, and data-protection laws, anti-bribery laws (including the U.S. Foreign Corrupt Practices Act and the U.K. Anti-Bribery Act), import/export controls, federal securities laws, and tax laws and regulations. These laws and regulations may also impact our innovation and business drivers in developing new and emerging technologies (e.g., AI and machine learning). In certain jurisdictions, these regulatory requirements may be more stringent than those in the United States. Noncompliance with applicable regulations or requirements could subject us to investigations, sanctions, mandatory product recalls, enforcement actions, disgorgement of profits, fines, damages, civil and criminal penalties, or injunctions. If any governmental sanctions are imposed, or if we do not prevail in any possible civil or criminal litigation resulting from any alleged noncompliance, our business, operating results, and financial condition could be materially adversely affected. In addition, responding to any action will likely result in a significant diversion of management's attention and resources and an increase in professional fees. Enforcement actions, litigation, and sanctions could harm our business, operating results, and financial condition.

Risks Related to Our Notes and Common Stock

We may not have the ability to raise the funds necessary to settle conversions of our Notes, repurchase our Notes upon a fundamental change, or repay our Notes in cash at their maturity, and our future debt may contain limitations on our ability to pay cash upon conversion or repurchase of our Notes.

In June 2020, we issued our 0.375% Convertible Senior Notes due 2025 (the "2025 Notes"). We will need to make cash payments (a) if holders of our 2025 Notes require us to repurchase all, or a portion of, their 2025 Notes upon the occurrence of a fundamental change (e.g., a change of control of Palo Alto Networks, Inc.) before the maturity date, (b) upon conversion of our 2025 Notes, or (c) to repay our 2025 Notes in cash at their maturity unless earlier converted or repurchased. Effective August 1, 2024 through October 31, 2024, all of the 2025 Notes are convertible. If all of the note holders decided to convert their 2025 Notes, we would be obligated to pay the \$1.0 billion principal amount of the 2025 Notes in cash. Under the terms of the 2025 Notes, we also have the option to settle the amount of our conversion obligation in excess of the aggregate principal amount of the 2025 Notes in cash or shares of our common stock. If our cash provided by operating activities, together with our existing cash, cash equivalents, and investments, and existing sources of financing, are inadequate to satisfy these obligations, we will need to obtain third-party financing, which may not be available to us on commercially reasonable terms or at all, to meet these payment obligations.

In addition, our ability to repurchase or to pay cash upon conversion of our 2025 Notes may be limited by law, regulatory authority, or agreements governing our future indebtedness. Our failure to repurchase our 2025 Notes at a time when the repurchase is required by the applicable indenture governing such 2025 Notes or to pay cash upon conversion of such 2025 Notes as required by the applicable indenture would constitute a default under the indenture. A default under the applicable indenture or the fundamental change itself could also lead to a default under agreements governing our future indebtedness. If the payment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase our 2025 Notes or to pay cash upon conversion of our 2025 Notes.

We may still incur substantially more debt or take other actions that would diminish our ability to make payments on our Notes when due.

We and our subsidiaries may incur substantial additional debt in the future, subject to the restrictions contained in our debt instruments, that could have the effect of diminishing our ability to make payments on our 2025 Notes when due.

The market price of our common stock historically has been volatile, and the value of an investment in our common stock could decline.

The market price of our common stock has historically been, and is likely to continue to be, volatile and could be subject to wide fluctuations in response to various factors, some of which are beyond our control and unrelated to our business, operating results, or financial condition. These fluctuations could cause a loss of all or part of an investment in our common stock. Factors that could cause fluctuations in the market price of our common stock include, but are not limited to:

- announcements of new products, subscriptions or technologies, commercial relationships, strategic partnerships, acquisitions, or other events by us or our competitors;
- price and volume fluctuations in the overall stock market from time to time;
- news announcements that affect investor perception of our industry, including reports related to the discovery of significant cyberattacks;
- significant volatility in the market price and trading volume of technology companies in general and of companies in our industry;
- fluctuations in the trading volume of our shares or the size of our public float;
- actual or anticipated changes in our operating results or fluctuations in our operating results;
- whether our operating results meet the expectations of securities analysts or investors;
- actual or anticipated changes in the expectations of securities analysts or investors, whether as a result of our forward-looking statements, our failure to meet such expectations or otherwise;
- inaccurate or unfavorable research reports about our business and industry published by securities analysts or reduced coverage of our company by securities analysts;
- litigation involving us, our industry, or both;
- actions instituted by activist shareholders or others;
- regulatory developments in the United States, foreign countries, or both;
- major catastrophic events;
- sales or repurchases of large blocks of our common stock or substantial future sales by our directors, executive officers, employees, and significant stockholders;
- departures of key personnel; or
- geopolitical or economic uncertainty around the world.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been brought against that company. Securities litigation could result in substantial costs, divert our management's attention and resources from our business, and have a material adverse effect on our business, operating results, and financial condition.

The convertible note hedge and warrant transactions may affect the value of our common stock.

In connection with the sale of our 2025 Notes, we entered into convertible note hedge transactions (the "2025 Note Hedges") with certain counterparties. In connection with each such sale of the 2025 Notes, we also entered into warrant transactions with the counterparties pursuant to which we sold warrants (the "2025 Warrants") for the purchase of our common stock. The 2025 Note Hedges for our 2025 Notes are generally expected to reduce the potential dilution to our common stock upon any conversion of our 2025 Notes. The 2025 Warrants could separately have a dilutive effect to the extent that the market price per share of our common stock exceeds the applicable strike price of the 2025 Warrants unless, subject to certain conditions, we elect to cash settle such 2025 Warrants.

The applicable counterparties or their respective affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to our common stock and/or purchasing or selling our common stock or other securities of ours in secondary market transactions prior to the maturity of the outstanding 2025 Notes (and are likely to do so during any applicable observation period related to a conversion of our 2025 Notes). This activity could also cause or prevent an increase or a decrease in the market price of our common stock or our 2025 Notes, which could affect a note holder's ability to convert its 2025 Notes and, to the extent the activity occurs during any observation period related to a conversion of our 2025 Notes, it could affect the amount and value of the consideration that the note holder will receive upon conversion of our 2025 Notes.

We do not make any representation or prediction as to the direction or magnitude of any potential effect that the transactions described above may have on the price of our 2025 Notes or our common stock. In addition, we do not make any representation that the counterparties or their respective affiliates will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

The issuance of additional stock in connection with financings, acquisitions, investments, our stock incentive plans, the conversion of our Notes or exercise of the related Warrants, or otherwise will dilute stock held by all other stockholders.

Our amended and restated certificate of incorporation authorizes us to issue up to 1.0 billion shares of common stock and up to 100.0 million shares of preferred stock with such rights and preferences as may be determined by our board of directors. Subject to compliance with applicable rules and regulations, we may issue shares of common stock or securities convertible into shares of our common stock from time to time in connection with a financing, acquisition, investment, our stock incentive plans, the conversion of our 2025 Notes, the settlement of our 2025 Warrants, or otherwise. Any such issuance could result in substantial dilution to our existing stockholders and cause the market price of our common stock to decline.

We cannot guarantee that our share repurchase program will be fully consummated or that it will enhance shareholder value, and share repurchases could affect the price of our common stock.

As of July 31, 2024, we had \$500.0 million available under our share repurchase program. On August 15, 2024, our board of directors authorized a \$500.0 million increase to our share repurchase program, bringing the total remaining authorization for future share repurchases to \$1.0 billion. The repurchase authorization will expire on December 31, 2025, and may be suspended or discontinued at any time without prior notice. Although our board of directors has authorized a share repurchase program, we are not obligated to repurchase any specific dollar amount or to acquire any specific number of shares under the program. The share repurchase program could affect the price of our common stock, increase volatility, and diminish our cash reserves. In addition, the program may be suspended or terminated at any time, which may result in a decrease in the price of our common stock.

We do not intend to pay dividends for the foreseeable future.

We have never declared or paid any dividends on our common stock. We intend to retain any earnings to finance the operation and expansion of our business, and we do not anticipate paying any cash dividends in the future. As a result, stockholders may only receive a return on their investments in our common stock if the market price of our common stock increases.

Our charter documents and Delaware law, as well as certain provisions contained in the indentures governing our Notes, could discourage takeover attempts and lead to management entrenchment, which could also reduce the market price of our common stock.

Provisions in our amended and restated certificate of incorporation and amended and restated bylaws may have the effect of delaying or preventing a change in control of our company or changes in our management. Our amended and restated certificate of incorporation and amended and restated bylaws include provisions that:

- establish that our board of directors is divided into three classes, Class I, Class II, and Class III, with three-year staggered terms;
- authorize our board of directors to issue shares of preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval;
- provide our board of directors with the exclusive right to elect a director to fill a vacancy created by the expansion of our board of directors or the resignation, death, or removal of a director;
- prohibit our stockholders from taking action by written consent;
- specify that special meetings of our stockholders may be called only by the chairman of our board of directors, our president, our secretary, or a majority vote of our board of directors;
- require the affirmative vote of holders of at least 66 2/3% of the voting power of all of the then outstanding shares of the voting stock, voting together as a single class, to amend the provisions of our amended and restated certificate of incorporation relating to the issuance of preferred stock and management of our business or our amended and restated bylaws;
- authorize our board of directors to amend our bylaws by majority vote; and
- establish advance notice procedures with which our stockholders must comply to nominate candidates to our board of directors or to propose matters to be acted upon at a stockholders' meeting.

These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for our stockholders to replace members of our board of directors, which is responsible for appointing the members of management. In addition, as a Delaware corporation, we are subject to Section 203 of the Delaware General Corporation Law. These provisions may prohibit large stockholders, in particular those owning 15% or more of our outstanding voting stock, from merging or combining with us for a certain period of time. Additionally, certain provisions contained in the indenture governing our 2025 Notes could make it more difficult or more expensive for a third party to acquire us. The application of Section 203 or certain provisions contained in the indenture governing our 2025 Notes also could have the effect of delaying or preventing a change in control of us. Any of these provisions could, under certain circumstances, depress the market price of our common stock.

General Risk Factors

Our business is subject to the risks of earthquakes, fire, power outages, floods, health risks, and other catastrophic events, and to interruption by man-made problems, such as terrorism.

Both our corporate headquarters and the location where our products are manufactured are located in the San Francisco Bay Area, a region known for seismic activity. In addition, other natural disasters, such as fire or floods, a significant power outage, telecommunications failure, terrorism, an armed conflict, cyberattacks, epidemics and pandemics such as COVID-19, or other geopolitical unrest could affect our supply chain, manufacturers, logistics providers, channel partners, end-customers, or the economy as a whole, and such disruption could impact our shipments and sales. These risks may be further increased if the disaster recovery plans for us and our suppliers prove to be inadequate. To the extent that any of the above should result in delays or cancellations of customer orders, the loss of customers, or the delay in the manufacture, deployment, or shipment of our products, our business, financial condition, and operating results would be adversely affected.

Our failure to raise additional capital or generate the significant capital necessary to expand our operations and invest in new products and subscriptions could reduce our ability to compete and could harm our business.

We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges, including the need to develop new features to enhance our portfolio, improve our operating infrastructure, or acquire complementary businesses and technologies. Accordingly, we may need to engage in equity or debt financings to secure additional funds. If we engage in future debt financings, the holders of such additional debt would have priority over the holders of our common stock. Current and future indebtedness may also contain terms that, among other things, restrict our ability to incur additional indebtedness. In addition, we may be required to take other actions that would otherwise be in the interests of the debt holders and would require us to maintain specified liquidity or other ratios, any of which could harm our business, operating results, and financial condition. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly impaired, and our business may be adversely affected.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 1C. Cybersecurity

As a global cybersecurity provider, cybersecurity risk management is an integral part of our overall enterprise risk management program. We recognize the critical importance that a strong cybersecurity risk management program plays in maintaining the trust and confidence of our customers, end users, business partners, stockholders and employees. We have established processes and procedures for identifying, evaluating, and responding to risks from cybersecurity threats, including any potential unauthorized access to our information systems that may result in adverse effects on the confidentiality, integrity, or availability of our information systems, data, or information assets.

Cybersecurity Risk Management and Strategy

Our cybersecurity risk management program includes written policies, standards, and procedures for maintaining data privacy, product security and information security to mitigate cybersecurity risks, and to identify, evaluate and respond to cybersecurity threats, vulnerabilities and incidents. Our cybersecurity risk management program and strategy is implemented across several areas, which include, but are not limited to, the following:

- **Information Security.** We maintain a written information security program, which provides for policies, standards, guidelines, and administrative, technical and physical safeguards that we believe are reasonably designed, in light of the nature, size and complexity of our operations, to protect the resiliency of our operations and the confidentiality, integrity, and availability of our information systems, data, and information assets. The organizational, administrative and technical measures we implement are based on recognized security frameworks established by the National Institute of Standards and Technology, security measures aligned with the ISO/IEC 27000 series of standards, and other generally recognized industry standards. The program is assessed regularly and in light of new and emerging cybersecurity risks.
- **Technical Safeguards and Product Security.** We deploy and maintain a variety of technologies to prevent and detect cybersecurity threats across the network, endpoint and cloud. We also apply security-by-design principles in our software development lifecycle, track vulnerabilities of open-source software, and run internal and external network scans at least weekly and after any meaningful change in our network configuration. We conduct regular application security assessments, including our assessments for internet-facing applications that collect, transmit, or display end user data. We also employ tooling in certain areas to help prevent deviations from policy.
- **Incident Response and Reporting.** We maintain incident response and recovery protocols to enable prompt, effective and orderly identification, evaluation, management, and disposition of actual and potential security threats and incidents, including for purposes of escalation and internal and external-notification steps. We maintain a cross-functional incident response team, including senior representatives from information security, information technology, product, legal, privacy, communications and accounting, that is involved in assessing cybersecurity threats and incidents, assigning severity levels, and evaluating the potential impact, including the potential impact on our business strategy, results of operations and financial condition. This allows for prompt direction of appropriate personnel and resources for incident management and response, and internal notification to appropriate members of management, which may include our chief executive officer, chief product officer, chief information security officer, general counsel, chief financial officer, and/or chief accounting officer, and the security committee of our board of directors (the "Security Committee"). The protocols also establish steps designed to publicly report and/or alert external stakeholders as and when required by applicable law or otherwise determined appropriate.
- **Third-Party Risk Management.** We maintain a risk-based approach to identifying and overseeing cybersecurity risks presented by certain third parties, including vendors, service providers, suppliers, operations parties, and other external users of our systems, as well as the systems of third parties that could adversely impact our business in the event of a cybersecurity incident affecting those third-party systems. This includes a security process to conduct due diligence prior to engaging contractors and vendors and assess the security capabilities of subcontractors and vendors on a periodic basis.
- **Risk and Readiness Assessments.** We engage in at least quarterly assessments and testing of the effectiveness of our cybersecurity risk management program and incident response protocols that are designed to identify and evaluate vulnerabilities and weaknesses, address cybersecurity threats and test our readiness to respond to cybersecurity incidents. These efforts include, but are not limited to, threat modeling, vulnerability scans, penetration testing, audits, and tabletop exercises. We regularly engage third parties to perform assessments on our cybersecurity measures, such as audits and independent reviews of our compliance with various security compliance standards, including those established by the American Institute of Certified Public Accountants, operating effectiveness and penetration tests. The results of such assessments are reported to management and we adjust our cybersecurity policies, standards, processes and practices as necessary based on the information provided by these assessments, audits and reviews.
- **Awareness and Training.** We provide regular training for educating employees about corporate policies and procedures and information security designed to provide our employees with knowledge of best practices and effective tools for safeguarding our data and assets and reducing security risks based on the human threat vector. Our information security compliance training, data protection training, and code of conduct training is mandatory for all employees.

- **Governance.** As discussed in more detail below under the heading, “Cybersecurity Governance,” our board of directors’ has delegated oversight of enterprise security risk management, including, but not limited to, cybersecurity risk management to the Security Committee. As part of our cybersecurity risk management procedures, senior members of management and the Security Committee are informed regarding security events based on established reporting thresholds, and are provided ongoing updates regarding any such meaningful threat or incident.

We have not identified any risks from cybersecurity threats, including as a result of any previous cybersecurity incidents, that have materially impacted or are reasonably likely to materially impact us, including our business strategy, results of operations, or financial condition, to date. However, we face ongoing and increasing cybersecurity risks, including from threat actors that are becoming more sophisticated and effective over time, and we can provide no assurance that there will not be incidents in the future or that past or future threats or incidents will not materially affect us, including our business strategy, results of operations, or financial conditions. For additional information regarding these risks, please refer to Part I, Item 1A, “Risk Factors,” in this Form 10-K, including, but not limited to, the risk factor entitled *“A network or data security incident may allow unauthorized access to our network or data, harm our reputation, create additional liability, and adversely impact our financial results.”*

Cybersecurity Governance

The Security Committee, which is composed of all of our independent directors, facilitates our board of directors’ responsibility for oversight of security matters, including product security, data security, cybersecurity, security risk management, risk exposure and related controls and enterprise risk management related to these risks. The Security Committee reports regularly to the Board following meetings of the Security Committee with respect to its review and assessment of security matters and other matters that are relevant to the Security Committee’s discharge of its responsibilities. The Security Committee meets quarterly to review with our chief information security officer and other members of management, which may include our chief executive officer, chief product officer, chief financial officer, and general counsel, our cybersecurity programs, cybersecurity risks, mitigation or remediation strategies, and other matters impacting the committee’s responsibilities.

Management is responsible for day-to-day risk management activities, including identifying, assessing and managing our exposure to cybersecurity risks, establishing processes and procedures to ensure that potential cybersecurity risk exposures are monitored, implementing appropriate mitigation or remediation measures as needed, and maintaining cybersecurity risk management programs. Our chief information security officer is responsible for defining, overseeing, managing, implementing, and reviewing compliance with the information security programs described above under the heading “Cybersecurity Risk Management and Strategy.” Our chief information security officer receives regular reports from our information security team and monitors the prevention, detection, and mitigation or remediation of cybersecurity risks. In addition, as described in further detail above under the heading “Cybersecurity Risk Management and Strategy,” a cross functional team is involved in assessing and managing the risks from cybersecurity threats and incidents, and reporting information about risks to the Security Committee.

Our information security team consists of dedicated personnel who are experienced information systems security professionals and information security managers with many years of experience across a variety of technology sub-specialties. In particular, our chief information security officer has extensive experience in the management of cybersecurity risk management programs, having served in various roles in information technology and security for over 20 years, including having previously served as the chief security officer of two other publicly traded technology companies. In addition, six of the ten members of our board of directors have expertise in overseeing cybersecurity and information security management.

Item 2. Properties

Our corporate headquarters is located in Santa Clara, California, where we lease approximately 941,000 square feet of space under three lease agreements that expire in July 2028, with options to extend the lease terms through July 2046. We also lease space for personnel around the world, including Israel and India. In addition, we provide our cloud-based subscription offerings through data centers operated under co-location arrangements in the United States, Europe, and Asia. Refer to Note 11. Leases in Part II, Item 8 of this Annual Report on Form 10-K for more information on our operating leases. Additionally, we own 10.4 acres of land adjacent to our headquarters in Santa Clara, California, which we intend to develop to accommodate future expansion, the speed of which development has been slowed due to the current environment.

We believe that our current facilities are adequate to meet our current needs. We intend to expand our facilities or add new facilities as we add employees and enter new geographic markets, and we believe that suitable additional or alternative space will be available as needed to accommodate ongoing operations and any such growth. However, we expect to incur additional expenses in connection with such new or expanded facilities.

Item 3. Legal Proceedings

The information set forth under the “Litigation” subheading in Note 12. Commitments and Contingencies in Part II, Item 8 of this Annual Report on Form 10-K is incorporated herein by reference.

Item 4. Mine Safety Disclosures

Not applicable.

Part II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock, \$0.0001 par value per share, is traded on the Nasdaq Global Select Market under the symbol “PANW.” Prior to October 22, 2021, our common stock traded on the New York Stock Exchange under the symbol “PANW.”

Holders of Record

As of August 19, 2024, there were 502 holders of record of our common stock. Because many of our shares of common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders.

Dividend Policy

We have never declared or paid, and do not anticipate declaring or paying in the foreseeable future, any cash dividends on our capital stock. Any future determination as to the declaration and payment of dividends, if any, will be at the discretion of our board of directors, subject to applicable laws, and will depend on then existing conditions, including our financial condition, operating results, contractual restrictions, capital requirements, business prospects, and other factors our board of directors may deem relevant.

Securities Authorized for Issuance under Equity Compensation Plans

See Part III, Item 12 “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters” of this Annual Report on Form 10-K for more information regarding securities authorized for issuance.

Recent Sales of Unregistered Equity Securities

During the three months ended July 31, 2024, holders of the 2025 Notes converted \$199.6 million in aggregate principal amount of the 2025 Notes, which we repaid in cash. We also issued 1.3 million shares of our unregistered common stock to the holders of the 2025 Notes for the conversion value in excess of the principal amount. These shares of our common stock were issued in reliance on the exemption from registration provided by Section 3(a)(9) of the Securities Act of 1933, as amended (the “Securities Act”).

Additionally, during the three months ended July 31, 2024, we issued a total of 12,841 shares of our unregistered common stock in connection with certain of our acquisitions (the “Transactions”). The Transactions did not involve any underwriters, any underwriting discounts or commissions, or any public offering. The issuances of the securities pursuant to the Transactions were exempt from registration under the Securities Act by virtue of Section 4(a)(2) of the Act and Rule 506 of Regulation D promulgated thereunder.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

In February 2019, we announced that our board of directors authorized a \$1.0 billion share repurchase program, which is funded from available working capital. In December 2020, August 2021, August 2022, and November 2023, we announced additional \$700.0 million, \$676.1 million, \$915.0 million, and \$316.7 million increases to this share repurchase program, respectively, bringing the total authorization to \$3.6 billion, with \$500.0 million remaining as of July 31, 2024. The expiration date of this repurchase authorization was extended to December 31, 2024, and our repurchase program may be suspended or discontinued at any time. Repurchases under our program are to be made at management's discretion on the open market, through privately negotiated transactions, transactions structured through investment banking institutions, block purchase techniques, 10b5-1 trading plans, or a combination of the foregoing. During the three months ended July 31, 2024, we did not repurchase any shares pursuant to our share repurchase program.

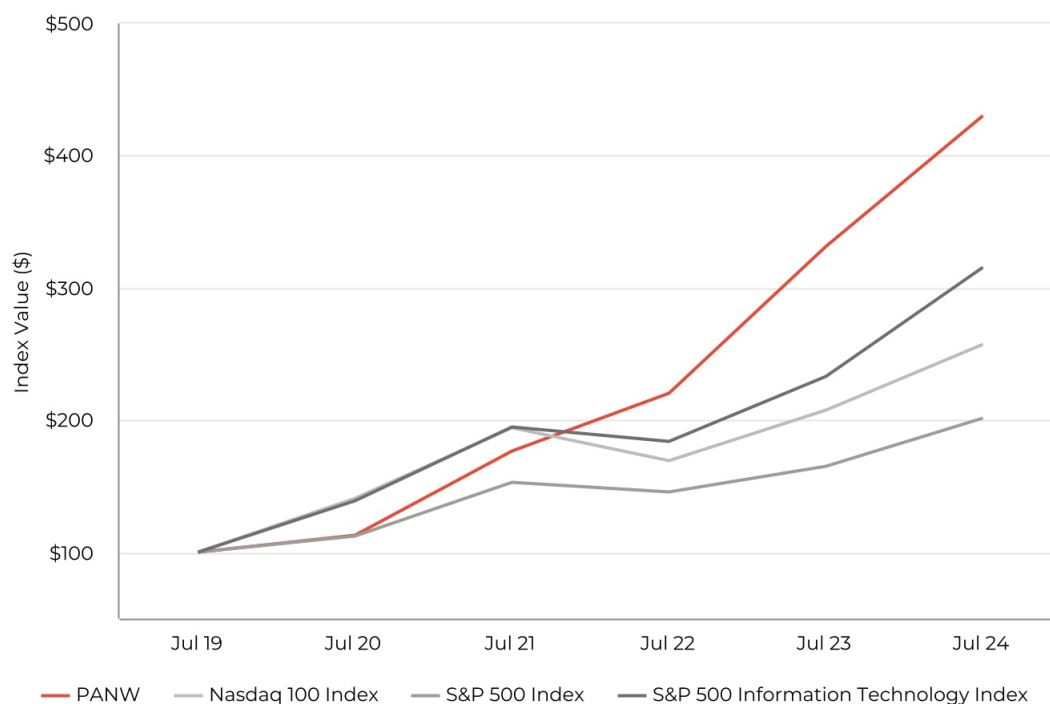
Between May 1, 2024 and May 31, 2024, June 1, 2024 and June 30, 2024, and July 1, 2024 and July 31, 2024, shares of restricted stock were delivered by certain employees upon vesting of equity awards to satisfy tax withholding requirements. The average value of shares delivered to satisfy tax withholding requirements during these periods were \$308.10 per share, \$317.02 per share, and \$330.89 per share, respectively. The number of shares delivered to satisfy tax withholding requirements during these periods was not significant.

Stock Price Performance Graph

This performance graph shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or incorporated by reference into any filing of Palo Alto Networks, Inc. under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

This performance graph compares the cumulative total return on our common stock with that of the Nasdaq 100 Index, the Standard & Poor's 500 Index, and the Standard & Poor's 500 Information Technology Index for the five years ended July 31, 2024. This performance graph assumes \$100 was invested on July 31, 2019, in each of the common stock of Palo Alto Networks, Inc., the Nasdaq 100 Index, the Standard & Poor's 500 Index, and the Standard & Poor's 500 Information Technology Index, and assumes the reinvestment of any dividends. The stock price performance on this performance graph is not necessarily indicative of future stock price performance.

Palo Alto Networks, Inc. Comparison of Total Return Performance



Company/Index	7/31/2019		7/31/2020		7/31/2021		7/31/2022		7/31/2023		7/31/2024
Palo Alto Networks, Inc.	\$	100.00	\$	112.97	\$	176.15	\$	220.31	\$	331.01	\$ 430.03
Nasdaq 100 Index	\$	100.00	\$	140.37	\$	193.97	\$	169.14	\$	207.66	\$ 257.35
S&P 500 Index	\$	100.00	\$	111.96	\$	152.76	\$	145.67	\$	164.63	\$ 201.10
S&P 500 Information Technology Index	\$	100.00	\$	138.91	\$	194.51	\$	183.79	\$	233.14	\$ 315.19

Item 6. [Reserved]

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes appearing elsewhere in this Annual Report on Form 10-K. The following discussion and analysis contains forward-looking statements based on current expectations and assumptions that are subject to risks and uncertainties, which could cause our actual results to differ materially from those anticipated or implied by any forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in this Annual Report on Form 10-K, and in particular, the risks discussed under the caption “Risk Factors” in Part I, Item 1A of this report.

Our Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) is organized as follows:

- **Overview.** A discussion of our business and overall analysis of financial and other highlights in order to provide context for the remainder of MD&A.
- **Key Financial Metrics.** A summary of our U.S. GAAP and non-GAAP key financial metrics, which management monitors to evaluate our performance.
- **Results of Operations.** A discussion of the nature and trends in our financial results and an analysis of our financial results comparing fiscal 2024 to fiscal 2023. For discussion and analysis related to our financial results comparing fiscal 2023 to 2022, refer to Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for fiscal 2023, which was filed with the Securities and Exchange Commission on September 1, 2023.
- **Liquidity and Capital Resources.** An analysis of changes on our balance sheets and cash flows, and a discussion of our financial condition and our ability to meet cash needs.
- **Critical Accounting Estimates.** A discussion of our accounting policies that require critical estimates, assumptions, and judgments.
- **Recent Accounting Pronouncements.** A discussion of expected impacts of impending accounting changes on financial information to be reported in the future.

Overview

We empower enterprises, organizations, service providers, and government entities to protect themselves against today’s most sophisticated cyber threats. Our cybersecurity platforms and services help secure enterprise users, networks, clouds, and endpoints by delivering comprehensive cybersecurity backed by AI and automation. A key element of our strategy is to help our customers simplify their security architectures through consolidating disparate point products. We execute on this strategy by developing our capabilities and packaging our offerings into platforms which are able to cover many of our customers’ needs in the markets in which we operate. Our platformization strategy combines various products and services into a tightly integrated architecture and makes security faster, less complex, and more cost-effective. We focus on delivering value in four sectors of the cybersecurity industry:

Network Security:

- Our network security platform, designed to deliver complete zero trust solutions to our customers, includes our hardware and software ML-Powered Next-Generation Firewalls, AI Runtime Security, as well as a cloud-delivered SASE. Prisma® Access, our SSE solution, when combined with Prisma SD-WAN, provides a comprehensive single-vendor SASE offering that is used to secure remote workforces and securely enable the cloud-delivered branch. Our network security platform also includes our cloud-delivered security services, such as Advanced Threat Prevention, Advanced WildFire®, Advanced URL Filtering, Advanced DNS Security, IoT/OT Security, GlobalProtect®, Enterprise DLP, AIOps, SaaS Security, and AI Access Security. Through these add-on security services, our customers are able to secure their content, applications, users, and devices across their entire organization. Strata Cloud Manager, our network security management solution, can centrally manage our network security platform irrespective of form factor, location, or scale. Strata Cloud Manager includes the Strata Copilot which provides a natural language interface to simplify and accelerate platform management.

Cloud Security:

- We deliver scalable and comprehensive security across the cloud application development lifecycle through our Code to Cloud™ platform, Prisma Cloud. As a comprehensive CNAPP, Prisma Cloud secures multi- and hybrid-cloud environments for applications, data, GenAI ecosystem, and the entire cloud native technology stack across the full development lifecycle, from code to cloud. We also offer our VM-Series and CN-Series virtual firewalls for inline network security on multi- and hybrid-cloud environments.

Security Operations:

- We deliver the next generation of security operations capabilities that combine security analytics, endpoint security, automation, and ASM solutions through our Cortex platform. These include Cortex XSIAM, our AI-driven security operations platform, Cortex XDR® for the prevention, detection, and response to complex cybersecurity attacks, Cortex XSOAR® for SOAR, and Cortex Xpanse™ for ASM. These products are delivered as SaaS or software subscriptions.

Threat Intelligence and Advisory Services (Unit 42):

- Unit 42 brings together world-renowned threat researchers with an elite team of incident responders and security consultants to create an intelligence-driven, response-ready organization to help customers manage cyber risk. Our consultants serve as trusted advisors to our customers by assessing and testing their security controls against the right threats, transforming their security strategy with a threat-informed approach, and responding to security incidents on behalf of our clients. Additionally, Unit 42 offers managed detection and response and managed threat hunting services.

For fiscal 2024 and 2023, total revenue was \$8.0 billion and \$6.9 billion, respectively, representing year-over-year growth of 16.5%. Our growth reflects the increased adoption of our portfolio, which consists of product, subscriptions, and support. We believe our portfolio will enable us to benefit from recurring revenues and new revenues as we continue to grow our end-customer base. As of July 31, 2024, we had end-customers in over 180 countries. Our end-customers represent a broad range of industries, including education, energy, financial services, government entities, healthcare, Internet and media, manufacturing, public sector, and telecommunications, and include almost all of the Fortune 100 companies and a majority of the Global 2000 companies. We maintain a field sales force that works closely with our channel partners in developing sales opportunities. We primarily use a two-tiered, indirect fulfillment model whereby we sell our products, subscriptions, and support to our distributors, which, in turn, sell to our resellers, which then sell to our end-customers.

Our product revenue grew to \$1.6 billion or 20.0% of total revenue for fiscal 2024, representing year-over-year growth of 1.6%. Product revenue is derived from sales of our appliances, primarily our ML-Powered Next-Generation Firewall. Product revenue also includes revenue derived from software licenses of Panorama®, SD-WAN, and the VM-Series. Our ML-Powered Next-Generation Firewall incorporates our PAN-OS operating system, which provides a consistent set of capabilities across our entire network security product line. Our appliances and software licenses include a broad set of built-in networking and security features and functionalities. Our products are designed for different performance requirements throughout an organization, ranging from our PA-410, which is designed for small organizations and remote or branch offices, to our top-of-the-line PA-7500, which is designed for large-scale data centers and service provider use. The same firewall functionality that is delivered in our physical appliances is also available in our VM-Series virtual firewalls, which secure virtualized and cloud-based computing environments, and in our CN-Series container firewalls, which secure container environments and traffic.

Our subscription and support revenue grew to \$6.4 billion or 80.0% of total revenue for fiscal 2024, representing year-over-year growth of 20.9%. Our subscriptions provide our end-customers with near real-time access to the latest antivirus, intrusion prevention, web filtering, modern malware prevention, data loss prevention, CASB and AI security capabilities across the network, endpoints, and the cloud. When customers purchase our physical, virtual, or container firewall appliances, or certain cloud offerings, they typically purchase support in order to receive ongoing security updates, upgrades, bug fixes, and repairs. In addition to the subscriptions purchased with these appliances, customers may also purchase other subscriptions on a per-user, per-endpoint, or capacity-based basis. We also offer professional services, including incident response, risk management, and digital forensic services.

We continue to invest in innovation as we evolve and further extend the capabilities of our portfolio, as we believe that innovation and timely development of new features and products are essential to meeting the needs of our end-customers and improving our competitive position. During fiscal 2024, we introduced several new offerings, including: Prisma Cloud Darwin release with newly integrated Code to Cloud intelligence capabilities, PAN-OS 11.2 Quasar, Cortex XSIAM 2.0, new Cortex XSIAM features, Prisma SASE 3.0, and Precision AI™. Additionally, we acquired productive investments that fit well within our long-term strategy. For example, in December 2023, we acquired Dig, which we expect will enhance our Prisma Cloud capabilities with a DSPM solution that is intended to provide customers with visibility into, and secure data stored across, their multi-cloud environments; and we acquired Talon, which will support Prisma SASE's approach to provide secure access to business applications for unmanaged and personal devices with an enterprise browser. In May 2024, we announced an expanded partnership with International Business Machines Corporation ("IBM") to deliver AI-powered security outcomes for customers, as part of which we agreed to acquire IBM's QRadar SaaS assets, including QRadar intellectual property rights, customer relationships and customer contracts. On August 31, 2024, we completed the acquisition of IBM's QRadar SaaS assets and we expect the acquisition will help accelerate the growth of our Cortex XSIAM business.

We believe that the growth of our business and our short-term and long-term success are dependent upon many factors, including our ability to extend our technology leadership, grow our base of end-customers, expand deployment of our portfolio and support offerings within existing end-customers, focus on end-customer satisfaction, and address any product vulnerabilities. To manage any future growth effectively, we must continue to improve and expand our information technology and financial infrastructure, our operating and administrative systems and controls, and our ability to manage headcount, capital, and processes in an efficient manner. While these areas present significant opportunities for us, they also pose challenges and risks that we must successfully address in order to sustain the growth of our business and improve our operating results. For additional information regarding the challenges and risks we face, see the “Risk Factors” section in Part I, Item 1A of this Annual Report on Form 10-K.

Impact of Macroeconomic Developments and Other Factors on Our Business

Our overall performance depends in part on worldwide economic and geopolitical conditions and their impact on customer behavior. Worsening economic conditions, including inflation, higher interest rates, slower growth, fluctuations in foreign exchange rates, supply chain disruptions, and other conditions, may adversely affect our results of operations and financial performance.

The hostilities in Israel and the surrounding region have increased the levels of economic and political uncertainty. While we have business operations in Israel, and intend to continue growing our presence in Israel, we currently do not expect significant business disruption. We are actively monitoring, evaluating, and responding to the developing situation.

We are also monitoring the impact of inflationary pressures and the tensions between China and Taiwan, and between the U.S. and China, which could have an adverse impact on our business or results of operations in future periods.

Key Financial Metrics

We monitor the key financial metrics set forth in the tables below to help us evaluate growth trends, establish budgets, measure the effectiveness of our sales and marketing efforts, and assess operational efficiencies. We discuss revenue, gross margin, and the components of operating income (loss) and margin below under “Results of Operations.”

	July 31,			
	2024		2023	
	(in millions)			
Total deferred revenue	\$	11,480.5	\$	9,296.4
Cash, cash equivalents, and investments	\$	6,752.0	\$	5,437.9

	Year Ended July 31,					
	2024		2023		2022	
	(dollars in millions)					
Total revenue	\$	8,027.5	\$	6,892.7	\$	5,501.5
Total revenue year-over-year percentage increase		16.5 %		25.3 %		29.3 %
Gross margin		74.3 %		72.3 %		68.8 %
Operating income (loss)	\$	683.9	\$	387.3	\$	(188.8)
Operating margin		8.5 %		5.6 %		(3.4)%
Billings	\$	10,208.1	\$	9,194.4	\$	7,471.5
Billings year-over-year percentage increase		11.0 %		23.1 %		37.0 %
Cash flow provided by operating activities	\$	3,257.6	\$	2,777.5	\$	1,984.7
Free cash flow (non-GAAP)	\$	3,100.8	\$	2,631.2	\$	1,791.9

- Deferred Revenue.** Our deferred revenue primarily consists of amounts that have been invoiced but have not been recognized as revenue as of the period end. The majority of our deferred revenue balance consists of subscription and support revenue that is recognized ratably over the contractual service period. We monitor our deferred revenue balance because it represents a significant portion of revenue to be recognized in future periods.

- **Billings.** We define billings as total revenue plus the change in total deferred revenue, net of acquired deferred revenue, during the period. We have considered billings to be a key metric used by management to manage our business. There are inherent limitations in using billings to evaluate our operating results as the variability in payment terms may cause fluctuation in billings. Beginning in the first fiscal quarter of 2025, billings will no longer be a key financial metric and will no longer be reported. We calculate billings in the following manner:

	Year Ended July 31,		
	2024	2023	2022
	(in millions)		
Billings:			
Total revenue	\$ 8,027.5	\$ 6,892.7	\$ 5,501.5
Add: change in total deferred revenue, net of acquired deferred revenue	2,180.6	2,301.7	1,970.0
Billings	\$ 10,208.1	\$ 9,194.4	\$ 7,471.5

- **Cash Flow Provided by Operating Activities.** We monitor cash flow provided by operating activities as a measure of our overall business performance. Our cash flow provided by operating activities is driven in large part by sales of our products and from up-front payments for subscription and support offerings. Monitoring cash flow provided by operating activities enables us to analyze our financial performance without the non-cash effects of certain items such as share-based compensation costs, depreciation and amortization, thereby allowing us to better understand and manage the cash needs of our business.
- **Free Cash Flow (non-GAAP).** We define free cash flow, a non-GAAP financial measure, as cash provided by operating activities less purchases of property, equipment, and other assets. We consider free cash flow to be a profitability and liquidity measure that provides useful information to management and investors about the amount of cash generated by the business after necessary capital expenditures. A limitation of the utility of free cash flow as a measure of our financial performance and liquidity is that it does not represent the total increase or decrease in our cash balance for the period. In addition, it is important to note that other companies, including companies in our industry, may not use free cash flow, may calculate free cash flow in a different manner than we do, or may use other financial measures to evaluate their performance, all of which could reduce the usefulness of free cash flow as a comparative measure. A reconciliation of free cash flow to cash flow provided by operating activities, the most directly comparable financial measure calculated and presented in accordance with U.S. GAAP, is provided below:

	Year Ended July 31,		
	2024	2023	2022
	(in millions)		
Free cash flow (non-GAAP):			
Net cash provided by operating activities	\$ 3,257.6	\$ 2,777.5	\$ 1,984.7
Less: purchases of property, equipment, and other assets	156.8	146.3	192.8
Free cash flow (non-GAAP)	\$ 3,100.8	\$ 2,631.2	\$ 1,791.9
Net cash used in investing activities	\$ (1,509.9)	\$ (2,033.8)	\$ (933.4)
Net cash used in financing activities	\$ (1,343.1)	\$ (1,726.3)	\$ (806.6)

Results of Operations

The following table summarizes our results of operations for the periods presented and as a percentage of our total revenue for those periods based on our consolidated statements of operations data. The period-to-period comparison of results is not necessarily indicative of results for future periods.

	Year Ended July 31,					
	2024		2023		2022	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
(dollars in millions)						
Revenue:						
Product	\$ 1,603.3	20.0 %	\$ 1,578.4	22.9 %	\$ 1,363.1	24.8 %
Subscription and support	6,424.2	80.0 %	5,314.3	77.1 %	4,138.4	75.2 %
Total revenue	8,027.5	100.0 %	6,892.7	100.0 %	5,501.5	100.0 %
Cost of revenue:						
Product	348.2	4.3 %	418.3	6.1 %	455.5	8.3 %
Subscription and support	1,711.0	21.4 %	1,491.4	21.6 %	1,263.2	22.9 %
Total cost of revenue ⁽¹⁾	2,059.2	25.7 %	1,909.7	27.7 %	1,718.7	31.2 %
Total gross profit	5,968.3	74.3 %	4,983.0	72.3 %	3,782.8	68.8 %
Operating expenses:						
Research and development	1,809.4	22.5 %	1,604.0	23.3 %	1,417.7	25.8 %
Sales and marketing	2,794.5	34.8 %	2,544.0	36.9 %	2,148.9	39.0 %
General and administrative	680.5	8.5 %	447.7	6.5 %	405.0	7.4 %
Total operating expenses ⁽¹⁾	5,284.4	65.8 %	4,595.7	66.7 %	3,971.6	72.2 %
Operating income (loss)	683.9	8.5 %	387.3	5.6 %	(188.8)	(3.4) %
Interest expense	(8.3)	(0.1) %	(27.2)	(0.4) %	(27.4)	(0.5) %
Other income, net	312.7	3.9 %	206.2	3.0 %	9.0	0.1 %
Income (loss) before income taxes	988.3	12.3 %	566.3	8.2 %	(207.2)	(3.8) %
Provision for (benefit from) income taxes	(1,589.3)	(19.8) %	126.6	1.8 %	59.8	1.1 %
Net income (loss)	\$ 2,577.6	32.1 %	\$ 439.7	6.4 %	\$ (267.0)	(4.9) %

⁽¹⁾ Includes share-based compensation as follows:

	Year Ended July 31,		
	2024	2023	2022
	(in millions)		
Cost of product revenue	\$ 7.3	\$ 9.8	\$ 9.3
Cost of subscription and support revenue	121.0	123.4	110.2
Research and development	525.5	488.4	471.1
Sales and marketing	300.8	335.3	304.7
General and administrative	124.1	130.4	118.1
Total share-based compensation	\$ 1,078.7	\$ 1,087.3	\$ 1,013.4

REVENUE

Our revenue consists of product revenue and subscription and support revenue. Revenue is recognized upon transfer of control of the corresponding promised products and subscriptions and support to our customers in an amount that reflects the consideration we expect to be entitled to in exchange for those products and subscriptions and support. We expect our revenue to vary from quarter to quarter based on seasonal and cyclical factors.

PRODUCT REVENUE

Product revenue is derived from sales of our appliances, primarily our ML-Powered Next-Generation Firewall. Product revenue also includes revenue derived from software licenses of Panorama, SD-WAN, and the VM-Series. Our appliances and software licenses include a broad set of built-in networking and security features and functionalities. We recognize product revenue at the time of hardware shipment or delivery of software license.

	Year Ended July 31,				Year Ended July 31,			
	2024	2023	Change		2023	2022	Change	
	Amount	Amount	Amount	%	Amount	Amount	Amount	%
(dollars in millions)								
Product	\$ 1,603.3	\$ 1,578.4	\$ 24.9	1.6 %	\$ 1,578.4	\$ 1,363.1	\$ 215.3	15.8 %

Product revenue increased for fiscal 2024 compared to fiscal 2023 driven by increased software revenue primarily due to our go-to-market strategy for certain Network Security offerings, and a change in mix shift within our new generation of hardware products, partially offset by decreased demand for our prior generation of hardware products.

SUBSCRIPTION AND SUPPORT REVENUE

Subscription and support revenue is derived primarily from sales of our subscription and support offerings. Our subscription and support contracts are typically one to five years. We recognize revenue from subscriptions and support over time as the services are performed. As a percentage of total revenue, we expect our subscription and support revenue to vary from quarter to quarter and increase over the long term as we introduce new subscriptions, renew existing subscription and support contracts, and expand our installed end-customer base.

	Year Ended July 31,				Year Ended July 31,			
	2024	2023	Change		2023	2022	Change	
	Amount	Amount	Amount	%	Amount	Amount	Amount	%
(dollars in millions)								
Subscription	\$ 4,188.5	\$ 3,335.4	\$ 853.1	25.6 %	\$ 3,335.4	\$ 2,539.0	\$ 796.4	31.4 %
Support	2,235.7	1,978.9	256.8	13.0 %	1,978.9	1,599.4	379.5	23.7 %
Total subscription and support	\$ 6,424.2	\$ 5,314.3	\$ 1,109.9	20.9 %	\$ 5,314.3	\$ 4,138.4	\$ 1,175.9	28.4 %

Subscription and support revenue increased for fiscal 2024 compared to fiscal 2023 due to increased demand for our subscription and support offerings from our end-customers. The mix between subscription revenue and support revenue will fluctuate over time, depending on the introduction of new subscription offerings, renewals of support services, and our ability to increase sales to new and existing end-customers.

REVENUE BY GEOGRAPHIC THEATER

	Year Ended July 31,				Year Ended July 31,			
	2024	2023	Change		2023	2022	Change	
	Amount	Amount	Amount	%	Amount	Amount	Amount	%
(dollars in millions)								
Americas	\$ 5,482.9	\$ 4,719.9	\$ 763.0	16.2 %	\$ 4,719.9	\$ 3,802.6	\$ 917.3	24.1 %
Europe, the Middle East, and Africa ("EMEA")	1,602.0	1,359.6	242.4	17.8 %	1,359.6	1,055.8	303.8	28.8 %
Asia Pacific and Japan ("APAC")	942.6	813.2	129.4	15.9 %	813.2	643.1	170.1	26.5 %
Total revenue	\$ 8,027.5	\$ 6,892.7	\$ 1,134.8	16.5 %	\$ 6,892.7	\$ 5,501.5	\$ 1,391.2	25.3 %

Revenue from the Americas, EMEA and APAC increased year-over-year for fiscal 2024 as we continued to increase investment in our global sales force in order to support our growth and innovation. Our three geographic theaters had similar year-over-year revenue growth rates for fiscal 2024, with the Americas contributing the highest increase in revenue due to its larger scale.

COST OF REVENUE

Our cost of revenue consists of cost of product revenue and cost of subscription and support revenue.

COST OF PRODUCT REVENUE

Cost of product revenue primarily includes costs paid to our manufacturing partners for procuring components and manufacturing our products. Our cost of product revenue also includes personnel costs, which consist of salaries, benefits, bonuses, share-based compensation, and travel associated with our operations organization, amortization of intellectual property licenses, product testing costs, shipping and tariff costs, and shared costs. Shared costs consist of certain facilities, depreciation, benefits, recruiting, and information technology costs that we allocate based on headcount. We expect our cost of product revenue to fluctuate with our revenue from hardware products.

	Year Ended July 31,				Year Ended July 31,			
	2024	2023	Change		2023	2022	Change	
	Amount	Amount	Amount	%	Amount	Amount	Amount	%
(dollars in millions)								
Cost of product revenue	\$ 348.2	\$ 418.3	\$ (70.1)	(16.8)%	\$ 418.3	\$ 455.5	\$ (37.2)	(8.2)%

Cost of product revenue decreased for fiscal 2024 compared to fiscal 2023 primarily due to decreased demand for our prior generation of hardware products and lower costs largely driven by an easing of supply chain challenges, partially offset by a change in mix shift within our new generation hardware products.

COST OF SUBSCRIPTION AND SUPPORT REVENUE

Cost of subscription and support revenue includes personnel costs for our global customer support and technical operations organizations, data center and cloud hosting service costs, third-party professional services costs, amortization of acquired intangible assets and capitalized software development costs, customer support and repair costs, and shared costs. We expect our cost of subscription and support revenue to increase as our installed end-customer base grows and adoption of our cloud-based subscription offerings increases.

	Year Ended July 31,				Year Ended July 31,			
	2024	2023	Change		2023	2022	Change	
	Amount	Amount	Amount	%	Amount	Amount	Amount	%
(dollars in millions)								
Cost of subscription and support revenue	\$ 1,711.0	\$ 1,491.4	\$ 219.6	14.7 %	\$ 1,491.4	\$ 1,263.2	\$ 228.2	18.1 %

Cost of subscription and support revenue increased for fiscal 2024 compared to fiscal 2023 primarily due to increased costs to support the growth of our subscription and support offerings. Cloud hosting service costs, which support our cloud-based subscription offerings, increased \$116.0 million for fiscal 2024 compared to fiscal 2023. Personnel costs grew \$48.2 million for fiscal 2024 compared to fiscal 2023, primarily due to headcount growth.

GROSS MARGIN

Gross margin has been and will continue to be affected by a variety of factors, including the introduction of new products, manufacturing costs, the average sales price of our products, cloud hosting service costs, personnel costs, the mix of products sold, and the mix of revenue between product and subscription and support offerings. Our virtual and higher-end firewall products generally have higher gross margins than our lower-end firewall products within each product series. We expect our gross margins to vary over time depending on the factors described above.

	Year Ended July 31,					
	2024		2023		2022	
	Amount	Gross Margin	Amount	Gross Margin	Amount	Gross Margin
	(dollars in millions)					
Product	\$ 1,255.1	78.3 %	\$ 1,160.1	73.5 %	\$ 907.6	66.6 %
Subscription and support	4,713.2	73.4 %	3,822.9	71.9 %	2,875.2	69.5 %
Total gross profit	<u>\$ 5,968.3</u>	<u>74.3 %</u>	<u>\$ 4,983.0</u>	<u>72.3 %</u>	<u>\$ 3,782.8</u>	<u>68.8 %</u>

Product gross margin increased for fiscal 2024 compared to fiscal 2023 primarily due to increased software revenue and lower costs largely driven by an easing of supply chain challenges.

Subscription and support gross margin increased for fiscal 2024 compared to fiscal 2023 primarily due to our growth in subscription and support revenue, which outpaced the subscription and support costs.

OPERATING EXPENSES

Our operating expenses consist of research and development, sales and marketing, and general and administrative expenses. Personnel costs are the most significant component of operating expenses and consist of salaries, benefits, bonuses, share-based compensation, travel and entertainment, and with regard to sales and marketing expense, sales commissions. Our operating expenses also include shared costs, which consist of certain facilities, depreciation, benefits, recruiting, and information technology costs that we allocate based on headcount to each department. We expect operating expenses generally to increase in absolute dollars and to decrease over the long term as a percentage of revenue as we continue to scale our business. As of July 31, 2024, we expect to recognize approximately \$2.0 billion of share-based compensation expense over a weighted-average period of approximately 2.6 years, excluding additional share-based compensation expense related to any future grants of share-based awards. Share-based compensation expense is generally recognized on a straight-line basis over the requisite service periods of the awards.

RESEARCH AND DEVELOPMENT

Research and development expense consists primarily of personnel costs. Research and development expense also includes prototype-related expenses and shared costs. We expect research and development expense to increase in absolute dollars as we continue to invest in our future products and services, although our research and development expense may fluctuate as a percentage of total revenue.

	Year Ended July 31,				Year Ended July 31,			
	2024	2023	Change		2023	2022	Change	
	Amount	Amount	Amount	%	Amount	Amount	Amount	%
	(dollars in millions)							
Research and development	\$ 1,809.4	\$ 1,604.0	\$ 205.4	12.8 %	\$ 1,604.0	\$ 1,417.7	\$ 186.3	13.1 %

Research and development expense increased for fiscal 2024 compared to fiscal 2023 primarily due to increased personnel costs, which grew \$143.4 million, largely due to headcount growth. The remaining increase in research and development expense was further driven by increased shared costs.

SALES AND MARKETING

Sales and marketing expense consists primarily of personnel costs, including commission expense. Sales and marketing expense also includes costs for market development programs, promotional and other marketing costs, professional services, and shared costs. We continue to strategically invest in headcount and have grown our sales presence. We expect sales and marketing expense to continue to increase in absolute dollars as we increase the size of our sales and marketing organizations to grow our customer base, increase touch points with end-customers, and expand our global presence, although our sales and marketing expense may fluctuate as a percentage of total revenue.

	Year Ended July 31,				Year Ended July 31,			
	2024	2023	Change		2023	2022	Change	
	Amount	Amount	Amount	%	Amount	Amount	Amount	%
(dollars in millions)								
Sales and marketing	\$ 2,794.5	\$ 2,544.0	\$ 250.5	9.8 %	\$ 2,544.0	\$ 2,148.9	\$ 395.1	18.4 %

Sales and marketing expense increased for fiscal 2024 compared to fiscal 2023 primarily due to increased personnel costs, which grew \$117.3 million, largely due to headcount growth. The increase in sales and marketing expense was further driven by increased costs associated with sales and marketing events and go-to-market initiatives.

GENERAL AND ADMINISTRATIVE

General and administrative expense consists primarily of personnel costs and shared costs for our executive, finance, human resources, information technology, and legal organizations, and professional services costs, which consist primarily of legal, auditing, accounting, and other consulting costs. We expect general and administrative expense to increase in absolute dollars over time as we increase the size of our general and administrative organizations and incur additional costs to support our business growth, although our general and administrative expense may fluctuate as a percentage of total revenue.

	Year Ended July 31,				Year Ended July 31,			
	2024	2023	Change		2023	2022	Change	
	Amount	Amount	Amount	%	Amount	Amount	Amount	%
(dollars in millions)								
General and administrative	\$ 680.5	\$ 447.7	\$ 232.8	52.0 %	\$ 447.7	\$ 405.0	\$ 42.7	10.5 %

General and administrative expenses increased for fiscal 2024 compared to fiscal 2023 primarily due to litigation-related charges of \$204.4 million in fiscal 2024. Refer to Note 12. Commitments and Contingencies in Part II, Item 8 of this Annual Report on Form 10-K for more information.

INTEREST EXPENSE

Interest expense primarily consists of interest expense related to our 0.75% Convertible Senior Notes due 2023 (the "2023 Notes") and our 0.375% Convertible Senior Notes due 2025 (the "2025 Notes," and together with "2023 Notes," the "Notes").

	Year Ended July 31,				Year Ended July 31,			
	2024	2023	Change		2023	2022	Change	
	Amount	Amount	Amount	%	Amount	Amount	Amount	%
(dollars in millions)								
Interest expense	\$ 8.3	\$ 27.2	\$ (18.9)	(69.5)%	\$ 27.2	\$ 27.4	\$ (0.2)	(0.7)%

Interest expense decreased for fiscal 2024 compared to fiscal 2023 primarily due to maturity of our 2023 Notes in July 2023 and early conversion of our 2025 Notes in fiscal 2024. Refer to Note 10. Debt in Part II, Item 8 of this Annual Report on Form 10-K for more information on the Notes.

OTHER INCOME, NET

Other income, net includes interest income earned on our cash, cash equivalents, and investments, and gains and losses from foreign currency remeasurement and foreign currency transactions.

	Year Ended July 31,				Year Ended July 31,			
	2024		2023		Change		2023	
	Amount	Amount	Amount	Amount	Amount	%	Amount	Amount
(dollars in millions)								
Other income, net	\$ 312.7	\$ 206.2	\$ 106.5	51.6 %	\$ 206.2	\$ 9.0	\$ 197.2	*

* Not meaningful

Other income, net increased for fiscal 2024 compared to fiscal 2023 primarily due to higher interest income as a result of higher interest rates and higher average cash, cash equivalents, and investments balance for fiscal 2024 compared to fiscal 2023.

PROVISION FOR (BENEFIT FROM) INCOME TAXES

Provision for (benefit from) income taxes consists primarily of U.S. taxes, foreign income taxes, and withholding taxes. We had a benefit from income taxes during fiscal 2024 primarily due to the release of our valuation allowance on U.S. federal, U.S. states other than California, and U.K. deferred tax assets. We continue to maintain a valuation allowance for California and certain deferred tax assets, including net operating loss carryforwards and certain domestic tax credits.

	Year Ended July 31,				Year Ended July 31,			
	2024		2023		Change		2023	
	Amount	Amount	Amount	Amount	Amount	%	Amount	Amount
(dollars in millions)								
Provision for (benefit from) income taxes	\$ (1,589.3)	\$ 126.6	\$ (1,715.9)	*	\$ 126.6	\$ 59.8	\$ 66.8	111.7 %
Effective tax rate	(160.8)%	22.4 %			22.4 %	(28.9)%		

* Not meaningful

Our benefit from income taxes in fiscal 2024 was \$1.6 billion, a net change of \$1.7 billion compared to a provision for income taxes of \$126.6 million in fiscal 2023, primarily due to the release of our valuation allowance in fiscal 2024. This is also the primary driver of the change in our effective tax rate for fiscal 2024 compared to fiscal 2023. Refer to Note 15. Income Taxes in Part II, Item 8 of this Annual Report on Form 10-K for more information.

Liquidity and Capital Resources

	July 31,	
	2024	2023
	(in millions)	
Working capital ⁽¹⁾	\$ (833.0)	\$ (1,689.5)
Cash, cash equivalents, and investments:		
Cash and cash equivalents	\$ 1,535.2	\$ 1,135.3
Investments	5,216.8	4,302.6
Total cash, cash equivalents, and investments	\$ 6,752.0	\$ 5,437.9

⁽¹⁾ Current liabilities included net carrying amounts of convertible senior notes of \$1.0 billion and \$2.0 billion as of July 31, 2024 and 2023, respectively. Refer to Note 10. Debt in Part II, Item 8 of this Annual Report on Form 10-K for information on the Notes.

As of July 31, 2024, our total cash, cash equivalents, and investments of \$6.8 billion were held for general corporate purposes. As of July 31, 2024, we had no unremitted earnings when evaluating our outside basis difference relating to our U.S. investment in foreign subsidiaries. However, there could be local withholding taxes due to various foreign countries if certain lower tier earnings are distributed. Withholding taxes that would be payable upon remittance of these lower tier earnings are not material.

Beginning in fiscal 2023, we were required to capitalize and amortize research and development expenses as required by the Tax Cuts and Jobs Act. As a result of this change and our increased profitability, we have paid significantly more U.S. cash taxes during fiscal 2024 and we expect our cash tax payments to increase in future periods.

DEBT

In June 2020, we issued the 2025 Notes with an aggregate principal amount of \$2.0 billion. The 2025 Notes mature on June 1, 2025; however, under certain circumstances, holders may surrender their 2025 Notes for conversion prior to the maturity date. Upon conversion of the 2025 Notes, we will pay cash equal to the aggregate principal amount of the 2025 Notes to be converted, and, at our election, we will pay or deliver cash and/or shares of our common stock for the amount of our conversion obligation in excess of the aggregate principal amount of the 2025 Notes being converted. During fiscal 2024, we repaid in cash \$1.0 billion in aggregate principal amount of the 2025 Notes and issued 7.0 million shares of common stock to the holders for the conversion value in excess of the principal amount of the 2025 Notes converted, which were fully offset by shares we received from our exercise of the associated note hedges. Subsequent to July 31, 2024, through the filing date of this Annual Report on Form 10-K, \$285.8 million in aggregate principal amount of the 2025 Notes was converted or had been submitted by the holders for conversion and will settle during the fiscal quarter ending October 31, 2024.

The sale price condition for the 2025 Notes was met during the fiscal quarter ended July 31, 2024, and as a result, holders may convert their 2025 Notes during the fiscal quarter ending October 31, 2024. If all of the holders convert their 2025 Notes during this period, we would be obligated to settle the \$1.0 billion principal amount of the 2025 Notes in cash. We believe that our cash provided by operating activities, our existing cash, cash equivalents and investments, and existing sources of and access to financing will be sufficient to meet our anticipated cash needs should the holders choose to convert their 2025 Notes during the fiscal quarter ending October 31, 2024 or hold the 2025 Notes until maturity on June 1, 2025. As of July 31, 2024, \$1.0 billion of our 2025 Notes remained outstanding. Refer to Note 10. Debt in Part II, Item 8 of this Annual Report on Form 10-K for more information on the Notes.

In April 2023, we entered into a credit agreement (the "Credit Agreement") that provides for a \$400.0 million unsecured revolving credit facility (the "Credit Facility"), with an option to increase the amount of the Credit Facility by up to an additional \$350.0 million, subject to certain conditions. The interest rates and commitment fees are also subject to upward and downward adjustments based on our progress towards the achievement of certain sustainability goals related to greenhouse gas emissions. As of July 31, 2024, there were no amounts outstanding, and we were in compliance with all covenants under the Credit Agreement. Refer to Note 10. Debt in Part II, Item 8 of this Annual Report on Form 10-K for more information on the Credit Agreement.

CAPITAL RETURN

In February 2019, our board of directors authorized a \$1.0 billion share repurchase program. In December 2020, August 2021, August 2022, and November 2023, our board of directors authorized additional \$700.0 million, \$676.1 million, \$915.0 million, and \$316.7 million increases to this share repurchase program, respectively, bringing the total authorization under this share repurchase program to \$3.6 billion. Repurchases will be funded from available working capital and may be made at management's discretion from time to time. As of July 31, 2024, \$500.0 million remained available for future share repurchases under this repurchase program. On August 15, 2024, our board of directors authorized a \$500.0 million increase to our share repurchase program, bringing the total remaining authorization for future share repurchases to \$1.0 billion. The repurchase authorization will expire on December 31, 2025, and may be suspended or discontinued at any time without prior notice. Refer to Note 13. Stockholders' Equity in Part II, Item 8 of this Annual Report on Form 10-K for more information on this repurchase program.

LEASES AND OTHER MATERIAL CASH REQUIREMENTS

We have entered into various non-cancelable operating leases, primarily for our offices and data centers, with lease terms expiring through fiscal 2036. As of July 31, 2024, we have total operating lease obligations of \$446.4 million recorded on our consolidated balance sheet.

As of July 31, 2024, our commitments to purchase products, components, cloud and other services totaled \$4.8 billion. Refer to Note 12. Commitments and Contingencies in Part II, Item 8 of this Annual Report on Form 10-K for more information on these commitments.

CASH FLOWS

The following table summarizes our cash flows for the years ended July 31, 2024, 2023, and 2022:

	Year Ended July 31,		
	2024	2023	2022
	(in millions)		
Net cash provided by operating activities	\$ 3,257.6	\$ 2,777.5	\$ 1,984.7
Net cash used in investing activities	(1,509.9)	(2,033.8)	(933.4)
Net cash used in financing activities	(1,343.1)	(1,726.3)	(806.6)
Net increase (decrease) in cash, cash equivalents, and restricted cash	\$ 404.6	\$ (982.6)	\$ 244.7

Cash from operations could be affected by various risks and uncertainties detailed in Part I, Item 1A "Risk Factors" in this Form 10-K. We believe that our cash flow from operations with existing cash and cash equivalents will be sufficient to meet our anticipated cash needs for at least the next 12 months and thereafter for the foreseeable future. Our future capital requirements will depend on many factors including our growth rate, the timing and extent of spending to support development efforts, the expansion of sales and marketing activities, the introduction of new and enhanced products and subscription and support offerings, the costs to acquire or invest in complementary businesses and technologies, the costs to ensure access to adequate manufacturing capacity, the investments in our infrastructure to support the adoption of our cloud-based subscription offerings, the repayment obligations associated with our 2025 Notes, the continuing market acceptance of our products and subscription and support offerings and macroeconomic events. In addition, from time to time, we may incur additional tax liability in connection with certain corporate structuring decisions.

We may also choose to seek additional equity or debt financing. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. If we are unable to raise additional capital when desired, our business, operating results, and financial condition may be adversely affected.

OPERATING ACTIVITIES

Our operating activities have consisted of net income (losses) adjusted for certain non-cash items and changes in assets and liabilities. Our largest source of cash provided by our operations is receipts from our billings.

Cash provided by operating activities during fiscal 2024 was \$3.3 billion, an increase of \$480.1 million compared to fiscal 2023. The increase was primarily due to growth of our business as reflected by increases in collections during fiscal 2024, partially offset by higher cash expenditure to support our business growth.

INVESTING ACTIVITIES

Our investing activities have consisted of capital expenditures, net investment purchases, sales, and maturities, and business acquisitions. We expect to continue such activities as our business grows.

Cash used in investing activities during fiscal 2024 was \$1.5 billion, a decrease of \$523.9 million compared to fiscal 2023. The decrease was primarily due to a decrease in purchases of investments, partially offset by a decrease in proceeds from sales and maturities of investments and an increase in net cash payments for business acquisitions during fiscal 2024.

FINANCING ACTIVITIES

Our financing activities have consisted of repayments of our convertible senior notes, cash used to repurchase shares of our common stock, proceeds from sales of shares through employee equity incentive plans, and payments for tax withholding obligations of certain employees related to the net share settlement of equity awards.

Cash used in financing activities during fiscal 2024 was \$1.3 billion, a decrease of \$383.2 million compared to fiscal 2023. The decrease was primarily due to a decrease in repayments of our Notes, partially offset by an increase in cash used to repurchases of our common stock during fiscal 2024.

Critical Accounting Estimates

Our consolidated financial statements have been prepared in accordance with U.S. GAAP. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses, and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. We evaluate our estimates and assumptions on an ongoing basis. Actual results could differ materially from those estimates due to risks and uncertainties, including uncertainty in the current economic environment. To the extent that there are material differences between these estimates and our actual results, our future consolidated financial statements will be affected.

We believe that of our significant accounting policies described in Note 1. Description of Business and Summary of Significant Accounting Policies in Part II, Item 8 of this Annual Report on Form 10-K, the critical accounting estimates, assumptions, and judgments that have the most significant impact on our consolidated financial statements are described below.

REVENUE RECOGNITION

The majority of our contracts with our customers include various combinations of our products and subscriptions and support. Our appliances and software licenses have significant standalone functionalities and capabilities. Accordingly, these appliances and software licenses are distinct from our subscriptions and support services as the customer can benefit from the product without these services and such services are separately identifiable within the contract. We account for multiple agreements with a single customer as a single contract if the contractual terms and/or substance of those agreements indicate that they may be so closely related that they are, in effect, parts of a single contract. The amount of consideration we expect to receive in exchange for delivering on the contract is allocated to each performance obligation based on its relative standalone selling price.

We establish standalone selling price using the prices charged for a deliverable when sold separately. If the standalone selling price is not observable through past transactions, we estimate the standalone selling price based on our pricing model and our go-to-market strategy, which include factors such as type of sales channel (channel partner or end-customer), the geographies in which our offerings were sold (domestic or international), and offering type (products, subscriptions, or support). As our business offerings evolve over time, we may be required to modify our estimated standalone selling prices, and as a result the timing and classification of our revenue could be affected.

INCOME TAXES

We account for income taxes using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in our consolidated financial statements or tax returns. In addition, deferred tax assets are recorded for all future benefits including, but not limited to, net operating losses, research and development credit carryforwards, and basis differences relating to our global intangible low-taxed income. Valuation allowances are provided when necessary to reduce deferred tax assets to the amount more likely than not to be realized.

Significant judgment is required in determining any valuation allowance recorded against deferred tax assets. In assessing the need for a valuation allowance, we consider all available evidence, including past operating results, estimates of future taxable income, and the feasibility of tax planning strategies. In the event that we change our determination as to the amount of deferred tax assets that can be realized, we will adjust our valuation allowance with a corresponding impact to the provision for income taxes in the period in which such determination is made.

We recognize liabilities for uncertain tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step requires us to estimate and measure the tax benefit as the largest amount that is more likely than not to be realized upon ultimate settlement.

Significant judgment is required in evaluating our uncertain tax positions and determining our provision for income taxes. Although we believe our reserves are reasonable, no assurance can be given that the final tax outcome of these matters will not be different from that which is reflected in our historical income tax provisions and accruals. We adjust these reserves in light of changing facts and circumstances, such as the closing of a tax audit or the refinement of an estimate. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences may impact the provision for income taxes in the period in which such determination is made.

MANUFACTURING PARTNER AND SUPPLIER LIABILITIES

We outsource most of our manufacturing, repair, and supply chain management operations to our EMS provider, which procures components and assembles our products based on our demand forecasts. These forecasts of future demand are based upon historical trends and analysis from our sales and product management functions as adjusted for overall market conditions. We accrue costs for manufacturing purchase commitments in excess of our forecasted demand, including costs for excess components or for carrying costs incurred by our manufacturing partners and component suppliers. Actual component usage and product demand may be materially different from our forecast and could be caused by factors outside of our control, which could have an adverse impact on our results of operations. Through July 31, 2024, we have not accrued significant costs associated with this exposure.

LOSS CONTINGENCIES

We are subject to the possibility of various loss contingencies arising in the ordinary course of business. We accrue for loss contingencies when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. If we determine that a loss is reasonably possible, then we disclose the possible loss or range of the possible loss or state that such an estimate cannot be made. We regularly evaluate current information available to us to determine whether an accrual is required, an accrual should be adjusted, or a range of possible loss should be disclosed.

From time to time, we are involved in disputes, litigation, and other legal actions. However, there are many uncertainties associated with any litigation, and these actions or other third-party claims against us may cause us to incur substantial settlement charges, which are inherently difficult to estimate and could adversely affect our results of operations. The actual liability in any such matters may be materially different from our estimates, which could result in the need to adjust our liability and record additional expenses. Refer to the "Litigation" subheading in Note 12. Commitments and Contingencies in Part II, Item 8 of this Annual Report on Form 10-K for more information regarding our litigation.

Recent Accounting Pronouncements

Refer to "Recently Issued Accounting Pronouncements" in Note 1. Description of Business and Summary of Significant Accounting Policies in Part II, Item 8 of this Annual Report on Form 10-K for a description of recent accounting pronouncements and our expectation of their impact, if any, on our results of operations and financial condition.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency Exchange Risk

Our sales contracts are denominated in U.S. dollars. A portion of our operating expenditures are incurred outside of the United States and are denominated in foreign currencies and are subject to fluctuations due to changes in foreign currency exchange rates. Additionally, fluctuations in foreign currency exchange rates may cause us to recognize transaction gains and losses in our statement of operations. Foreign currency remeasurement gains and losses and foreign currency transaction gains and losses have not had a significant impact to our consolidated financial statements.

We enter into foreign currency derivative contracts with maturities of 24 months or less, which we designate as cash flow hedges, to manage the foreign currency exchange risk associated with our foreign currency denominated operating expenditures. We also enter into foreign currency derivative contracts that are not designated as hedging instruments to hedge a portion of our outstanding monetary assets and liabilities denominated in foreign currencies. These foreign currency derivative contracts reduce but do not entirely eliminate the effect of foreign exchange rate fluctuations.

A hypothetical 10% change in foreign exchange rates on monetary assets and liabilities would not be material to our financial condition or results of operations after taking into consideration the effect of foreign currency forward contracts in place as of July 31, 2024. The effectiveness of our existing hedging transactions and the availability and effectiveness of any hedging transactions we may decide to enter into in the future may be limited, and we may not be able to successfully hedge our exposure, which could adversely affect our financial condition and results of operations. Refer to Note 6. Derivative Instruments in Part II, Item 8 of this Annual Report on Form 10-K for more information.

As our international operations grow, our risks associated with fluctuations in foreign currency exchange rates will become greater, and we will continue to reassess our approach to managing this risk. In addition, a weakening U.S. dollar can increase the costs of our international expansion and a strengthening U.S. dollar can increase the real cost of our products and services to our end-customers outside of the United States, leading to delays in the purchase of our products and services. For additional information, see the risk factor entitled *"We are exposed to fluctuations in foreign currency exchange rates, which could negatively affect our financial condition and operating results."* in Part 1, Item 1A of this Annual Report on Form 10-K.

Interest Rate Risk

The primary objectives of our investment activities are to preserve principal, provide liquidity, and maximize income without significantly increasing risk. Most of the securities we invest in are subject to interest rate risk. To minimize this risk, we maintain a diversified portfolio of cash, cash equivalents, and investments, consisting only of investment-grade securities. To assess the interest rate risk, we performed a sensitivity analysis to determine the impact a change in interest rates would have on the value of the investment portfolio. Based on investment positions as of July 31, 2024, a hypothetical 100 basis point increase in interest rates across all maturities would result in a \$97.8 million decline in the fair market value of the portfolio. Such losses would only be realized if we sold the investments prior to maturity. Conversely, a hypothetical 100 basis point decrease in interest rates would lead to a \$97.8 million increase in the fair market value of the portfolio.

In June 2020, we issued \$2.0 billion aggregate principal amount of the 2025 Notes. We carry these instruments at face value less unamortized issuance costs on our consolidated balance sheets. As these instruments have a fixed annual interest rate, we have no financial and economic exposure associated with changes in interest rates. However, the fair value of fixed rate debt instruments fluctuates when interest rates change, and additionally, in the case of the 2025 Notes, when the market price of our common stock fluctuates.

Item 8. Financial Statements and Supplementary Data

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Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Palo Alto Networks, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Palo Alto Networks, Inc. (the Company) as of July 31, 2024 and 2023, the related consolidated statements of operations, comprehensive income (loss), stockholders' equity and cash flows for each of the three years in the period ended July 31, 2024, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at July 31, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended July 31, 2024, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of July 31, 2024, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated September 6, 2024 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

REVENUE RECOGNITION

<i>Description of the Matter</i>	<p>As described in Note 1 to the consolidated financial statements, the Company's contracts with customers sometimes contain multiple performance obligations, which are accounted for separately if they are distinct. In such cases, the transaction price is then allocated to the distinct performance obligations on a relative standalone selling price basis, and revenue is recognized when control of the distinct performance obligation is transferred. For example, product revenue is recognized at the time of hardware shipment or delivery of software license, and subscription and support revenue is recognized over time as the services are performed.</p> <p>Auditing the Company's revenue recognition was complex, including the identification and determination of distinct performance obligations and the timing of revenue recognition. For example, there were certain customer arrangements with nonstandard terms and conditions that required judgment to determine the distinct performance obligations and the impact on the timing of revenue recognition.</p>
<i>How We Addressed the Matter in Our Audit</i>	<p>We obtained an understanding, evaluated the design and tested the operating effectiveness of the Company's process and controls to identify and determine the distinct performance obligations and the timing of revenue recognition.</p> <p>To test the identification and determination of the distinct performance obligations and the timing of revenue recognition, our audit procedures included, among others, reading the executed contract and purchase order to understand the contract, identifying the performance obligation(s), determining the distinct performance obligations, and evaluating the timing of revenue recognition for a sample of individual sales transactions. We evaluated the accuracy of the Company's contract summary documentation, specifically related to the identification and determination of distinct performance obligations and the timing of revenue recognition.</p>

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2009.

San Mateo, California

September 6, 2024

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Palo Alto Networks, Inc.

Opinion on Internal Control Over Financial Reporting

We have audited Palo Alto Networks, Inc.'s internal control over financial reporting as of July 31, 2024, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Palo Alto Networks, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of July 31, 2024, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of July 31, 2024 and 2023, the related consolidated statements of operations, comprehensive income (loss), stockholders' equity and cash flows for each of the three years in the period ended July 31, 2024, and the related notes and our report dated September 6, 2024 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

San Mateo, California
September 6, 2024

PALO ALTO NETWORKS, INC.

CONSOLIDATED BALANCE SHEETS
(In millions, except per share data)

	July 31,	
	2024	2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,535.2	\$ 1,135.3
Short-term investments	1,043.6	1,254.7
Accounts receivable, net of allowance for credit losses of \$ 7.5 and \$ 7.8 as of July 31, 2024 and July 31, 2023, respectively	2,618.6	2,463.2
Short-term financing receivables, net	725.9	388.8
Short-term deferred contract costs	369.0	339.2
Prepaid expenses and other current assets	557.4	466.8
Total current assets	6,849.7	6,048.0
Property and equipment, net	361.1	354.5
Operating lease right-of-use assets	385.9	263.3
Long-term investments	4,173.2	3,047.9
Long-term financing receivables, net	1,182.1	653.3
Long-term deferred contract costs	562.0	547.1
Goodwill	3,350.1	2,926.8
Intangible assets, net	374.9	315.4
Deferred tax assets	2,399.0	23.1
Other assets	352.9	321.7
Total assets	\$ 19,990.9	\$ 14,501.1
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 116.3	\$ 132.3
Accrued compensation	554.7	548.3
Accrued and other liabilities	506.7	390.8
Deferred revenue	5,541.1	4,674.6
Convertible senior notes, net	963.9	1,991.5
Total current liabilities	7,682.7	7,737.5
Long-term deferred revenue	5,939.4	4,621.8
Deferred tax liabilities	387.7	28.1
Long-term operating lease liabilities	380.5	279.2
Other long-term liabilities	430.9	86.1
Total liabilities	14,821.2	12,752.7
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Preferred stock; \$ 0.0001 par value; 100.0 shares authorized; none issued and outstanding as of July 31, 2024 and July 31, 2023	—	—
Common stock and additional paid-in capital; \$ 0.0001 par value; 1,000.0 shares authorized; 325.1 and 308.3 shares issued and outstanding as of July 31, 2024 and July 31, 2023, respectively	3,821.1	3,019.0
Accumulated other comprehensive loss	(1.6)	(43.2)
Retained earnings (accumulated deficit)	1,350.2	(1,227.4)
Total stockholders' equity	5,169.7	1,748.4
Total liabilities and stockholders' equity	\$ 19,990.9	\$ 14,501.1

See notes to consolidated financial statements.

PALO ALTO NETWORKS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share data)

	Year Ended July 31,		
	2024	2023	2022
Revenue:			
Product	\$ 1,603.3	\$ 1,578.4	\$ 1,363.1
Subscription and support	6,424.2	5,314.3	4,138.4
Total revenue	8,027.5	6,892.7	5,501.5
Cost of revenue:			
Product	348.2	418.3	455.5
Subscription and support	1,711.0	1,491.4	1,263.2
Total cost of revenue	2,059.2	1,909.7	1,718.7
Total gross profit	5,968.3	4,983.0	3,782.8
Operating expenses:			
Research and development	1,809.4	1,604.0	1,417.7
Sales and marketing	2,794.5	2,544.0	2,148.9
General and administrative	680.5	447.7	405.0
Total operating expenses	5,284.4	4,595.7	3,971.6
Operating income (loss)	683.9	387.3	(188.8)
Interest expense	(8.3)	(27.2)	(27.4)
Other income, net	312.7	206.2	9.0
Income (loss) before income taxes	988.3	566.3	(207.2)
Provision for (benefit from) income taxes	(1,589.3)	126.6	59.8
Net income (loss)	\$ 2,577.6	\$ 439.7	\$ (267.0)
Net income (loss) per share, basic	\$ 8.07	\$ 1.45	\$ (0.90)
Net income (loss) per share, diluted	\$ 7.28	\$ 1.28	\$ (0.90)
Weighted-average shares used to compute net income (loss) per share, basic	319.2	303.2	295.6
Weighted-average shares used to compute net income (loss) per share, diluted	354.0	342.3	295.6

See notes to consolidated financial statements.

PALO ALTO NETWORKS, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In millions)

	Year Ended July 31,		
	2024	2023	2022
Net income (loss)	\$ 2,577.6	\$ 439.7	\$ (267.0)
Other comprehensive income (loss), net of tax:			
Change in unrealized gains (losses) on investments	48.2	(13.0)	(25.0)
Cash flow hedges:			
Change in unrealized gains (losses)	(18.9)	(0.2)	(54.0)
Net realized (gains) losses reclassified into earnings	12.3	25.6	33.3
Net change on cash flow hedges	(6.6)	25.4	(20.7)
Other comprehensive income (loss)	41.6	12.4	(45.7)
Comprehensive income (loss)	<u>\$ 2,619.2</u>	<u>\$ 452.1</u>	<u>\$ (312.7)</u>

See notes to consolidated financial statements.

PALO ALTO NETWORKS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In millions)

	Common Stock and Additional Paid-In Capital		Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Accumulated Deficit)	Total Stockholders' Equity
	Shares	Amount			
Balance as of July 31, 2021	291.9	\$ 2,311.2	\$ (9.9)	\$ (1,666.8)	\$ 634.5
Cumulative-effect adjustment from adoption of new accounting pronouncement	—	(581.9)	—	266.7	(315.2)
Net loss	—	—	—	(267.0)	(267.0)
Other comprehensive loss	—	—	(45.7)	—	(45.7)
Issuance of common stock in connection with employee equity incentive plans	12.3	137.3	—	—	137.3
Taxes paid related to net share settlement of equity awards	—	(50.3)	—	—	(50.3)
Share-based compensation for equity-based awards	—	1,031.4	—	—	1,031.4
Repurchase and retirement of common stock	(5.4)	(915.0)	—	—	(915.0)
Balance as of July 31, 2022	298.8	1,932.7	(55.6)	(1,667.1)	210.0
Net income	—	—	—	439.7	439.7
Other comprehensive income	—	—	12.4	—	12.4
Issuance of common stock in connection with employee equity incentive plans	11.3	259.7	—	—	259.7
Taxes paid related to net share settlement of equity awards	—	(20.4)	—	—	(20.4)
Share-based compensation for equity-based awards	—	1,097.0	—	—	1,097.0
Repurchase and retirement of common stock	(1.8)	(250.0)	—	—	(250.0)
Settlement of convertible notes	11.4	—	—	—	—
Settlement of note hedges	(11.4)	—	—	—	—
Balance as of July 31, 2023	308.3	3,019.0	(43.2)	(1,227.4)	1,748.4
Net income	—	—	—	2,577.6	2,577.6
Other comprehensive income	—	—	41.6	—	41.6
Issuance of common stock in connection with employee equity incentive plans	9.8	282.7	—	—	282.7
Taxes paid related to net share settlement of equity awards	—	(26.6)	—	—	(26.6)
Share-based compensation for equity-based awards	—	1,115.3	—	—	1,115.3
Repurchase and retirement of common stock	(2.0)	(566.7)	—	—	(566.7)
Settlement of convertible notes	7.0	(2.6)	—	—	(2.6)
Settlement of note hedges	(7.0)	—	—	—	—
Settlement of warrants	9.0	—	—	—	—
Balance as of July 31, 2024	325.1	\$ 3,821.1	\$ (1.6)	\$ 1,350.2	\$ 5,169.7

See notes to consolidated financial statements.

PALO ALTO NETWORKS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Year Ended July 31,		
	2024	2023	2022
Cash flows from operating activities			
Net income (loss)	\$ 2,577.6	\$ 439.7	\$ (267.0)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Share-based compensation for equity-based awards	1,075.4	1,074.5	1,011.1
Deferred income taxes	(2,033.7)	12.5	(3.1)
Depreciation and amortization	283.3	282.2	282.6
Amortization of deferred contract costs	446.0	413.4	362.1
Amortization of debt issuance costs	3.5	6.7	7.2
Reduction of operating lease right-of-use assets	55.3	49.9	54.4
Amortization of investment premiums, net of accretion of purchase discounts	(60.1)	(52.2)	13.5
Changes in operating assets and liabilities, net of effects of acquisitions:			
Accounts receivable, net	(154.3)	(320.3)	(902.0)
Financing receivables, net	(865.9)	(738.7)	(30.1)
Deferred contract costs	(489.3)	(431.9)	(458.8)
Prepaid expenses and other assets	(134.1)	(270.6)	(110.0)
Accounts payable	(15.0)	1.0	69.3
Accrued compensation	3.8	84.4	30.4
Accrued and other liabilities	384.5	(74.8)	(44.9)
Deferred revenue	2,180.6	2,301.7	1,970.0
Net cash provided by operating activities	3,257.6	2,777.5	1,984.7
Cash flows from investing activities			
Purchases of investments	(3,551.3)	(5,460.4)	(2,271.7)
Proceeds from sales of investments	956.2	965.9	449.2
Proceeds from maturities of investments	1,852.6	2,811.5	1,118.9
Business acquisitions, net of cash and restricted cash acquired	(610.6)	(204.5)	(37.0)
Purchases of property, equipment, and other assets	(156.8)	(146.3)	(192.8)
Net cash used in investing activities	(1,509.9)	(2,033.8)	(933.4)
Cash flows from financing activities			
Repayments of convertible senior notes	(1,033.7)	(1,692.0)	(0.6)
Repurchases of common stock	(566.7)	(272.7)	(892.3)
Proceeds from sales of shares through employee equity incentive plans	283.9	258.8	136.6
Payments for taxes related to net share settlement of equity awards	(26.6)	(20.4)	(50.3)
Net cash used in financing activities	(1,343.1)	(1,726.3)	(806.6)
Net increase (decrease) in cash, cash equivalents, and restricted cash	404.6	(982.6)	244.7
Cash, cash equivalents, and restricted cash—beginning of period	1,142.2	2,124.8	1,880.1
Cash, cash equivalents, and restricted cash—end of period	\$ 1,546.8	\$ 1,142.2	\$ 2,124.8
Reconciliation of cash, cash equivalents, and restricted cash to the consolidated balance sheets			
Cash and cash equivalents	\$ 1,535.2	\$ 1,135.3	\$ 2,118.5
Restricted cash included in prepaid expenses and other current assets	11.6	6.9	6.3
Total cash, cash equivalents, and restricted cash	\$ 1,546.8	\$ 1,142.2	\$ 2,124.8
Non-cash investing and financing activities			
Equity consideration for business acquisitions	\$ (27.4)	\$ (0.3)	\$ (2.5)
Supplemental disclosures of cash flow information			
Cash paid for income taxes	\$ 342.3	\$ 147.1	\$ 34.6
Cash paid for contractual interest	\$ 5.6	\$ 20.2	\$ 20.2

See notes to consolidated financial statements.

Notes To Consolidated Financial Statements

1. Description of Business and Summary of Significant Accounting Policies

Description of Business

Palo Alto Networks, Inc. (the “Company,” “we,” “us,” or “our”), headquartered in Santa Clara, California, was incorporated in March 2005 under the laws of the State of Delaware and commenced operations in April 2005. We empower enterprises, organizations, service providers, and government entities to secure their users, networks, clouds and endpoints by delivering comprehensive cybersecurity enabled by artificial intelligence and automation.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles (“U.S. GAAP”). The consolidated financial statements include all adjustments necessary for a fair presentation of our annual results. All adjustments are of a normal recurring nature.

Principles of Consolidation

The consolidated financial statements include our accounts and our wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Reclassification

Certain prior period amounts in the consolidated financial statements and accompanying notes have been reclassified to conform to the current period presentation.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported and disclosed in the consolidated financial statements and the accompanying notes. We evaluate our estimates on an ongoing basis. Management estimates include, but are not limited to, the standalone selling price for our products and services, share-based compensation, fair value of assets acquired and liabilities assumed in business combinations, the assessment of recoverability of our intangibles and goodwill, valuation allowance against deferred tax assets, manufacturing partner and supplier liabilities, deferred contract cost benefit period, and loss contingencies. We base our estimates on assumptions, both historical and forward looking, that we believe are reasonable. Actual results could differ materially from those estimates due to risks and uncertainties, including uncertainty in the current economic environment.

Stock Split Effected in the Form of a Stock Dividend (“Stock Split”)

On September 13, 2022, we executed a three -for-one stock split of our common stock, effected in the form of a stock dividend. The par value per share of our common stock remains unchanged at \$ 0.0001 per share after the Stock Split. All references made to share or per share amounts on the accompanying consolidated financial statements and applicable disclosures have been retroactively adjusted to reflect the effects of the Stock Split.

Concentrations

Financial instruments that subject us to concentrations of credit risk consist primarily of cash and cash equivalents, investments, derivative contracts, accounts receivable and financing receivables.

We invest only in high-quality credit instruments and our cash and cash equivalents and available-for-sale investments consist primarily of fixed income securities. Management believes that the financial institutions that hold our investments are financially sound and, accordingly, are subject to minimal credit risk. Deposits held with banks may exceed the amount of insurance provided on such deposits.

Our derivative contracts expose us to credit risk to the extent that the counterparties may be unable to meet the terms of the arrangement. We mitigate this credit risk by transacting with major financial institutions with high credit ratings and also enter into master netting arrangements, which permit net settlement of transactions with the same counterparty. We are not required to pledge, and are not entitled to receive, cash collateral related to these derivative instruments. We do not enter into derivative contracts for trading or speculative purposes.

Our accounts receivable are primarily derived from our distributors in various geographical locations. Our financing receivables are with qualified end-customers and channel partners. We perform ongoing credit evaluations and generally do not require collateral on accounts receivable or financing receivables.

As of July 31, 2024, two distributors individually represented 10% or more of our gross accounts receivable, and in the aggregate represented 31.5 % of our gross accounts receivable. As of July 31, 2024, no end-customers or channel partners represented 10% or more of our gross financing receivables.

For fiscal 2024, four distributors represented 10% or more of our total revenue, representing 21.2 %, 13.2 %, 13.2 %, and 11.4 %, respectively. No single end-customer accounted for more than 10% of our total revenue in fiscal 2024, 2023, or 2022.

We rely on an electronics manufacturing services provider ("EMS provider") to assemble most of our products and sole source component suppliers for certain components.

Comprehensive Income (Loss)

Comprehensive income (loss) is comprised of net income (loss) and other comprehensive income (loss). Our other comprehensive income (loss) includes unrealized gains and losses on available-for-sale investments and unrealized gains and losses on cash flow hedges, net of tax effects.

Foreign Currency Transactions

The functional currency of our foreign subsidiaries is the U.S. dollar. Monetary assets and liabilities denominated in foreign currencies have been remeasured into U.S. dollars using the exchange rates in effect at the balance sheet dates. Foreign currency remeasurement gains and losses and foreign currency transaction gains and losses are not significant to the consolidated financial statements.

Fair Value

We define fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities which are required to be recorded at fair value, we consider the principal or most advantageous market in which to transact and the market-based risk.

We categorize assets and liabilities recorded or disclosed at fair value on our consolidated balance sheets based upon the level of judgment associated with inputs used to measure their fair value. The categories are as follows:

- Level 1—Inputs are unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2—Inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the assets or liabilities, either directly or indirectly through market corroboration, for substantially the full term of the financial instruments.
- Level 3—Inputs are unobservable inputs based on our own assumptions used to measure assets and liabilities at fair value. The inputs require significant management judgment or estimation.

Our financial assets and liabilities that are measured at fair value on a recurring basis include marketable securities and derivative financial instruments. Goodwill, intangible assets, and other long-lived assets are measured at fair value on a nonrecurring basis, only if impairment is indicated. Certain certificates of deposit, time deposits, and overnight sweep accounts recorded in cash and cash equivalents and short-term investments are stated at their carrying amounts, which approximate fair value due to their short maturities. The carrying amounts of accounts receivable, accounts payable, and accrued liabilities approximate fair value due to their short-term nature.

Cash, Cash Equivalents, and Investments

We consider all highly liquid investments with original maturities of three months or less at the date of purchase to be cash equivalents. Investments not considered cash equivalents and with maturities of one year or less from the consolidated balance sheet date are classified as short-term investments. Investments with maturities greater than one year from the consolidated balance sheet date are classified as long-term investments.

We determine the classification of our investments in marketable debt securities at the time of purchase and reevaluate such determination at each balance sheet date. Our marketable debt securities are classified as available-for-sale. Debt securities in an unrealized loss position are written down to its fair value with the corresponding charge recorded in other income, net on our consolidated statements of operations, if it is more likely than not that we will be required to sell the impaired security before recovery of its amortized cost basis, or we have the intention to sell the security. If neither of these conditions are met, we determine whether a credit loss exists by comparing the present value of the expected cash flows of the security with its amortized cost basis. An allowance for credit losses is recorded in other income, net on our consolidated statements of operations for an amount not to exceed the unrealized loss. Unrealized losses that are not credit-related are included in accumulated other comprehensive income (loss) ("AOCI") in stockholders' equity.

Accounts Receivable

Trade accounts receivable are recorded at the invoiced amount, net of allowances for credit losses. The allowance for credit losses is based on our assessment of collectability. Management regularly reviews the adequacy of the allowance for credit losses on a collective basis by considering the age of each outstanding invoice, each customer's expected ability to pay and collection history, current market conditions, and, where appropriate, reasonable and supportable forecasts of future economic conditions. Accounts receivable deemed uncollectible are charged against the allowance for credit losses. For the years ended July 31, 2024 and 2023, the allowance for credit losses activity was not significant.

Financing Receivables

We provide financing arrangements for certain qualified end-customers and channel partners to purchase our products and services. Payment terms on these financing arrangements are up to five years. Financing receivables are recorded at amortized cost, which approximates fair value. We may sell, in certain instances, these financing arrangements on a non-recourse basis to third-party financial institutions. The financing receivables are derecognized upon transfer as these sales qualify as true sales.

We evaluate the allowance for credit losses by assessing the risks and losses inherent in our financing receivables on either an individual or a collective basis. Our assessment considers various factors, including lifetime expected losses determined using customer risk profile, current economic conditions that may affect a customer's ability to pay, and forward-looking economic considerations. Financing receivables deemed uncollectible are charged against the allowance for credit losses.

Derivatives

We are exposed to foreign currency exchange risk, and we use derivative financial instruments to manage our foreign currency exchange risk. Our derivative financial instruments are recorded at fair value, on a gross basis, as either assets or liabilities on our consolidated balance sheets.

Our revenue is transacted in U.S. dollars, however, a portion of our operating expenditures are incurred outside of the United States and are denominated in foreign currencies, making them subject to fluctuations in foreign currency exchange rates. We enter into foreign currency derivative contracts with maturities of 24 months or less, which we designate as cash flow hedges, to manage the foreign currency exchange risk associated with our operating expenditures. Gains or losses related to the effective portion of our cash flow hedges are recorded as a component of AOCI on our consolidated balance sheets and are reclassified into the financial statement line item associated with the underlying hedged transaction on our consolidated statements of operations when the underlying hedged transaction is recognized in earnings. In the event the underlying hedged transactions do not occur, or it becomes probable that they will not occur within the defined hedge period, the gains or losses on these related cash flow hedges are recognized in other income, net on our consolidated statements of operations. Cash flows from foreign currency derivative contracts designated as cash flow hedges are classified on our consolidated statements of cash flows in the same manner as the underlying hedged transaction, primarily within cash flows from operating activities.

We also enter into foreign currency derivative contracts to hedge a portion of our outstanding monetary assets and liabilities denominated in foreign currencies. These derivatives are not designated as hedging instruments for accounting purposes, and the related gains and losses are recorded in other income, net on our consolidated statements of operations.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Land is not depreciated. The estimated useful lives of our depreciable assets are as follows:

Asset category	Useful life
Computers, equipment, and software	3 - 5 years
Demonstration units	3 - 4 years
Furniture and fixtures	5 years
Leasehold improvements	Lesser of 10 years or remaining lease term

Business Combinations

We include the results of operations of the businesses that we acquire as of the respective dates of acquisition. We allocate the fair value of the purchase price of our acquisitions to the assets acquired and liabilities assumed, generally based on their estimated fair values. The excess of the purchase price over the fair values of these identifiable assets and liabilities is recorded as goodwill. Additional information existing as of the acquisition date but unknown to us may become known during the remainder of the measurement period, not to exceed 12 months from the acquisition date, which may result in changes to the amounts and allocations recorded.

Intangible Assets

Purchased intangible assets with finite lives are carried at cost, less accumulated amortization. Amortization is computed using the straight-line method over the estimated useful lives of the respective assets. Acquisition-related in-process research and development represents the fair value of incomplete research and development projects that have not reached technological feasibility as of the date of acquisition. Initially, these assets are not subject to amortization. Assets related to projects that have been completed are transferred to developed technology, which are subject to amortization.

Impairment of Goodwill, Intangible Assets, and Other Long-Lived Assets

Goodwill is evaluated for impairment on an annual basis in the fourth quarter of our fiscal year, and whenever events or changes in circumstances indicate the carrying amount of goodwill may not be recoverable. We have elected to first assess qualitative factors to determine whether it is more likely than not that the fair value of our single reporting unit is less than its carrying amount, including goodwill. If we determine that it is more likely than not that the fair value is less than its carrying amount, then the quantitative impairment test will be performed. Under the quantitative impairment test, if the carrying amount exceeds its fair value, we will recognize an impairment loss in an amount equal to that excess but limited to the total amount of goodwill.

We evaluate events and changes in circumstances that could indicate carrying amounts of purchased intangible assets and other long-lived assets may not be recoverable. When such events or changes in circumstances occur, we assess the recoverability of these assets or asset groups by determining whether or not the carrying amount will be recovered through undiscounted expected future cash flows. If the total of the future undiscounted cash flows is less than the carrying amount of an asset or asset group, we record an impairment loss for the amount by which the carrying amount exceeds the fair value of the asset or asset group.

We did not recognize any impairment losses on our goodwill, intangible assets, or other long-lived assets during the years ended July 31, 2024, 2023, and 2022.

Manufacturing Partner and Supplier Liabilities

We outsource most of our manufacturing, repair, and supply chain management operations to our EMS provider and payments to it are a significant portion of our cost of product revenue. Although we are contractually obligated to purchase manufactured products and components, we generally do not own the components and manufactured products. Product title transfers from our EMS provider to us and immediately to our customers upon shipment. Our EMS provider assembles our products using design specifications, quality assurance programs, and standards that we establish, and it procures components and assembles products based on our demand forecasts. These forecasts represent our estimates of future demand for our products based upon historical trends and analysis from our sales and product management functions as adjusted for overall market conditions. If the actual component usage and product demand are significantly lower than forecast, we record a liability for manufacturing purchase commitments in excess of our forecasted demand, including costs for excess components or for carrying costs incurred by our manufacturing partners and component suppliers. Through July 31, 2024, we have not accrued any significant costs associated with this exposure.

Convertible Senior Notes

Prior to August 1, 2021, our convertible senior notes were separated into a liability and an equity component. The carrying amount of the liability component was calculated by measuring the fair value of a similar liability that did not have an associated convertible feature, using a discounted cash flow model with a risk-adjusted yield. The carrying amount of the equity component representing the conversion option was determined by deducting the fair value of the liability component from the par value of the notes as a whole. This difference represented a debt discount that was amortized to interest expense using the effective interest method over the term of the notes. The equity component was not remeasured as it continued to meet the conditions for equity classification. Transaction costs related to the issuance of the notes were allocated to the liability and equity components using the same proportions as the proceeds from the notes. Transaction costs attributable to the liability component were netted with the liability component and amortized to interest expense using the effective interest method over the term of the notes. Transaction costs attributable to the equity component were netted with the equity component of the notes in additional paid-in capital. Upon the notes becoming convertible, the net carrying amount of the liability component was classified as a current liability and a portion of the equity component representing the conversion option was reclassified to temporary equity. The portion of the equity component classified as temporary equity was measured as the difference between the principal and net carrying amount of the notes, excluding debt issuance costs.

Upon adoption of the new debt guidance on August 1, 2021, our convertible senior notes are accounted for entirely as a liability and measured at their amortized cost. Transaction costs related to the issuance of the notes are netted with the liability and are amortized on a straight-line basis, which approximates the effective interest rate method, to interest expense over the term of the notes.

We adopted the new debt guidance using the modified-retrospective approach. The adoption of this standard resulted in an increase to convertible senior notes, net of \$ 444.3 million, a decrease to accumulated deficit of \$ 266.7 million, a decrease to additional paid-in capital of \$ 581.9 million, and a decrease to temporary equity of \$ 129.1 million on August 1, 2021.

Revenue Recognition

Our revenue consists of product revenue and subscription and support revenue. Revenue is recognized when control of promised products, subscriptions and support services are transferred to customers, in an amount that reflects the expected consideration in exchange for those products and services.

We determine revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer.
- Identification of the performance obligations in the contract.
- Determination of the transaction price.
- Allocation of the transaction price to the performance obligations in the contract.
- Recognition of revenue when, or as, we satisfy a performance obligation.

Revenues are reported net of sales taxes. Shipping charges billed to our customers are included in revenue and related costs are included in cost of revenue.

Product Revenue

Product revenue is derived primarily from sales of our appliances. Product revenue also includes revenue derived from software licenses of Panorama, SD-WAN, and the VM-Series. Our appliances and software licenses include a broad set of built-in networking and security features and functionalities. We recognize product revenue at the time of hardware shipment or delivery of software license.

Subscription and Support Revenue

Subscription and support revenue is derived primarily from sales of our subscription and support offerings. We recognize subscription and support revenue over time as the services are performed. Our contractual subscription and support contracts are typically one to five years .

Contracts with Multiple Performance Obligations

The majority of our contracts with our customers include various combinations of our products and subscriptions and support. Our appliances and software licenses have significant standalone functionalities and capabilities. Accordingly, these appliances and software licenses are distinct from our subscriptions and support services as the customer can benefit from the product without these services and such services are separately identifiable within the contract. We account for multiple agreements with a single customer as a single contract if the contractual terms and/or substance of those agreements indicate that they may be so closely related that they are, in effect, parts of a single contract. The amount of consideration we expect to receive in exchange for delivering on the contract is allocated to each performance obligation based on its relative standalone selling price.

We establish standalone selling price using the prices charged for a deliverable when sold separately. If the standalone selling price is not observable through past transactions, we estimate the standalone selling price based on our pricing model and our go-to-market strategy, which include factors such as type of sales channel (channel partner or end-customer), the geographies in which our offerings were sold (domestic or international), and offering type (products, subscriptions, or support).

Deferred Revenue

We record deferred revenue when cash payments are received or due in advance of our performance. Our payment terms typically require payment within 30 to 45 days of the date we issue an invoice. The current portion of deferred revenue represents the amounts that are expected to be recognized as revenue within one year of the consolidated balance sheet date.

Deferred Contract Costs

We defer contract costs that are recoverable and incremental to obtaining customer sales contracts. Contract costs, which primarily consist of sales commissions, are amortized on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Sales commissions paid for initial contracts are generally not commensurate with the commissions paid for renewal contracts, given the substantive difference in commission rates in proportion to their respective contract values. Sales commissions for initial contracts that are not commensurate are amortized over a benefit period of five years . The benefit period is determined by taking into consideration contract length, expected renewals, technology life, and other quantitative and qualitative factors. Sales commissions for initial contracts that are commensurate and sales commissions for renewal contracts are amortized over the related contractual period.

We classify deferred contract costs as short-term or long-term based on when we expect to recognize the expense. The amortization of deferred contract costs is included in sales and marketing expense on our consolidated statements of operations. Deferred contract costs are periodically reviewed for impairment. We did not recognize any impairment losses on our deferred contract costs during the years ended July 31, 2024, 2023, or 2022.

Software Development Costs

Internally developed software includes security software developed to deliver our cloud-based subscription offerings to our end-customers. These capitalized costs consist of internal compensation-related costs and external direct costs incurred during the application development stage and will be amortized over a useful life of three years. As of July 31, 2024 and 2023, we capitalized as other assets on our consolidated balance sheets \$ 129.2 million and \$ 132.1 million in costs, respectively, net of accumulated amortization, for security software developed to deliver our cloud-based subscription offerings. We recognized amortization expense of \$ 77.2 million, \$ 79.5 million, and \$ 62.4 million related to these capitalized costs as cost of subscription and support revenue on our consolidated statements of operations during the years ended July 31, 2024, 2023, and 2022, respectively.

The costs to develop software that is marketed externally have not been capitalized as we believe our current software development process is essentially completed concurrent with the establishment of technological feasibility. As such, all related software development costs are expensed as incurred and included in research and development expense on our consolidated statements of operations.

Share-Based Compensation

Compensation expense related to share-based transactions is measured at fair value on the grant date. We recognize share-based compensation expense for awards with only service conditions on a straight-line basis over the requisite service period. We recognize share-based compensation expense for awards with market conditions and awards with performance conditions on a straight-line basis over the requisite service period for each separately vesting portion of the award. We recognize share-based compensation expense for awards with performance conditions when it is probable that the performance condition will be achieved. We account for forfeitures of all share-based payment awards when they occur.

Leases

We determine if an arrangement is a lease at inception. We evaluate the classification of leases at commencement and, as necessary, at modification. Operating lease related balances are included in operating lease right-of-use assets, accrued and other liabilities, and long-term operating lease liabilities on our consolidated balance sheets. We did not have any material finance leases in any of the periods presented.

Operating lease right-of-use assets represent our right to use an underlying asset for the lease term. Operating lease liabilities represent our obligation to make payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized at the present value of the future lease payments at the lease commencement date. The interest rate used to determine the present value of the future lease payments is our incremental borrowing rate, because the interest rates implicit in our leases are not readily determinable. Our incremental borrowing rate is estimated to approximate the interest rate on a collateralized basis with similar terms and payments, and in economic environments where the leased asset is located. Operating lease right-of-use assets also include adjustments related to lease incentives, prepaid or accrued rent and initial direct lease costs. Operating lease right-of-use assets are subject to evaluation for impairment or disposal on a basis consistent with other long-lived assets.

Our lease terms may include periods under options to extend or terminate the lease when it is reasonably certain that we will exercise that option. We generally use the base, non-cancelable lease term when determining the lease right-of-use assets and lease liabilities. Operating lease cost is recognized on a straight-line basis over the lease term.

We account for lease and non-lease components as a single lease component and do not recognize right-of-use assets and lease liabilities for leases with a term of 12 months or less. Payments under our lease arrangements are primarily fixed, however, certain lease agreements contain variable payments, which are expensed as incurred and not included in the operating lease right-of-use assets and liabilities. Variable lease payments primarily consist of real estate taxes, common area maintenance charges, and insurance costs.

Income Taxes

We account for income taxes using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in our consolidated financial statements or tax returns. In addition, deferred tax assets are recorded for all future benefits including, but not limited to, net operating losses, research and development credit carryforwards, and basis differences relating to our global intangible low-taxed income. Valuation allowances are provided when necessary to reduce deferred tax assets to the amount more likely than not to be realized.

Significant judgment is required in determining any valuation allowance recorded against deferred tax assets. In assessing the need for a valuation allowance, we consider all available evidence, including past operating results, estimates of future taxable income, and the feasibility of tax planning strategies. In the event that we change our determination as to the amount of deferred tax assets that can be realized, we will adjust our valuation allowance with a corresponding impact to the provision for income taxes in the period in which such determination is made.

We recognize liabilities for uncertain tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step requires us to estimate and measure the tax benefit as the largest amount that is more likely than not to be realized upon ultimate settlement.

Loss Contingencies

We are subject to the possibility of various loss contingencies arising in the ordinary course of business. In determining loss contingencies, we consider the likelihood of loss or impairment of an asset, or the incurrence of a liability, as well as our ability to reasonably estimate the amount of loss. An estimated loss contingency is accrued when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. If we determine that a loss is reasonably possible, then we disclose the possible loss or range of the possible loss or state that such an estimate cannot be made. We regularly evaluate current information available to us to determine whether an accrual is required, an accrual should be adjusted, or a range of possible loss should be disclosed.

Recently Issued Accounting Pronouncements

Segment Reporting

In November 2023, the Financial Accounting Standards Board ("FASB") issued authoritative guidance that expands annual and interim disclosure requirements for reportable segments, primarily through enhanced disclosures about significant segment expenses. The standard is effective for our annual periods beginning in fiscal 2025 and interim periods beginning in the first quarter of fiscal 2026, and requires retrospective application for all prior periods presented in the financial statements. Early adoption is permitted. We are currently evaluating the impact of this standard on our disclosures in the consolidated financial statements.

Income Tax Disclosures

In December 2023, the FASB issued authoritative guidance that requires consistent categories and greater disaggregation of information in the effective tax rate reconciliation and additional disclosures of income taxes paid by jurisdiction. The standard is effective for our annual periods beginning in fiscal 2026 and could be applied either prospectively or retrospectively. Early adoption is permitted. We are currently evaluating the impact of this standard on our disclosures in the consolidated financial statements.

2. Revenue

Disaggregation of Revenue

The following table presents revenue by geographic theater (in millions):

	Year Ended July 31,		
	2024	2023	2022
Revenue:			
Americas			
United States	\$ 5,134.0	\$ 4,424.2	\$ 3,560.3
Other Americas	348.9	295.7	242.3
Total Americas	5,482.9	4,719.9	3,802.6
Europe, the Middle East, and Africa ("EMEA")	1,602.0	1,359.6	1,055.8
Asia Pacific and Japan ("APAC")	942.6	813.2	643.1
Total revenue	\$ 8,027.5	\$ 6,892.7	\$ 5,501.5

The following table presents revenue for groups of similar products and services (in millions):

	Year Ended July 31,		
	2024	2023	2022
Revenue:			
Product	\$ 1,603.3	\$ 1,578.4	\$ 1,363.1
Subscription and support			
Subscription	4,188.5	3,335.4	2,539.0
Support	2,235.7	1,978.9	1,599.4
Total subscription and support	6,424.2	5,314.3	4,138.4
Total revenue	\$ 8,027.5	\$ 6,892.7	\$ 5,501.5

Deferred Revenue

During the years ended July 31, 2024 and 2023, we recognized approximately \$ 4.6 billion and \$ 3.6 billion of revenue pertaining to amounts that were deferred as of July 31, 2023 and 2022, respectively.

Remaining Performance Obligations

Remaining performance obligations were \$ 12.7 billion as of July 31, 2024, of which we expect to recognize as revenue approximately \$ 5.9 billion over the next 12 months and the remainder thereafter.

3. Fair Value Measurements

The following table presents our financial assets and liabilities measured at fair value on a recurring basis as of July 31, 2024 and 2023 (in millions):

	July 31, 2024				July 31, 2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cash equivalents:								
Money market funds	\$ 494.0	\$ —	\$ —	\$ 494.0	\$ 476.1	\$ —	\$ —	\$ 476.1
Commercial paper	—	299.6	—	299.6	—	151.4	—	151.4
Corporate debt securities	—	18.2	—	18.2	—	—	—	—
U.S. government and agency securities	—	149.6	—	149.6	—	—	—	—
Total cash equivalents	494.0	467.4	—	961.4	476.1	151.4	—	627.5
Short-term investments:								
Certificates of deposit	—	20.6	—	20.6	—	48.1	—	48.1
Commercial paper	—	79.9	—	79.9	—	213.8	—	213.8
Corporate debt securities	—	935.9	—	935.9	—	798.0	—	798.0
U.S. government and agency securities	—	2.7	—	2.7	—	190.6	—	190.6
Non-U.S. government and agency securities	—	4.2	—	4.2	—	—	—	—
Asset-backed securities	—	0.3	—	0.3	—	4.2	—	4.2
Total short-term investments	—	1,043.6	—	1,043.6	—	1,254.7	—	1,254.7
Long-term investments:								
Corporate debt securities	—	3,151.3	—	3,151.3	—	2,484.3	—	2,484.3
U.S. government and agency securities	—	19.0	—	19.0	—	22.0	—	22.0
Non-U.S. government and agency securities	—	54.4	—	54.4	—	36.6	—	36.6
Asset-backed securities	—	948.5	—	948.5	—	505.0	—	505.0
Total long-term investments	—	4,173.2	—	4,173.2	—	3,047.9	—	3,047.9
Prepaid expenses and other current assets:								
Foreign currency forward contracts	—	4.1	—	4.1	—	19.1	—	19.1
Total prepaid expenses and other current assets	—	4.1	—	4.1	—	19.1	—	19.1

	July 31, 2024				July 31, 2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Other assets:								
Foreign currency forward contracts	—	0.1	—	0.1	—	1.7	—	1.7
Total other assets	—	0.1	—	0.1	—	1.7	—	1.7
Total assets measured at fair value	\$ 494.0	\$ 5,688.4	\$ —	\$ 6,182.4	\$ 476.1	\$ 4,474.8	\$ —	\$ 4,950.9
Accrued and other liabilities:								
Foreign currency forward contracts	\$ —	\$ 15.3	\$ —	\$ 15.3	\$ —	\$ 18.7	\$ —	\$ 18.7
Total accrued and other liabilities	—	15.3	—	15.3	—	18.7	—	18.7
Other long-term liabilities:								
Foreign currency forward contracts	—	0.9	—	0.9	—	1.6	—	1.6
Total other long-term liabilities	—	0.9	—	0.9	—	1.6	—	1.6
Total liabilities measured at fair value	\$ —	\$ 16.2	\$ —	\$ 16.2	\$ —	\$ 20.3	\$ —	\$ 20.3

The total estimated fair value of our financing receivables approximates their carrying amounts as of July 31, 2024 and 2023. We consider the fair value of our financing receivables to be a Level 3 measurement as we use unobservable inputs in determining discounted cash flows to estimate the fair value.

Refer to Note 10. Debt, for the carrying amount and estimated fair value of our convertible senior notes as of July 31, 2024 and 2023.

4. Cash Equivalents and Investments

Available-for-sale Debt Securities

The following tables summarize the amortized cost, unrealized gains and losses, and fair value of our available-for-sale debt securities (in millions):

	July 31, 2024			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Cash equivalents:				
Commercial paper	\$ 299.6	\$ —	\$ —	\$ 299.6
Corporate debt securities	18.2	—	—	18.2
U.S. government and agency securities	149.6	—	—	149.6
Total available-for-sale cash equivalents	\$ 467.4	\$ —	\$ —	\$ 467.4
Investments:				
Certificates of deposit	\$ 20.6	\$ —	\$ —	\$ 20.6
Commercial paper	79.9	0.1	(0.1)	79.9
Corporate debt securities	4,065.5	28.3	(6.6)	4,087.2
U.S. government and agency securities	21.9	—	(0.2)	21.7
Non-U.S. government and agency securities	57.9	0.7	—	58.6
Asset-backed securities	943.1	6.3	(0.6)	948.8
Total available-for-sale investments	\$ 5,188.9	\$ 35.4	\$ (7.5)	\$ 5,216.8

	July 31, 2023			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Cash equivalents:				
Commercial paper	\$ 151.4	\$ —	\$ —	\$ 151.4
Total available-for-sale cash equivalents	\$ 151.4	\$ —	\$ —	\$ 151.4
Investments:				
Certificates of deposit	\$ 48.1	\$ —	\$ —	\$ 48.1
Commercial paper	214.1	—	(0.3)	213.8
Corporate debt securities	3,313.5	1.3	(32.5)	3,282.3
U.S. government and agency securities	214.2	—	(1.6)	212.6
Non-U.S. government and agency securities	37.2	—	(0.6)	36.6
Asset-backed securities	512.0	0.2	(3.0)	509.2
Total available-for-sale investments	\$ 4,339.1	\$ 1.5	\$ (38.0)	\$ 4,302.6

As of July 31, 2024, the gross unrealized losses that have been in a continuous unrealized loss position for less than 12 months were \$ 1.5 million, which were related to \$ 949.4 million of available-for-sale debt securities, and the gross unrealized losses that have been in a continuous unrealized loss position for more than 12 months were \$ 6.0 million, which were related to \$ 915.3 million of available-for-sale debt securities. As of July 31, 2023, the gross unrealized losses that have been in a continuous unrealized loss position for less than 12 months were \$ 30.7 million, which were related to \$ 3.4 billion of available-for-sale debt securities, and the gross unrealized losses that have been in a continuous unrealized loss position for more than 12 months were \$ 7.3 million, which were related to \$ 481.8 million of available-for-sale debt securities.

Unrealized losses related to our available-for-sale debt securities are primarily due to interest rate fluctuations as opposed to credit quality. We do not intend to sell any of the securities in an unrealized loss position and it is not likely that we would be required to sell these securities before recovery of their amortized cost basis, which may be at maturity. We did not recognize any credit losses related to our available-for-sale debt securities during the years ended July 31, 2024 and 2023.

The following table summarizes the amortized cost and fair value of our available-for-sale debt securities as of July 31, 2024, by contractual years-to-maturity (in millions):

	Amortized Cost	Fair Value
Due within one year	\$ 1,513.3	\$ 1,511.0
Due between one and three years	2,054.2	2,059.9
Due between three and five years	1,782.9	1,804.1
Due between five and ten years	203.5	205.1
Due after ten years	102.4	104.1
Total	\$ 5,656.3	\$ 5,684.2

Marketable Equity Securities

Marketable equity securities consist of money market funds and are included in cash and cash equivalents on our consolidated balance sheets. As of July 31, 2024 and 2023, the carrying amounts of our marketable equity securities were \$ 494.0 million and \$ 476.1 million, respectively. There were no unrealized gains or losses recognized for these securities during the years ended July 31, 2024, 2023, and 2022.

5. Financing Receivables

The following table summarizes our short-term and long-term financing receivables (in millions):

	July 31,	
	2024	2023
Short-term financing receivables, gross	\$ 830.2	\$ 435.1
Unearned income	(95.7)	(42.9)
Allowance for credit losses	(8.6)	(3.4)
Short-term financing receivables, net	\$ 725.9	\$ 388.8
Long-term financing receivables, gross	\$ 1,286.4	\$ 698.6
Unearned income	(94.6)	(39.2)
Allowance for credit losses	(9.7)	(6.1)
Long-term financing receivables, net	\$ 1,182.1	\$ 653.3

The following table presents amortized cost basis of our financing receivables categorized by internal risk rating and year of origination (in millions):

Internal Risk Rating ⁽¹⁾	July 31, 2024					July 31, 2023				
	Fiscal Years Ended July 31,					Fiscal Years Ended July 31,				
	2024	2023	2022	2021	Total	2023	2022	2021	2020	Total
1 to 4	\$ 885.9	\$ 477.3	\$ 14.7	\$ 44.4	\$ 1,422.3	\$ 595.8	\$ 50.6	\$ 114.5	\$ 1.2	\$ 762.1
5 to 6	272.2	172.0	21.1	1.1	466.4	219.4	40.1	4.4	1.5	265.4
7 to 10	3.2	25.0	0.3	9.1	37.6	5.6	0.6	17.9	—	24.1
Amortized cost basis of financing receivables	\$ 1,161.3	\$ 674.3	\$ 36.1	\$ 54.6	\$ 1,926.3	\$ 820.8	\$ 91.3	\$ 136.8	\$ 2.7	\$ 1,051.6

⁽¹⁾ Internal risk ratings are categorized as 1 through 10, with the lowest rating representing the highest quality.

There was no significant activity in allowance for credit losses during the years ended July 31, 2024 and 2023. Past due amounts on financing receivables were not material as of July 31, 2024 and 2023.

6. Derivative Instruments

As of July 31, 2024 and 2023, the notional amount of our outstanding foreign currency forward contracts designated as cash flow hedges was \$ 804.8 million and \$ 824.1 million, respectively. Refer to Note 3. Fair Value Measurements for the fair value of our derivative instruments as reported on our consolidated balance sheets as of July 31, 2024 and 2023.

As of July 31, 2024, unrealized gains and losses in AOCI related to our cash flow hedges were a \$ 10.6 million net loss, of which \$ 7.9 million in losses are expected to be recognized into earnings within the next 12 months. As of July 31, 2023, unrealized gains and losses in AOCI related to our cash flow hedges were a \$ 0.7 million net gain.

As of July 31, 2024 and 2023, the notional amount of our outstanding foreign currency forward contracts not designated as hedging instruments was \$ 375.6 million and \$ 133.4 million, respectively.

7. Acquisitions

Fiscal 2024

Dig Security Solutions Ltd.

On December 5, 2023, we completed our acquisition of Dig Security Solutions Ltd. ("Dig"), a privately-held cyber security company. We expect the acquisition will enhance our Prisma Cloud capabilities with a data security posture management solution that is intended to provide customers with visibility into, and secure data stored across, their multi-cloud environments. The total purchase consideration for the acquisition of Dig was \$ 255.4 million, which consisted of the following (in millions):

	Amount
Cash	\$ 247.6
Fair value of replacement awards	7.8
Total	\$ 255.4

As part of the acquisition, we issued replacement equity awards, which included 0.2 million shares of our restricted common stock. The total fair value of the replacement equity awards was \$ 72.0 million, of which the portion attributable to services performed prior to the acquisition date was allocated to purchase consideration. The remaining fair value was allocated to future services and will be expensed over the remaining service periods as share-based compensation.

We have accounted for this transaction as a business combination and allocated the purchase consideration to assets acquired and liabilities assumed based on preliminary estimated fair values, as presented in the following table (in millions):

	Amount
Goodwill	\$ 186.4
Identified intangible assets	45.4
Cash and restricted cash	22.1
Net assets acquired	1.5
Total	\$ 255.4

Goodwill generated from this business combination is primarily attributable to the assembled workforce and expected post-acquisition synergies from integrating Dig technology into our platforms. The goodwill is deductible for U.S. income tax purposes.

The following table presents details of the identified intangible asset acquired (in millions, except years):

	Fair Value	Estimated Useful Life
Developed technology	\$ 45.4	5 years

Talon Cyber Security Ltd.

On December 28, 2023, we completed our acquisition of Talon Cyber Security Ltd. ("Talon"), a privately-held cyber security company. We expect the acquisition will support Prisma SASE's approach to provide secure access to business applications for unmanaged and personal devices with an enterprise browser. The total purchase consideration for the acquisition of Talon was \$ 458.6 million, which consisted of the following (in millions):

	Amount
Cash	\$ 439.0
Fair value of replacement awards	19.6
Total	\$ 458.6

As part of the acquisition, we issued replacement equity awards, which included 0.3 million shares of our restricted common stock. The total fair value of the replacement equity awards was \$ 109.6 million, of which the portion attributable to services performed prior to the acquisition date was allocated to purchase consideration. The remaining fair value was allocated to future services and will be expensed over the remaining service periods as share-based compensation.

We have accounted for this transaction as a business combination and allocated the purchase consideration to assets acquired and liabilities assumed based on preliminary estimated fair values, as presented in the following table (in millions):

	Amount
Goodwill	\$ 236.9
Identified intangible assets	131.4
Cash and restricted cash	53.9
Net assets acquired	36.4
Total	\$ 458.6

Goodwill generated from this business combination is primarily attributable to the assembled workforce and expected post-acquisition synergies from integrating Talon technology into our platforms. The goodwill is deductible for U.S. income tax purposes.

The following table presents details of the identified intangible asset acquired (in millions, except years):

	Fair Value	Estimated Useful Life
Developed technology	\$ 131.4	5 years

Fiscal 2023

Cider Security Ltd.

On December 20, 2022, we completed our acquisition of Cider Security Ltd. ("Cider"), a privately-held cloud security company. We expect the acquisition will support Prisma Cloud's platform approach to securing the entire application security lifecycle from code to cloud. The total purchase consideration for the acquisition of Cider was \$ 198.3 million, which consisted of the following (in millions):

	Amount
Cash	\$ 198.0
Fair value of replacement awards	0.3
Total	<u>\$ 198.3</u>

As part of the acquisition, we issued replacement equity awards, which included 0.2 million shares of our restricted common stock. The total fair value of the replacement equity awards was \$ 48.6 million, of which the portion attributable to services performed prior to the acquisition date was allocated to purchase consideration. The remaining fair value was allocated to future services and will be expensed over the remaining service periods as share-based compensation.

We have accounted for this transaction as a business combination and allocated the purchase consideration to assets acquired and liabilities assumed based on estimated fair values, as presented in the following table (in millions):

	Amount
Goodwill	\$ 164.6
Identified intangible assets	27.8
Cash	12.4
Net liabilities assumed	(6.5)
Total	<u>\$ 198.3</u>

Goodwill generated from this business combination is primarily attributable to the assembled workforce and expected post-acquisition synergies from integrating Cider technology into our platforms. The goodwill is deductible for U.S. income tax purposes.

The following table presents the identified intangible asset acquired (in millions, except years):

	Fair Value	Estimated Useful Life
Developed technology	\$ 27.8	5 years

Other acquisition

In April 2023, we completed an acquisition for total purchase consideration of \$ 18.9 million in cash. We have accounted for this transaction as a business combination and recorded goodwill of \$ 14.5 million. The goodwill is not deductible for income tax purposes.

Fiscal 2022

During the year ended July 31, 2022, we completed acquisitions for a combined total purchase consideration of \$ 40.1 million, which was primarily cash. We have accounted for these transactions as business combinations, and recorded goodwill of \$ 37.6 million. The goodwill is not deductible for income tax purposes.

Additional Acquisition-Related Information

Pro forma results of operations have not been presented because the effects of the acquisitions were not material to our consolidated statements of operations.

Additional information related to our acquisitions completed in fiscal 2024, such as that related to income tax and other contingencies, existing as of the acquisition date may become known during the remainder of the measurement period, not to exceed 12 months from the respective acquisition date, which may result in changes to the amounts and allocations recorded.

8. Goodwill and Intangible Assets

Goodwill

The following table presents details of our goodwill during the year ended July 31, 2024 (in millions):

		Amount
Balance as of July 31, 2023	\$	2,926.8
Goodwill acquired		423.3
Balance as of July 31, 2024	\$	3,350.1

Purchased Intangible Assets

The following table presents details of our purchased intangible assets (in millions):

	July 31,					
	2024			2023		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets subject to amortization:						
Developed technology	\$ 813.9	\$ (526.2)	\$ 287.7	\$ 633.2	\$ (429.4)	\$ 203.8
Customer relationships	172.7	(96.1)	76.6	172.7	(73.9)	98.8
Acquired intellectual property	18.2	(7.9)	10.3	14.6	(6.2)	8.4
Trade name and trademarks	9.4	(9.4)	—	9.4	(9.4)	—
Other	0.9	(0.6)	0.3	0.9	(0.4)	0.5
Total intangible assets subject to amortization	1,015.1	(640.2)	374.9	830.8	(519.3)	311.5
Intangible assets not subject to amortization:						
In-process research and development	—	—	—	3.9	—	3.9
Total purchased intangible assets	\$ 1,015.1	\$ (640.2)	\$ 374.9	\$ 834.7	\$ (519.3)	\$ 315.4

We recognized amortization expense of \$ 120.9 million, \$ 104.9 million, and \$ 126.9 million for the years ended July 31, 2024, 2023, and 2022, respectively.

The following table summarizes estimated future amortization expense of our intangible assets subject to amortization as of July 31, 2024 (in millions):

	Fiscal years ending July 31,						
	Total	2025	2026	2027	2028	2029	2030 and Thereafter
Future amortization expense	\$ 374.9	\$ 120.6	\$ 98.8	\$ 71.8	\$ 50.2	\$ 24.2	\$ 9.3

9. Property and Equipment

The following table presents details of our property and equipment, net (in millions):

	July 31,	
	2024	2023
Computers, equipment, and software	\$ 466.0	\$ 432.9
Leasehold improvements	274.0	268.9
Land	87.2	87.2
Demonstration units	44.4	46.9
Furniture and fixtures	48.7	46.9
Total property and equipment, gross	920.3	882.8
Less: accumulated depreciation	(559.2)	(528.3)
Total property and equipment, net	\$ 361.1	\$ 354.5

We recognized depreciation expense of \$ 85.1 million, \$ 95.9 million, and \$ 92.8 million related to property and equipment during the years ended July 31, 2024, 2023, and 2022, respectively.

10. Debt

Convertible Senior Notes

In July 2018, we issued \$ 1.7 billion aggregate principal amount of 0.75 % Convertible Senior Notes due 2023 (the "2023 Notes") and in June 2020, we issued \$ 2.0 billion aggregate principal amount of 0.375 % Convertible Senior Notes due 2025 (the "2025 Notes," and together with the 2023 Notes, the "Notes"). The 2023 Notes bear interest at a fixed rate of 0.75 % per year, payable semi-annually in arrears on January 1 and July 1 of each year, beginning on January 1, 2019. The 2023 Notes were converted prior to or settled on the maturity date of July 1, 2023 in accordance with their terms. The 2025 Notes bear interest at a fixed rate of 0.375 % per year, payable semi-annually in arrears on June 1 and December 1 of each year, beginning on December 1, 2020. The 2025 Notes are governed by an indenture between us, as the issuer, and U.S. Bank National Association, as Trustee (the "Indenture"). The 2025 Notes are unsecured, unsubordinated obligations and the Indenture governing the 2025 Notes does not contain any financial covenants or restrictions on the payments of dividends, the incurrence of indebtedness, or the issuance or repurchase of securities by us or any of our subsidiaries. The 2025 Notes mature on June 1, 2025. We may redeem for cash all or any portion of the 2025 Notes, at our option, on or after June 5, 2023 and prior to the 31st scheduled trading day immediately preceding the maturity date if the last reported sale price of our common stock has been at least 130 % of the conversion price then in effect for at least 20 trading days during any 30 consecutive trading day period ending on and including the trading day preceding the date on which we provide notice of redemption. The redemption will be at a price equal to 100 % of the principal amount of the 2025 Notes and adjusted for interest. If we call any or all of the 2025 Notes for redemption, holders may convert such 2025 Notes called for redemption at any time prior to the close of business on the second scheduled trading day immediately preceding the redemption date.

The following table presents details of our Notes (number of shares in millions):

	Conversion Rate per \$1,000		Convertible Date	Initial Number of Shares
	Principal	Initial Conversion Price		
2023 Notes ⁽¹⁾	11.2635	\$ 88.78	April 1, 2023	19.1
2025 Notes	10.0806	\$ 99.20	March 1, 2025	20.1

⁽¹⁾ The 2023 Notes were converted prior to or settled on the maturity date of July 1, 2023.

Holders of the 2025 Notes may surrender their 2025 Notes for conversion at their option at any time prior to the close of business on the business day immediately preceding March 1, 2025 only under the following circumstances:

- during any fiscal quarter commencing after the fiscal quarter ending on October 31, 2020 (and only during such fiscal quarter), if the last reported sale price of our common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130 % of the conversion price for the 2025 Notes on each applicable trading day (the "sale price condition");
- during the five business day period after any five consecutive trading day period (the "measurement period") in which the trading price per \$1,000 principal amount of the 2025 Notes for each trading day of the measurement period was less than 98 % of the product of the last reported sale price of our common stock and the conversion rate for the 2025 Notes on each such trading day; or
- upon the occurrence of specified corporate events.

On or after March 1, 2025, holders may surrender all or any portion of their 2025 Notes for conversion at any time prior to the close of business on the second scheduled trading day immediately preceding the maturity date regardless of the foregoing conditions, and such conversions will be settled upon the maturity date. Upon conversion, holders of the 2025 Notes will receive cash equal to the aggregate principal amount of the 2025 Notes to be converted, and, at our election, cash and/or shares of our common stock for any amounts in excess of the aggregate principal amount of the 2025 Notes being converted.

The conversion price will be subject to adjustment in some events. Holders of the 2025 Notes who convert their 2025 Notes in connection with certain corporate events that constitute a “make-whole fundamental change” under the Indenture are, under certain circumstances, entitled to an increase in the conversion rate. Additionally, upon the occurrence of a corporate event that constitutes a “fundamental change” under the Indenture, holders of the 2025 Notes may require us to repurchase for cash all or a portion of the 2025 Notes at a repurchase price equal to 100 % of the principal amount of the 2025 Notes plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

Holders of the 2023 Notes were able to early convert their 2023 Notes in fiscal 2023 up to April 1, 2023 as the sales price condition had been met. Conversion requests for the 2023 Notes received on or after April 1, 2023 were settled upon maturity of the 2023 Notes. Holders of the 2025 Notes were able to early convert their 2025 Notes in fiscal 2024 and 2023 as the sales price condition was met. During the years ended July 31, 2024 and 2023, holders of the Notes converted \$ 1.0 billion and \$ 1.7 billion, respectively, in aggregate principal amount of the Notes, which we repaid in cash. We also issued 7.0 million and 11.4 million shares of our common stock to the holders of the Notes during the years ended July 31, 2024 and 2023, respectively, for the conversion value in excess of the principal amount. These shares were fully offset by shares we received from the corresponding exercise of the associated note hedges. Refer to Note 19. Subsequent Events for additional information regarding conversion of the 2025 Notes after July 31, 2024 through the filing date of this Annual Report on Form 10-K.

The sale price condition for the 2025 Notes was met during the fiscal quarters ended July 31, 2024 and 2023, and as a result, holders have the option to convert their 2025 Notes in the fiscal quarter commencing after July 31, 2024 and 2023, respectively. The net carrying amount of the 2025 Notes was classified as a current liability on our consolidated balance sheet as of July 31, 2024 and 2023.

The following table sets forth the net carrying amount of our 2025 Notes (in millions):

	July 31, 2024	July 31, 2023
Principal	\$ 965.6	\$ 1,999.3
Less: debt issuance costs, net of amortization	(1.7)	(7.8)
Net carrying amount	<u>\$ 963.9</u>	<u>\$ 1,991.5</u>

The total estimated fair value of the 2025 Notes was \$ 3.2 billion and \$ 5.0 billion as of July 31, 2024 and 2023, respectively. The fair value was determined based on the closing trading price per \$100 of the 2025 Notes as of the last day of trading for the period. We consider the fair value of the 2025 Notes at July 31, 2024 and 2023 to be a Level 2 measurement. The fair value of the 2025 Notes is primarily affected by the trading price of our common stock and market interest rates.

The following table sets forth interest expense recognized related to the Notes (dollars in millions):

	Year Ended July 31, 2024			Year Ended July 31, 2023			Year Ended July 31, 2022		
	2023 Notes	2025 Notes	Total	2023 Notes	2025 Notes	Total	2023 Notes	2025 Notes	Total
Contractual interest expense	\$ —	\$ 4.8	\$ 4.8	\$ 11.6	\$ 7.5	\$ 19.1	\$ 12.7	\$ 7.5	\$ 20.2
Amortization of debt issuance costs	—	3.5	3.5	2.6	4.1	6.7	2.8	4.4	7.2
Total interest expense recognized	<u>\$ —</u>	<u>\$ 8.3</u>	<u>\$ 8.3</u>	<u>\$ 14.2</u>	<u>\$ 11.6</u>	<u>\$ 25.8</u>	<u>\$ 15.5</u>	<u>\$ 11.9</u>	<u>\$ 27.4</u>
Effective interest rate of the liability component	<u>— %</u>	<u>0.6 %</u>		<u>0.9 %</u>	<u>0.6 %</u>		<u>0.9 %</u>	<u>0.6 %</u>	

Note Hedges

To minimize the impact of potential economic dilution upon conversion of our convertible senior notes, we entered into separate convertible note hedge transactions (the “2023 Note Hedges,” with respect to the 2023 Notes, the “2025 Note Hedges,” with respect to the 2025 Notes, and the 2023 Note Hedges together with 2025 Note Hedges, the “Note Hedges”) with respect to our common stock concurrent with the issuance of each series of the Notes.

The following table presents details of our Note Hedges (in millions):

	Initial Number of Shares		Aggregate Purchase
2023 Note Hedges ⁽¹⁾	19.1	\$	332.0
2025 Note Hedges	20.1	\$	370.8

⁽¹⁾ The 2023 Note Hedges were settled as a result of the conversions of the 2023 Notes prior to or on July 1, 2023.

The Note Hedges cover shares of our common stock at a strike price per share that corresponds to the initial applicable conversion price of the applicable series of the Notes, which are also subject to adjustment, and are exercisable upon conversion of the applicable series of the Notes. The Note Hedges will expire upon maturity of the applicable series of the Notes. The Note Hedges are separate transactions and are not part of the terms of the applicable series of the Notes. Holders of the Notes of either series will not have any rights with respect to the Note Hedges. Any shares of our common stock receivable by us under the Note Hedges are excluded from the calculation of diluted earnings per share as they are antidilutive. The aggregate amounts paid for the Note Hedges are included in additional paid-in capital on our consolidated balance sheets.

As a result of the conversions of the Notes settled during the years ended July 31, 2024 and 2023, we exercised the corresponding portion of our Note Hedges and received 7.0 million and 11.4 million shares of our common stock during the respective periods.

Warrants

Separately, but concurrently with the issuance of each series of our convertible senior notes, we entered into transactions whereby we sold warrants (the “2023 Warrants,” with respect to the 2023 Notes, the “2025 Warrants,” with respect to the 2025 Notes, and the 2023 Warrants together with the 2025 Warrants, the “Warrants”) to acquire shares of our common stock, subject to anti-dilution adjustments. The 2023 Warrants and 2025 Warrants are exercisable over 60 scheduled trading days beginning October 2023 and September 2025, respectively.

The following table presents details of our Warrants (in millions, except per share data):

	Initial Number of Shares	Strike Price per Share	Aggregate Proceeds
2023 Warrants	19.1	\$ 139.27	\$ 145.4
2025 Warrants	20.1	\$ 136.16	\$ 202.8

The shares issuable under the Warrants are included in the calculation of diluted earnings per share when the average market value per share of our common stock for the reporting period exceeds the applicable strike price for such series of Warrants. The Warrants are separate transactions and are not part of either series of Notes or Note Hedges and are not remeasured through earnings each reporting period. Holders of the Notes of either series will not have any rights with respect to the Warrants. The aggregate proceeds received from the sale of the Warrants are included in additional paid-in capital on our consolidated balance sheets.

During the year ended July 31, 2024, we net settled all of the 2023 Warrants with 9.0 million shares of our common stock with a fair value of \$ 2.4 billion. The number of net shares issued was determined based on the number of 2023 Warrants exercised multiplied by the difference between the strike price of the 2023 Warrants and their daily volume-weighted-average stock price.

Revolving Credit Facility

On September 4, 2018, we entered into a credit agreement (the “2018 Credit Agreement”) with certain institutional lenders that provides for a \$ 400.0 million unsecured revolving credit facility (the “2018 Credit Facility”), with an option to increase the amount of the 2018 Credit Facility by up to an additional \$ 350.0 million, subject to certain conditions. The 2018 Credit Facility expired in April 2023.

On April 13, 2023, we entered into a new credit agreement (the “2023 Credit Agreement”) with certain institutional lenders that provides for a \$ 400.0 million unsecured revolving credit facility (the “2023 Credit Facility”), with an option to increase the amount by up to an additional \$ 350.0 million, subject to certain conditions. The 2023 Credit Facility matures on April 13, 2028.

The borrowings under the 2023 Credit Facility bear interest, at our option, at a base rate plus a spread of 0.000 % to 0.375 %, or an adjusted term Secured Overnight Financing Rate plus a spread of 1.000 % to 1.375 %, in each case with such spread being determined based on our leverage ratio. We are obligated to pay an ongoing commitment fee on undrawn amounts at a rate of 0.090 % to 0.150 %, depending on our leverage ratio. The interest rates and commitment fees are also subject to upward and downward adjustments based on our progress towards the achievement of certain sustainability goals related to greenhouse gas emissions.

As of July 31, 2024, there were no amounts outstanding and we were in compliance with all covenants under the 2023 Credit Agreement.

11. Leases

We have entered into various non-cancelable operating leases, primarily for our offices and data centers, with lease terms expiring through the year ending July 31, 2036. Some of our leases contain rent holiday periods, scheduled rent increases, lease incentives, early termination rights, and/or renewal options.

During the years ended July 31, 2024, 2023, and 2022, our net cost for operating leases was \$ 104.7 million, \$ 91.3 million, and \$ 89.7 million, respectively, primarily consisting of operating lease costs of \$ 75.6 million, \$ 64.2 million, and \$ 67.6 million, respectively. Our net cost for operating leases also included variable lease costs, short-term lease costs, and sublease income in the periods presented.

The following tables present additional information for our operating leases (in millions, except for years and percentages):

	Year Ended July 31,		
	2024	2023	2022
Operating cash flows used in payments of operating lease liabilities	\$ 87.4	\$ 82.7	\$ 81.5
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 177.9	\$ 71.1	\$ 33.0
	July 31, 2024	July 31, 2023	
Weighted-average remaining lease term	6.6 years	5.7 years	
Weighted-average discount rate	5.3 %	4.7 %	

The following table presents maturities of operating lease liabilities as of July 31, 2024 (in millions):

	Amount
Fiscal years ending July 31:	
2025	\$ 84.8
2026	91.9
2027	88.0
2028	87.5
2029	42.4
2030 and thereafter	144.2
Total operating lease payments	538.8
Less: imputed interest	(92.4)
Present value of operating lease liabilities	\$ 446.4
Current portion of operating lease liabilities ⁽¹⁾	\$ 65.9
Long-term operating lease liabilities	\$ 380.5

⁽¹⁾ Current portion of operating lease liabilities is included in accrued and other liabilities on our consolidated balance sheet.

As of July 31, 2024, we had additional non-cancelable operating leases for office space that had been signed but had not yet commenced with total future minimum lease payments of \$ 32.7 million. These leases are expected to commence on or after fiscal 2025, with lease terms ranging from four to eight years.

12. Commitments and Contingencies

Purchase Commitments

We have entered into various non-cancelable agreements with cloud service providers, under which we are committed to minimum or fixed purchases of certain cloud services. In addition, in order to reduce manufacturing lead times and plan for adequate supply, we have entered into agreements with manufacturing partners and component suppliers to procure inventory based on our demand forecasts. The following table presents details of the aggregate future non-cancelable purchase commitments under these agreements as of July 31, 2024 (in millions):

		Fiscal years ending July 31,						2030 and Thereafter
		Total	2025	2026	2027	2028	2029	
Cloud	\$	4,275.7	\$ 98.9	\$ 580.2	\$ 518.1	\$ 599.6	\$ 686.1	\$ 1,792.8
Manufacturing		266.0	226.0	40.0	—	—	—	—
Other		135.2	46.7	42.5	32.3	6.8	3.4	3.5
Total purchase commitments	\$	<u>4,676.9</u>	<u>\$ 371.6</u>	<u>\$ 662.7</u>	<u>\$ 550.4</u>	<u>\$ 606.4</u>	<u>\$ 689.5</u>	<u>\$ 1,796.3</u>

Additionally, we have a \$ 141.2 million minimum purchase commitment with a cloud service provider through September 2027 with no specified annual commitments.

Mutual Covenant Not to Sue and Release Agreement

In January 2020, we executed a Mutual Covenant Not to Sue and Release Agreement for \$ 50.0 million to extend an existing covenant not to sue for seven years. As the primary benefit of the arrangement was attributable to future use, the amount was recorded in other assets on our consolidated balance sheets and is amortized to cost of product revenue on our consolidated statements of operations over the estimated period of benefit of seven years.

Guarantee

In October 2023, we established a multi-currency notional cash pool for a certain number of our entities with a third-party bank. As part of the notional cash pool agreement, the bank extends overdraft credit to our participating entities as needed, provided that the overall notional pooled balance of all accounts in the pool at the end of each day is positive. In the unlikely event of a default, any overdraft balances incurred would be guaranteed by our collective entities participating in the pool.

Litigation

We are subject to legal proceedings, claims, tax matters, and litigation arising in the ordinary course of business, including, for instance, intellectual property and patent litigation. We accrue for contingencies when we believe that a loss is probable and that we can reasonably estimate the amount of any such loss.

Legal matters could include speculative, substantial or indeterminate monetary amounts. Significant judgment is required to determine both the likelihood of there being a loss and the estimated amount of a loss related to such matters, and we may be unable to estimate the reasonably possible loss or range of loss. The outcomes of outstanding legal matters are inherently unpredictable, and could, either individually or in aggregate, have a material adverse effect on us and our results of operations. To the extent there is a reasonable possibility that a loss exceeding any amounts already recognized may be incurred, we will either disclose the estimated additional loss or state that such an estimate cannot be made.

The following matters arose in the ordinary course of business.

Centripetal Networks, Inc. v. Palo Alto Networks

On March 12, 2021, Centripetal Networks, Inc., filed a lawsuit against us in the United States District Court for the Eastern District of Virginia. The lawsuit alleges that our products infringe multiple Centripetal patents. We successfully challenged certain of these patents, which were found unpatentable by the U.S. Patent and Trademark Office ("PTO"). The case went to jury trial on January 22, 2024, on four patents. On January 31, 2024, the jury returned a verdict of non-willful infringement with a lump sum amount of \$ 151.5 million, plus statutory interest. We have filed motions to overturn the verdict and seek a new trial, which are pending before the court. Three patents are still pending review in the PTO and are currently subject to a stay at the trial court. In addition, Centripetal filed infringement contentions on certain of their patents in the European Patent Office in Germany, to which we filed invalidity challenges. Those matters are still pending.

As of July 31, 2024, we accrued \$ 184.4 million for the verdict amount and estimated interest. The accrual is recorded in other long-term liabilities on our consolidated balance sheets with the corresponding charge included in general and administrative expense on our consolidated statements of operations for the year ended July 31, 2024.

Finjan, Inc. v. Palo Alto Networks

On November 4, 2014, Finjan, Inc., filed a lawsuit against us in the United States District Court for the Northern District of California. The lawsuit alleges that our products infringe multiple Finjan patents. The complaint requests injunctive relief, monetary damages, and attorneys fees. A trial date is set for June 9, 2025. We are unable, at this time, to reasonably estimate a possible loss or potential range of loss, if any.

Taasera v. Palo Alto Networks

On March 22, 2022, we filed a declaratory judgment action in the United States District Court for the Southern District of New York seeking a ruling that we are not infringing various Taasera patents. The parties have resolved all pending matters between them as of December 2023. The amounts paid by us to resolve these matters were not material.

Lionra Technologies v. Palo Alto Networks

On August 29, 2022, Lionra Technologies filed a patent infringement lawsuit against us in the United States District Court for the Eastern District of Texas. The parties have resolved all pending matters between them as of July 2024. The amounts paid by us to resolve these matters were not material.

Indemnification

Under the indemnification provisions of our standard sales related contracts, we agree to defend our end-customers against third-party claims asserting infringement of certain intellectual property rights, which may include patents, copyrights, trademarks, or trade secrets, and to pay judgments or approved settlements attributable to such claims. Our exposure under these indemnification provisions is generally limited to payments made to us for the alleged infringing products over the preceding twelve months under the agreement. However, certain agreements include indemnification provisions that could potentially expose us to losses in excess of these payments. In addition, we indemnify our officers, directors, and certain key employees while they are serving in good faith in their company capacities. To date, we have not recorded any accruals for loss contingencies associated with indemnification claims or determined that an unfavorable outcome is probable or reasonably possible.

13. Stockholders' Equity

Share Repurchase Program

In February 2019, our board of directors authorized a \$ 1.0 billion share repurchase program, which is funded from available working capital. In December 2020, August 2021, August 2022, and November 2023, our board of directors authorized additional \$ 700.0 million, \$ 676.1 million, \$ 915.0 million and \$ 316.7 million increases to this share repurchase program, respectively, bringing the total authorization under this share repurchase program to \$ 3.6 billion (our "current authorization"). The expiration date of our current authorization was extended to December 31, 2024, and our repurchase program may be suspended or discontinued at any time. Repurchases may be made at management's discretion from time to time on the open market, through privately negotiated transactions, transactions structured through investment banking institutions, block purchase techniques, 10b5-1 trading plans, or a combination of the foregoing. Refer to Note 19. Subsequent Events for additional information regarding the increase to our share repurchase program in August 2024.

The following table summarizes the share repurchase activity under our share repurchase program (in millions, except per share amounts):

	Year Ended July 31,		
	2024	2023	2022
Number of shares repurchased	2.0	1.8	5.4
Weighted-average price per share ⁽¹⁾	\$ 284.00	\$ 138.65	\$ 170.83
Aggregate purchase price ⁽¹⁾	\$ 566.7	\$ 250.0	\$ 915.0

⁽¹⁾ Includes transaction costs

During the year ended July 31, 2023, we paid \$ 22.7 million related to share repurchases of our common stock that were not settled as of July 31, 2022.

As of July 31, 2024, \$ 500.0 million remained available for future share repurchases under our current repurchase authorization. The total price of the shares repurchased and related transaction costs are reflected as a reduction to common stock and additional paid-in capital on our consolidated balance sheets.

14. Equity Award Plans

Share-Based Compensation Plans

Equity Incentive Plans

Our 2021 Equity Incentive Plan (our “2021 Plan”) became effective in December 2021 and replaced our 2012 Equity Incentive Plan (our “2012 Plan”). Our 2021 Plan provides for the granting of stock options, stock appreciation rights, restricted stock awards (“RSAs”), restricted stock units (“RSUs”), performance shares (“PSAs”), performance-based stock units (“PSUs”) and performance stock options (“PSOs”) to our employees, directors, and consultants. Upon effectiveness of the 2021 Plan, the 2012 Plan was terminated and no further awards will be granted under the 2012 Plan. Awards that were outstanding upon such termination remained outstanding pursuant to their original terms, and any subsequent expiration, cancellation or forfeiture of awards under our 2012 Plan are returned to our 2021 Plan.

The majority of our equity awards are RSUs, which generally vest over a period of three to four years from the date of grant. Until vested, RSUs do not have the voting and dividend participation rights of common stock and the shares underlying the awards are not considered issued and outstanding.

Our PSUs generally vest over a period of one to four years from the date of grant. The number of PSUs eligible to vest is determined based on the level of achievement against certain performance conditions, market conditions, and a combination thereof.

During the year ended July 31, 2023, we granted 0.9 million shares of PSUs with both service and market conditions. The market conditions are satisfied when the price of our common stock is equal to or exceeds stock price targets of \$ 233.33 , \$ 266.67 , \$ 300.00 , and \$ 333.33 based on the average closing price for 30 consecutive trading days during the three- or four-year period following the date of grant. Once a market condition is met, its corresponding one-fourth of the awards vest on each anniversary date of the grant date, subject to continued service. As of July 31, 2024, all stock price targets for these PSU awards have been met, and the related shares will vest when the underlying service conditions are satisfied.

During the year ended July 31, 2023, we granted 0.8 million shares of PSUs, which contain service and market conditions. The service conditions are satisfied after a period of five years . The market condition is measured based on our total shareholder return (“TSR”) relative to the TSR of the companies listed in the Standard & Poor’s 500 index.

During the years ended July 31, 2024 and 2023, we granted 2.1 million and 1.6 million shares of PSUs, respectively, which contain service, performance and market conditions. The service conditions are satisfied after a period of one to three years . The performance conditions are based on revenue growth or billing growth. The market condition is measured based on our TSR relative to the TSR of the companies listed in the Standard & Poor’s 500 index. As of July 31, 2024, we have approved an additional 2.7 million shares of PSUs, which will be granted upon the performance condition being established during the next two years .

We have also granted PSOs with both service and market conditions. The market condition for PSOs granted in the fiscal years 2018 and 2019 requires the price of our common stock to equal or exceed \$ 99.25 , \$ 132.33 , \$ 165.42 , and \$ 198.50 based on the average closing price for 30 consecutive trading days during the four-, five-, six-, and seven-and-a-half-year periods following the date of grant in fiscal year 2018 and 2019, respectively. Once a market condition is met, its corresponding one-fourth of the PSOs vest on each anniversary date of the grant date, subject to continued service. The maximum contractual term of our outstanding PSOs is seven and a half years from the date of grant, depending on vesting period. As of July 31, 2024, all of our outstanding PSOs have been fully vested.

We net-share settle equity awards held by certain employees by withholding shares upon vesting to satisfy tax withholding obligations. The shares withheld to satisfy employee tax withholding obligations are returned to our 2021 Plan and will be available for future issuance. Payments for employees’ tax obligations to the tax authorities are recognized as a reduction to additional paid-in capital and reflected as financing activities on our consolidated statements of cash flows.

A total of 32.8 million shares of our common stock are reserved for issuance pursuant to our equity incentive plans as of July 31, 2024.

2012 Employee Stock Purchase Plan

Our 2012 Employee Stock Purchase Plan was adopted by our board of directors and approved by the stockholders on June 5, 2012, and was effective upon completion of our initial public offering. On August 29, 2017, we amended and restated our 2012 Employee Stock Purchase Plan (our “2012 ESPP”) to extend the length of our offering periods from 6 to 24 months.

Our 2012 ESPP permits eligible employees to acquire shares of our common stock at 85 % of the lower of the fair market value of our common stock on the first trading day of each offering period or on the purchase date. If the fair market value of our common stock on the purchase date is lower than the first trading day of the offering period, the current offering period will be cancelled after purchase and a new 24 -month offering period will begin. Under our 2012 ESPP, each 24 -month offering period consists of four consecutive 6 -month purchase periods, with purchase dates on the first trading day on or after February 28 and August 31 of each year. Participants may purchase shares of common stock through payroll deductions of up to 15 % of their eligible compensation, subject to purchase limits of 1,875 shares per six-month purchase period and \$ 25,000 worth of stock for each calendar year. Shares purchased under our 2012 ESPP during the fiscal years ended July 31, 2024, 2023 and 2022 were 1.1 million, 1.2 million and 2.1 million, at an average exercise price of \$ 160.63 per share, \$ 138.30 per share, and \$ 64.27 per share, respectively.

A total of 18.4 million shares of our common stock are available for sale under our 2012 ESPP as of July 31, 2024. On the first day of each fiscal year, the number of shares in the reserve may be increased by the lesser of (i) 6,000,000 shares, (ii) 1 % of the outstanding shares of our common stock on the first day of the fiscal year, or (iii) such other amount as determined by our board of directors.

Assumed Share-Based Compensation Plans

In connection with our acquisitions, we have assumed equity incentive plans of certain acquired companies (collectively "the Assumed Plans"). The equity awards assumed in connection with each acquisition were granted from their respective assumed plans. The assumed equity awards will be settled in shares of our common stock and will retain the terms and conditions under which they were originally granted. No additional equity awards will be granted under and forfeited awards will not be returned to the Assumed Plans. Refer to Note 7. Acquisitions for more information on our acquisitions and the related equity awards assumed.

Stock Option Activities

The following table summarizes the stock option and PSO activity under our stock plans during the years ended July 31, 2024, 2023, and 2022 (in millions, except per share amounts):

	Stock Options Outstanding					PSOs Outstanding				
	Number of Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value		Number of Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value	
Balance—July 31, 2021	0.2	\$ 8.74	0.8	\$ 27.4		8.3	\$ 64.71	4.2	\$ 566.8	
Exercised	(0.2)	6.24				—	—			
Forfeited	—	—				(0.3)	61.41			
Balance—July 31, 2022	0.0	\$ 18.45	0.5	\$ 6.7		8.0	\$ 64.85	3.2	\$ 809.3	
Exercised	0.0	18.45				(1.6)	63.39			
Balance—July 31, 2023	—	\$ —	0.0	\$ —		6.4	\$ 65.20	2.2	\$ 1,184.6	
Exercised	—	—				(1.6)	64.84			
Balance—July 31, 2024	—	\$ —	0.0	\$ —		4.8	\$ 65.33	1.2	\$ 1,244.9	
Exercisable—July 31, 2024	—	\$ —	0.0	\$ —		4.8	\$ 65.33	1.2	\$ 1,244.9	

The intrinsic value of options exercised during the years ended July 31, 2024, 2023, and 2022 was \$ 358.5 million, \$ 237.7 million, and \$ 29.2 million, respectively.

RSU and PSU Activities

The following table summarizes the RSU and PSU activity under our stock plans during the years ended July 31, 2024, 2023, and 2022 (in millions, except per share amounts):

	Unvested RSUs			Unvested PSUs		
	Number of Shares	Weighted- Average Grant- Date Fair Value Per Share	Aggregate Intrinsic Value	Number of Shares	Weighted- Average Grant- Date Fair Value Per Share	Aggregate Intrinsic Value
Balance—July 31, 2021	20.7	\$ 85.85	\$ 2,760.2	3.8	\$ 97.64	\$ 498.4
Granted ⁽¹⁾	5.9	164.85		0.8	117.05	
Vested ⁽²⁾	(9.0)	85.69		(1.1)	83.47	
Forfeited	(2.8)	95.50		(0.4)	107.31	
Balance—July 31, 2022	14.8	\$ 115.51	\$ 2,456.9	3.1	\$ 106.38	\$ 513.7
Granted ⁽¹⁾	5.8	169.04		3.6	142.88	
Vested ⁽²⁾	(7.0)	110.93		(1.3)	112.72	
Forfeited	(1.5)	128.05		(0.4)	136.95	
Balance—July 31, 2023	12.1	\$ 142.61	\$ 3,013.0	5.0	\$ 128.64	\$ 1,242.3
Granted ⁽¹⁾	4.2	275.51		2.2	182.79	
Vested ⁽²⁾	(5.9)	137.25		(1.6)	114.56	
Forfeited	(1.4)	168.24		(0.6)	137.07	
Balance—July 31, 2024	9.0	\$ 205.18	\$ 2,924.4	5.0	\$ 155.89	\$ 1,624.2

⁽¹⁾ For PSUs, shares granted represent the aggregate maximum number of shares that may be earned and issued with respect to these awards over their full terms.

⁽²⁾ Includes time-based vesting for PSUs.

The aggregate fair value, as of the respective vesting dates, of RSUs vested during the years ended July 31, 2024, 2023, and 2022 was \$ 1.6 billion, \$ 1.3 billion, and \$ 1.6 billion, respectively. The aggregate fair value, as of the respective vesting dates, of PSUs vested during the years ended July 31, 2024, 2023, and 2022 was \$ 377.7 million, \$ 218.9 million, and \$ 184.0 million, respectively.

Shares Available for Grant

The following table presents the stock activity and the total number of shares available for grant under our equity incentive plans as of July 31, 2024 (in millions):

	Number of shares
Balance—July 31, 2023	12.4
Authorized	5.0
RSUs and PSUs granted	(6.4)
RSUs and PSUs forfeited	2.0
Shares withheld for taxes	0.1
Balance—July 31, 2024	13.1

Share-Based Compensation

We record share-based compensation awards based on estimated fair value as of the grant date. The fair value of RSUs and PSUs not subject to market conditions is based on the closing market price of our common stock on the date of grant.

The fair value of the PSUs subject to market conditions is estimated on the grant date using a Monte Carlo simulation model. The following table summarizes the assumptions used and the resulting grant-date fair value of our PSUs subject to market conditions granted during the years ended July 31, 2024, 2023, and 2022:

	Year Ended July 31,		
	2024	2023	2022
Volatility	40.8 % - 43.4 %	38.3 % - 44.8 %	36.0 % - 41.1 %
Expected term (in years)	0.9 - 2.9	1.0 - 5.0	1.4 - 3.0
Dividend yield	— %	— %	— %
Risk-free interest rate	4.4 % - 5.3 %	3.2 % - 4.1 %	0.2 % - 2.0 %
Grant-date fair value per share	\$ 346.92 - \$ 621.21	\$ 91.77 - \$ 280.41	\$ 137.16 - \$ 260.71

The expected volatility is based on the historical volatility of our common stock. The expected term is based on the length of each tranche's performance period from the grant date. The dividend yield assumption is based on our current expectations about our anticipated dividend policy. The risk-free interest rate is based on the implied yield available on U.S. Treasury zero-coupon issues with maturities that approximate the expected term.

The fair value of PSOs was estimated on the grant date using a Monte Carlo simulation model, which predicts settlement of the PSOs midway between the vesting term and the contractual term. No PSOs were granted during the years ended July 31, 2024, 2023, and 2022.

The fair value of shares issued under our 2012 ESPP are estimated on the grant date using the Black-Scholes option pricing model. The following table summarizes the assumptions used and the resulting grant-date fair values of our ESPP:

	Year Ended July 31,		
	2024	2023	2022
Volatility	39.6 % - 50.0 %	38.6 % - 44.7 %	33.6 % - 39.4 %
Expected term (in years)	0.5 - 2.0	0.5 - 2.0	0.5 - 2.0
Dividend yield	— %	— %	— %
Risk-free interest rate	4.6 % - 5.5 %	3.3 % - 5.2 %	0.1 % - 1.4 %
Grant-date fair value per share	\$ 65.61 - \$ 133.32	\$ 48.78 - \$ 74.06	\$ 37.59 - \$ 74.10

The expected volatility is based on a combination of implied volatility from traded options on our common stock and the historical volatility of our common stock. The expected term represents the term from the first day of the offering period to the purchase dates within each offering period. The dividend yield assumption is based on our current expectations about our anticipated dividend policy. The risk-free interest rate is based on the implied yield available on U.S. Treasury zero-coupon issues with maturities that approximate the expected term.

The following table summarizes share-based compensation included in costs and expenses (in millions):

	Year Ended July 31,		
	2024	2023	2022
Cost of product revenue	\$ 7.3	\$ 9.8	\$ 9.3
Cost of subscription and support revenue	121.0	123.4	110.2
Research and development	525.5	488.4	471.1
Sales and marketing	300.8	335.3	304.7
General and administrative	124.1	130.4	118.1
Total share-based compensation	\$ 1,078.7	\$ 1,087.3	\$ 1,013.4

As of July 31, 2024, total compensation cost related to unvested share-based awards not yet recognized was \$ 2.0 billion. This cost is expected to be amortized over a weighted-average period of approximately 2.6 years. Future grants will increase the amount of compensation expense to be recorded in these periods.

15. Income Taxes

The following table presents the components of income (loss) before income taxes (in millions):

	Year Ended July 31,		
	2024	2023	2022
United States	\$ 669.2	\$ 374.3	\$ (152.3)
Foreign	319.1	192.0	(54.9)
Total	<u>\$ 988.3</u>	<u>\$ 566.3</u>	<u>\$ (207.2)</u>

The following table summarizes our provision for (benefit from) income taxes (in millions):

	Year Ended July 31,		
	2024	2023	2022
Federal:			
Current	\$ 213.4	\$ 26.1	\$ 2.6
Deferred	311.7	19.3	(0.3)
State:			
Current	101.5	44.0	1.5
Deferred	(172.8)	0.4	0.1
Foreign:			
Current	129.6	44.0	58.8
Deferred	(2,172.7)	(7.2)	(2.9)
Total	<u>\$ (1,589.3)</u>	<u>\$ 126.6</u>	<u>\$ 59.8</u>

For the year ended July 31, 2024, our benefit from income taxes was \$ 1.6 billion, a net change of \$ 1.7 billion compared to a provision for income taxes of \$ 126.6 million for the year ended July 31, 2023, primarily due to the release of our valuation allowance on U.S. federal, U.S. states other than California, and United Kingdom ("U.K.") deferred tax assets in fiscal 2024, partially offset by the deferred tax provision in our U.S. federal tax provision to recognize the indirect effect on basis differences relating to our global intangible low-taxed income in connection with the release of our valuation allowance in the U.K.

For the year ended July 31, 2023, our provision for income taxes increased compared to the year ended July 31, 2022, primarily due to our profitability in fiscal 2023 and an increase in U.S. taxes driven by capitalization of research and development expenditure with no offsetting deferred benefit due to our valuation allowance.

The following table presents the items accounting for the difference between income taxes computed at the federal statutory income tax rate and our provision for (benefit from) income taxes:

	Year Ended July 31,		
	2024	2023	2022
Federal statutory rate	21.0 %	21.0 %	21.0 %
Effect of:			
State taxes, net of federal tax benefit	3.1	2.8	2.7
Non-U.S. operations	9.5	9.7	(16.5)
Change in valuation allowance	(341.9)	15.5	(158.7)
U.S. effect of foreign deferred tax assets	175.8	—	—
Share-based compensation	(16.9)	(12.6)	83.6
Tax credits	(13.4)	(15.6)	41.5
Non-deductible expenses	1.5	2.3	(2.5)
Other, net	0.5	(0.7)	—
Total	<u>(160.8)%</u>	<u>22.4 %</u>	<u>(28.9)%</u>

The following table presents the components of our deferred tax assets and liabilities as of July 31, 2024 and 2023 (in millions):

	July 31,	
	2024	2023
Deferred tax assets:		
Accruals and reserves	\$ 109.7	\$ 88.5
Operating lease liabilities	132.6	94.1
Deferred revenue	1,004.9	708.1
Net operating loss carryforwards	585.2	551.0
Tax credits	175.3	338.9
Capitalized research expenditures	626.6	354.8
Share-based compensation	75.6	66.0
Fixed assets and intangible assets	1,631.7	1,698.3
Gross deferred tax assets	4,341.6	3,899.7
Valuation allowance	(243.4)	(3,586.7)
Total deferred tax assets	4,098.2	313.0
Deferred tax liabilities:		
U.S. effect of foreign deferred tax assets	(1,728.5)	—
Operating lease right-of-use assets	(115.8)	(73.5)
Deferred contract costs	(199.1)	(186.7)
Other deferred tax liabilities	(43.5)	(58.2)
Total deferred tax liabilities	(2,086.9)	(318.4)
Net deferred tax assets (liabilities)	\$ 2,011.3	\$ (5.4)

We regularly assess the need for a valuation allowance on our deferred tax assets. In making this assessment, we consider both positive and negative evidence related to the likelihood of realization of the deferred tax assets to determine, based on the weight of available evidence, whether it is more likely than not that some or all the deferred tax assets will not be realized. The assessment requires significant judgment and is performed for each of the applicable jurisdictions. Based on our analysis of all positive and negative evidence during the year ended July 31, 2024, we concluded it is more likely than not that our U.S. federal, U.S. states other than California, and U.K. deferred tax assets will be realizable based on our recent profitability and continued forecasted income. In making these judgments, we considered our recent and expected ongoing profitability, which supports our conclusion of the realization of the deferred tax assets. We continue to maintain a valuation allowance for our California deferred tax assets due to the uncertainty regarding realizability of these deferred tax assets as they have not met the "more likely than not" realization criterion. We expect future research and development tax credit generation in California to exceed our ability to use the existing tax credits.

As a result of the valuation allowance release, during the year ended July 31, 2024, we recognized a deferred tax benefit of \$ 3.4 billion for the U.S. federal, U.S. states other than California, and U.K. deferred tax assets. Our U.S. federal and state deferred tax assets largely consist of capitalized research expenditures and accelerated recognition of deferred revenue for tax purposes. U.S. tax carryforwards (including net operating losses and tax credits) are expected to be fully utilized to the extent allowable by law. Our U.K. deferred tax assets largely consist of basis differences in intangible assets and related net operating losses expected to be utilized in the future.

In addition, during the year ended July 31, 2024, we recognized a deferred tax expense of \$ 1.7 billion for the U.S. federal indirect tax effect of foreign deferred taxes consistent with our policy to record deferred taxes for basis differences relating to our global intangible low-taxed income. Accordingly, during the year ended July 31, 2024, we recognized a net tax benefit of \$ 1.7 billion relating to our valuation allowance release. We will continue to monitor the need for a valuation allowance on our deferred tax assets.

As of July 31, 2024, we had federal, state, and foreign net operating loss carryforwards of approximately \$ 46.8 million, \$ 112.8 million, and \$ 2.3 billion, respectively, as reported on our tax returns, available to reduce future taxable income, if any. If not utilized, our federal and state net operating loss carryforwards will expire in various amounts at various dates beginning in the years ending July 31, 2034 and July 31, 2031, respectively. Our foreign net operating loss will carry forward indefinitely.

As of July 31, 2024, we had federal and state research and development tax credit carryforwards of approximately \$ 70.7 million and \$ 291.2 million, respectively, as reported on our tax returns. If not utilized, the federal credit carryforwards will expire in various amounts at various dates beginning in the year ending July 31, 2034. The state credit carryforwards have no expiration.

As of July 31, 2024, we had foreign tax credit carryforwards of \$ 1.6 million as reported on our tax returns. If not utilized, the foreign tax credit carryforwards will expire in various amounts at various dates beginning in the year ending July 31, 2029.

Utilization of the net operating loss carryforwards and credits may be subject to a substantial annual limitation due to the ownership change limitations provided by the Internal Revenue Code of 1986, as amended, and similar state provisions. The annual limitation may result in the expiration of net operating losses and credits before utilization.

As of July 31, 2024, we had \$ 454.4 million of unrecognized tax benefits, \$ 200.1 million of which would affect income tax expense if recognized, after consideration of our valuation allowance in the United States and other assets. As of July 31, 2023, we had \$ 360.0 million of unrecognized tax benefits, \$ 70.4 million of which would affect income tax expense if recognized, after consideration of our valuation allowance in the United States and other assets. We do not expect the amount of unrecognized tax benefits as of July 31, 2024 to materially change over the next 12 months.

We file federal, state, and foreign income tax returns in jurisdictions with varying statutes of limitations. Generally, all years remain subject to adjustment due to our net operating loss and credit carryforwards. We currently have ongoing tax audits in various jurisdictions and at various times. The primary focus of these audits is, generally, profit allocation. The ultimate amount and timing of any future settlements cannot be predicted with reasonable certainty.

We recognize both interest and penalties associated with uncertain tax positions as a component of income tax expense. During the years ended July 31, 2024, 2023, and 2022, we recognized an income tax expense of \$ 5.8 million, a net income tax benefit of \$ 4.8 million, and an income tax expense of \$ 5.2 million related to interest and penalties, respectively. We had accrued interest and penalties on our consolidated balance sheets related to unrecognized tax benefits of \$ 10.9 million and \$ 5.1 million as of July 31, 2024 and 2023, respectively.

The following table presents a reconciliation of the beginning and ending amount of our gross unrecognized tax benefits (in millions):

	Year Ended July 31,		
	2024	2023	2022
Unrecognized tax benefits at the beginning of the period	\$ 360.0	\$ 414.0	\$ 372.9
Additions for tax positions taken in prior years	1.9	7.8	3.5
Reductions for tax positions taken in prior years	(19.8)	(99.8)	(7.4)
Additions for tax positions taken in the current year	112.3	66.9	45.0
Reduction relating to audit settlement	—	(28.9)	—
Unrecognized tax benefits at the end of the period	\$ 454.4	\$ 360.0	\$ 414.0

During the year ended July 31, 2024, increases in uncertain tax positions were primarily due to positions relating to our credits and incentives and intercompany transactions. During the year ended July 31, 2023, our reductions in uncertain tax positions primarily related to settlements with non-U.S. tax authorities and remeasurement of certain unrecognized tax benefits. As a result of our settlement agreements with non-U.S. tax authorities, we paid a total of \$ 39.8 million, including interest and penalties.

Our additions for tax positions taken in the years ended July 31, 2024, 2023 and 2022 were primarily attributable to uncertain tax positions related to tax credits. Our additions for tax positions taken in the year ended July 31, 2024 were further driven by intercompany transactions.

As of July 31, 2024, we had no unremitted earnings when evaluating our outside basis difference relating to our U.S. investment in foreign subsidiaries. However, there could be local withholding taxes due to various foreign countries if certain lower tier earnings are distributed. Withholding taxes that would be payable upon remittance of these lower tier earnings are not material.

16. Net Income (Loss) Per Share

Basic net income (loss) per share is computed by dividing net income (loss) by basic weighted-average shares outstanding during the period. Diluted net income (loss) per share is computed by dividing net income (loss) by diluted weighted-average shares outstanding during the period giving effect to all potentially dilutive securities to the extent they are dilutive. We compute the dilutive effect of shares issuable upon conversion of our convertible senior notes using the if-converted method, and the dilutive effect of warrants related to the issuance of convertible senior notes and equity awards under our employee equity incentive plans using the treasury stock method.

The following table presents the computation of basic and diluted net income (loss) per share of common stock (in millions, except per share data):

	Year Ended July 31,		
	2024	2023	2022
Net income (loss)	\$ 2,577.6	\$ 439.7	\$ (267.0)
Weighted-average shares used to compute net income (loss) per share, basic	319.2	303.2	295.6
Weighted-average effect of potentially dilutive securities:			
Convertible senior notes	10.4	17.9	—
Warrants related to the issuance of convertible senior notes	12.8	9.3	—
Employee equity incentive plans	11.6	11.9	—
Weighted-average shares used to compute net income (loss) per share, diluted	354.0	342.3	295.6
Net income (loss) per share, basic	\$ 8.07	\$ 1.45	\$ (0.90)
Net income (loss) per share, diluted	\$ 7.28	\$ 1.28	\$ (0.90)

The following securities were excluded from the computation of diluted net income (loss) per share of common stock as their effect would have been antidilutive or issuance of such shares is contingent upon the satisfaction of certain conditions which were not satisfied by the end of the applicable period (in millions):

	Year Ended July 31,		
	2024	2023	2022
Convertible senior notes	—	—	39.2
Warrants related to the issuance of convertible senior notes	—	—	39.2
Employee equity incentive plans	2.4	3.9	26.8
Total	2.4	3.9	105.2

17. Other Income, Net

The following table sets forth the components of other income, net (in millions):

	Year Ended July 31,		
	2024	2023	2022
Interest income	\$ 317.9	\$ 224.4	\$ 15.6
Foreign currency exchange gains (losses), net	0.2	(7.9)	1.8
Other, net	(5.4)	(10.3)	(8.4)
Total other income, net	\$ 312.7	\$ 206.2	\$ 9.0

18. Segment Information

We conduct business globally and sales are primarily managed on a geographic theater basis. Our chief operating decision maker reviews financial information presented on a consolidated basis accompanied by information about revenue by geographic region for purposes of allocating resources and evaluating financial performance. We have one business activity and there are no segment managers who are held accountable for operations, operating results, and plans for levels, components, or types of products or services below the consolidated unit level. Accordingly, we are considered to be in a single reportable segment and operating unit structure.

The following table presents our long-lived assets, which consist of property and equipment, net and operating lease right-of-use assets, by geographic area (in millions):

	Year Ended July 31,	
	2024	2023
Long-lived assets:		
United States	\$ 438.9	\$ 400.4
Israel	141.1	76.8
Other countries	167.0	140.6
Total long-lived assets	\$ 747.0	\$ 617.8

Refer to Note 2. Revenue for revenue by geographic theater and revenue for groups of similar products and services for the years ended July 31, 2024, 2023, and 2022.

19. Subsequent Events

Acquisition

On May 15, 2024, we entered into a definitive agreement with International Business Machines Corporation to acquire certain QRadar assets, including intellectual property, customer relationships, and customer contracts. We agreed to pay \$ 500.0 million in cash upon closing, and to make additional post-closing payments contingent upon the migration of QRadar on-premise customers to Cortex XSIAM through December 31, 2027. We expect the acquisition will help accelerate the growth of our Cortex XSIAM business. On August 31, 2024, we completed this acquisition, which will be accounted for as a business combination in the first quarter of fiscal 2025. We are currently in the process of determining the initial purchase accounting for this transaction.

2025 Notes Conversion

Subsequent to July 31, 2024, \$ 285.8 million in aggregate principal amount of the 2025 Notes was converted or had been submitted by the holders for conversion and will settle during the fiscal quarter ending October 31, 2024.

Share Repurchase

On August 15, 2024, our board of directors authorized a \$ 500.0 million increase to our share repurchase program, bringing the total remaining authorization for future share repurchases to \$ 1.0 billion. The expiration date of the repurchase authorization was extended to December 31, 2025, and our repurchase program may be suspended or discontinued at any time without prior notice. Repurchases may be made at management's discretion from time to time on the open market, through privately negotiated transactions, transactions structured through investment banking institutions, block purchase techniques, 10b5-1 trading plans, or a combination of the foregoing.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on our evaluation, our chief executive officer and chief financial officer concluded that, as of July 31, 2024, our disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in Securities and Exchange Commission (“SEC”) rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Management’s Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) under the Exchange Act. Our management assessed the effectiveness of our internal control over financial reporting as of July 31, 2024, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) in Internal Control - Integrated Framework (2013 framework). Based on that assessment, management concluded that, as of July 31, 2024, our internal control over financial reporting was effective.

The effectiveness of our internal control over financial reporting as of July 31, 2024 has been audited by Ernst & Young LLP, the independent registered public accounting firm that audits our consolidated financial statements, as stated in their report which is included in Part II, Item 8 of this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the quarter ended July 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

Trading Plans of Directors and Executive Officers

No directors or officers, as defined in Rule 16a-1(f), adopted , modified and/or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement,” as defined in Regulation S-K Item 408, during the fourth quarter of fiscal 2024.

Item 9C. Disclosure Regarding Foreign Jurisdictions That Prevent Inspections

Not applicable.

Part III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item will be contained in our definitive proxy statement to be filed with the SEC in connection with our 2024 annual meeting of stockholders (the "Proxy Statement"), which is expected to be filed not later than 120 days after the end of our fiscal year ended July 31, 2024 and is incorporated herein by reference.

Item 11. Executive Compensation

The information required by this item will be set forth in the Proxy Statement and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item will be set forth in the Proxy Statement and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item will be set forth in the Proxy Statement and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information required by this item will be set forth in the Proxy Statement and is incorporated herein by reference.

Part IV

Item 15. Exhibits and Financial Statement Schedules

Documents filed as part of this Annual Report on Form 10-K are as follows:

1. Consolidated Financial Statements

Our Consolidated Financial Statements are listed in the “Index to Consolidated Financial Statements” under Part II, Item 8 of this Annual Report on Form 10-K.

2. Financial Statement Schedules

Financial statement schedules have been omitted because they are not required, not applicable, not present in amounts sufficient to require submission of the schedule, or the required information is shown in the Consolidated Financial Statements or the notes thereto.

3. Exhibits

The following documents are incorporated by reference or are filed with this Annual Report on Form 10-K, in each case as indicated therein (numbered in accordance with Item 601 of Regulation S-K).

Exhibit Index

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
3.1	Restated Certificate of Incorporation of the Registrant.	10-K	001-35594	3.1	October 4, 2012
3.2	Amended and Restated Bylaws of the Registrant.	8-K	001-35594	3.1	May 23, 2022
3.3	Certificate of Change of Location of Registered Agent and/or Registered Office.	8-K	001-35594	3.1	August 30, 2016
4.1	Indenture between the Registrant and U.S. Bank National Association, dated as of June 8, 2020.	8-K	001-35594	4.1	June 8, 2020
4.2	Form of Global 0.375% Convertible Senior Note due 2025 (included in Exhibit 4.1).	8-K	001-35594	4.2	June 8, 2020
4.3	Description of Registrant's Securities.	10-K	001-35594	4.3	September 1, 2023
10.1*	Form of Indemnification Agreement between the Registrant and its directors and officers.	S-1/A	333-180620	10.1	July 9, 2012
10.2*	2012 Equity Incentive Plan and related form agreements.	10-Q	001-35594	10.2	November 26, 2019
10.3*	Form of 2012 Equity Incentive Plan Performance-Based Restricted Stock Unit Award Agreement.	10-Q	001-35594	10.4	November 19, 2021
10.4*	2021 Equity Incentive Plan, as amended and restated on December 12, 2023.				
10.5*	Form of 2021 Equity Incentive Plan Global Stock Option Award Agreement.				
10.6*	Form of 2021 Equity Incentive Plan Global Restricted Stock Unit Award Agreement.				
10.7*	2012 Employee Stock Purchase Plan, as amended and restated, and related form agreements.				

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
10.8*	RedLock Inc. 2015 Stock Plan, as amended, and related form agreements under RedLock Inc. 2015 Stock Plan, as amended.	S-8	333-227901	99.1	October 19, 2018
10.9*	Sinefa Group, Inc. 2020 Stock Plan.	S-8	333-251423	99.1	December 17, 2020
10.10*	Expanse Holding Company, Inc. Amended and Restated 2012 Stock Incentive Plan	S-8	333-251425	99.1	December 17, 2020
10.11*	Gamma Networks, Inc. 2018 Stock Option and Grant Plan.	S-8	333-259327	99.1	September 3, 2021
10.12*	Bridgecrew, Inc. 2019 Stock Incentive Plan.	S-8	333-254042	99.1	March 9, 2021
10.13*	Cider Security Ltd. 2020 Equity Incentive Plan.	S-8	333-268931	99.1	December 21, 2022
10.14*	US Sub-Plan to Cider Security Ltd. 2020 Equity Incentive Plan.	S-8	333-268931	99.2	December 21, 2022
10.15*	Employee Incentive Compensation Plan, as amended and restated.	10-Q	001-35594	10.2	November 25, 2014
10.16	Clawback Policy, adopted as of August 29, 2017, amended August 14, 2024.				
10.17*	Amended and Restated Outside Director Compensation Policy (last amended February 16, 2022).	10-Q	001-35594	10.4	February 23, 2022
10.21*	Continued Service Policy.	10-Q	001-35594	10.3	May 20, 2022
10.22*	Palo Alto Networks, Inc. Deferred Compensation Plan effective June 1, 2022	10-K	001-35594	10.23	September 6, 2022
10.23*	Employment Agreement between Palo Alto Networks (Israel Analytics) Ltd. and Nir Zuk, dated August 18, 2020.	10-Q	001-35594	10.1	November 19, 2020
10.24*	Offer Letter between the Registrant and Nikesh Arora, dated May 30, 2018.	8-K	001-35594	10.2	June 4, 2018
10.25*	Offer Letter between the Registrant and Josh Paul, dated August 5, 2021.	8-K	001-35594	10.1	September 8, 2021
10.26*	Confirmatory Employment Letter with Updated Change in Control Protection between the Registrant and Lee Klarich, dated December 19, 2011.	10-Q	001-35594	10.4	November 30, 2018
10.27*	Addendum to Employment Offer Letter by and between the Registrant and Dipak Golechha, dated March 17, 2021.	8-K	001-35594	10.1	March 19, 2021
10.28*	Addendum to Employment Offer Letter by and between the Registrant and Dipak Golechha, dated February 18, 2022.	10-Q	001-35594	10.1	May 20, 2022
10.29*	Employment Offer Letter by and between the Registrant and William “BJ” Jenkins, dated July 27, 2021.	8-K	001-35594	10.1	August 12, 2021
10.30*	Addendum to Employment Offer Letter between the Registrant and William “BJ” Jenkins, dated February 18, 2022.	10-Q	001-35594	10.2	May 20, 2022
10.31*	Form of Offer Letter between the Registrant and its directors.	10-K	001-35594	10.27	September 3, 2021

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
10.32**	Amended and Restated Flextronics Manufacturing Services Agreement, by and between the Registrant and Flextronics Telecom Systems Ltd., dated April 1, 2019.	10-Q	001-35594	10.1	May 30, 2019
10.33	Vendor Information Security Terms between the Registrant and Flextronics Telecom Systems Ltd., dated July 23, 2021.	10-K	001-35594	10.29	September 3, 2021
10.34	Form of Convertible Note Hedge Confirmation.	8-K	001-35594	10.2	June 8, 2020
10.35	Form of Warrant Confirmation.	8-K	001-35594	10.3	June 8, 2020
10.36	Lease between the Registrant and Santa Clara Campus Property Owner I LLC, dated May 28, 2015.	10-K	001-35594	10.29	September 17, 2015
10.37	Lease between the Registrant and Santa Clara Campus Property Owner I LLC, dated May 28, 2015.	10-K	001-35594	10.30	September 17, 2015
10.38	Lease between the Registrant and Santa Clara Campus Property Owner I LLC, dated May 28, 2015.	10-K	001-35594	10.31	September 17, 2015
10.39	Lease by and between the Registrant and Santa Clara Campus Property Owner I LLC, dated October 7, 2015.	8-K/A	001-35594	10.1	October 19, 2015
10.40	Amendment No. 1 to Lease by and between the Registrant and Santa Clara Phase I Property LLC, dated November 9, 2015.	10-Q	001-35594	10.2	November 24, 2015
10.41	Amendment No. 1 to Lease by and between the Registrant and Santa Clara Campus Property Owner I LLC, dated November 9, 2015.	10-Q	001-35594	10.3	November 24, 2015
10.42	Amendment No. 1 to Lease by and between the Registrant and Santa Clara Campus Property Owner I LLC, dated September 16, 2016.	10-Q	001-35594	10.1	November 22, 2016
10.43	Amendment No. 1 to Lease by and between the Registrant and Santa Clara Campus Property Owner I LLC, dated September 16, 2016.	10-Q	001-35594	10.2	November 22, 2016
10.44	Amendment No. 2 to Lease by and between the Registrant and Santa Clara Campus Property Owner I LLC, dated September 16, 2016.	10-Q	001-35594	10.3	November 22, 2016
10.45	Amendment No. 2 to Lease by and between the Registrant and Santa Clara Campus Property Owner I LLC, dated November 16, 2016.	10-Q	001-35594	10.1	March 1, 2017
10.46	Amendment No. 2 to Lease by and between the Registrant and Santa Clara Campus Property Owner I LLC, dated November 16, 2016.	10-Q	001-35594	10.2	March 1, 2017
10.47	Amendment No. 3 to Lease by and between the Registrant and Santa Clara Campus Property Owner I LLC, dated November 16, 2016.	10-Q	001-35594	10.3	March 1, 2017
10.48	Amendment No. 3 to Lease by and between the Registrant and Santa Clara EFH LLC, dated June 22, 2017.	10-K	001-35594	10.40	September 7, 2017
10.49	Amendment No. 3 to Lease by and between the Registrant and Santa Clara G LLC, dated June 22, 2017.	10-K	001-35594	10.41	September 7, 2017

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
10.50	Amendment No. 4 to Lease by and between the Registrant and Santa Clara EFH LLC, dated June 22, 2017.	10-K	001-35594	10.42	September 7, 2017
10.51	Amendment No. 4 to Lease by and between the Registrant and Santa Clara Phase III EFH LLC, dated September 29, 2017.	10-Q	001-35594	10.5	November 21, 2017
10.52	Amendment No. 4 to Lease by and between the Registrant and Santa Clara Phase III G LLC, dated September 29, 2017.	10-Q	001-35594	10.6	November 21, 2017
10.53	Amendment No. 5 to Lease by and between the Registrant and Santa Clara Phase III EFH LLC, dated September 29, 2017.	10-Q	001-35594	10.7	November 21, 2017
10.54	Credit Agreement, dated as of April 13, 2023 among the Registrant, the lenders party thereto and Wells Fargo, National Association, as administrative agent.	8-K	001-35594	10.1	April 19, 2023
19.1**	Insider Trading Policy and Requirements for Trading Plans				
21.1	List of subsidiaries of the Registrant.				
23.1	Consent of Independent Registered Public Accounting Firm.				
24.1	Power of Attorney (contained in the signature page to this Annual Report on Form 10-K).				
31.1	Certification of the Chief Executive Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002.				
31.2	Certification of the Chief Financial Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002.				
32.1†	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
32.2†	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
97.1	Compensation Recovery Policy				
101.INS	XBRL Instance Document.				
101.SCH	XBRL Taxonomy Schema Linkbase Document.				
101.CAL	XBRL Taxonomy Calculation Linkbase Document.				
101.DEF	XBRL Taxonomy Definition Linkbase Document.				
101.LAB	XBRL Taxonomy Labels Linkbase Document.				
101.PRE	XBRL Taxonomy Presentation Linkbase Document.				

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)				

* Indicates a management contract or compensatory plan or arrangement.

** Certain portions of this exhibit have been omitted as the Registrant has determined (i) the omitted information is not material and (ii) the omitted information would likely cause harm to the Registrant if publicly disclosed.

† The certifications attached as Exhibit 32.1 and Exhibit 32.2 that accompany this Annual Report on Form 10-K, are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of the Registrant under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Annual Report on Form 10-K, irrespective of any general incorporation language contained in such filing.

Item 16. Form 10-K Summary

Not applicable.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on September 6, 2024.

PALO ALTO NETWORKS, INC.

By: /s/ NIKESH ARORA

Nikesh Arora

*Chairman and Chief Executive
Officer*

Power of Attorney

KNOW ALL THESE PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Nimesh Arora, Dipak Golechha, and Josh Paul, and each of them, as his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their, his or her substitutes, may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Signature	Title	Date
<u>/s/ NIKESH ARORA</u> Nimesh Arora	Chairman, Chief Executive Officer and Director (Principal Executive Officer)	September 6, 2024
<u>/s/ DIPAK GOLECHHA</u> Dipak Golechha	Chief Financial Officer (Duly Authorized Officer and Principal Financial Officer)	September 6, 2024
<u>/s/ JOSH PAUL</u> Josh Paul	Chief Accounting Officer (Duly Authorized Officer and Principal Accounting Officer)	September 6, 2024
<u>/s/ NIR ZUK</u> Nir Zuk	Chief Technology Officer and Director	September 6, 2024
<u>/s/ APARNA BAWA</u> Aparna Bawa	Director	September 6, 2024
<u>/s/ JOHN M. DONOVAN</u> John M. Donovan	Director	September 6, 2024
<u>/s/ CARL ESCHENBACH</u> Carl Eschenbach	Director	September 6, 2024
<u>/s/ DR. HELENE D. GAYLE</u> Dr. Helene D. Gayle	Director	September 6, 2024
<u>/s/ JAMES J. GOETZ</u> James J. Goetz	Director	September 6, 2024
<u>/s/ RT HON SIR JOHN KEY</u> Rt Hon Sir John Key	Director	September 6, 2024
<u>/s/ MARY PAT MCCARTHY</u> Mary Pat McCarthy	Director	September 6, 2024
<u>/s/ LORRAINE TWOHILL</u> Lorraine Twohill	Director	September 6, 2024

**PALO ALTO NETWORKS, INC.
2021 EQUITY INCENTIVE PLAN**

(Amended and Restated as of December 12, 2023)

1. Purpose of the Plan. The purpose of this Plan is to:

- to attract and retain the best available personnel for positions of substantial responsibility,
- to provide additional incentive to Employees, Directors and Consultants, and
- to promote the success of the Company's business.

The Plan permits the grant of Incentive Stock Options, Nonstatutory Stock Options, Restricted Stock, Restricted Stock Units, Stock Appreciation Rights, Performance Units and Performance Shares.

2. Definitions. The following definitions are used in this Plan:

- (a) "Administrator" means the Board or any of its Committees as will be administering the Plan, in accordance with Section 4 of the Plan.
- (b) "Applicable Laws" means the legal and regulatory requirements relating to the administration of equity-based awards and issuance of shares of Common Stock, including under U.S. state corporate laws, U.S. federal and state securities laws, the Code, any stock exchange or quotation system on which the Common Stock is listed or quoted and the applicable laws of any non-U.S. country or jurisdiction where Awards are, or will be, granted under the Plan. Reference to a specific section of an Applicable Law or regulation related to that section shall include such section or regulation, any valid regulation or other official guidance issued under that section, and any comparable provision of any future legislation or regulation amending, supplementing or superseding that section or regulation.
- (c) "Award" means, individually or collectively, a grant under the Plan of Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Units or Performance Shares.
- (d) "Award Agreement" means the written or electronic agreement between the Company and Participant setting forth the terms and provisions applicable to an Award granted under the Plan. The Award Agreement is subject to the terms and conditions of the Plan.
- (e) "Board" means the Board of Directors of the Company.
- (f) "Change in Control" means the occurrence of any of the following events:
 - (i) Change in Ownership of the Company. A change in the ownership of the Company which occurs on the date that any one person, or more than one person acting as a group ("Person"), acquires ownership of the stock of the Company that, together with the stock held by such Person, constitutes more than 50% of the total voting power of the stock of the Company; provided, however, that for purposes of this subsection, if any one Person is already considered to own more than 50% of the total voting power of the stock of the Company, the acquisition of additional stock by such Person will not be considered a Change in Control; or
 - (ii) Change in Effective Control of the Company. A change in the effective control of the Company which occurs on the date that a majority of members of the Board is replaced during any 12-month period by Directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election. For purposes of this subsection (ii), if any Person is considered to be in effective control of the Company, the acquisition of additional control of the Company by the same Person will not be considered a Change in Control; or
 - (iii) Change in Ownership of a Substantial Portion of the Company's Assets. A change in the ownership of a substantial portion of the Company's assets which occurs on the date that any Person acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person) assets from the Company that have a total gross fair market value equal to or more than 50% of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions; provided, however, that for purposes of this subsection (iii), the following will not constitute a change in the ownership of a substantial portion of the Company's assets: (A) a transfer to an entity that is controlled by the Company's stockholders immediately after the transfer, or (B) a transfer of assets by the Company to: (1) a stockholder of the Company (immediately before the asset transfer) in exchange for or with respect to the Company's stock, (2) an entity, 50% or more of the total value or voting power of which is owned, directly or indirectly, by the Company, (3) a Person, that owns, directly or indirectly, 50% or more of the total value or voting power of all the outstanding stock of the Company, or (4) an entity, at least 50% of the total value or voting power of which is owned, directly or indirectly, by a Person described in subsection (iii)(B)(3). For purposes of this subsection (iii), gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

For purposes of this definition, persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company.

Notwithstanding the foregoing, a transaction will not be deemed a Change in Control unless the transaction qualifies as a change in control event within the meaning of Section 409A. Further and for the avoidance of doubt, a transaction will not constitute a Change in Control if: (x) its primary purpose is to change the jurisdiction of the Company's incorporation, or (y) its primary purpose is to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

- (g) "Code" means the U.S. Internal Revenue Code of 1986.
 - (h) "Committee" means a committee of Directors or of other individuals satisfying Applicable Laws appointed by the Board, or a duly authorized committee of the Board, in accordance with Section 4 hereof.
 - (i) "Common Stock" means the common stock of the Company.
 - (j) "Company" means Palo Alto Networks, Inc., a Delaware corporation, or any successor thereto.
 - (k) "Consultant" means any person, including an advisor, engaged by the Company or a Parent or Subsidiary of the Company to render bona fide services to such entity, provided the services (i) are not in connection with the offer or sale of securities in a capital-raising transaction, and (ii) do not directly promote or maintain a market for the Company's securities, in each case, within the meaning used with respect to Form S-8 promulgated under the Securities Act, and provided, further, that a Consultant will include only those persons to whom the issuance of Shares may be registered under Form S-8 promulgated under the Securities Act.
 - (l) "Director" means a member of the Board.
 - (m) "Disability" means total and permanent disability as defined in Section 22(e)(3) of the Code, provided that in the case of Awards other than Incentive Stock Options, the Administrator in its discretion may determine whether a permanent and total disability exists in accordance with uniform and non-discriminatory standards adopted by the Administrator from time to time.
 - (n) "Employee" means any person, including Officers and Inside Directors, providing services as an employee to the Company or any Parent or Subsidiary of the Company. Neither service as a Director nor payment of a director's fee by the Company will be sufficient to constitute "employment" by the Company.
 - (o) "Exchange Act" means the U.S. Securities Exchange Act of 1934.
 - (p) "Exchange Program" means a program under which (i) outstanding Awards are surrendered or cancelled in exchange for awards of the same type (which may have higher or lower exercise prices and different terms), awards of a different type, and/or cash, (ii) Participants would have the opportunity to transfer any outstanding Awards to a financial institution or other person or entity selected by the Administrator, and/or (iii) the exercise price of an outstanding Award is reduced. As described in Section 4(i), the Administrator may not institute an Exchange Program.
 - (q) "Fair Market Value" means, as of any date, the value of Common Stock determined as follows:
 - (i) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation Nasdaq Global Select Market, Nasdaq Global Market or Nasdaq Capital Market of Nasdaq Stock Market or the New York Stock Exchange, its Fair Market Value will be the closing sales price for such stock (or, the closing bid, if no sales were reported) as quoted on such exchange or system on the day of determination, as reported by such source as the Administrator deems reliable;
 - (ii) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value of a Share will be the mean between the high bid and low asked prices for the Common Stock on the day of determination (or the closing bid, if no sales were reported), as reported by such source as the Administrator deems reliable; or
 - (iii) In the absence of an established market for the Common Stock, the Fair Market Value will be determined in good faith by the Administrator.
- If the Fair Market Value is to be determined under subsection (i) or (ii) above and the determination date for the Fair Market Value occurs on a day other than a Trading Day, the
- Fair Market Value will be the price as determined under subsection (i) or (ii) above, as applicable, on the immediately preceding Trading Day, unless otherwise determined by the Administrator. In addition, for purposes of determining the fair market value of shares for any reason other than the determination of the exercise price of Options or Stock Appreciation Rights, fair market value will be determined by the Administrator in a manner compliant with Applicable Laws and applied consistently for such purpose. Note that the determination of fair market value for purposes of withholding Tax-Related Items may be made in the Administrator's sole discretion subject to Applicable Laws and is not required to be consistent with the determination of Fair Market Value for other purposes.
- (r) "Fiscal Year" means the fiscal year of the Company.
 - (s) "Incentive Stock Option" means an Option that is intended to qualify, and actually qualifies, as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.
 - (t) "Inside Director" means a Director who is an Employee.
 - (u) "Nonstatutory Stock Option" means an Option that by its terms does not qualify or is not intended to qualify as an

Incentive Stock Option.

- (v) “Officer” means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.
- (w) “Option” means a stock option granted pursuant to the Plan.
- (x) “Outside Director” means a Director who is not an Employee.
- (y) “Parent” means a “parent corporation” of the Company, whether now or hereafter existing, as defined in Section 424(e) of the Code.
- (z) “Participant” means the holder of an outstanding Award.
- (aa) “Performance Share” means an Award denominated in Shares which may be earned in whole or in part upon attainment of performance goals or other vesting criteria as the Administrator may determine pursuant to Section 10.
- (bb) “Performance Unit” means an Award denominated in Shares or cash, which may be earned in whole or in part upon attainment of performance goals or other vesting criteria as the Administrator may determine and which may be settled for cash, Shares or other securities or a combination of the foregoing pursuant to Section 10.
- (cc) “Period of Restriction” means the period (if any) during which the transfer of Shares of Restricted Stock are subject to restrictions and therefore, the Shares are subject to a substantial risk of forfeiture. Such restrictions may be based on the passage of time, the achievement of target levels of performance, or the occurrence of other events as determined by the Administrator.
- (dd) “Plan” means this Palo Alto Networks, Inc. 2021 Equity Incentive Plan.
- (ee) “Restricted Stock” means Shares issued pursuant to a Restricted Stock award under Section 7 of the Plan, or issued pursuant to the early exercise of an Option.
- (ff) “Restricted Stock Unit” means a bookkeeping entry representing an amount equal to the Fair Market Value of one Share, granted pursuant to Section 8. Each Restricted Stock Unit represents an unfunded and unsecured obligation of the Company.
- (gg) “Rule 16b-3” means Rule 16b-3 of the Exchange Act or any successor to Rule 16b-3, as in effect when discretion is being exercised with respect to the Plan.
- (hh) “Section 16(b)” means Section 16(b) of the Exchange Act.
- (ii) “Section 409A” means Section 409A of the Code.
- (jj) “Securities Act” means the U.S. Securities Act of 1933.
- (kk) “Service Provider” means an Employee, Director or Consultant.
- (ll) “Share” means a share of the Common Stock, as adjusted in accordance with Section 14 of the Plan.
- (mm) “Stock Appreciation Right” means an Award, granted alone or in connection with an Option, that pursuant to Section 9 is designated as a Stock Appreciation Right.
- (nn) “Subsidiary” means a “subsidiary corporation” of the Company whether now or hereafter existing, as defined in Section 424(f) of the Code.
- (oo) “Substituted Award” means an Award granted in substitution for an equity award of an acquired entity in connection with a merger, reorganization, separation, or other transaction to which Section 424(a) of the Code applies.
- (pp) “Tax-Related Items” means any U.S. and non-U.S. federal, state, or local taxes (including, without limitation, income tax, social insurance, payroll tax, fringe benefits tax, payment on account and any other tax-related items) related to a Participant’s participation in the Plan and legally applicable or deemed applicable to the Participant, or have been transferred to the Participant.
- (qq) “Trading Day” means a day that the primary stock exchange, national market system, or other trading platform, as applicable, upon which the Common Stock is listed is open for trading.

3. Stock Subject to the Plan.

- (a) Stock Subject to the Plan. Subject to the provisions of Section 14 of the Plan, the maximum aggregate number of Shares that may be issued under the Plan is (i) 24,185,000 Shares, plus (ii) any Shares subject to awards granted under the Company’s 2012 Equity Incentive Plan, as amended, that, on or after the date stockholders initially approve the Plan, expire or otherwise terminate without having been exercised or issued in full, are tendered to or withheld by the Company for payment of an exercise price or for tax withholding obligations, or are forfeited to or repurchased by the Company due to failure to vest, with the maximum number of Shares to be added to the Plan pursuant to clause (ii) equal to 31,740,063 Shares. In addition, Shares may become available for issuance under the Plan pursuant to Section 3(b). The Shares may be authorized, but unissued, or reacquired Common Stock. If the Committee grants Substituted Awards in substitution for equity awards outstanding under a plan maintained by an entity acquired by or consolidated with the Company, the grant of those Substituted Awards will not decrease the number of Shares available for issuance under the Plan.
- (b) Lapsed Awards. If an Award expires or becomes unexercisable without having been exercised in full, or, with respect to Restricted Stock, Restricted Stock Units, Performance Units or Performance Shares, is forfeited to or repurchased by the Company due to failure to vest, then the unpurchased Shares (or for Awards other than Options or Stock Appreciation Rights, the forfeited or repurchased Shares) that were subject thereto will

become available for future grant or sale under the Plan (unless the Plan has terminated). With respect to Stock Appreciation Rights, the gross number of Shares underlying the portion of a Stock Appreciation Right that is exercised will cease to be available under the Plan. Shares that actually have been issued under the Plan under any Award will not be returned to the Plan and will not become available for future distribution under the Plan; provided, however, that if Shares issued pursuant to Awards of Restricted Stock, Restricted Stock Units, Performance Shares or Performance Units are repurchased by the Company or are forfeited to the Company due to failure to vest, such Shares will become available for future grant under the Plan. Shares used to pay the exercise price or purchase price of an Award or to satisfy the tax withholding obligations related to an Award will not become available for future grant or sale under the Plan. To the extent an Award under the Plan is paid out in cash rather than Shares, such cash payment will not reduce the number of Shares available for issuance under the Plan. Notwithstanding the foregoing and, subject to adjustment as provided in Section 14, the maximum number of Shares that may be issued upon the exercise of Incentive Stock Options will equal the aggregate Share number stated in Section 3(a), plus, to the extent allowable under Section 422 of the Code and the Treasury Regulations promulgated thereunder, any Shares that become available for issuance under the Plan pursuant to this Section 3(b).

- (c) Share Reserve. The Company, at all times during the term of this Plan, will reserve and keep available such number of Shares as will be sufficient to satisfy the requirements of the Plan.

4. Administration of the Plan.

- (a) Procedure.

- (i) General. The Plan will be administered by (A) the Board or (B) a Committee constituted to satisfy Applicable Laws. The Board or Committee will be the Administrator. Different Administrators may administer the Plan with respect to different groups of Service Providers. The Board may retain the authority to concurrently administer the Plan with a Committee and may, at any time, revoke the delegation of some or all authority previously delegated.
 - (ii) Rule 16b-3. To the extent desirable to qualify transactions hereunder as exempt under Rule 16b-3, the transactions contemplated hereunder will be structured to satisfy the requirements for exemption under Rule 16b-3.
- (b) Powers of the Administrator. Subject to the Plan, any limitations on delegations specified by the Board, and any requirements imposed by Applicable Laws, the Administrator will have the authority, in its sole discretion, to make any determinations and perform any actions deemed necessary or advisable to administer the Plan including to:
 - (i) determine the Fair Market Value;
 - (ii) select the Service Providers to whom Awards may be granted hereunder;
 - (iii) determine the number of Shares to be covered by each Award granted hereunder;
 - (iv) approve forms of Award Agreements for use under the Plan;
 - (v) determine the terms and conditions, not inconsistent with the terms of the Plan, of any Award granted hereunder. The terms and conditions include, but are not limited to, the exercise price, the time or times when Awards may be exercised (which may be based on performance criteria), any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any Award or the Shares relating to an Award;
 - (vi) establish, amend and rescind rules and regulations and adopt sub-plans relating to the Plan, including rules, regulations, and sub-plans for the purposes of facilitating compliance with non-
 - (vii) U.S. laws, easing the administration of the Plan and/or taking advantage of tax-favorable treatment for Awards granted to Service Providers outside the U.S.;
 - (viii) interpret the Plan and make any decision necessary to administer the Plan;
 - (ix) interpret, modify or amend each Award (subject to Section 17(c) of the Plan), including without limitation the discretionary authority to extend the post-termination exercisability period of Awards;
 - (x) allow Participants to satisfy tax withholding obligations in a manner prescribed in Section 15 of the Plan;
 - (xi) authorize any person to execute on behalf of the Company any instrument required to effect the grant of an Award previously granted by the Administrator;
 - (xii) delegate ministerial duties to any of the Company's employees;
 - (xiii) temporarily suspend the exercisability of an Award if the Administrator deems such suspension to be necessary or appropriate for administrative purposes;
 - (xiv) allow a Participant to defer the receipt of the payment of cash or the delivery of Shares that otherwise would be due to the Participant under an Award; and
 - (xv) make all other determinations deemed necessary or advisable for administering the Plan.
- (c) Grant Date. The grant date of an Award ("Grant Date") will be the date that the Administrator makes the determination granting such Award or may be a later date if such later date is designated by the Administrator on the date of the determination or under an automatic grant policy. Notice of the determination will be provided to each Participant within a reasonable time after the Grant Date.
- (d) Waiver. The Administrator may waive any terms, conditions or restrictions.

- (e) Fractional Shares. Except as otherwise provided by the Administrator, any fractional Shares that result from the adjustment of Awards will be cancelled. Any fractional Shares that result from vesting percentages will be accumulated and vested on the date that an accumulated full Share is vested.
- (f) Electronic Delivery. The Company may deliver by e-mail or other electronic means (including posting on a website maintained by the Company or its agent) all documents relating to the Plan or any Award and all other documents that the Company is required to deliver to its security holders (including prospectuses, annual reports and proxy statements).
- (g) Choice of Law; Choice of Forum. The Plan, all Awards and all determinations made and actions taken under the Plan, to the extent not otherwise governed by the laws of the United States, will be governed by the laws of the State of Delaware without giving effect to principles of conflicts of law. For purposes of litigating any dispute that arises

under this Plan, a Participant's acceptance of an Award is his or her consent to the jurisdiction of the State of Delaware, and agreement that any such litigation will be conducted in Delaware Court of Chancery, or the federal courts for the United States for the District of Delaware, and no other courts, regardless of where a Participant's services are performed.

- (h) Effect of Administrator's Decision. The Administrator's decisions, determinations and interpretations will be final and binding on all Participants and any other holders of Awards and will be given the maximum deference permitted by Applicable Laws.
- (i) Exchange Program. The Administrator may not institute an Exchange Program.

5. Eligibility. Nonstatutory Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Shares and Performance Units may be granted to Service Providers. Incentive Stock Options may be granted only to Employees.

6. Stock Options.

- (a) Grant of Options. Subject to the terms and provisions of the Plan, the Administrator, at any time and from time to time, may grant Options to Service Providers in such amounts as the Administrator determines in its sole discretion.
- (b) Stock Option Agreement. Each Option will be evidenced by an Award Agreement that will specify the exercise price, the number of Shares subject to the Option, the exercise restrictions, if any, applicable to the Option, and such other terms and conditions as the Administrator determines in its sole discretion.
- (c) Limitations. Each Option will be designated in the Award Agreement as either an Incentive Stock Option or a Nonstatutory Stock Option. However, notwithstanding such designation, to the extent that the aggregate Fair Market Value of the Shares with respect to which Incentive Stock Options are exercisable for the first time by the Participant during any calendar year (under all plans of the Company and any Parent or Subsidiary) exceeds \$100,000, such Options will be treated as Nonstatutory Stock Options. For purposes of this Section 6(c), Incentive Stock Options will be taken into account in the order in which they were granted. The Fair Market Value of the Shares will be determined as of the time the Option with respect to such Shares is granted.
- (d) Term of Option. The term of each Option will be stated in the Award Agreement. In the case of an Incentive Stock Option, the term will be 10 years from the Grant Date or such shorter term as may be provided in the Award Agreement. Moreover, in the case of an Incentive Stock Option granted to a Participant who, at the time the Incentive Stock Option is granted, owns stock representing more than 10% of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Incentive Stock Option will be 5 years from the Grant Date or such shorter term as may be provided in the Award Agreement.
- (e) Option Exercise Price and Consideration.
 - (i) Exercise Price. The per share exercise price for the Shares to be issued pursuant to exercise of an Option will be determined by the Administrator, subject to the following:
 - (1) In the case of an Incentive Stock Option
 - (A) granted to an Employee who, at the time the Incentive Stock Option is granted, owns stock representing more than 10% of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price will be no less than 110% of the Fair Market Value per Share on the Grant Date.
 - (B) granted to any Employee other than an Employee described in paragraph (A) immediately above, the per Share exercise price will be no less than 100% of the Fair Market Value per Share on the Grant Date.
 - (2) In the case of a Nonstatutory Stock Option, the per Share exercise price will be determined by the Administrator and may no less than 100% of the Fair Market Value per Share on the Grant Date unless otherwise required by Applicable Laws.
 - (3) Notwithstanding the foregoing, Options may be granted with a per Share exercise price of less than 100% of the Fair Market Value per Share on the Grant Date pursuant to a transaction described in, and in a manner consistent with, Section 424(a) of the Code.
 - (ii) Waiting Period and Exercise Dates. At the time an Option is granted, the Administrator will fix the period within which the Option may be exercised and will determine any conditions that must be satisfied before the Option may be exercised.
 - (iii) Form of Consideration. The Administrator will determine the acceptable form of consideration for exercising an

Option, including the method of payment. In the case of an Incentive Stock Option, the Administrator will determine the acceptable form of consideration at the time of grant. Such consideration may consist entirely of: (1) cash; (2) check or wire transfer; (3) promissory note, to the extent permitted by Applicable Laws; (4) other Shares, provided that such Shares have a fair market value on the date of surrender equal to the aggregate exercise price of the Shares as to which such Option will be exercised and provided that accepting such Shares will not result in any adverse accounting consequences to the Company, as the Administrator determines in its sole discretion; (5) consideration received by the Company under a broker-assisted (or other) cashless exercise program (whether through a broker or otherwise) implemented by the Company in connection with the Plan; (6) net exercise, under which Shares are withheld from otherwise deliverable Shares that has been approved by the Board or a Committee; (7) such other consideration and method of payment for the issuance of Shares to the extent permitted by Applicable Laws; or (8) any combination of the foregoing methods of payment.

(f) Exercise of Option.

- (i) Procedure for Exercise; Rights as a Stockholder. Any Option granted hereunder will be exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Administrator and set forth in the Award Agreement. Notwithstanding the foregoing, at any time after the grant of an Option, the Administrator, in its sole discretion, may accelerate the time at which the Option will vest or become exercisable. An Option may not be exercised for a fraction of a Share.

An Option will be deemed exercised when the Company receives: (i) notice of exercise (in accordance with the procedures that the Administrator may specify from time to time) from the person entitled to exercise the Option, and (ii) full payment for the Shares with respect to which the Option is exercised (together with any amounts necessary to satisfy withholding obligations for Tax-Related Items). Full payment may consist of any consideration and method of payment authorized by the Administrator and permitted by the Award Agreement and the Plan. Shares issued upon exercise of an Option will be issued in the name of the Participant or, if requested by the Participant and approved by the Administrator, in the name of the Participant and his or her spouse. Until the Shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a stockholder will exist with respect to the Shares subject to an Option, notwithstanding the exercise of the Option. The Company will issue (or cause to be issued) such Shares promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 14 of the Plan.

Exercising an Option in any manner will decrease the number of Shares thereafter available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

- (ii) Termination of Relationship as a Service Provider. If a Participant ceases to be a Service Provider, other than upon the cessation of the Participant's Service Provider status as the result of the Participant's death or Disability, the Participant may exercise his or her Option within such period of time as is specified in the Award Agreement to the extent that the Option is vested on the date of cessation of the Participant's Service Provider status (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement). In the absence of a specified time in the Award Agreement, the Option will remain exercisable for 3 months following cessation of the Participant's Service Provider status. Unless otherwise provided by the Administrator, if on the date of cessation of the Participant's Service Provider status the Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will revert to the Plan. If, after cessation of the Participant's Service Provider status, the Participant does not exercise his or her Option within the time specified in the Award Agreement or herein, the Option will terminate, and the Shares covered by such Option will revert to the Plan.

- (iii) Disability of Participant. If a Participant ceases to be a Service Provider as a result of the Participant's Disability, the Participant may exercise his or her Option within such period of time as is specified in the Award Agreement to the extent that the Option is vested on the date of cessation of the Participant's Service Provider status (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement). In the absence of a specified time in the Award Agreement, the Option will remain exercisable for 12 months following cessation of the Participant's Service Provider status. Unless otherwise provided by the Administrator, if on the date of cessation of the Participant's Service Provider status the Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of

the Option will revert to the Plan. If, after cessation of the Participant's Service Provider status, the Participant does not exercise his or her Option within the time specified in the Award Agreement or herein, the Option will terminate, and the Shares covered by such Option will revert to the Plan.

- (iv) Death of Participant. If a Participant dies while a Service Provider, the Option may be exercised following the Participant's death within such period of time as is specified in the Award Agreement to the extent that the Option is vested on the date of death (but in no event may the Option be exercised later than the expiration of the term of such Option as set forth in the Award Agreement), by the Participant's designated beneficiary, provided the Administrator has permitted the designation of a beneficiary and provided such beneficiary has been designated prior to the Participant's death in a form acceptable to the Administrator. If the Administrator has not permitted the designation of a beneficiary or if no such beneficiary has been designated by the Participant, then such Option may be exercised by the personal representative of the Participant's estate or by the person(s) to whom the Option is transferred pursuant to the Participant's will or in accordance with the laws of descent and distribution. In the absence of a specified time in the Award Agreement, the Option will remain exercisable for 12 months

following the Participant's death. Unless otherwise provided by the Administrator, if at the time of death, the Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will immediately revert to the Plan. If the Option is not so exercised within the time specified in the Award Agreement or herein, the Option will terminate, and the Shares covered by such Option will revert to the Plan.

(v) Tolling Expiration. A Participant's Award Agreement may also provide that:

- (1) if the exercise of the Option following the cessation of the Participant's status as a Service Provider (other than upon the Participant's death or Disability) would result in liability under Section 16(b), then the Option will terminate on the earlier of (A) the expiration of the term of the Option set forth in the Award Agreement, or (B) the 10th day after the last date on which such exercise would result in liability under Section 16(b); or
- (2) if the exercise of the Option following the cessation of the Participant's status as a Service Provider (other than upon the Participant's death or Disability) would be prohibited at any time solely because the issuance of Shares would violate the registration requirements under the Securities Act, then the Option will terminate on the earlier of (A) the expiration of the term of the Option or (B) the expiration of a period of 30 days after the cessation of the Participant's status as a Service Provider during which the exercise of the Option would not be in violation of such registration requirements.

7. Restricted Stock

- (a) Grant of Restricted Stock. Subject to the terms and provisions of the Plan, the Administrator, at any time and from time to time, may grant Shares of Restricted Stock to Service Providers in such amounts as the Administrator determines in its sole discretion.
- (b) Restricted Stock Agreement. Each Award of Restricted Stock will be evidenced by an Award Agreement that will specify any Period of Restriction, the number of Shares granted, and such other terms and conditions as the Administrator determines in its sole discretion. Unless the Administrator determines otherwise, the Company as escrow agent will hold Shares of Restricted Stock until the restrictions on such Shares have lapsed.
- (c) Transferability. Except as provided in this Section 7 of the Award Agreement, Shares of Restricted Stock may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until the end of any applicable Period of Restriction.
- (d) Other Restrictions. The Administrator, in its sole discretion, may impose such other restrictions on Shares of Restricted Stock as it may deem advisable or appropriate.
- (e) Removal of Restrictions. Except as otherwise provided in this Section 7, Shares of Restricted Stock covered by each Restricted Stock grant made under the Plan will be released from escrow as soon as practicable after the last day of any applicable Period of Restriction or at such other time as the Administrator may determine. Notwithstanding the foregoing, at any time after the grant of an Option, the Administrator, in its sole discretion, may accelerate the time at which any restrictions will lapse or be removed.
- (f) Voting Rights. During any applicable Period of Restriction, Service Providers holding Shares of Restricted Stock granted hereunder may exercise full voting rights with respect to those Shares, unless the Administrator determines otherwise.
- (g) Return of Restricted Stock to Company. On the date set forth in the Award Agreement, the Restricted Stock for which restrictions have not lapsed will revert to the Company and again will become available for grant under the Plan.

8. Restricted Stock Units

- (a) Grant. Restricted Stock Units may be granted at any time and from time to time as determined by the Administrator. After the Administrator determines that it will grant Restricted Stock Units under the Plan, it will advise the Participant in an Award Agreement of the terms, conditions, and restrictions related to the grant, including the number of Restricted Stock Units.
- (b) Restricted Stock Unit Agreement. Each Award of Restricted Stock Units will be evidenced by an Award Agreement that will specify vesting criteria, the number of Restricted Stock Units granted, and such other terms and conditions as the Administrator determines in its sole discretion.
- (c) Vesting Criteria and Other Terms. The Administrator will set vesting criteria in its discretion, which, depending on the extent to which the criteria are met, will determine the number of Restricted Stock Units that will be paid out to the Participant. The Administrator may set vesting criteria based upon the achievement of Company-wide, divisional, business unit, or individual goals (including, but not limited to, continued employment or service), applicable U.S. or non-U.S. federal or state securities laws or any other basis determined by the Administrator in its discretion.
- (d) Earning Restricted Stock Units. Upon meeting the applicable vesting criteria, the Participant will be entitled to receive a payout as determined by the Administrator. Notwithstanding the foregoing, at any time after the grant of Restricted Stock Units, the Administrator, in its sole discretion, may reduce or waive any vesting criteria that must be met to receive a payout.
- (e) Form and Timing of Payment. Payment of earned Restricted Stock Units will be made as soon as practicable after the date(s) determined by the Administrator and set forth in the Award Agreement. The Administrator, in its sole discretion, may settle earned Restricted Stock Units only in cash, Shares, or a combination of both.
- (f) Cancellation. On the date set forth in the Award Agreement, all unearned Restricted Stock Units will be forfeited to the

Company.

9. Stock Appreciation Rights.

- (a) Grant of Stock Appreciation Rights. Subject to the terms and conditions of the Plan, a Stock Appreciation Right may be granted to Service Providers at any time and from time to time as will be determined by the Administrator, in its sole discretion.
- (b) Stock Appreciation Right Agreement. Each Stock Appreciation Right grant will be evidenced by an Award Agreement that will specify the exercise price, the term of the Stock Appreciation Right, the conditions of exercise, and such other terms and conditions as the Administrator determines in its sole discretion. Notwithstanding the foregoing, at any time after the grant of a Stock Appreciation Right, the Administrator, in its sole discretion, may accelerate the time at which the Stock Appreciation Right will vest or become exercisable.
- (c) Number of Shares. The Administrator will have complete discretion to determine the number of Stock Appreciation Rights granted to any Service Provider.
- (d) Exercise Price and Other Terms. The per share exercise price for the Shares to be issued pursuant to exercise of a Stock Appreciation Right will be determined by the Administrator and will be no less than 100% of the Fair Market Value per Share on the Grant Date. Otherwise, the Administrator, subject to the provisions of the Plan, will have complete discretion to determine the terms and conditions of Stock Appreciation Rights granted under the Plan.
- (e) Expiration of Stock Appreciation Rights. A Stock Appreciation Right granted under the Plan will expire upon the date as determined by the Administrator, in its sole discretion, and set forth in the Award Agreement. Notwithstanding the foregoing, the tolling and expiration rules of Section 6(f) relating to exercise also will apply to Stock Appreciation Rights.
- (f) Payment of Stock Appreciation Right Amount. Upon exercise of a Stock Appreciation Right, a Participant will be entitled to receive payment from the Company in an amount determined as the product of:
 - (i) The difference between the Fair Market Value of a Share on the date of exercise over the exercise price; and
 - (ii) The number of Shares with respect to which the Stock Appreciation Right is exercised.

At the discretion of the Administrator, the payment upon exercise of a Stock Appreciation Right may be in cash, in Shares of equivalent value, or in some combination of both.

10. Performance Units and Performance Shares.

- (a) Grant of Performance Units/Shares. Performance Units and Performance Shares may be granted to Service Providers at any time and from time to time, as will be determined by the Administrator, in its sole discretion. The Administrator will have complete discretion in determining the number of Performance Units and Performance Shares granted to each Participant.
- (b) Value of Performance Units/Shares. Each Performance Unit will have an initial value that is established by the Administrator on or before the Grant Date. Each Performance Share will have an initial value equal to the Fair Market Value of a Share on the Grant Date.
- (c) Performance Objectives and Other Terms. The Administrator will set performance objectives or other vesting provisions (including, without limitation, continued status as a Service Provider) in its discretion which, depending on the extent to which they are met, will determine the number or value of Performance Units/Shares that will be paid out to the Service Providers. The time period during which the performance objectives or other vesting provisions must be met will be called the "Performance Period." Each Award of Performance Units/Shares will be evidenced by an Award Agreement that will specify the Performance Period, and such other terms and conditions as the Administrator determines in its sole discretion. The Administrator may set performance objectives based upon the achievement of Company-wide, divisional, business unit or individual goals (including, but not limited to, continued employment or service), applicable U.S. or non-U.S. federal or state securities laws, or any other basis determined by the Administrator in its discretion.
- (d) Earning of Performance Units/Shares. After the applicable Performance Period has ended, the holder of Performance Units/Shares will be entitled to receive a payout of the number of Performance Units/ Shares earned by the Participant over the Performance Period, to be determined as a function of the extent to which the corresponding performance objectives or other vesting provisions have been achieved. Notwithstanding the foregoing, at any time after the grant of a Performance Unit/Share, the Administrator, in its sole discretion, may reduce or waive any performance objectives or other vesting provisions for such Performance Unit/Share.
- (e) Form and Timing of Payment of Performance Units/Shares. Payment of earned Performance Units/ Shares will be made as soon as practicable after the expiration of the applicable Performance Period. The Administrator, in its sole discretion, may pay earned Performance Units/Shares in the form of cash, in Shares (which have an aggregate Fair Market Value equal to the value of the earned Performance Units/ Shares at the close of the applicable Performance Period) or in a combination thereof.
- (f) Cancellation of Performance Units/Shares. On the date set forth in the Award Agreement, all unearned or unvested Performance Units/Shares will be forfeited to the Company, and again will be available for grant under the Plan.

11. Award Limitations.

- (a) Outside Director Award Limitations. No Outside Director may be paid compensation for service as an Outside Director that, in the aggregate, exceeds \$2,000,000, increased to \$4,000,000 for such Outside Director for the Fiscal Year in which he or she joins the Board as an Outside Director. Compensation includes equity awards, including any Awards issued under this Plan, the value of which will be based on their grant date fair value determined in accordance with

U.S. generally accepted accounting principles and any other compensation (including without limitation any cash retainers or fees). Any Awards or other compensation paid or provided to an individual for his or her services as an Employee, or for his or her services as a Consultant (other than as an Outside Director), will not count for purposes of the limitation under this Section 11(a).

- (b) Dividends and Other Distributions. No dividends or other distributions shall be paid with respect to any Shares underlying any unvested portion of an Award.

12. Leaves of Absence/Transfer Between Locations. Unless the Administrator provides otherwise or Applicable Laws require otherwise, vesting of Awards will be suspended during any unpaid leave of absence. A Participant will not cease to be an Employee in the case of (i) any leave of absence approved by the Company or the Participant's employer or (ii) transfers between locations of the Company or between the Company, its Parent, or any of its Subsidiaries. For purposes of Incentive Stock Options, no such leave may exceed 3 months, unless reemployment upon expiration of such leave is guaranteed by statute or contract. If reemployment upon expiration of a leave of absence approved by the Company or the Participant's employer is not so guaranteed, then 6 months following the 1st day of such leave any Incentive Stock Option held by the Participant will cease to be treated as an Incentive Stock Option and will be treated for tax purposes as a Nonstatutory Stock Option.

13. Transferability of Awards.

- (a) General Rule. Unless determined otherwise by the Administrator, or otherwise required by Applicable Laws, an Award may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Participant, only by the Participant. If the Administrator makes an Award transferable, the Award will be limited by any additional terms and conditions imposed by the Administrator. Any unauthorized transfer of an Award will be void.
- (b) Domestic Relations Orders. If approved by the Administrator, an Award may be transferred pursuant to the terms of a domestic relations order, official marital settlement agreement or other divorce or separation instrument as permitted by Treasury Regulations Section 1.421-1(b)(2). An Incentive Stock Option may be deemed to be a Nonstatutory Stock Option as a result of such transfer.
- (c) Limited Transfers for the Benefit of Family Members. The Administrator may permit an Award or Share issued under this Plan to be assigned or transferred subject to the applicable limitations, set forth in the General Instructions to Form S-8 Registration Statement under the Securities Act, if applicable, and any other Applicable Laws. For the avoidance of doubt, during the lifetime of the Participant, no Award may be assigned or transferred to a third-party financial institution.
- (d) Permitted Transferees. Any individual or entity to whom an Award is transferred will be subject to all of the terms and conditions applicable to the Participant who transferred the Award, including the terms and conditions in this Plan and the Award Agreement. If an Award is unvested, then the service of the Participant will continue to determine whether the Award will vest and when it will terminate.

14. Adjustments; Dissolution or Liquidation; Merger or Change in Control; Death

- (a) Adjustments. In the event that any extraordinary dividend or other extraordinary distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, reclassification, repurchase, or exchange of Shares or other securities of the Company, or other change in the corporate structure of the Company affecting the Shares occurs (other than any ordinary dividends or other ordinary distributions), the Administrator, in order to prevent diminution or enlargement of the benefits or potential benefits intended to be made available under the Plan, will adjust the number and class of shares of stock that may be delivered under the Plan and/or the

number, class, and price of shares of stock covered by each outstanding Award, and the numerical Share limits in Section 3 of the Plan.

- (b) Dissolution or Liquidation. In the event of a proposed dissolution or liquidation of the Company, the Administrator will notify each Participant as soon as practicable prior to the effective date of such proposed transaction. To the extent it has not been previously exercised, an Award will terminate immediately prior to the consummation of such proposed action.
- (c) Merger or Change in Control. In the event of a merger of the Company with or into another corporation or other entity or a Change in Control, each outstanding Award will be treated as the Administrator determines (subject to the provisions of the following paragraph) without a Participant's consent, including, without limitation, that each Award be assumed or an equivalent option or right substituted by the successor corporation or its Parent. The Administrator will not be obligated to treat all Awards, all Awards held by a Participant, all Awards of the same type, or all portions of Awards, similarly.

In the event that the successor corporation does not assume or substitute for the Award (or portion thereof), the Participant will fully vest in and have the right to exercise the Participant's outstanding Option and Stock Appreciation Right (or portion thereof) that is not assumed or substituted for, including Shares as to which such Award would not otherwise be vested or exercisable, all restrictions on Restricted Stock, Restricted Stock Units, Performance Shares and Performance Units (or portions thereof) not assumed or substituted for will lapse, and, with respect to such Awards with performance-based vesting (or portions thereof) not assumed or substituted for, all performance goals or other vesting criteria will be deemed achieved at 100% of target levels and all other terms and conditions met, in each case, unless specifically provided otherwise under the applicable Award Agreement or other written agreement between the Participant and the Company or any of its Subsidiaries or Parents, as applicable. In addition, if an Option or Stock Appreciation Right (or portion thereof) is not assumed or substituted for in the event of a merger or Change in Control,

the Administrator will notify the Participant in writing or electronically that such Option or Stock Appreciation Right (or its applicable portion) will be exercisable for a period of time determined by the Administrator in its sole discretion, and the Option or Stock Appreciation Right (or its applicable portion) will terminate upon the expiration of such period.

For the purposes of this Section 14(c), an Award will be considered assumed if, following the merger or Change in Control, the Award confers the right to purchase or receive, for each Share subject to the Award immediately prior to the merger or Change in Control, the consideration (whether stock, cash, or other securities or property) received in the merger or Change in Control by holders of Common Stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the merger or Change in Control is not solely common stock of the successor corporation or its Parent, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of an Option or Stock Appreciation Right or upon the payout of a Restricted Stock Unit, Performance Unit or Performance Share, for each Share subject to such Award, to be solely common stock of the successor corporation or its Parent equal in fair market value to the per share consideration received by holders of Common Stock in the merger or Change in Control.

Notwithstanding anything in this Section 14(c) to the contrary, and unless otherwise provided in an Award Agreement or other written agreement between the Participant and the Company or any of its Subsidiaries or Parents, as applicable, an Award that vests, is earned or paid-out upon the satisfaction of one or more performance goals will not be considered assumed if the Company or its successor modifies any of such performance goals without the Participant's consent; provided, however, a modification to such performance goals only to reflect the successor corporation's post-Change in Control corporate structure will not be deemed to invalidate an otherwise valid Award assumption.

Notwithstanding anything in this Section 14(c) to the contrary, if a payment under an Award Agreement is subject to Section 409A and if the change in control definition contained in the Award Agreement or other written agreement related to the Award does not comply with the definition of "change in control" for purposes of a distribution under Section 409A, then any payment of an amount that otherwise is accelerated under this Section will be delayed until the earliest time that such payment would be permissible under Section 409A without triggering any penalties applicable under Section 409A.

- (d) Outside Director Awards. With respect to Awards granted to Outside Directors for their service as Outside Directors, in the event of a Change in Control, such Participants will fully vest in and have the right to exercise Options and/or Stock Appreciation Rights as to all of the Shares underlying such Awards, including those Shares which would not be vested or exercisable, all restrictions on such Participants' Restricted Stock and Restricted Stock Units will lapse, and, with respect to such Participants' Awards with performance-based vesting, all performance goals or other vesting criteria will be deemed achieved at 100% of target levels and all other terms and conditions met, unless specifically provided otherwise under the applicable Award Agreements or other written agreements between the Participants and the Company or any of its Subsidiaries or Parents, as applicable.

15. Tax Matters.

- (a) Withholding Requirements. Prior to the delivery of any Shares or cash pursuant to an Award (or exercise thereof) or such earlier time as any withholding obligations for Tax-Related Items are due, the Company (or any of its Subsidiaries, Parents or affiliates employing or retaining the services of a Participant, as applicable) will have the power and the right to deduct or withhold, or require a Participant to remit to the Company (or any of its Subsidiaries, Parents or affiliates, as applicable), an amount sufficient to satisfy any Tax-Related Items required to be withheld with respect to such Award (or exercise thereof).
- (b) Withholding Arrangements. The Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may permit a Participant to satisfy such withholding obligation for Tax-Related Items, in whole or in part by (without limitation) (i) paying cash, check or other cash equivalents, (ii) electing to have the Company withhold otherwise deliverable Shares having a fair market value equal to the minimum statutory amount applicable in a Participant's jurisdiction or such greater amount as the Administrator may determine (including up to a maximum statutory amount) if such amount would not have adverse accounting consequences, as the Administrator determines in its sole discretion, (iii) delivering to the Company already-owned Shares having a fair market value equal to the minimum statutory amount applicable in a Participant's jurisdiction or such greater amount as the Administrator may determine (including up to a maximum statutory amount), in each case, provided the delivery of such Shares will not result in any adverse accounting consequences, as the Administrator determines in its sole discretion, (iv) selling a sufficient number of Shares otherwise deliverable to the Participant through such means as the Administrator may determine in its sole discretion (whether through a broker or otherwise) to cover the amount of the withholding obligation for Tax-Related Items, (v) having the Company or a Parent or Subsidiary withhold from wages or any other cash amount due or to become due to the Participant and payable by the Company or any Parent or Subsidiary, (vi) any other method of withholding determined by the Administrator, or (vii) any combination of the foregoing methods of payment. The withholding amount will be deemed to include any amount which the Administrator agrees may be withheld at the time the election is made, not to exceed the amount determined by using the maximum statutory rates applicable in a Participant's jurisdiction with respect to the Award on the date that the amount of Tax-Related Items to be withheld is to be determined or such greater amount as the Administrator may determine if such amount would not have adverse accounting consequences, as the Administrator determines in its sole discretion. The fair market value of the Shares to be withheld or delivered will be determined as of the date that the amount of Tax-Related Items to be withheld is calculated.

Compliance With Section 409A. Awards will be designed and operated in such a manner that they are either exempt from the application of, or comply with, the requirements of Section 409A such that the grant, payment, settlement or

deferral will not be subject to the additional tax or interest applicable under Section 409A, except as otherwise determined in the sole discretion of the Administrator. The Plan and each Award Agreement under the Plan is intended to meet the requirements of Section 409A and will be construed and interpreted in accordance with such intent, except as otherwise determined in the sole discretion of the Administrator. To the extent that an Award or payment, or the settlement or deferral thereof, is subject to Section 409A the Award will be granted, paid, settled or deferred in a manner that will meet the requirements of Section 409A, such that the grant, payment, settlement or deferral will not be subject to the additional tax or interest applicable under Section 409A. In no event will the Company or any of its Subsidiaries or Parents have any obligation or liability under the terms of this Plan to reimburse, indemnify, or hold harmless any Participant or any other person in respect of Awards, for any taxes, interest or penalties imposed, or other costs incurred, as a result of Section 409A.

16. Miscellaneous.

- (a) Stockholder Approval and Term of Plan. The Plan will become effective upon its approval by the Company's stockholders within 12 months after the date the Plan is adopted by the Board. Such stockholder approval will be obtained in the manner and to the degree required under Applicable Laws. The Plan will continue in effect until terminated earlier under Section 17 of the Plan, but no Incentive Stock Options may be granted after 10 years from the date the Plan is adopted by the Board.
- (b) Legal Compliance. Shares will not be issued pursuant an Award unless the exercise or vesting of such Award and the issuance and delivery of such Shares will comply with Applicable Laws and will be further subject to the approval of counsel for the Company with respect to such compliance.
- (c) Investment Representations. As a condition to the exercise or vesting of an Award, the Company may require the person exercising or vesting in such Award to represent and warrant at the time of any such exercise or vesting that the Shares are being acquired only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required.
- (d) Inability to Obtain Authority. If the Company determines it to be impossible or impracticable to obtain authority from any regulatory body having jurisdiction or to complete or comply with the requirements of any registration or other qualification of the Shares under any U.S. state or federal law or non-U.S. law or under the rules and regulations of the U.S. Securities and Exchange Commission, the stock exchange on which Shares of the same class are then listed, or any other governmental or regulatory body, which authority, registration, qualification or rule compliance is deemed by the Company's counsel to be necessary or advisable for the issuance and sale of any Shares hereunder, the Company will be relieved of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority, registration, qualification or rule compliance will not have been obtained.
- (e) No Effect on Employment or Service. Neither the Plan nor any Award will confer upon a Participant any right with respect to continuing the Participant's relationship as a Service Provider, nor interfere in any way with the Participant's right or the right of the Company and its Subsidiaries or Parents, as applicable, to terminate such relationship at any time, with or without cause, to the extent permitted by Applicable Laws.
- (f) Forfeiture Events. The Administrator may specify in an Award Agreement that the Participant's rights, payments, and benefits with respect to an Award will be subject to reduction, cancellation, forfeiture, recoupment, reimbursement, or reacquisition upon the occurrence of certain specified events, in addition to any otherwise applicable vesting or performance conditions of an Award. Notwithstanding any provisions to the contrary under this Plan, an Award and any other compensation paid or payable to a Participant (including, but not limited to, equity awards issued outside of this Plan) (such compensation, "Other Compensation") will be subject to the Company's clawback policy in effect as of the adoption of this Plan, and will be subject to any other clawback policy of the Company as may be established and/or amended from time to time (including without limitation pursuant to the listing standards of any national securities exchange or association on which the Company's securities are listed or as may be required by the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act) (the "Clawback Policy"). The Administrator may require a Participant to forfeit, return or reimburse the Company all or a portion of the Award or Other Compensation and any amounts paid thereunder pursuant to the terms of the Clawback Policy or as necessary or appropriate to comply with Applicable Laws. Unless this subsection (f) specifically is mentioned and waived in an Award Agreement or other document, no recovery of compensation under a Clawback Policy or otherwise will constitute an event that triggers or contributes to any right of a Participant to resign for "good reason" or "constructive termination" (or similar term) under any agreement with the Company or any Parent or Subsidiary.

17. Amendment and Termination of the Plan.

- (a) Amendment and Termination. The Administrator, at any time, may amend, alter, suspend or terminate the Plan.
- (b) Stockholder Approval. The Company will obtain stockholder approval of any Plan amendment to the extent necessary and desirable to comply with Applicable Laws.
- (c) Consent of Participants Generally Required. Subject to Section 17(d) below, no amendment, alteration, suspension or termination of the Plan or an Award under it will materially impair the rights of any Participant, unless mutually agreed otherwise between the Participant and the Administrator, which agreement must be in writing and signed by the Participant and the Company. Termination of the Plan will not affect the Administrator's ability to exercise the powers granted to it regarding Awards granted under the Plan prior to such termination.
- (d) Exceptions to Consent Requirement.
 - (i) A Participant's rights will not be deemed to have been impaired by any amendment, alteration, suspension or

termination if the Administrator, in its sole discretion, determines that the amendment, alteration, suspension or termination taken as a whole, does not materially impair the Participant's rights, and

- (ii) Subject to the limitations of Applicable Laws, if any, the Administrator may amend the terms of any one or more Awards without the affected Participant's consent even if it does materially impair the Participant's right if such amendment is done
 - (1) in a manner expressly permitted under the Plan;
 - (2) to maintain the qualified status of the Award as an Incentive Stock Option under Section 422 of the Code;
 - (3) to change the terms of an Incentive Stock Option, if such change results in impairment of the Award only because it impairs the qualified status of the Award as an Incentive Stock Option under Section 422 of the Code;
 - (4) to clarify the manner of exemption from, or to bring the Award into compliance with, Section 409A; or
 - (5) to comply with other Applicable Laws.
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PALO ALTO NETWORKS, INC.

2021 EQUITY INCENTIVE PLAN

SUB-PLAN FOR ISRAELI PARTICIPANTS

1.1 This Sub-Plan for Israeli Participants (the “**Sub-Plan**”) to the Palo Alto Networks, Inc. 2021 Equity Incentive Plan (the “**Plan**”) is made in accordance with Section 4(b)(vi) of the Plan and was approved by Palo Alto Networks, Inc. (the “**Company**”) effective as of December 14, 2021. This Sub-Plan was most recently amended by the Company effective as of February 15, 2024 (the “**Amendment Effective Date**”).

1.2 The provisions specified in this Sub-Plan apply only to persons who are deemed to be residents of the State of Israel for tax purposes, or are otherwise subject to taxation in Israel with respect to Awards.

1.3 This Sub-Plan applies with respect to Awards granted under the Plan. The purpose of this Sub-Plan is to establish certain rules and limitations applicable to Awards that may be granted or issued under the Plan from time to time, in compliance with the tax, securities and other applicable laws currently in force in the State of Israel. Except as otherwise provided by this Sub-Plan, all grants made pursuant to this Sub-Plan will be governed by the terms of the Plan. This Sub-Plan is applicable only to grants made after the date of its adoption. This Sub-Plan complies with, and is subject to, the ITO and Section 102.

1.4 The Plan and this Sub-Plan should be read together. In any case of contradiction, whether explicit or implied, between the provisions of this Sub-Plan and the Plan, the provisions of the Plan will govern, except and solely to the extent required, with respect to any provisions of the Sub-Plan intended to ensure compliance with the 102 Capital Gains Track or applicable law.

2. DEFINITIONS

Capitalized terms not otherwise defined herein will have the meaning assigned to them in the Plan. The following additional definitions will apply to grants made pursuant to this Sub-Plan:

“**3(i) Award**” means an Award that is subject to taxation pursuant to Section 3(i) of the ITO, which has been granted to any person who is not an Eligible 102 Participant.

“**102 Capital Gains Track**” means the tax alternative set forth in Section 102(b) of the ITO pursuant to which all or a part of the income resulting from the sale of Shares is taxable as a capital gain.

“**102 Capital Gains Track Grant**” means a 102 Trustee Grant qualifying for the special tax treatment under the 102 Capital Gains Track.

“**102 Ordinary Income Track**” means the tax alternative set forth in Section 102(b)(1) of the ITO pursuant to which income resulting from the sale of Shares derived from Awards is taxed as ordinary income.

“**102 Ordinary Income Track Grant**” means a 102 Trustee Grant qualifying for the ordinary income tax treatment under the 102 Ordinary Income Track.

“**102 Trustee Grant**” means an Award granted pursuant to Section 102(b) of the ITO and held in trust by a Trustee for the benefit of the Eligible 102 Participant, and includes both 102 Capital Gains Track Grants and 102 Ordinary Income Track Grants.

“**Affiliate**” for the purpose of grants made under this Sub-Plan, means any affiliated entity of the Company that is an “employing company” within the meaning of Section 102(a) of the ITO.

“**Controlling Shareholder**” as defined in Section 32(9) of the ITO, means an individual who prior to the grant or as a result of the grant, vesting or exercise of any Award, holds or would hold, directly or indirectly, in his name or with a relative (as defined in the ITO) (i) 10% of the outstanding share capital of the Company, (ii) 10% of the voting power of the Company, (iii) the right to hold or purchase 10% of the outstanding equity or voting power, (iv) the right to obtain 10% of the “profit” of the Company (as defined in the ITO), or (v) the right to appoint a director of the Company.

“**Decedent Employee**” means an Employee of the Company (or an Affiliate) who has died and with respect to whom the Company (or its applicable Affiliate) has received evidence reasonably satisfactory to it of such death.

“**Deposit Requirements**” means with respect to a 102 Trustee Grant, the requirement to evidence deposit of an Award with the Trustee, in accordance with Section 102, in order to qualify as a 102 Trustee Grant. As of the time of approval of this Sub-Plan, the ITA guidelines regarding Deposit Requirements for 102 Capital Gains Track Grants require that the Trustee be provided with (a) the resolutions approving Awards intended to qualify as 102 Capital Gains Track Grants within 45 days of the date of Board’s approval of such Award, including full details of the terms of the Awards, and (b) a copy of

the Award Agreement executed by the Eligible 102 Participant and/or Eligible 102 Participant's consent to the requirements of the 102 Capital Gains Track Grant within 90 days of the Board's approval of such Award.

"Election" means the Company's choice of the type of 102 Trustee Grants it will make under the Plan (as between the 102 Capital Gains Track or the 102 Ordinary Income Track), as filed with the ITA.

"Eligible 102 Participant" means a Participant who is employed by the Company or its Affiliates, including an individual who is serving as a director (as defined in the ITO) or an office holder (as defined in the ITO), who is not a Controlling Shareholder.

"Israeli Fair Market Value" means with respect to 102 Capital Gains Track Grants only, for the sole purpose of determining tax liability pursuant to Section 102(b)(3) of the ITO,

the fair market value of the Shares at the date of grant will be determined in accordance with the average value of the Company's shares on the thirty (30) trading days preceding the date of grant.

"ITA" means the Israel Tax Authority.

"ITO" means the Israel Income Tax Ordinance (New Version), 1961, and the rules, regulations, orders or procedures promulgated thereunder and any amendments thereto, including specifically the Rules, all as may be amended from time to time.

"Non-Trustee Grant" means an Award granted to an Eligible 102 Participant pursuant to Section 102(c) of the ITO and not held in trust by a Trustee.

"Reference Date" means the date of the Decedent Employee's death.

"Required Holding Period" means the requisite period prescribed by the ITO and the Rules, or such other period as may be required by the ITA, with respect to 102 Trustee Grants, during which Awards granted by the Company and/or Shares issued pursuant to such Awards must be held by the Trustee for the benefit of the person to whom it was granted. As of the date of the adoption of this Sub-Plan, the Required Holding Period for 102 Capital Gains Track Grants is 24 months from the date of grant of the Award.

"Rules" means the Income Tax Rules (Tax Benefits in Share Issuance to Employees) 5763-2003.

"Section 102" means the provisions of Section 102 of the ITO, as amended from time to time, including by the Law Amending the Income Tax Ordinance (Number 132), 2002, effective as of January 1, 2003 and by the Law Amending the Income Tax Ordinance (Number 147), 2005.

"Trustee" means a person or entity designated by the Board to serve as a trustee and approved by the ITA in accordance with the provisions of Section 102(a) of the ITO.

3. TYPES OF AWARDS AND SECTION 102 ELECTION

3.1 Awards granted as 102 Trustee Grants will be made pursuant to either (a) Section 102(b)(2) of the ITO as 102 Capital Gains Track Grants or (b) Section 102(b)(1) of the ITO as 102 Ordinary Income Track Grants. The Company's Election regarding the type of 102 Trustee Grant it chooses to make will be filed with the ITA. Once the Company (or its Affiliate) has filed such Election, it may change the type of 102 Trustee Grant that it chooses to make only after the passage of at least 12 months from the end of the calendar year in which the first grant was made in accordance with the previous Election, in accordance with Section 102. For the avoidance of doubt, such Election will not prevent the Company from granting Non-Trustee Grants to Eligible 102 Participants at any time.

3.2 Eligible 102 Participants may receive only 102 Trustee Grants or Non-Trustee Grants under this Sub-Plan. Participants who are not Eligible 102 Participants may be granted only 3(i) Awards under this Sub-Plan.

3.3 No 102 Trustee Grants may be made effective pursuant to this Sub-Plan until 30 days after the date the requisite filings required by the ITO and the Rules, including the filing of the Plan and Sub-Plan, have been made with the ITA.

3.4 The Award Agreement will indicate whether the grant is a 102 Trustee Grant, a Non-Trustee Grant or a 3(i) Award; and, if the grant is a 102 Trustee Grant, whether it is a 102 Capital Gains Track Grant or a 102 Ordinary Income Track Grant.

4. TERMS AND CONDITIONS OF 102 TRUSTEE GRANTS

4.1 Each 102 Trustee Grant will be deemed granted on the date approved by the Board, and stated in a written or electronic notice by the Company, provided that its qualification as a 102 Trustee Grant will be dependent upon the Company's and the Trustee's compliance with any applicable requirements set forth by the ITA with regard to such grants.

4.2 A 102 Trustee Grant granted to an Eligible 102 Participant and each certificate for Shares acquired pursuant to a 102 Trustee Grant will be deposited with a Trustee in compliance with the Deposit Requirements and held in trust by the Trustee (or be subject to a supervisory trustee arrangement if approved by the ITA). After termination of the Required Holding Period, the Trustee may release any Shares issued with respect to such Awards, provided that (i) the Trustee has

received an acknowledgment from the ITA that the Eligible 102 Participant has paid any applicable tax due pursuant to the ITO or (ii) the Trustee or the Company or its Affiliate withholds any applicable tax due pursuant to the ITO. The Trustee will not release any 102 Trustee Grants or Shares issued with respect to the 102 Trustee Grants prior to the full payment of the Eligible 102 Participant's tax liabilities.

4.3 Each 102 Trustee Grant will be subject to the relevant terms of Section 102 and the ITO, which will be deemed an integral part of the 102 Trustee Grant and will prevail over any term contained in the Plan, this Sub-Plan or Award Agreement that is not consistent therewith. Any provision of the ITO and any approvals of the ITA not expressly specified in this Sub-Plan or any document evidencing an Award that are necessary to receive or maintain any tax benefit pursuant to the Section 102 will be binding on the Eligible 102 Participant. The Trustee and the Eligible 102 Participant granted a 102 Trustee Grant will comply with the ITO, and the terms and conditions of the Trust Agreement entered into between the Company and the Trustee. For avoidance of doubt, it is reiterated that compliance with the ITO specifically includes compliance with the Rules. The Eligible 102 Participant may be required to execute any and all documents which the Company or the Trustee may reasonably determine to be necessary in order to comply with the provision of any applicable law, and, particularly, Section 102 and the Deposit Requirements (or a supervisory trustee arrangement, if approved by the ITA). With respect to 102 Capital Gain Track Grants, the provisions of Section 102(b)(3) of the ITO will apply with respect to the Israeli tax rate applicable to such Awards. Awards granted under 102 Capital Gains Track with respect to Shares listed on an established stock exchange or a national

market system are subject to the provisions of Section 102(b)(3) of the ITO, and accordingly, will be subject to ordinary employment income tax withholding requirements to the extent any amount payable for such Shares (such as the exercise price for options) is less than the Israeli Fair Market Value of the Shares on the date of grant, or with respect to the entire Israeli Fair Market Value of the Shares on the date of grant with respect to Restricted Stock Units issued without a purchase price, provided that the tax withholding obligation will be deferred until the date of sale of the Shares or transfer from the trust arrangements.

4.4 During the Required Holding Period, the Eligible 102 Participant will not require the Trustee to release or sell the Awards and Shares received following any realization of rights derived from Awards or Shares (including stock dividends) to the Eligible 102 Participant or to a third party, unless permitted to do so by applicable law. Notwithstanding the foregoing, the Trustee may, pursuant to a written request and subject to applicable law, release and transfer such Shares to a designated third party, provided that both of the following conditions have been fulfilled prior to such transfer: (i) all taxes required to be paid upon the release and transfer of the Shares have been withheld for transfer to the tax authorities and (ii) the Trustee has received written confirmation from the Company that all requirements for such release and transfer have been fulfilled according to the terms of the Company's corporate documents, the Plan, any applicable Award Agreement and applicable law. For avoidance of doubt, such sale or release during the Required Holding Period will result in different tax ramifications to the Eligible 102 Participant under Section 102 of the ITO and the Rules and/or any other regulations or orders or procedures promulgated thereunder, which will apply to and will be borne solely by such Eligible 102 Participant (including tax and mandatory payments otherwise payable by the Company or its Affiliates, which would not apply absent a sale or release during the Required Holding Period).

4.5 In the event a stock dividend is declared or additional rights are granted with respect to Shares which derive from Awards granted as 102 Trustee Grants, such dividend or rights will also be subject to the provisions of this Section 4 and the Required Holding Period for such dividend shares or rights will be measured from the commencement of the Required Holding Period for the Award with respect to which the dividend was declared or rights granted. In the event of a cash dividend on Shares, the Trustee will transfer the dividend proceeds to the Eligible 102 Participant in accordance with the Plan after deduction of taxes and mandatory payments in compliance with applicable withholding requirements, and subject to any other requirements imposed by the ITA.

4.6 If an Award granted as a 102 Trustee Grant vests or is exercised during the Required Holding Period, the Shares issued upon such vesting or exercise will be issued in the name of the Trustee for the benefit of the Eligible 102 Participant (or be subject to a supervisory trustee arrangement if approved by the ITA). If such 102 Trustee Grant is settled after the Required Holding Period ends, the Shares issued upon such settlement will, at the election of the Eligible 102 Participant, either (i) be issued in the name of the Trustee (or be subject to a supervisory trustee arrangement if approved by the ITA), or (ii) be transferred to the Eligible 102 Participant directly, provided that the Eligible 102 Participant first complies with all applicable provisions of the Plan and this Sub-Plan.

4.7 For avoidance of doubt: (i) notwithstanding anything to the contrary in the Plan, including without limitation Section 6(e)(iii) thereof, payment upon exercise of Awards granted under the 102 Capital Gains Track may only be paid by cash or check, and not by surrender of Shares, or by a reduction of Shares pursuant to a "cashless exercise" or "net exercise" arrangement, or other forms of payment, unless and to the extent permitted under Section 102 and as expressly authorized by the ITA; (ii) certain adjustments and modifications to the terms of Awards granted under the 102 Capital Gains Track, including, without limitation, further to recapitalization and other events pursuant to Section 14 of the Plan, may disqualify the Awards from benefitting from the tax benefits under the 102 Capital Gains Track, unless the prior approval of the ITA is obtained; (iii) notwithstanding anything to the contrary in the Plan, including without limitation Section 16(f), any repurchase of Awards will not apply to Awards granted under Section 102, except and to the extent expressly authorized by the ITA; (iv) the grant of Stock Appreciation Rights will not qualify under the 102 Capital Gains Track except and to the extent expressly authorized by the ITA; (v) notwithstanding anything to the contrary in the Plan, including without limitation Section 8(e) thereof, Restricted Stock Units and Awards granted under the 102 Capital Gains Track may only be settled in Shares and not in cash; (vi) notwithstanding anything to the contrary in the Plan, Options granted under the 102 Capital

Gains Track will not be eligible for early exercise; (vii) notwithstanding anything to the contrary in the Plan, including without limitation Section 15, all withholding obligations will be conducted according to the ITA requirements as specified in Section 6 of this Sub-Plan; (viii) notwithstanding anything to the contrary in the Plan, Performance Shares or Performance Units, and the Board's ability to alter, vary or adjust performance objectives with respect to Performance Shares or Performance Units may require the approval of the ITA in order for such Awards to qualify under the 102 Capital Gains Track; and (ix) notwithstanding anything to the contrary in the Plan, including without limitation Section 4(b)(viii), any extension of the exercise period by the Administrator or amendment of the Award terms, may disqualify the Award from benefitting from the tax benefits under the 102 Capital Gains Track, unless the prior approval of the ITA is obtained.

4.8 If a Decedent Employee holds outstanding and unvested Awards as of the Reference Date, then, so long as not prohibited under applicable law, all outstanding and unvested Awards of the Decedent Employee which were granted on or after the Amendment Effective Date will accelerate and vest on the Reference Date. If any such outstanding and unvested Awards subject to acceleration in accordance with the immediately preceding sentence contain performance-based vesting conditions, then, for the purposes of any such acceleration on the Reference Date, unless specifically provided otherwise under the applicable Award Agreement, a Company policy applicable to the Decedent Employee, a determination of the Company, the Board, or the Compensation and People Committee of the Board prior to the Reference Date, or other written agreement between the Decedent Employee and the Company, all performance goals or other vesting criteria will be deemed achieved at one hundred percent (100%) of target levels set for such Award and, if such Award includes any multipliers based on total shareholder return or otherwise, then such multiplier shall be deemed to not impact the Award.

5. ASSIGNABILITY

As long as Awards or Shares are held by the Trustee on behalf of the Eligible 102 Participant, all rights of the Eligible 102 Participant over the Awards or Shares are personal, cannot be transferred, assigned, pledged or mortgaged, other than by will or laws of descent and distribution. Any transfer will be subject to compliance with the requirements of the Plan as in effect from time to time.

6. TAX CONSEQUENCES

6.1 Any tax consequences arising from the grant or settlement of any Award, the vesting, exercise, issuance, sale or transfer and payment for the Shares covered thereby, or from any other event or act (of the Company, its Affiliates, the Trustee or the Participant) relating to an Award or Shares issued thereupon will be borne solely by the Participant. The Company and its Affiliates, and the Trustee will withhold taxes according to the requirements under the applicable laws, rules, and regulations, including withholding taxes at source. Furthermore, the Participant will agree to indemnify the Company, its Affiliates, and the Trustee, and hold them harmless against and from any and all liability for any such tax or interest or penalty thereon, including without limitation, liabilities relating to the necessity to withhold, or to have withheld, any such tax from any payment made to the Participant. The Company or any of its Affiliates, and the Trustee may make such provisions and take such steps as it/they may deem necessary or appropriate for the withholding of all taxes required by law to be withheld with respect to an Award granted under the Plan and the vesting, exercise, sale, transfer or other disposition thereof, including, but not limited, to (i) deducting the amount so required to be withheld from any other amount then or thereafter payable to a Participant, including by deducting any such amount from a Participant's salary or other amounts payable to the Participant, to the maximum extent permitted under law; (ii) requiring a Participant to pay to the Company or any of its Affiliates the amount so required to be withheld; (iii) withholding otherwise deliverable Shares; or (iv) selling a sufficient number of such Shares otherwise deliverable to a Participant through such means as the Company may determine in its sole discretion (whether through a broker or otherwise) sufficient to cover the amount required to be withheld either through a voluntary sale or through a mandatory sale arranged by the Company (on the Participant's behalf pursuant to the Participant's authorization as expressed by acceptance of the Award under the terms herein), to the extent permitted by applicable law or pursuant to the approval of the ITA. In addition, the Participant will be required to pay any amount (including penalties) that exceeds the tax to be withheld and transferred to the tax authorities, pursuant to applicable tax laws, regulations and rules.

6.2 The Company does not represent or undertake that an Award will qualify for or comply with the requisites of any particular tax treatment (such as the 102 Capital Gains Track), nor will the Company, its assignees or successors be required to take any action for the qualification of any Award under such tax treatment. The Company will have no liability of any kind or nature in the event that, as a result of application of applicable law, actions by the Trustee or any position or interpretation of the ITA, or for any other reason whatsoever, an Award will be deemed to not qualify for any particular tax treatment.

6.3 With respect to Non-Trustee Grants, if the Eligible 102 Participant ceases to be employed by the Company or any Affiliate, the Eligible 102 Participant will extend to the Company or its Affiliate a security or guarantee for the payment of tax due at the time of sale of Shares to the satisfaction of the Company, all in accordance with the provisions of Section 102 of the ITO and the Rules.

7. SECURITIES LAWS

All Awards hereunder are subject to compliance with the Israeli Securities Law, 1968, and the rules and regulations promulgated thereunder.

PALO ALTO NETWORKS, INC.
2021 EQUITY INCENTIVE PLAN
GLOBAL STOCK OPTION AWARD AGREEMENT

Unless otherwise defined herein, the terms defined in the Palo Alto Networks, Inc. 2021 Equity Incentive Plan (the “Plan”) will have the same defined meanings in this Notice of Grant of Stock Option (the Notice of Grant), the Terms and Conditions of Stock Option Grant, attached hereto as Exhibit A, and the Addendum, attached hereto as Exhibit B, all of which are made a part of this document (together, the “Award Agreement”).

NOTICE OF STOCK OPTION GRANT

Participant has been granted an Option to purchase Common Stock of the Company, subject to the terms and conditions of the Plan and this Award Agreement, as follows:

Participant	_____
Grant Number	_____
Date of Grant	_____
Vesting Commencement Date	_____
Number of Shares Granted	_____
Exercise Price per Share	\$ _____
Total Exercise Price	\$ _____
Type of Option	_____ Incentive Stock Option _____ Nonstatutory Stock Option
Term/Expiration Date	_____

Vesting Schedule:

Subject to any acceleration provisions contained in the Plan, the Survivor Benefit Policy (as defined below), or set forth below, this Option will be exercisable, in whole or in part, in accordance with the following schedule:

[INSERT VESTING SCHEDULE].

Termination Period:

This Option will be exercisable for three months after Participant ceases to be a Service Provider, unless such termination is due to Participant's death or Disability, in which case this

Option will be exercisable for 12 months after Participant ceases to be a Service Provider. Notwithstanding the foregoing sentence, in no event may this Option be exercised after the Term/Expiration Date as provided above and may be subject to earlier termination as provided in Section 14(c) of the Plan.

By Participant's signature and the signature of the Company's representative below, or by Participant's acceptance of this Award Agreement via the Company's designated online acceptance procedures, Participant and the Company agree that this Option is granted under and governed by the terms and conditions of the Plan and this Award Agreement. Participant has reviewed the Plan and this Award Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Award Agreement and fully understands all provisions of the Plan and this Award Agreement. Participant expressly acknowledges the information provided in the Addendum related to the collection, processing and use of Participant's personal data by the Company and its Subsidiaries and the transfer of personal data to the recipients mentioned in the Addendum. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions relating to the Plan and this Award Agreement. Participant further agrees to notify the Company upon any change in the residence address indicated below.

PARTICIPANT

Signature:

Name:

Title:

PALO ALTO NETWORKS, INC.

Signature:

Name:

Title:

EXHIBIT A

TERMS AND CONDITIONS OF GLOBAL STOCK OPTION GRANT

1. **Grant of Option.** The Company hereby grants to the Participant named in the Notice of Grant (**Participant**) an option (the "**Option**") to purchase the number of Shares, as set forth in the Notice of Grant, at the exercise price per Share set forth in the Notice of Grant (the "**Exercise Price**"), subject to all of the terms and conditions in this Award Agreement and the Plan, which is incorporated herein by reference. Subject to Section 17(c) of the Plan, in the event of a conflict between the terms and conditions of the Plan and the terms and conditions of this Award Agreement, the terms and conditions of the Plan will prevail.

If designated in the Notice of Grant as an Incentive Stock Option (**ISO**"), this Option is intended to qualify as an ISO under Section 422 of the Code. However, if this Option is intended to be an Incentive Stock Option, to the extent required by the \$100,000 rule of Code Section 422(d), it will be treated as a Nonstatutory Stock Option (**NSO**"). Further, if for any reason this Option (or portion thereof) will not qualify as an ISO, then, to the extent of such nonqualification, such Option (or portion thereof) will be regarded as an NSO granted under the Plan. In no event will the Administrator, the Company or any Parent or Subsidiary or any of their respective employees or directors have any liability or obligation to reimburse, indemnify, or hold harmless Participant (or any other person) due to the failure of the Option to qualify for any reason as an ISO.

2. **Vesting Schedule.** Except as provided in Section 3, the Option awarded by this Award Agreement will vest in accordance with the vesting provisions set forth in the Notice of Grant. Shares scheduled to vest on a certain date or upon the occurrence of a certain condition will not vest in Participant in accordance with any of the provisions of this Award Agreement, unless Participant will have been continuously a Service Provider from the Date of Grant until the date such vesting occurs, together with any applicable tax withholding. For the avoidance of doubt, if Participant ceases to be a Service Provider prior to any scheduled vesting date, Participant will not earn or be entitled to any pro-rated vesting for any portion of time before the respective vesting date during which Participant was a Service Provider, nor will Participant be entitled to any compensation for lost vesting.

3. **Administrator Discretion.** The Administrator, in its discretion, may accelerate the vesting of the balance, or some lesser portion of the balance, of the unvested Option at any time, subject to the terms of the Plan. If so accelerated, such Option will be considered as having vested as of the date specified by the Administrator.

4. **Exercise of Option.**

(a) **Right to Exercise.** This Option may be exercised only within the term set out in the Notice of Grant and may be exercised during such term only in accordance with the Plan and the terms of this Award Agreement.

(b) **Method of Exercise.** This Option is exercisable in a manner and pursuant to such procedures as the Administrator may determine, which will state the election to exercise the Option, the number of Shares in respect of which the Option is being exercised (the "**Exercised Shares**"), and such other representations and agreements as may be required by the Company. The Exercise Notice will be completed by Participant and delivered to the Company. The Exercise Notice will be accompanied by payment of the aggregate Exercise Price as to all Exercised Shares together with any Tax-Related Items. This Option will be deemed to be exercised upon receipt by the Company of such fully executed Exercise Notice accompanied by the aggregate Exercise Price and any Tax-Related Items.

5. **Method of Payment.** Payment of the aggregate Exercise Price will be by any of the following, or a combination thereof, at the election of Participant:

(a) cash;

(b) check or wire transfer;

(c) consideration received by the Company under a broker-assisted (or other) cashless exercise program (whether through a broker or otherwise) implemented by the Company in connection with the Plan; or

(d) surrender of other Shares which (i) will be valued at their fair market value on the date of exercise, and (ii) must be owned free and clear of any liens, claims, encumbrances, or security interests, if accepting such Shares, in the sole discretion of the Administrator, will not result in any adverse accounting consequences to the Company.

6. **Responsibility for Taxes.** Notwithstanding any contrary provision of this Award Agreement, no Shares will be issued to Participant, unless and until satisfactory arrangements (as determined by the Administrator) will have been made by Participant with respect to the payment of Tax-Related Items. Participant acknowledges that, regardless of any action taken by the Company or, if different, the Parent or Subsidiary employing or retaining Participant (the "**Service Recipient**"), the ultimate liability for all Tax-Related Items is and remains Participant's sole responsibility and may exceed the amount, if

any, actually withheld by the Company or the Service Recipient. Participant further acknowledges that the Company and/or the Service Recipient (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Option, including, but not limited to, the grant, vesting or exercise of the Option, the subsequent sale of Shares acquired pursuant to the exercise of the Option, and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Option to reduce or eliminate Participant's liability for Tax-Related Items or achieve any particular tax result. Further, if Participant is subject to Tax-Related Items in more than one jurisdiction, Participant acknowledges that the Company and/or the Service Recipient (or former service recipient, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

The Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may permit or require Participant to satisfy such Tax-Related Items, in whole or in part (without limitation) by (a) paying cash, (b) electing to have the Company withhold otherwise deliverable Shares, (c) selling a sufficient number of such Shares otherwise deliverable to Participant through such means as the Company may determine in its sole discretion (whether through a broker or otherwise) and without further consent from Participant, (d) electing to have the Company or the Service Recipient withhold from Participant's wages or other cash compensation payable to Participant, or (e) any other method of withholding determined by the Company and permitted by Applicable Laws and the Plan. To the extent determined appropriate by the Company in its discretion, it will have the right (but not the obligation) to satisfy any withholding obligations or rights with regard to Tax-Related Items by means of method (b) above and, until determined otherwise by the Company, this will be the method by which such withholding obligations or rights with regard to Tax-Related Items are satisfied; provided, however, that if Participant is an officer of the Company subject to Section 16 of the Exchange Act, the Company will, in all cases, satisfy any Tax-Related Items by means of method (b) above, unless the use of such withholding method is problematic under applicable tax or securities law or has materially adverse accounting consequences, in which case the obligation for Tax-Related Items may be satisfied by one or a combination of the other methods above.

The Company may withhold or account for Tax-Related Items by considering statutory or other withholding rates, including minimum or maximum rates applicable in Participant's jurisdiction(s). In the event of over-withholding, Participant may receive a refund of any over-withheld amount in cash (with no entitlement to the equivalent in Shares) or, if not refunded, Participant may be able to seek a refund from the local tax authorities. In the event of under-withholding, Participant may be required to pay additional Tax Related Items directly to the applicable tax authority. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, Participant will be deemed to have been issued the full number of Shares subject to the exercise of the Option, notwithstanding that a number of the Shares is held back solely for the purpose of paying the Tax-Related Items.

The Company may refuse to deliver the Shares or the proceeds of the sale of Shares if Participant fails to comply with Participant's obligations for Tax-Related Items.

7. Notice of Disqualifying Disposition of ISO Shares If the Option granted to Participant herein is an ISO, and if Participant sells or otherwise disposes of any of the Shares acquired pursuant to the ISO on or before the later of (i) the date two years after the Date of Grant, or (ii) the date one year after the date of exercise, Participant will immediately notify the Company in writing of such disposition. Participant agrees that Participant may be subject to income tax withholding by the Company on the compensation income recognized by Participant.

8. Rights as Stockholder. Neither Participant nor any person claiming under or through Participant will have any of the rights or privileges of a stockholder of the Company in respect of any Shares deliverable hereunder unless and until certificates representing such Shares will have been issued, recorded on the records of the Company or its transfer agents or registrars,

and delivered to Participant. After such issuance, recordation and delivery, Participant will have all the rights of a stockholder of the Company with respect to voting such Shares and receipt of dividends and distributions on such Shares.

9. No Guarantee of Continued Service. PARTICIPANT ACKNOWLEDGES AND AGREES THAT THE VESTING OF OPTIONS PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY CONTINUING AS A SERVICE PROVIDER AND NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS OPTION, OR ACQUIRING SHARES HEREUNDER. PARTICIPANT FURTHER ACKNOWLEDGES AND AGREES THAT THIS AWARD AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER, AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS A SERVICE PROVIDER FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND WILL NOT INTERFERE IN ANY WAY WITH PARTICIPANT'S RIGHT OR THE RIGHT OF THE COMPANY (OR THE PARENT OR SERVICE RECIPIENT) TO TERMINATE PARTICIPANT'S RELATIONSHIP AS A SERVICE PROVIDER AT ANY TIME, WITH OR WITHOUT CAUSE.

10. Nature of Grant. By accepting the Award, Participant acknowledges, understands and agrees that:

- (a) the grant of the Option is exceptional, voluntary, and occasional and does not create any contractual or other right to receive future grants of Option, or benefits in lieu of Option, even if Option have been granted in the past;
- (b) all decisions with respect to future Option or other grants, if any, will be at the sole discretion of the Company;
- (c) the Option grant and Participant's participation in the Plan shall not be interpreted as forming an

employment or service contract with the Company, the Service Recipient, or any Parent or Subsidiary;

(d) Participant is voluntarily participating in the Plan;

(e) the Option and the Shares subject to the Option, and the income from and value of same, are not intended to replace any pension rights or compensation;

(f) the Option and the Shares subject to the Option, and the income from and value of same, are not part of normal or expected compensation for purposes of, including but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, holiday pay, pension or retirement or welfare benefits or similar payments;

(g) the future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;

(h) if the underlying Shares do not increase in value after the Date of Grant, the Option will have no value;

(i) if Participant exercises the Option and acquires Shares, the value of such Shares may increase or decrease in value, even below the Exercise Price;

(j) no claim or entitlement to compensation or damages shall arise from (1) forfeiture of the Option resulting from the termination of Participant as a Service Provider (for any reason whatsoever, whether or not later found to be invalid or in breach of Applicable Laws in the jurisdiction where Participant is employed or rendering services or the terms of Participant's employment or service agreement, if any) and/or (2) forfeiture of the Award or the recoupment of any financial gain resulting from the Award as described in Section 16(f) of the Plan and Section 24 of this Award Agreement;

(k) unless otherwise agreed with the Company, the Option and the Shares subject to the Option, and the income from and value of same, are not granted as consideration for, or in connection with, any service Participant may provide as a director of any Subsidiary;

(l) for purposes of the Option, Participant's status as a Service Provider will be considered terminated as of the date Participant is no longer actively providing services to the Company or any Parent or Subsidiary (regardless of the reason for such termination and whether or not later found to be invalid or in breach of Applicable Laws in the jurisdiction where Participant is employed or rendering services or the terms of Participant's employment or service agreement, if any) and Participant's right to vest in the Option under the Plan, if any, will terminate as of such date (unless otherwise provided pursuant to the terms and conditions of the Company's Equity Incentive Plan Survivor Benefit Policy (the "Survivor Benefit Policy") in the case of Participant's termination as a Service Provider as a result of the Participant's death) and will not be extended by any notice period (e.g., Participant's period of service would not include any contractual notice period or any period of "garden leave" or similar period mandated under Applicable Laws in the jurisdiction where Participant is employed or rendering services or the terms of Participant's employment or service agreement, if any); the Administrator shall have the exclusive discretion to determine when Participant is no longer actively providing services for purposes of Participant's Option (including whether Participant may still be considered to be providing services while on a leave of absence);

(m) the Option and the benefits evidenced by this Award Agreement do not create any entitlement to have the Option or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Shares; and

(n) if Participant provides services outside the United States:

(i) the Option and the Shares subject to the Option, and the income from and value of same, are not part of normal or expected compensation for any purposes; and

(ii) neither the Company, the Service Recipient nor any Parent or Subsidiary shall be liable for any foreign exchange rate fluctuation between Participant's local currency and the United States Dollar that may affect the value of the Option or of any amounts due to Participant pursuant to the settlement of the Option or the subsequent sale of any Shares acquired upon settlement.

11. No Advice Regarding Grant. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding Participant's participation in the Plan, or Participant's acquisition or sale of the underlying Shares. Participant should consult with Participant's own personal tax, legal, and financial advisors regarding Participant's participation in the Plan before taking any action related to the Plan.

12. Address for Notices. Any notice to be given to the Company under the terms of this Award Agreement will be addressed to the Company at Palo Alto Networks, Inc., 3000 Tannery Way, Santa Clara, CA 95054, U.S.A., or at such other address as the Company may hereafter designate in writing.

13. Non-Transferability of Option. This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of Participant only by Participant. The terms of the Plan and this Award Agreement (including the exhibits hereto) will be binding upon the executors, administrators, heirs, successors and assigns of Participant.

14. Binding Agreement. Subject to the limitation on the transferability of this grant contained herein, this Award Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

15. Additional Conditions to Issuance of Stock. If at any time the Company will determine, in its discretion, that the listing, registration, qualification or rule compliance of the Shares upon any securities exchange, under any U.S. or non-U.S. federal, state, or local law, the Code and related regulations, or under the rulings or regulations of the United States Securities and Exchange Commission or any other governmental regulatory body, or the clearance, consent or approval of the United States Securities and Exchange Commission or any other governmental regulatory authority is necessary or desirable as a condition to the purchase by, or issuance of Shares to, Participant (or his or her estate) hereunder, such purchase or issuance will not occur unless and until such listing, registration, qualification, rule compliance, clearance, consent, or approval will have been completed, effected, or obtained free of any conditions not acceptable to the Company. The Company will make all reasonable efforts to meet the requirements of any such U.S. or non-U.S. federal, state, or local law or securities exchange and to obtain any such consent or approval of any such governmental authority or securities exchange. Assuming such compliance, for U.S. federal income tax purposes the Exercised Shares will be considered transferred to Participant on the date the Option is exercised with respect to such Exercised Shares.

16. Tax Consequences. Participant has reviewed with its own tax advisors the U.S. and non-U.S. federal, state, and local tax consequences of participating in the Plan and the transactions contemplated by this Award Agreement. With respect to such matters, Participant relies solely on such advisors and not on any statements or representations of the Company or any of its agents, written or oral. Participant understands that Participant (and not the Company) shall be responsible for Participant's own liability for Tax-Related Items that may arise as a result of Participant's participation in the Plan or the transactions contemplated by this Award Agreement.

17. Plan Governs. This Award Agreement is subject to all terms and provisions of the Plan. In the event of a conflict between one or more provisions of this Award Agreement and one or more provisions of the Plan, the provisions of the Plan will govern. Capitalized terms used and not defined in this Award Agreement will have the meaning set forth in the Plan.

18. Administrator Authority. The Administrator will have the power to interpret the Plan and this Award Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any Shares subject to the Option have vested). All actions taken and all interpretations and determinations made by the Administrator in good faith will be final and binding upon Participant, the Company and all other interested persons. Neither the Administrator nor any person acting on behalf of the Administrator will be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or this Award Agreement.

19. Electronic Delivery and Participation. The Company may, in its sole discretion, decide to deliver any documents related to the Option or future Awards that may be granted under the Plan by electronic means or request Participant's consent to participate in the Plan by electronic means. Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through any on-line or electronic system established and maintained by the Company or a third party designated by the Company.

20. Captions. Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of this Award Agreement.

21. Agreement Severable. In the event that any provision in this Award Agreement will be held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of this Award Agreement.

22. Entire Agreement; Modifications to the Award Agreement. The Plan, the Survivor Benefit Policy and this Award Agreement (including the exhibits hereto) constitute the entire agreement of the parties on the subjects covered and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof. Participant expressly warrants that he or she is not accepting this Award Agreement in reliance on any promises, representations, or inducements other than those contained herein.

Modifications to this Award Agreement can be made only in an express written contract executed by a duly authorized officer of the Company. Notwithstanding anything to the contrary in the Plan or this Award Agreement, the Company reserves the right to revise this Award Agreement as it deems necessary or advisable, in its sole discretion and without the consent of Participant, to comply with Section 409A or to otherwise avoid imposition of any additional tax or income recognition under Section 409A in connection to this Option.

23. Amendment, Suspension or Termination of the Plan. By accepting this Award, Participant expressly warrants that he or she has received an Option under the Plan, and has received, read, and understood a description of the Plan. Participant understands that the Plan is established voluntarily by the Company, is discretionary in nature and may be amended, suspended, or terminated by the Company at any time.

24. Forfeiture or Clawback. By accepting this Option, Participant agrees that this Option (including any Shares acquired through the Award and proceeds, gains or other economic benefit received by Participant from a subsequent sale of such Shares acquired) will be subject to Section 16(f) of the Plan with respect to forfeiture or clawback.

25. Governing Law and Venue. This Award Agreement will be governed by the provisions of Section 4(g) of the Plan, which selects Delaware law and venue.

26. Language. Participant acknowledges that he or she is proficient in the English language or has consulted with an advisor who is proficient in the English language, so as to enable Participant to understand the terms of this Award Agreement and the Plan. If Participant has received this Award Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control, unless otherwise required by Applicable Law.

27. Imposition of Other Requirements. The Company reserves the right to impose other requirements on Participant's participation in the Plan, on the Option and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

28. Addendum. Notwithstanding any provisions in this Award Agreement, the Option shall be subject to any additional terms and conditions set forth in the Addendum for Participant's country. Moreover, if Participant relocates to one of the countries included in the Addendum, the additional terms and conditions for such country will apply to Participant, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Addendum constitutes part of this Award Agreement.

29. Waiver. Participant acknowledges that a waiver by the Company of breach of any provision of this Award Agreement shall not operate or be construed as a waiver of any other

provision of this Award Agreement, or of any subsequent breach by Participant or any other Participant.

30. Insider-Trading/Market-Abuse Laws. Participant acknowledges that, depending on Participant's or Participant's broker's country or the country in which the Shares are listed, Participant may be subject to insider-trading restrictions and/or market-abuse laws which may affect Participant's ability to accept, acquire, sell or otherwise dispose of Shares, rights to Shares, or rights linked to the value of Shares during such times as Participant is considered to have "inside information" regarding the Company (as defined by the laws or regulations in Participant's country). Local insider-trading laws and regulations may prohibit the cancellation or amendment of orders Participant places before possessing inside information. Furthermore, Participant could be prohibited from (i) disclosing the inside information to any third party (other than on a "need to know" basis) and (ii) "tipping" third parties or causing them otherwise to buy or sell securities. Participant understands that third parties include fellow employees.

Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Company insider-trading policy. Participant is responsible for complying with any applicable restrictions and should speak to Participant's personal legal advisor for further details regarding any applicable insider-trading and/or market-abuse laws in Participant's country.

31. Foreign Asset/Account Reporting Requirements. Participant acknowledges that there may be certain foreign asset and/or account reporting requirements which may affect his or her ability to acquire or hold the Shares acquired under the Plan or cash received from participating in the Plan (including from any dividends paid on the Shares acquired under the Plan) in a brokerage or bank account outside his or her country. Participant may be required to report such accounts, assets or transactions to the tax or other authorities in his or her country. Participant also may be required to repatriate sale proceeds or other funds received as a result of participating in the Plan to his or her country through a designated bank or broker within a certain time after receipt. Participant acknowledges that it is his or her responsibility to be compliant with such regulations, and Participant should speak to his or her personal advisor on this matter.

EXHIBIT B

ADDENDUM TO THE GLOBAL STOCK OPTION AWARD AGREEMENT

Certain capitalized terms used but not defined in this Addendum have the meanings set forth in the Plan and/or the Award Agreement.

TERMS AND CONDITIONS

This Addendum contains additional terms and conditions that govern the Options granted under the Plan to a Participant who resides and/or works in one of the countries listed below.

If Participant is a citizen or resident of a country other than the one in which Participant is currently residing and/or working, transfers employment and/or residency after the Option is granted, or is considered a resident of another country for local law purposes, the terms and conditions of the Option contained herein may not be applicable to Participant, and the Company shall, in its discretion, determine to what extent the terms and conditions contained herein shall apply to Participant.

NOTIFICATIONS

This Addendum contains information regarding exchange controls and certain other issues of which Participant should be aware with respect to participation in the Plan. The information is based on the securities, exchange control, and other laws in effect in the respective countries as of November 2021. Such laws are often complex and change frequently. As a result, the Company strongly recommends that Participant not rely on the information in this Addendum as the only source of information relating to the consequences of his or her participation in the Plan because the information may be out of date at the time Participant vests in or exercises the Option or sells Shares acquired pursuant thereto.

The information contained herein is general in nature and may not apply to Participant's particular situation, and the Company is not in a position to assure Participant of a particular result. Accordingly, Participant should seek appropriate professional advice as to how the relevant laws in his or her country may apply to his or her situation.

If Participant is a citizen or resident of a country other than the one in which Participant is currently residing and/or working, transfers employment and/or residency after Option is granted, or is considered a resident of another country for local law purposes, the information contained herein may not be applicable to Participant in the same manner.

ISRAEL

TERMS AND CONDITIONS

Capital Gains Track Trustee Award. Capitalized terms used but not defined in these provisions or the Plan or the Award Agreement shall have the meanings ascribed to them in the Sub-Plan to the Plan for Israeli Participants (the "Israel Sub-Plan").

By accepting the Option, Participant acknowledges and agrees that the Option is subject to the Plan, the Israel Sub-Plan and Sections 102(b)(2) and (3) of the ITO, the Rules, and the Trust Agreement, a copy of which has been made available to Participant. Participant confirms that (a) Participant is familiar with the terms and provisions of Section 102 of the ITO, particularly the capital gains track described in subsections (b)(2) and (3) thereof, and agrees not to require the Trustee to release the Option or to sell or transfer the Option to Participant or any third party unless permitted to do so by Applicable Laws; (b) the terms and restrictions set forth in the Israel Sub-Plan will apply to the Option in all respects, including without limitation with respect to mandatory withholding requirements for Tax-Related Items, and the rights and authorities of the Company, the Service Recipient and the Trustee with respect thereto, and (c) the Company, its affiliates, assignees and successors shall be under no duty to ensure, and no representation or commitment is made, that the Option qualifies or shall qualify under any particular tax treatment.

(a) Participant further acknowledges and agrees that the Option and any Shares issued upon exercise thereof shall be deposited with the Trustee, or shall be subject to a supervisory trustee arrangement approved by the ITA for the Trustee, in order to comply with the requirements of the capital gains track under Sections 102(b)(2) and (3) of the ITO.

(b) Participant hereby undertakes to release the Trustee from any liability in respect of any action or decision duly taken and bona fide executed in relation to the Plan, the Option or Shares issued thereunder.

Data Privacy. Participant hereby authorizes the Company, the Trustee and their representatives to collect, use and transfer all relevant information regarding Participant and the Option to all Company personnel and agents and or third parties

involved in the administration of the Plan and/or in the event of a corporate financing, merger, acquisitions and/or business transfers, including transfers outside of Israel and further transfers thereafter.

NOTIFICATIONS

Securities Law Information. The Company has obtained an exemption to the prospectus filing requirement from the Israeli Securities Authority. Accordingly, Options will be granted pursuant to an exemption from filing a Plan prospectus granted to the Company by the Israeli Securities Authority. Copies of the Plan and Form S-8 registration statement for the Plan filed with the United States Securities and Exchange Commission are available from the Company.

**PALO ALTO NETWORKS, INC. 2021 EQUITY INCENTIVE
PLAN
GLOBAL RESTRICTED STOCK UNIT AWARD AGREEMENT**

Unless otherwise defined herein, the terms defined in the Palo Alto Networks, Inc. 2021 Equity Incentive Plan (the “Plan”) will have the same defined meanings in this Global Restricted Stock Unit Award Agreement, the Terms and Conditions of Global Restricted Stock Unit Grant, attached hereto as Exhibit A, and the Addendum, attached hereto as Exhibit B, all of which are made a part of this document (together, the Award Agreement”).

NOTICE OF RESTRICTED STOCK UNIT GRANT

Participant has been granted the right to receive an Award of Restricted Stock Units, subject to the terms and conditions of the Plan and this Award Agreement, as follows:

Participant	_____
Grant Number	_____
Date of Grant	_____
Vesting Commencement	_____
Date	_____
Number of Shares Granted	_____

Subject to any acceleration provisions contained in the Plan, the Survivor Benefit Policy (as defined below), or set forth below, the Restricted Stock Units will vest in accordance with the following schedule:

[INSERT VEST SCHEDULE HERE]

Vesting in each case is subject to Participant continuing to be a Service Provider through the applicable vesting date, as further described in Section 10(j) of the Terms and Conditions of Global Restricted Stock Unit Grant.

In the event Participant ceases to be a Service Provider for any or no reason before Participant vests in the Restricted Stock Units, the Restricted Stock Units and Participant's right to acquire any Shares hereunder will immediately terminate.

By Participant's signature and the signature of the Company's representative below, or by Participant's acceptance of this Award Agreement via the Company's designated online acceptance procedure, Participant and the Company agree that this Award of Restricted Stock Units is granted under and governed by the terms and conditions of the Plan and this Award Agreement. Participant has reviewed the Plan and this Award Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Award Agreement and fully understands all provisions of the Plan and this Award Agreement. Participant expressly acknowledges the information provided in the Addendum related to the collection, processing and use of Participant's personal data by the Company and its Subsidiaries and the transfer of personal data to the recipients mentioned in the Addendum. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions

relating to the Plan and this Award Agreement. Participant further agrees to notify the Company upon any change in the residence address indicated below.

PARTICIPANT

Signature:

Name:

PALO ALTO NETWORKS, INC.

Signature:

Name:

Title:

EXHIBIT A

TERMS AND CONDITIONS OF GLOBAL RESTRICTED STOCK UNIT GRANT

1. Grant. The Company hereby grants to the individual named in the Notice of Restricted Stock Unit Grant (the "Notice of Grant") attached as Part I of this Award Agreement (the "Participant") under the Plan an Award of Restricted Stock Units, subject to all of the terms and conditions in this Award Agreement and the Plan, which is incorporated herein by reference. Subject to Section 17(c) of the Plan, in the event of a conflict between the terms and conditions of the Plan and the terms and conditions of this Award Agreement, the terms and conditions of the Plan will prevail.

2. Company's Obligation to Pay. Each Restricted Stock Unit represents the right to receive a Share on the date it vests. Unless and until the Restricted Stock Units will have vested in the manner set forth in Section 3, Participant will have no right to the payment of any such Restricted Stock Units. Prior to the actual payment of any vested Restricted Stock Units, such Restricted Stock Units will represent an unsecured obligation of the Company, payable (if at all) only from the general assets of the Company. Any Restricted Stock Units that vest in accordance with Sections 3 or 4 will be paid to Participant (or in the event of Participant's death, to his or her estate) in whole Shares, subject to Participant satisfying any applicable withholding obligations for Tax-Related Items. Subject to the provisions of Section 4, such vested Restricted Stock Units shall be paid in whole Shares as soon as practicable after vesting, but in each such case within the period 60 days following the vesting date. In no event will Participant be permitted, directly or indirectly, to specify the taxable year of the payment of any Restricted Stock Units payable under this Award Agreement.

3. Vesting Schedule. Except as provided in Section 4, and subject to Section 5, the Restricted Stock Units awarded by this Award Agreement will vest in accordance with the vesting provisions set forth in the Notice of Grant. Restricted Stock Units scheduled to vest on a certain date or upon the occurrence of a certain condition will not vest in Participant in accordance with any of the provisions of this Award Agreement, unless Participant will have been continuously a Service Provider from the Date of Grant until the date such vesting occurs, as further described in Section 10(j). For the avoidance of doubt, if Participant ceases to be a Service Provider prior to any scheduled vesting date, Participant will not earn or be entitled to any pro-rated vesting for any portion of time before the respective vesting date during which Participant was a Service Provider, nor will Participant be entitled to any compensation for lost vesting.

4. Administrator Discretion. The Administrator, in its discretion, may accelerate the vesting of the balance, or some lesser portion of the balance, of the unvested Restricted Stock Units at any time, subject to the terms of the Plan. If so accelerated, such Restricted Stock Units will be considered as having vested as of the date specified by the Administrator. The payment of Shares in settlement of any Restricted Stock Units vesting pursuant to this Section 4 shall in all cases be paid at a time or in a manner that is exempt from, or complies with, Section 409A.

Notwithstanding anything in the Plan or this Award Agreement to the contrary, if the vesting of the balance, or some lesser portion of the balance, of the Restricted Stock Units is accelerated in connection with Participant's termination as a Service Provider (provided that such termination is a "separation from service" within the meaning of Section 409A, as determined by the Company), other than due to death, and if (x) Participant is a "specified employee" within the meaning of Section 409A at the time of such termination as a Service Provider and (y) the payment of such accelerated Restricted Stock Units will result in the imposition of additional tax under Section 409A if paid to Participant on or within the six (6) month period following Participant's termination as a Service Provider, then the payment of such accelerated Restricted Stock Units will not be made until the date six (6) months and one (1) day following the date of Participant's termination as a Service Provider, unless Participant dies following his or her termination as a Service Provider, in which case, the Restricted Stock Units will be paid in Shares to Participant's estate as soon as practicable following his or her death. It is the intent of this Award Agreement that it and all payments and benefits hereunder be exempt from, or comply with, the requirements of Section 409A so that none of the Restricted Stock Units provided under this Award Agreement or Shares issuable thereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to be so exempt or so comply. Each payment payable under this Award Agreement is intended to constitute a separate payment for purposes of Treasury Regulation Section 1.409A-2(b)(2). For purposes of this Award Agreement, "Section 409A" means Section 409A of the Code, and any final Treasury Regulations and U.S. Internal Revenue Service guidance thereunder, as each may be amended from time to time.¹

5. Forfeiture upon Termination of Status as a Service Provider. Notwithstanding any contrary provision of this Award Agreement, the balance of the Restricted Stock Units that have not vested as of the time of Participant's termination as a Service Provider for any or no reason and Participant's right to acquire any Shares hereunder will immediately terminate, unless otherwise provided pursuant to the terms and conditions of the Company's Equity Incentive Plan Survivor Benefit Policy (the "Survivor Benefit Policy") in the case of the Participant's termination as a

Service Provider as a result of the Participant's death.

6. Death of Participant. Any distribution or delivery to be made to Participant under this Award Agreement will, if Participant is then deceased, be made to the administrator or executor of Participant's estate. Any such transferee must furnish the Company with (a) written notice of his or her status as transferee, and (b) evidence satisfactory to the Company to establish the validity of the transfer and compliance with any laws or regulations pertaining to said transfer.

7. Responsibility for Taxes. Notwithstanding any contrary provision of this Award Agreement, no Shares will be issued to Participant, unless and until satisfactory arrangements (as determined by the Administrator) will have been made by Participant with respect to the payment of Tax-Related Items. Participant acknowledges that, regardless of any action taken by the Company or, if different, the Parent or Subsidiary employing or retaining Participant (the "Service Recipient"), the ultimate liability for all Tax-Related Items is and remains Participant's sole responsibility and may exceed the amount, if any, actually withheld by the Company or the Service Recipient. Participant further acknowledges that the Company and/or the Service Recipient (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Restricted Stock Units, including, but not limited to, the grant, vesting or settlement of the Restricted Stock Units, the subsequent sale of Shares acquired pursuant to such settlement and the receipt of any dividends or dividend equivalents; and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Restricted Stock Units to reduce or eliminate Participant's liability for Tax-Related Items or achieve any particular tax result. Further, if Participant is subject to Tax-Related Items in more than one jurisdiction, Participant acknowledges that the Company and/or the Service Recipient (or former service recipient, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

The Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may permit or require Participant to satisfy such Tax-Related Items, in whole or in part (without limitation) by (a) paying cash, (b) electing to have the Company withhold otherwise deliverable Shares, (c) selling a sufficient number of such Shares otherwise deliverable to Participant through such means as the Company may determine in its sole discretion (whether through a broker or otherwise) and without further consent from Participant, (d) electing to have the Company or the Service Recipient withhold from Participant's wages or other cash compensation payable to Participant, or (e) any other method of withholding determined by the Company and permitted by Applicable Laws and the Plan. To the extent determined appropriate by the Company in its discretion, it will have the right (but not the obligation) to satisfy any withholding obligations or rights with regard to Tax-Related Items by means of method (b) above and, until determined otherwise by the Company, this will be the method by which such withholding obligations or rights with regard to Tax-Related Items are satisfied; provided, however, that if Participant is an officer of the Company subject to Section 16 of the Exchange Act, the Company will, in all cases, satisfy any Tax-Related Items by means of method (b) above, unless the use of such withholding method is problematic under applicable tax or securities law or has materially adverse accounting consequences, in which case the obligation for Tax-Related Items may be satisfied by one or a combination of the other methods above.

The Company may withhold or account for Tax-Related Items by considering statutory or other withholding rates, including minimum or maximum rates applicable in Participant's jurisdiction(s). In the event of over-withholding, Participant may receive a refund of any over-withheld amount in cash (with no entitlement to the equivalent in Shares) or, if not refunded, Participant may be able to seek a refund from the local tax authorities. In the event of under-withholding, Participant may be required to pay additional Tax-Related Items directly to the applicable tax authority. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, Participant will be deemed to have been issued the full number of Shares subject to the vested Restricted Stock Units, notwithstanding that a number of the Shares is held back solely for the purpose of paying the Tax-Related Items.

If Participant fails to make satisfactory arrangements for the payment of any Tax-Related Items hereunder at the time any applicable Restricted Stock Units otherwise are scheduled to vest pursuant to Sections 3 or 4 or Tax-Related Items related to Restricted Stock Units otherwise are due, Participant will permanently forfeit such Restricted Stock Units and any right to receive Shares thereunder and the Restricted Stock Units will be returned to the Company at no cost to the Company.

8. Rights as Stockholder. Neither Participant nor any person claiming under or through Participant will have any of the rights or privileges of a stockholder of the Company in respect of any Shares deliverable hereunder unless and until certificates representing such Shares will have been issued, recorded on the records of the Company or its transfer agents or registrars, and delivered to Participant. After such issuance, recordation and delivery, Participant will have all the rights of a stockholder of the Company with respect to voting such Shares and receipt of dividends and distributions on such Shares.

9. No Guarantee of Continued Service. PARTICIPANT ACKNOWLEDGES AND AGREES THAT THE VESTING OF THE RESTRICTED STOCK UNITS PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY CONTINUING AS A SERVICE PROVIDER AND NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS AWARD OF RESTRICTED STOCK UNITS OR ACQUIRING SHARES HEREUNDER. PARTICIPANT FURTHER ACKNOWLEDGES AND AGREES THAT THIS AWARD AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO

NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS A SERVICE PROVIDER FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND WILL NOT INTERFERE IN ANY WAY WITH PARTICIPANT'S RIGHT OR THE RIGHT OF THE COMPANY (OR THE SERVICE RECIPIENT) TO TERMINATE PARTICIPANT'S RELATIONSHIP AS A SERVICE PROVIDER AT ANY TIME, WITH OR WITHOUT CAUSE.

10. Nature of Grant. By accepting the Award, Participant acknowledges, understands and agrees that:

(a) the grant of the Restricted Stock Units is exceptional, voluntary and occasional and does not create any contractual or other right to receive future grants of Restricted Stock Units, or benefits in lieu of Restricted Stock Units, even if Restricted Stock Units have been granted in the past;

(b) all decisions with respect to future Restricted Stock Units or other grants, if any, will be at the sole discretion of the Company;

(c) the Restricted Stock Unit grant and Participant's participation in the Plan shall not be interpreted as forming an employment or service contract with the Company, the Service Recipient, or any Parent or Subsidiary;

(d) Participant is voluntarily participating in the Plan;

(e) the Restricted Stock Units and the Shares subject to the Restricted Stock Units, and the income from and value of same, are not intended to replace any pension rights or compensation;

(f) the Restricted Stock Units and the Shares subject to the Restricted Stock Units, and the income from and value of same, are not part of normal or expected compensation for any purposes, including but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, holiday pay, pension or retirement or welfare benefits or similar payments;

(g) the future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;

(h) no claim or entitlement to compensation or damages shall arise from (1) forfeiture of the Restricted Stock Units resulting from the termination of Participant as a Service Provider (for any reason whatsoever, whether or not later found to be invalid or in breach of Applicable Laws in the jurisdiction where Participant is employed or rendering services or the terms of Participant's employment or service agreement, if any) and/or (2) forfeiture of the Award or the recoupment of any financial gain resulting from the Award as described in Section 16(f) of the Plan and Section 24 of this Award Agreement;

(i) unless otherwise agreed with the Company, the Restricted Stock Units and the Shares subject to the Restricted Stock Units, and the income from and value of same, are not granted as consideration for, or in connection with, any service Participant may provide as a director of any Subsidiary;

(j) for purposes of the Restricted Stock Units, Participant's status as a Service Provider will be considered terminated as of the date Participant is no longer actively providing services to the Company or any Parent or Subsidiary (regardless of the reason for such termination and whether or not later found to be invalid or in breach of Applicable Laws in the jurisdiction where Participant is employed or rendering services or the terms of Participant's employment or service agreement, if any) and Participant's right to vest in the Restricted Stock Units under the Plan, if any, will terminate as of such date and will not be extended by any notice period (e.g., Participant's period of service would not include any contractual notice period or any period of "garden leave" or similar period mandated under Applicable Laws in the jurisdiction where Participant is employed or rendering services or the terms of Participant's employment or service agreement, if any); the Administrator shall have the exclusive discretion to determine when Participant is no longer actively providing services for purposes of Participant's Restricted Stock Unit grant (including whether Participant may still be considered to be providing services while on a leave of absence);

(k) the Restricted Stock Units and the benefits evidenced by this Award Agreement do not create any entitlement to have the Restricted Stock Units or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Shares; and

(l) if Participant provides services outside the United States:

(i) the Restricted Stock Units and the Shares subject to the Restricted Stock Units, and the income from and value of same, are not part of normal or expected compensation for any purposes; and

(ii) neither the Company, the Service Recipient nor any Parent or Subsidiary shall be liable for any foreign exchange rate fluctuation between Participant's local currency and the United States Dollar that may affect the value of the Restricted Stock Units or of any amounts due to Participant pursuant to the settlement of the Restricted Stock Units or the subsequent sale of any Shares acquired upon settlement.

11. No Advice Regarding Grant. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding Participant's participation in the Plan, or Participant's acquisition or sale of the underlying Shares. Participant should consult with Participant's own personal tax, legal and financial advisors regarding Participant's participation in the Plan before taking any action related to the Plan.

12. Address for Notices. Any notice to be given to the Company under the terms of this Award Agreement will be addressed to the Company at Palo Alto Networks, Inc., 3000 Tannery Way, Santa Clara, CA 95054, U.S.A., or at such other address as the Company may hereafter designate in writing.

13. Grant is Not Transferable. Except to the limited extent provided in Section 6, this grant and the rights and privileges conferred hereby will not be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and will not be subject to sale under execution, attachment or similar process. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of this grant, or any right or privilege conferred hereby, or upon any attempted sale under any execution, attachment or similar process, this grant and the rights and privileges conferred hereby immediately will become null and void.

14. Binding Agreement. Subject to the limitation on the transferability of this grant contained herein, this Award Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

15. Additional Conditions to Issuance of Stock If at any time the Company will determine, in its discretion, that the listing, registration, qualification or rule compliance of the Shares upon any securities exchange, under any U.S. or non-U.S. federal, state or local law, the Code and related regulations, or under the rulings or regulations of the United States Securities and Exchange Commission or any other governmental regulatory body, or the clearance, consent or approval of any governmental regulatory authority, is necessary or desirable as a condition to the issuance of Shares to Participant (or his or her estate) hereunder, such issuance will not occur unless and until such listing, registration, qualification, rule compliance, clearance, consent or approval will have been completed, effected or obtained free of any conditions not acceptable to the Company. Where the Company determines that the delivery of any Shares in settlement of any vested Restricted Stock Units will violate U.S. federal securities laws or other Applicable Laws, the Company will defer delivery until the earliest date at which the Company reasonably anticipates that the delivery of Shares will no longer cause such violation. The Company will make all reasonable efforts to meet the requirements of any such U.S. or non-U.S. federal, state, or local law or securities exchange and to obtain any such consent or approval of any such governmental authority or securities exchange.

16. Tax Consequences. Participant has reviewed with its own tax advisors the U.S. and non-U.S. federal, state, and local tax consequences of participating in the Plan and the transactions contemplated by this Award Agreement. With respect to such matters, Participant relies solely on such advisors and not on any statements or representations of the Company or any of its agents, written or oral. Participant understands that Participant (and not the Company) shall be responsible for Participant's own liability for Tax-Related Items that may arise as a result of Participant's participation in the Plan or the transactions contemplated by this Award Agreement.

17. Plan Governs. This Award Agreement is subject to all terms and provisions of the Plan. In the event of a conflict between one or more provisions of this Award Agreement and one or more provisions of the Plan, the provisions of the Plan will govern. Capitalized terms used and not defined in this Award Agreement will have the meaning set forth in the Plan.

18. Administrator Authority. The Administrator will have the power to interpret the Plan and this Award Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any Restricted Stock Units have vested). All actions taken and all interpretations and determinations made by the Administrator in good faith will be final and binding upon Participant, the Company and all other interested persons. No member of the Administrator will be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or this Award Agreement.

19. Electronic Delivery and Participation. The Company may, in its sole discretion, decide to deliver any documents related to the Restricted Stock Units or future Awards that may be granted under the Plan by electronic means or request Participant's consent to participate in the Plan by electronic means. Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through any on-line or electronic system established and maintained by the Company or a third party designated by the Company.

20. Captions. Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of this Award Agreement.

21. Agreement Severable. In the event that any provision in this Award Agreement will be held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of this Award Agreement.

22. Entire Agreement; Modifications to the Award Agreement. The Plan, the Survivor Benefit Policy and this Award Agreement (including the exhibits hereto) constitute the entire agreement of the parties on the subjects covered and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof. Participant expressly warrants that he or she is not accepting this Award Agreement in reliance on any promises, representations, or inducements other than those contained herein. Modifications to this Award Agreement can be made only in an express written contract executed by a duly authorized officer of the Company. Notwithstanding anything to the contrary in the Plan or this Award Agreement, the Company reserves the right to revise this Award Agreement as it deems necessary or advisable, in its sole discretion and without the consent of Participant, to comply with Section 409A or to otherwise avoid imposition of any additional tax or income recognition under Section 409A in connection to this Award of Restricted Stock Units.

23. Amendment, Suspension or Termination of the Plan. By accepting this Award, Participant expressly warrants that he or she has received an Award of Restricted Stock Units under the Plan, and has received, read and understood a description of the Plan. Participant understands that the Plan is established voluntarily by the Company, is discretionary in nature, and may be amended, suspended or terminated by the Company at any time.

24. Forfeiture or Clawback. By accepting this Award, Participant agrees that this Award of Restricted Stock Units (including any Shares acquired through the Award and proceeds, gains or other economic benefit received by Participant from a subsequent sale of such Shares) will be subject to Section 16(f) of the Plan with respect to forfeiture or clawback.

25. Governing Law and Venue. This Award Agreement will be governed by the provisions of Section 4(g) of the Plan, which selects Delaware law and venue.

26. Language. Participant acknowledges that he or she is proficient in the English language, or has consulted with an advisor who is proficient in the English language, so as to enable Participant to understand the terms of this Award Agreement and the Plan. If Participant has received this Award Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control, unless otherwise required by Applicable Law.

27. Imposition of Other Requirements. The Company reserves the right to impose other requirements on Participant's participation in the Plan, on the Restricted Stock Units and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

28. Addendum. Notwithstanding any provisions in this Award Agreement, the Restricted Stock Unit Award shall be subject to any additional terms and conditions set forth in the Addendum for Participant's country. Moreover, if Participant relocates to one of the countries included in the Addendum, the additional terms and conditions for such country will apply to Participant, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Addendum constitutes part of this Award Agreement.

29. Waiver. Participant acknowledges that a waiver by the Company of breach of any provision of this Award Agreement shall not operate or be construed as a waiver of any other provision of this Award Agreement, or of any subsequent breach by Participant or any other Participant.

30. Insider-Trading/Market-Abuse Laws. Participant acknowledges that Participant may be subject to insider trading restrictions and/or market abuse laws which may affect Participant's ability to accept, acquire, sell or otherwise dispose of Shares, rights to Shares, or rights linked to the value of Shares during such times as Participant is considered to have "inside information" regarding the Company (as defined by the laws or regulations in Participant's country). Local insider-trading laws and regulations may prohibit the cancellation or amendment of orders Participant places before possessing inside information. Furthermore, Participant could be prohibited from (i) disclosing the inside information to any third party (other than on a "need to know" basis) and (ii) "tipping" third parties or causing them otherwise to buy or sell securities. Participant understands that third parties include fellow employees.

Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Company insider-trading policy. Participant is responsible for complying with any applicable restrictions and should speak to

Participant's personal legal advisor for further details regarding any applicable insider-trading and/or market-abuse laws in Participant's country.

31. Foreign Asset/Account Reporting Requirements. Participant acknowledges that there may be certain foreign asset and/or account reporting requirements which may affect his or her ability to acquire or hold the Shares acquired under the Plan or cash received from participating in the Plan (including from any dividends paid on the Shares acquired under the Plan) in a brokerage or bank account outside his or her country. Participant may be required to report such accounts, assets or transactions to the tax or other authorities in his or her country. Participant also may be required to repatriate sale proceeds or other funds received as a result of participating in the Plan to his or her country through a designated bank or broker within a certain time after receipt. Participant acknowledges that it

is his or her responsibility to be compliant with such regulations, and Participant should speak to his or her personal advisor on this matter.

¹ Section 409A applies to and is relevant only for Participants who are U.S. taxpayers.

EXHIBIT B

ADDENDUM TO THE GLOBAL RESTRICTED STOCK UNIT AWARD AGREEMENT

Certain capitalized terms used but not defined in this Addendum have the meanings set forth in the Plan and/or the Award Agreement.

TERMS AND CONDITIONS

This Addendum contains additional terms and conditions that govern the Restricted Stock Units granted under the Plan to a Participant who resides and/or works in one of the countries listed below.

If Participant is a citizen or resident of a country other than the one in which Participant is currently residing and/or working, transfers employment and/or residency after the Restricted Stock Units are granted, or is considered a resident of another country for local law purposes, the terms and conditions of the Restricted Stock Units contained herein may not be applicable to Participant, and the Company shall, in its discretion, determine to what extent the terms and conditions contained herein shall apply to Participant.

NOTIFICATIONS

This Addendum contains information regarding exchange controls and certain other issues of which Participant should be aware with respect to participation in the Plan. The information is based on the securities, exchange control, and other laws in effect in the respective countries as of August 2024. Such laws are often complex and change frequently. As a result, the Company strongly recommends that Participant not rely on the information in this Addendum as the only source of information relating to the consequences of his or her participation in the Plan because the information may be out of date at the time Participant vests in the Restricted Stock Units or sells Shares acquired pursuant thereto.

The information contained herein is general in nature and may not apply to Participant's particular situation, and the Company is not in a position to assure Participant of a particular result. Accordingly, Participant should seek appropriate professional advice as to how the relevant laws in his or her country may apply to his or her situation.

If Participant is a citizen or resident of a country other than the one in which Participant is currently residing and/or working, transfers employment and/or residency after the Restricted Stock Units are granted, or is considered a resident of another country for local law purposes, the information contained herein may not be applicable to Participant in the same manner.

DATA PRIVACY PROVISIONS FOR ALL PARTICIPANTS

Terms and Conditions

PARTICIPANTS IN THE EUROPEAN UNION / EUROPEAN ECONOMIC AREA / SWITZERLAND / UNITED KINGDOM

(i) Collection and Usage. Pursuant to applicable data protection laws, Participant is hereby notified that the Company collects, processes, uses and transfers certain personally-identifiable information about Participant for the legitimate purpose of granting Restricted Stock Units and implementing, administering and managing Participant's participation in the Plan. Specifics of the data processing are described below.

(ii) Controller and Representative. The Company is the controller responsible for the processing of Participant's personal data in connection with the Plan. The Company's representative is Chief Privacy Officer, privacy@palaltonetworks.com.

(iii) Personal Data Subject to Processing. The Company collects, processes and uses the following types of personal data about Participant: Participant's name, employee ID, home address and telephone number, work and email address, date of birth, social security number or other tax identification number, social insurance, passport number or other international identification number, salary, nationality, job title, hire date, work country, department, cost center, subsidiary, organization level, expense group, termination date, supervisor, employment status, any shares of stock or directorships held in the Company, details of all Restricted Stock Units or any other entitlement to Shares awarded, canceled, settled, vested, unvested or outstanding in Participant's favor, which the Company receives from Participant or the Service Recipient ("Data").

(iv) Purposes and Legal Bases of Processing. The Company processes Data for the purposes of performing

its contractual obligations under this Award Agreement, granting Restricted Stock Units, implementing, administering and managing Participant's participation in the Plan and facilitating compliance with applicable tax and securities law. The legal basis for the processing of Data by the Company and the third-party service providers described below is the necessity of the data processing for the Company to perform its contractual obligations under this Award Agreement and for the Company's legitimate business interests of managing the Plan and generally administering employee equity awards.

(v) Service Providers. The Company transfers Data to E*TRADE Financial Services, Inc. and certain of its affiliated companies ("E*TRADE"), which is an independent stock plan administrator with operations, relevant to the Company, in the United States and assists the Company with the implementation, administration and management of the Plan. In the future, the Company may select different service providers and may share Data with such service providers. The Company's stock plan administrators will open an account for Participant to receive and trade Shares. Participant will be asked to agree on separate terms and data processing practices with the service provider, which is a condition of Participant's ability to participate in the Plan. Data will only be accessible by those individuals requiring access to it

for purposes of implementing, administering and operating Participant's participation in the Plan. Participant understands that Participant may request a list with the names and addresses of any potential recipients of Data by contacting Participant's local human resources representative, filling out the individual rights request online form at <https://www.paloaltonetworks.com/legal-notice/privacy>, or by sending an email to individualrights@paloaltonetworks.com.

(vi) International Transfers. The Company and its service providers, including, without limitation, E*TRADE, operate, relevant to the Company, in the United States, which means that it will be necessary for Data to be transferred to, and processed in, the United States. Participant understands and acknowledges that the United States is not subject to an unlimited adequacy finding by the European Commission and that Data may not have an equivalent level of protection as compared to Participant's country of residence. To provide appropriate safeguards for the protection of Data, Data is transferred to the Company based on data transfer and processing agreements implementing the EU Standard Contractual Clauses. Participant may request a copy of the safeguards used to protect Data by contacting the Company at: privacy@paloaltonetworks.com. The Company reserves the right to use a different but adequate data transfer legal mechanism.

(vii) Data Retention. The Company will use Data only as long as is necessary to implement, administer and manage Participant's participation in the Plan, or as required to comply with Applicable Laws, exercise or defense of legal rights, and archiving, back-up and deletion processes. When the Company no longer needs Data, the Company will remove it from its systems according to its retention policies. If the Company keeps data longer, it would be to satisfy legal or regulatory obligations and the Company's legal basis would be relevant laws or regulations.

(viii) Data Subject Rights. To the extent provided by law, Participant has the right to (i) inquire whether and what kind of Data the Company holds about Participant and how it is processed, and to access or request copies of such Data, (ii) request the correction or supplementation of Data that is inaccurate, incomplete or out-of-date in light of the purposes underlying the processing, or (iii) obtain the erasure of Data no longer necessary for the purposes underlying the processing or processed in non-compliance with applicable legal requirements. In addition, Participant has, to the extent provided by law, the right to (iv) request the Company to restrict the processing of Data in certain situations where Participant feels its processing is inappropriate, (v) object, in certain circumstances, to the processing of Data for legitimate interests, and to (vi) request portability of Data that Participant has actively or passively provided to the Company, where the processing of such Data is based on consent or a contractual agreement with Participant and is carried out by automated means. In case of concerns, Participant also has the right to (vii) lodge a complaint with the competent local data protection authority. To receive additional information regarding Participant's rights, any other questions regarding the practices described in this Award Agreement or to exercise his or her rights, Participant should contact the Company at: privacy@paloaltonetworks.com (for questions) or individualrights@paloaltonetworks.com (to exercise rights).

(ix) Contractual Requirement. Participant's provision of Data and its processing as described above is a contractual requirement and a condition to Participant's ability to participate in the Plan. Participant understands that, as a consequence of Participant's refusing to provide Data, the Company may not be able to allow Participant to participate in the Plan, grant Restricted Stock Units to Participant or administer or maintain such Restricted Stock Units. However, Participant's participation in the Plan and his or her acceptance of this Award Agreement are purely voluntary. While Participant will not receive Restricted Stock Units if he or she decides against participating in the Plan or providing Data as described above, with the exception of not receiving these benefits, Participant's status as a Service Provider will not be affected in any way. For more information on the consequences of the refusal to provide Data, Participant may contact the Company at: privacy@paloaltonetworks.com.

PARTICIPANTS OUTSIDE THE EUROPEAN UNION / EUROPEAN ECONOMIC AREA / SWITZERLAND / UNITED KINGDOM

Participant consents to the collection, use and transfer, in electronic or other form, of Participant's personal data as described in this Award Agreement and any other Restricted Stock Unit grant materials by and among, as applicable, the Service Recipient, the Company and any Subsidiary for the exclusive purpose of implementing, administering and managing Participant's participation in the Plan.

Participant understands that the Company and the Service Recipient may hold certain personal information about Participant, including, but not limited to, Participant's name, home address, email address and telephone number, date of birth, social insurance number, passport or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all Restricted Stock Units or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in Participant's favor ("Data"), for the purpose of implementing, administering and managing the Plan.

*Participant understands that Data will be transferred to E*TRADE Financial Services, Inc. and certain of its affiliated companies ("E*TRADE") which is assisting the Company with the implementation, administration and management of the Plan. Participant understands that the recipients of Data may be located in the United States or elsewhere, and that the recipients' country (e.g., the United States) may have different data privacy laws and protections than Participant's country. Participant understands that, if Participant resides outside the U.S., Participant may request a list with the names and addresses of any potential recipients of Data by contacting Participant's local human resources representative, filling out the individual rights request online form at <https://www.paloaltonetworks.com/legal-notices/privacy>, or by sending an email to individualrights@paloaltonetworks.com. Participant authorizes the Company and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to collect, receive, possess, use, retain, transfer, or otherwise process Data, in electronic or other form, for the sole purpose of implementing, administering and managing Participant's participation in the Plan. Participant understands that Data will be held only as long as is necessary to implement, administer and manage Participant's participation in the Plan. Participant understands that, if Participant resides outside the U.S., Participant may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing Participant's local human resources representative, filling out the individual rights*

request online form at <https://www.paloaltonetworks.com/legal-notices/privacy>, or by sending an email to individualrights@paloaltonetworks.com. Further, Participant understands that Participant is providing the consents herein on a purely voluntary basis. If Participant does not consent, or if Participant later seeks to revoke Participant's consent, Participant's status as a Service Provider will not be affected; the only consequence of refusing or withdrawing Participant's consent is that the Company would not be able to grant Participant Restricted Stock Units or other equity awards or administer or maintain such awards. Therefore, Participant understands that refusing or withdrawing Participant's consent may affect Participant's ability to participate in the Plan. For more information on the consequences of Participant's refusal to consent or withdrawal of consent, Participant understands that Participant may contact Participant's local human resources representative or send an email to privacy@paloaltonetworks.com.

ALGERIA

TERMS AND CONDITIONS

Payment of Restricted Stock Units. Unless otherwise determined by the Administrator, vested Restricted Stock Units will be settled only in cash. This means that upon vesting of the Restricted Stock Units, Participant will receive a cash payment equal to the Fair Market Value of the underlying Shares at vesting, less any Tax-Related Items and broker's fees or commissions, which will be remitted to Participant via local payroll. The Company reserves the right to settle the Restricted Stock Units in Shares and/or to force the immediate sale of such Shares at vesting depending on the development of exchange control laws and regulations and other Applicable Laws in Algeria.

ARGENTINA

NOTIFICATIONS

Securities Law Information. The Shares are not publicly offered or listed on any stock exchange in Argentina. The offer is private and not subject to prospectus requirement in Argentina.

Exchange Control Information. Exchange control regulations in Argentina are subject to frequent change. Participant is solely responsible for complying with any applicable exchange control rules and should consult with his or her personal legal advisor prior to remitting proceeds from the sale of Shares or cash dividends paid on such Shares.

AUSTRALIA

NOTIFICATIONS

Tax Information. The Plan is a plan to which Subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) applies (subject to conditions in the Act).

Securities Law Information. The offer is being made under Division 1A Part 7.12 of the Corporations Act 2001 (Cth).

Exchange Control Information. Exchange control reporting is required for cash transactions exceeding a certain threshold (currently AUD10,000) and for international fund transfers. If an Australian bank is assisting with the transaction, the bank will file the report on behalf of Participant.

AUSTRIA

NOTIFICATIONS

Exchange Control Information. If Participant holds Shares acquired under the Plan outside of Austria, Participant must submit a report to the Austrian National Bank on a quarterly basis if the value of the Shares as of any given quarter equals or exceeds a certain threshold (currently €5,000,000). The reports must be filed on or before the 15th of the month following the end of the respective quarter. In all other cases, an annual reporting obligation applies, and the report has to be filed as of December 31 on or before January 31 of the following year using the form P2.

A separate reporting requirement applies when Participant sells Shares acquired under the Plan or receives a dividend. In that case, there may be exchange control obligations if the cash proceeds are held outside of Austria. If the transaction volume of all accounts abroad equals or exceeds a certain threshold (currently €10,000,000), the movements and balances of all accounts must be reported monthly, as of the last day of the month, on or before the 15th day of the following month, on the prescribed form (*Meldungen SI- Forderungen und/oder SI-Verpflichtungen*).

BELGIUM

NOTIFICATIONS

Exchange Control Information. Belgian residents are required to provide the National Bank of Belgium with the account details of any foreign securities or bank accounts (including the account number, bank name and country in which any such account was opened). This report, as well as additional information on how to complete it, can be found on the website of the National Bank of Belgium, www.nbb.be, under the *Kredietcentrales / Centrales des crédits* caption.

BRAZIL

TERMS AND CONDITIONS

Compliance with Law. By accepting the Restricted Stock Units, Participant acknowledges that he or she agrees to comply with applicable Brazilian laws and to pay any and all applicable Tax-Related Items associated with the vesting of the Restricted Stock Units, the sale of the Shares acquired pursuant thereto and the receipt of any dividends paid on such Shares.

Nature of Grant. The following provision supplements Section 10 of the Terms and Conditions of Global Restricted Stock Unit Grant:

By accepting the Restricted Stock Units, Participant agrees that Participant is (i) making an investment decision and (ii) the value of the underlying Shares is not fixed and may increase or decrease in value over the vesting period without compensation to Participant.

NOTIFICATIONS

Exchange Control Information. If Participant is resident or domiciled in Brazil, he or she will be required to submit an annual declaration of assets and rights held outside of Brazil to the Central Bank of Brazil if the aggregate value of such assets and rights equals or exceeds a certain threshold (currently US\$1,000,000). Quarterly reporting is required if such amount exceeds a certain threshold (currently US\$100,000,000). Assets and rights that must be reported include the Shares and may include Restricted Stock Units granted under the Plan.

BULGARIA

NOTIFICATIONS

Exchange Control Information. Participant will be required to file statistical forms with the Bulgarian National Bank annually regarding Participant's receivables in bank accounts held abroad, as well as securities held abroad (e.g., Shares acquired under the Plan) if the aggregate value of all such receivables and securities equals or exceeds a certain threshold (currently BGN 50,000). The reports are due by March 31.

CANADA

TERMS AND CONDITIONS

Form of Payment. Notwithstanding any discretion contained in the Plan, the grant of Restricted Stock Units does not provide any right for Participant to receive a cash payment; the Restricted Stock Units are payable in Shares only.

Termination of Service. The following provision replaces Section 10(j) of the Terms and Conditions of Global Restricted Stock Unit Grant:

For purposes of the Restricted Stock Units, Participant's status as a Service Provider will be considered terminated (regardless of the reason for such termination and whether or not later found to be invalid or in breach of Applicable Laws in the jurisdiction where Participant is employed or rendering services or the terms of Participant's employment or service agreement, if any) as of the date Participant is no longer actually providing services to the Company or any Parent or Subsidiary (the "Termination Date"). The Termination Date shall exclude and shall not be extended by any period during which notice, pay in lieu of notice or related payments or damages are provided or required to be provided under statute, contract, common/civil law or otherwise. For greater certainty, Participant will not earn or be entitled to any pro-rated vesting for that portion of time before the date on which Participant's right to vest terminates, nor will Participant be entitled to any compensation for lost vesting.

Notwithstanding the foregoing, if applicable employment standards legislation explicitly requires continued participation in the Plan during a statutory notice period, Participant acknowledges that his or her right to participate in the Plan, if any, will terminate effective as of the last day of his or her minimum statutory notice period, but Participant will not earn or be entitled to any pro-rated vesting if the vesting date falls after the end of his or her statutory notice period, nor will Participant be entitled to any compensation for lost vesting.

The following provisions apply if Participant resides in Quebec:

French Language Documents. The following provision replaces Section 26 of the Terms and Conditions of Global Restricted Stock Unit Grant:

A French translation of the Award Agreement and the Plan are available to Participant on the Company's Global Equity Programs LOOP Page (<https://theloop.paloaltonetworks.com/loop/employee-resources/global-equity-programs/equity-plan-documents>). Participant understands that, from time to time, additional information related to the Restricted Stock Units may be provided in English and such information may not be immediately available in French. Notwithstanding anything to the contrary in the Plan or the Award Agreement, and unless Participant indicates otherwise, the French translation of this Award Agreement and the Plan will govern Participant's participation in the Plan. If Participant transfers residency outside of Quebec, the English version of this Award Agreement and the Plan will govern Participant's participation in the Plan.

Documents en français. *La disposition suivante remplace l'article 26 des Termes et conditions de l'octroi mondial d'unités d'actions restreintes:*

Une traduction française de la Convention d'attribution et du Régime est mise à la disposition du Participant sur la page LOOP des programmes d'actions mondiaux de la Société (<https://theloop.paloaltonetworks.com/loop/employee-resources/global-equity-programs/equity-plan-documents>). Le Participant comprend qu'à l'occasion, des renseignements supplémentaires concernant les Unités d'actions restreintes peuvent être fournis en anglais et que ces renseignements peuvent ne pas être immédiatement accessibles en français. Malgré toute disposition contraire du Régime ou de la Convention d'attribution, et sauf indication contraire de la part du Participant, la traduction française de la présente Convention d'attribution et du Régime régit sa participation au Régime. Si le Participant déménage à l'extérieur du Québec, la version anglaise de la présente Convention d'attribution et du Régime régira sa participation au Régime.

Data Privacy. The following provision supplements the Data Privacy Provisions for Participants Outside the European Union / European Economic Area / Switzerland / United Kingdom above in this Addendum:

Participant hereby authorizes the Company and the Company's representatives to discuss and obtain all relevant information from all personnel, professional or non-professional, involved in the administration of the Plan. Participant further authorizes the Company, the Service Recipient and/or any Parent or Subsidiary to disclose and discuss such information with their advisors. Participant acknowledges that Participant's personal information, including sensitive personal information, may be transferred or disclosed outside the Province of Quebec, including to the United States. Participant also authorizes the Company, the Service Recipient and/or any Parent or Subsidiary to record such information and to keep such information in Participant's employment file. Further, Participant also acknowledges that the Company, the Service Recipient and/or any Parent or Subsidiary and other parties involved in the administration of the Plan may use technology for profiling purposes and to make automated decisions that may have an impact on Participant or the administration of the Plan.

NOTIFICATIONS

Securities Law Information. Participant is permitted to sell Shares acquired under the Plan through the designated broker appointed under the Plan, if any, provided the sale of the Shares takes place outside of Canada through the facilities of a stock exchange on which the Shares are listed (*i.e.*, The Nasdaq Global Select Market).

CHILE

NOTIFICATIONS

Securities Law Notice. The offer of the Restricted Stock Units constitutes a private offering in Chile effective as of the Date of Grant. The offer of the Restricted Stock Units is made subject to general ruling n° 336 of the Chilean Commission of the Financial Market ("CMF"). The offer refers to securities not registered at the securities registry or at the foreign securities registry of the CMF, and, therefore, such securities are not subject to oversight of the CMF. Given that the Restricted Stock Units are not registered in Chile, the Company is not required to provide information about the Restricted Stock Units or the Shares in Chile. Unless the Restricted Stock Units and/or the Shares are registered with the CMF, a public offering of such securities cannot be made in Chile.

Ley de valores. *La oferta de las Unidades de Acciones Restringidas se considera una oferta privada in Chile efectiva a partir de la Fecha de la Concesión. La oferta de las Unidades de Acciones Restringidas se hace sujeta a la regla general no. 336 de la Comisión para el Mercado Financiero de Chile ("CMF"). La oferta se refiere a valores no inscritos en el registro de valores o en el registro de valores extranjeros de la CMF y, por lo tanto, tales valores no están sujetos a la fiscalización de ésta. Dado que las Unidades de Acciones Restringidas no están registradas en Chile, no se requiere que la Compañía provea información sobre las Unidades de Acciones Restringidas o Acciones Bursátiles en Chile. Salvo que las Unidades de Acciones Restringidas y/o acciones estén registradas con la CMF, no puede hacerse una oferta pública de tales valores en Chile.*

Exchange Control Information. Participant is not required to repatriate funds obtained from the sale of Shares or dividends paid on such Shares to Chile. However, if Participant decides to repatriate such funds, Participant must do so through the Formal Exchange Market if the amount of the funds exceeds a certain threshold (currently US\$10,000). In such case, Participant must report the payment to a commercial bank or registered foreign exchange office receiving the funds.

If Participant's aggregate investments held outside of Chile exceed a certain threshold (currently US\$5,000,000) (including the value of Shares received under the Plan), Participant must report the investments annually to the Central Bank. Annex 3.1 of Chapter XII of the Foreign Exchange Regulations must be used to file this report.

Please note that exchange control regulations in Chile are subject to change. Participant should consult with his or her personal legal advisor regarding any exchange control obligations that Participant may have in connection with the vesting of the Restricted Stock Units, cash dividends or dividend equivalent payments, or the sale of Shares acquired at vesting.

CHINA

TERMS AND CONDITIONS

The following provisions will apply if Participant is subject to exchange control restrictions and requirements in the People's Republic of China ("PRC"), including the requirements imposed by the State Administration of Foreign Exchange ("SAFE") as determined by the Company in its sole discretion:

Vesting Schedule and Termination. The following provision supplements Sections 3 and 5 of the Terms and Conditions of Global Restricted Stock Unit Grant:

Notwithstanding anything to the contrary in the Award Agreement, the Restricted Stock Units shall not vest unless and until the Company, the Service Recipient or any other Subsidiary in China receives all necessary approvals from SAFE or its local counterpart under the Implementing Rules of the Measures for Administration of Foreign Exchange of Individuals to offer such awards in China. Once SAFE approval has been received and provided Participant continues to be an employee of the Company or a Subsidiary, Participant will receive vesting credit for that portion of the Restricted Stock Units that would have vested prior to obtaining SAFE approval, if applicable, and the remaining portion of the Restricted Stock Units will vest in accordance with the vesting schedule set forth in the Award Agreement. If Participant terminates employment prior to the receipt of SAFE approval, any unvested Restricted Stock Units will be forfeited.

Sale of Shares. Due to local regulatory requirements, Participant understands and agrees that the Company may require that any Shares issued upon the vesting and settlement of the Restricted Stock Units be immediately sold.

Participant further agrees that the Company is authorized to instruct its designated broker to assist with the mandatory sale of such Shares (on Participant's behalf pursuant to this authorization without further consent) and Participant expressly authorizes the Company's designated broker to complete the sale of such Shares. In this

regard, Participant agrees to sign any agreements, forms and/or consents that may be reasonably requested by the Company (or the Company's designated broker) to effectuate the sale of the Shares (including, without limitation, as to the transfers of the proceeds and other exchange control matters noted below) and shall otherwise cooperate with the Company with respect to such matters, provided that Participant shall not be permitted to exercise any influence over how, when or whether the sales occur. Participant acknowledges that the Company's designated broker is under no obligation to arrange for the sale of the Shares at any particular price.

If the Company, in its discretion, does not exercise its right to require the automatic sale of the Shares issuable upon vesting and settlement of the Restricted Stock Units, as described in the preceding paragraph, Participant understands and agrees that any Shares acquired under the Plan must be sold no later than six months from Participant's termination of employment, or within any such other period as may be permitted by the Company or required by SAFE. Participant understands that any Shares acquired under the Plan that have not been sold within six months of Participant's termination or within such other period as may be permitted by the Company or required by SAFE will be automatically sold by the designated broker pursuant to this authorization without further consent and subject to the terms of the preceding paragraph.

Upon the sale of the Shares, Participant will receive the cash proceeds from the sale, less any brokerage fees or commissions and subject to any obligation to satisfy any Tax-Related Items. Participant agrees to comply with all requirements the Company may impose in order to facilitate compliance with exchange control requirements in China prior to receipt of the cash proceeds. Participant acknowledges that Participant is not aware of any material nonpublic information with respect to the Company or any securities of the Company as of the date of the Award Agreement.

Exchange Control Requirements. By accepting the Restricted Stock Units, Participant understands and agrees that, pursuant to local exchange control requirements, Participant will be required to repatriate the cash proceeds from the sale of the Shares and the receipt of any dividends to China. Participant further understands that, under local law, such repatriation of the cash proceeds may need to be effectuated through a special exchange control account established by the Company, the Service Recipient or another Subsidiary, and Participant hereby consents and agrees that any proceeds from the sale of any Shares Participant acquires upon the vesting and settlement of Restricted Stock Units and any dividends may be transferred to such special account prior to being delivered to Participant.

Participant further understands that the proceeds will be delivered to Participant as soon as possible, but there may be delays in distributing the funds to Participant due to exchange control requirements in China. Proceeds may be paid to Participant in U.S. dollars or local currency, at the Company's discretion. If the proceeds are paid in U.S. dollars, Participant will be required to set up a U.S. dollar bank account in China so that the proceeds may be deposited into this account. If the proceeds are paid in local currency, Participant agrees that the Company, the Service Recipient or any other Subsidiary in China is under no obligation to secure any particular exchange conversion rate and there may be delays in converting the cash proceeds to local currency due to exchange control restrictions. Participant agrees to bear any currency fluctuation risk between the time the cash proceeds are received and the time the cash proceeds are distributed to Participant through the special account described above.

Participant further agrees to comply with any other requirements that may be imposed by the Company in the future in order to facilitate compliance with exchange control requirements in China.

Additional Restrictions. The Restricted Stock Units will not vest and the Shares will not be issued at vesting unless the Company determines that such vesting and the issuance and delivery of Shares complies with all relevant provisions of law. Further, the Company is under no obligation to vest the Restricted Stock Units and/or issue Shares if the Company's SAFE approval becomes invalid or ceases to be in effect by the time Participant vests in the Restricted Stock Units.

COLOMBIA

TERMS AND CONDITIONS

Labor Law Acknowledgement. Participant acknowledges that pursuant to Article 128 of the Colombia Labor Code, the Plan and related benefits do not constitute a component of "salary" for any purposes.

NOTIFICATIONS

Exchange Control Information. Investment in assets located abroad (such as Shares acquired under the Plan) does not require prior approval. However, Participant's investments held abroad, including Shares, must be registered with the Central Bank (*Banco de la República*), regardless of the value of such investments.

COSTA RICA

There are no country-specific provisions.

CZECH REPUBLIC

NOTIFICATIONS

Exchange Control Information. The Czech National Bank may require Participant to fulfill certain notification duties in relation to the acquisition of Shares and the opening and maintenance of a foreign account. However, because exchange control regulations change frequently and without notice, Participant should consult his or her personal legal advisor prior to the vesting of the Restricted Stock Units and the subsequent sale of Shares to ensure compliance with current regulations. Participant is responsible for complying with any applicable Czech exchange control laws.

DENMARK

TERMS AND CONDITIONS

Nature of Grant. The following provision supplements Section 10 of the Terms and Conditions of Global Restricted Stock Unit Grant:

By accepting the Award, Participant acknowledges, understands and agrees that it relates to future services to be performed and is not a bonus or compensation for past services.

Stock Option Act. Participant acknowledges that he or she has received an Employer Statement in Danish (attached at the end of this section) which sets forth additional terms of the Restricted Stock Units, to the extent that the Danish Stock Option Act, as amended effective January 1, 2019 (the "Act") applies to the Restricted Stock Units.

SPECIAL NOTICE FOR EMPLOYEES IN DENMARK
EMPLOYER STATEMENT

Pursuant to Section 3(1) of the Act on Stock Options in employment relations, as amended effective January 1, 2019 (the "Stock Option Act"), you are entitled to receive the following information regarding participation in the Palo Alto Networks, Inc. ("PANW") 2021 Equity Incentive Plan (the "Plan") in a written statement.

This statement generally contains only the information mentioned in the Stock Option Act, while the other terms and conditions of your grant of restricted stock units ("RSUs") are described in detail in the Plan, the Restricted Stock Unit Agreement, including Exhibits A and B (the "Agreement") and the Notice of Restricted Stock Unit Grant (the "Notice"), which have been made available to you. In the event of a conflict between a provision contained in this Employer Statement and provisions contained in the Plan, Agreement or Notice, this Employer Statement shall prevail.

1. Date of Grant

The date of grant of your RSUs is the date that the Administrator (as defined in the Plan) approved a grant for you and determined it would be effective, which is set forth in the Agreement.

2. Terms and Conditions of the RSU Grant

The grant of RSUs under the Plan is made at the sole discretion of the Administrator. Employees and Consultants (as defined in the Plan) of PANW and its Parents or Subsidiaries (as defined in the Plan) are eligible to participate in the Plan.

3. Vesting Date of RSUs

The RSUs shall vest over a period of time, provided you remain employed by or in the service of PANW or a Subsidiary, unless the RSUs have vested or have terminated earlier for the reasons set forth in the Plan.

4. Exercise Price

There is no exercise price associated with the RSUs. Each RSU entitles you to receive one share of PANW common stock after the RSUs have vested without any cost to you or other payment required from you (other than applicable taxes).

5. Your Rights Upon Termination of Your Service Provider Status

The treatment of the RSUs upon termination of your status as a Service Provider (as defined in the Plan) will be determined in accordance with the termination provisions in the Agreement, pursuant to which the balance of the RSUs that have not vested as of the time of your termination as a Service Provider for any or no reason will be cancelled and forfeited.

6. Financial Aspects of Participating in the Plan

The grant of RSUs has no immediate financial consequences for you. The value of the RSUs is not taken into account when calculating holiday allowances, pension contributions or other statutory consideration calculated on the basis of salary.

Shares of stock are financial instruments and investing in stock will always have financial risk. The future value of PANW's shares is unknown and cannot be predicted with certainty.

Palo Alto Networks, Inc. 3000 Tannery Way Santa Clara,
CA 95054

SÆRLIG MEDDELELSE TIL MEDARBEJDERE I DANMARK
ARBEJDSGIVERERKLÆRING

I henhold til § 3, stk. 1, i lov om brug af køberet eller tegningsret mv. i ansættelsesforhold ("Aktieoptionsloven") er du berettiget til i en skriftlig erklæring at modtage følgende oplysninger om deltagelse i Palo Alto Networks, Inc. ("PANW") 2021 Equity Incentive Plan ("Planen").

Denne erklæring indeholder generelt kun de oplysninger, der er nævnt i Aktieoptionsloven, medens de øvrige kriterier og betingelser for din tildeling af begrænsede aktier ("*Restricted Stock Units*" eller "RSU'er") er beskrevet nærmere i Planen, i *Restricted Stock Unit Agreement*, inkl. bilag A, B ("Aftalen") og i *Notice of Restricted Stock Unit Grant* ("Meddelelsen"), som er udleveret til dig. I tilfælde af uoverensstemmelser mellem en bestemmelse i denne Arbejdsgivererklæring og bestemmelserne i Planen, Aftalen eller Meddelelsen har denne Arbejdsgivererklæring forrang.

1. Tidspunkt for tildeling

Tidspunktet for tildelingen af dine RSU'er er den dag, hvor Administratoren (*Administrator*) (som defineret i Planen) godkendte din tildeling og besluttede, at den skulle træde i kraft. Tidspunktet fremgår af Aftalen.

2. Kriterier og betingelser for RSU-tildelingen

Tildelingen af RSU'er i henhold til Planen sker alene efter Administrators eget skøn. Medarbejdere (*Employees*) og Konsulenter (*Consultants*) (som defineret i Planen) i PANW og dets Moderselskaber (*Parents*) og Datterselskaber (*Subsidiaries*) (som defineret i Planen) kan deltage i Planen.

3. Modningstidspunkt for RSU'erne

RSU'erne modnes over en periode, forudsat at du fortsat er ansat i eller arbejder for Selskabet eller en tilknyttet virksomhed, medmindre RSU'erne er modnet eller bortfaldet på et tidligere tidspunkt af de i Ordningen anførte årsager.

4. Udnyttelseskurs

Der er ikke knyttet nogen udnyttelseskurs til RSU'erne. Hver RSU giver dig i forbindelse med deres modning ret til at modtage én ordinær aktie i Selskabet, uden at det koster dig noget (bortset fra gældende skatter og afgifter).

5. Din retsstilling i forbindelse med ophør af din Ansættelsesstatus

Dine RSU'er vil i tilfælde af ophør af din Ansættelsesstatus (som defineret i Planen) blive behandlet i overensstemmelse med ophørsbestemmelserne i Aftalen, ifølge hvilke eventuelle RSU'er, som på tidspunktet for ophør af din Ansættelsesstatus (uanset årsag) ikke er modnet, automatisk bortfalder.

6. Økonomiske aspekter ved at deltage i Planen

Tildelingen af RSU'er har ingen umiddelbare økonomiske konsekvenser for dig. Værdien af RSU'erne indgår ikke i beregningen af feriepenge, pensionsbidrag eller andre lovpligtige, vederlagsafhængige ydelser.

Aktier er finansielle instrumenter, og investering i aktier vil altid være forbundet med en økonomisk risiko. Den fremtidige værdi af PANW aktier kendes ikke og kan ikke forudsiges med sikkerhed.

Palo Alto Networks, Inc. 3000 Tannery Way Santa Clara,
CA 95054

DOMINICAN REPUBLIC

There are no country-specific provisions.

ECUADOR

There are no country-specific provisions.

EGYPT

NOTIFICATIONS

Exchange Control Information. If Participant transfers funds into Egypt in connection with the Restricted Stock Units or Shares, Participant will be required to transfer the funds through a registered bank in Egypt.

FINLAND

There are no country-specific provisions.

FRANCE

TERMS AND CONDITIONS

Language Consent. By accepting the Award, Participant confirms having read and understood the Plan and Award Agreement which were provided in the English language. Participant accepts the terms of those documents accordingly.

Consentement Relatif à la Langue Utilisée. En acceptant l'attribution, le Participant confirme avoir lu et compris le Plan et le Contrat, qui ont été communiqués en langue anglaise. Le Participant accepte les termes de ces documents en connaissance de cause.

NOTIFICATIONS

Tax Information. The Restricted Stock Units are not intended to qualify for special tax or social security treatment in France.

GERMANY

NOTIFICATIONS

Exchange Control Information. Certain cross-border transactions in excess of a certain threshold (currently €12,500) (the "Threshold") must be reported to the German Federal Bank. (*Bundesbank*). If Participant makes or receives a payment in excess of the Threshold (including if Participant acquires Shares under the Plan with a value in excess of the Threshold or sells Shares via a foreign broker, bank or service provider and receives proceeds in excess of the Threshold) and/or if the Company withholds or sells Shares with a value in excess of the Threshold to cover Tax-Related Items, Participant must report the payment and/or the value of the Shares withheld or sold to the *Bundesbank*, either electronically using the "General Statistics Reporting Portal" ("*Allgemeine Meldeportal Statistik*") available via the *Bundesbank's* website (www.bundesbank.de) or via such other method (e.g., by email or telephone) as is permitted or required by the *Bundesbank*. The report must be submitted monthly or within such other timing as is permitted or required by the *Bundesbank*. Participant is responsible for complying with applicable reporting requirements.

GREECE

There are no country-specific provisions.

HONG KONG

TERMS AND CONDITIONS

Form of Payment. Notwithstanding any discretion contained in the Plan, the grant of Restricted Stock Units does not provide any right for Participant to receive a cash payment; the Restricted Stock Units are payable in Shares only.

Sale of Shares. For any Restricted Stock Units that vest within six months of the Date of Grant, Participant agrees that he or she will not dispose of the Shares acquired prior to the six-month anniversary of the Date of Grant.

NOTIFICATIONS

Securities Law Notice. *WARNING: The Restricted Stock Units and the Shares issued upon vesting do not constitute a public offering of securities under Hong Kong law and are available only to certain Service Providers. The Award Agreement, including this Addendum, the Plan and other incidental communication materials have not been prepared in accordance with and are not intended to constitute a “prospectus” for a public offering of securities under the applicable securities legislation in Hong Kong. In addition, the documents have not been reviewed by any regulatory authority in Hong Kong. The Restricted Stock Units are intended only for the personal use of each Participant and may not be distributed to any other person. If Participant is in any doubt about any of the contents of the Award Agreement, including this Addendum, or the Plan, Participant should obtain independent professional advice.*

HUNGARY

There are no country-specific provisions.

INDIA

NOTIFICATIONS

Exchange Control Information. Participant must repatriate any proceeds from the sale of Shares acquired under the Plan or the receipt of any dividends paid on such Shares to India and convert the proceeds into local currency within such period of time as required under applicable regulations. Participant will receive a foreign inward remittance certificate (“FIRC”) from the bank where Participant deposits the foreign currency. Participant should maintain the FIRC as evidence of the repatriation of funds in the event the Reserve Bank of India or the Service Recipient requests proof of repatriation. Participant acknowledges that it is Participant’s responsibility to comply with applicable exchange control laws in India. Participant also agrees to provide any information that may be required by the Company or the Service Recipient to make any applicable filings under exchange control laws in India.

INDONESIA

TERMS AND CONDITIONS

Language Consent and Notification. By accepting the Restricted Stock Units, Participant (i) confirms having read and understood the documents relating to the grant (i.e., the Notice of Grant, the Plan and the Award Agreement) which were provided in the English language, (ii) accepts the terms of those documents accordingly, and (iii) agrees not to challenge the validity of this document based on Law No. 24 of 2009 on National Flag, Language, Coat of Arms and National Anthem or the implementing Presidential Regulation.

Persetujuan dan Pemberitahuan Bahasa. Dengan menerima pemberian Unit Saham Terbatas ini, Peserta (i) memberikan konfirmasi bahwa dirinya telah membaca dan memahami dokumen-dokumen berkaitan dengan pemberian ini (yaitu, Pemberitahuan Pemberian, Perjanjian Penghargaan dan Program) yang disediakan dalam Bahasa Inggris, (ii) menerima persyaratan di dalam dokumen-dokumen tersebut, dan (iii) setuju untuk tidak mengajukan keberatan atas keberlakuan dari dokumen ini berdasarkan Undang-Undang No. 24 Tahun 2009 tentang Bendera, Bahasa dan Lambang Negara serta Lagu Kebangsaan ataupun Peraturan Presiden sebagai pelaksanaannya.

NOTIFICATIONS

Exchange Control Information. Indonesian residents are obliged to provide the Indonesian central bank (Bank Indonesia) with information on foreign exchange activities. If there is any change to foreign assets held (including Shares acquired under the Plan), Participant must report such change online through Bank Indonesia’s website no later than the 15th day of the month following the month in which the foreign exchange activity took place.

In addition, if Participant remits proceeds from the sale of Shares or the receipt of any dividends paid on such Shares into Indonesia, the Indonesian bank through which the transaction is made will submit a report on the transaction to Bank Indonesia for statistical reporting purposes. For transactions that equal or exceed a certain threshold (currently US\$10,000), a more detailed description of the transaction must be included in the report and Participant may be required to provide information about the transaction to the bank in order to complete the transaction.

IRELAND

NOTIFICATIONS

Director Notification Obligation. Directors, shadow directors or secretaries of an Irish Parent or Subsidiary must

notify the Irish Parent or Subsidiary in writing if they receive or dispose of an interest in the Company representing more than 1% of the Company's voting share capital (e.g., Restricted Stock Unit granted under the Plan, Shares, etc.), if they become aware of the event giving rise to the notification requirement or if they become a director or secretary if such an interest exists at the time. This notification requirement also applies with respect to the interests of the spouse or children under the age of 18 of the director, shadow director or secretary (whose interests will be attributed to the director, shadow director or secretary).

ISRAEL

TERMS AND CONDITIONS

Data Privacy. The following provision supplements the Data Privacy Provision set forth above:

Participant hereby authorizes the Company, the Trustee and their representatives to collect, use and transfer all relevant information regarding Participant and the Restricted Stock Units to all Company personnel and agents and or third parties involved in the administration of the Plan and/or in the event of a corporate financing, merger, acquisitions and/or business transfers, including transfers outside of Israel and further transfers thereafter.

Capital Gains Track Trustee Award. *The following provisions apply if Participant is deemed to be a resident of the State of Israel for tax purposes or is otherwise subject to taxation in Israel with respect to the Restricted Stock Unit on the Date of Grant.*

Capitalized terms used but not defined in these provisions or the Plan or the Award Agreement shall have the meanings ascribed to them in the Sub-Plan to the Plan for Israeli Participants (the "Israel Sub-Plan").

By accepting the Restricted Stock Units, Participant acknowledges and agrees that the Restricted Stock Units are subject to the Plan, the Israel Sub-Plan and Sections 102(b)(2) and (3) of the ITO, the Rules, and the Trust Agreement, a copy of which has been made available to Participant. Participant confirms that (a) Participant is familiar with the terms and provisions of Section 102 of the ITO, particularly the capital gains track described in subsection (b) (2) and (3) thereof, and agrees not to require the Trustee to release the Restricted Stock Units or to sell or transfer the Restricted Stock Units to Participant or any third party unless permitted to do so by Applicable Laws; (b) the terms and restrictions set forth in the Israel Sub-Plan will apply to the Restricted Stock Units in all respects, including without limitation with respect to mandatory withholding requirements for Tax-Related Items, and the rights and authorities of the Company, the Service Recipient and the Trustee with respect thereto, and (c) the Company, its affiliates, assignees and successors shall be under no duty to ensure, and no representation or commitment is made, that the Restricted Stock Units qualify or shall qualify under any particular tax treatment.

Participant further acknowledges and agrees that Restricted Stock Units and any Shares issued upon vesting thereof shall be deposited with the Trustee, or shall be subject to a supervisory trustee arrangement approved by the ITA for the Trustee, in order to comply with the requirements of the capital gains track under Sections 102(b)(2) and (3) of the ITO.

Participant hereby undertakes to release the Trustee from any liability in respect of any action or decision duly taken and bona fide executed in relation to the Plan, Restricted Stock Units or Shares issued thereunder.

Settlement of Restricted Stock Units and Sale of Shares *The following provisions apply if Participant was not an Israeli tax resident at the time of grant of the Restricted Stock Units and if the Restricted Stock Units do not qualify as Section 102 capital gains trustee track grants:*

Unless otherwise determined by the Administrator, Participant agrees to the immediate sale of all Shares issued upon vesting of the Restricted Stock Units. Participant agrees that the Company is authorized to instruct its designated broker to assist with the mandatory sale of such Shares (on Participant's behalf pursuant to this authorization), and Participant expressly authorizes the Company's designated broker to complete the sale of such Shares. Participant agrees to sign any forms and/or consents required by the Company's designated broker to effectuate the sale of Shares. Participant acknowledges that the Company's designated broker is under no obligation to arrange for the sale of the Shares at any particular price. Upon the sale of the Shares, the Company agrees to pay Participant the cash proceeds from the sale of the Shares, less any brokerage fees or commissions and subject to any obligation to satisfy Tax-Related Items.

NOTIFICATIONS

Securities Law Information. The Company has obtained an exemption to the prospectus filing requirement from the Israeli Securities Authority. Accordingly, Restricted Stock Units will be granted pursuant to an exemption from filing a Plan prospectus granted to the Company by the Israeli Securities Authority. Copies of the Plan and Form S-8 registration statement for the Plan filed with the U.S. Securities and Exchange Commission are available from the Company.

ITALY

TERMS AND CONDITIONS

Acknowledgement. Participant acknowledges that he or she has read and specifically and expressly approves the following sections of the Agreement: Section 7 - Withholding of Taxes, Section 10 - Nature of Grant, Section 19 - Electronic Delivery and Participation, Section 21 - Agreement Severable, Section 24 - Forfeiture or Clawback, Section 25 - Governing Law and Venue, Section 26 - Language and Section 27 - Imposition of Other Requirements. In addition, Participant acknowledges that he or she has read and understands the Data Privacy Provisions for Participants in the European Union / European Economic Area / Switzerland / United Kingdom above in this Addendum.

JAPAN

There are no country-specific provisions.

JORDAN

There are no country-specific provisions.

KENYA

NOTIFICATIONS

Tax Registration Information. Under the Tax Procedure Act, 2015, Participant is required to complete and submit a tax registration application to the Commissioner of Income Tax within 30 days of first vesting of the Restricted Stock Units. The registration should be completed through the online portal "I TAX" and is a one-time only registration. Participant is solely responsible for ensuring compliance with all registration requirements in Kenya.

KOREA

Exchange Control Information. Korean residents may need to file a report with a Korean foreign exchange bank if the Korean resident sells Shares acquired under the Plan and/or receives cash dividends in excess of a certain threshold (currently US\$5,000) (per transaction) and deposits the proceeds into a non-Korean bank account. The reporting is not required if proceeds are deposited into a non-Korean brokerage account. Participant is responsible for complying with any applicable exchange control reporting obligations in Korea and Participant should consult with his or her personal legal advisor to determine his or her personal reporting obligations.

KUWAIT

NOTIFICATIONS

Securities Law Information. The Plan does not constitute the marketing or offering of securities in Kuwait pursuant to Law No. 7 of 2010 as amended (establishing the Capital Markets Authority) and its implementing regulations.

LATVIA

There are no country-specific provisions.

LEBANON

NOTIFICATIONS

Securities Law Information. The Plan does not constitute the marketing or offering of securities in Lebanon pursuant to Law No. 161 (2011), the Capital Markets Law. Restricted Stock Units granted under the Plan are being made only to eligible Service Providers.

LUXEMBOURG

There are no country-specific provisions.

MALAYSIA

TERMS AND CONDITIONS

Data Privacy. The following provision replaces the Data Privacy Provisions for Participants Outside the European Union / European Economic Area / Switzerland / United Kingdom above in this Addendum:

Participant consents to the collection, use and transfer, in *Peserta bersetuju dengan pengumpulan, penggunaan dan*

electronic or other form, of his or her personal data as described in this Award Agreement and any other Restricted Stock Unit grant materials by and among, as applicable, the Service Recipient, the Company and any Subsidiary for the exclusive purpose of implementing, administering and managing Participant's participation in the Plan.

Participant may have previously provided the Company and the Service Recipient with, and the Company and the Service Recipient may hold, certain personal information about Participant, including, but not limited to, his or her name, home address and telephone number, email address, date of birth, social insurance, passport or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, the fact and conditions of Participant's participation in the Plan, details of all Restricted Stock Units or any other entitlement to shares of stock awarded, cancelled, exercised, vested, unvested or outstanding in Participant's favor ("Data"), for the exclusive purpose of implementing, administering and managing the Plan.

Participant also authorizes any transfer of Data, as may be required, to E*TRADE Financial Services, Inc. ("E*TRADE"), which is assisting the Company with the implementation, administration and management of the Plan and/or with whom any Shares acquired upon vesting of the Restricted Stock Units are deposited. Participant acknowledges that these recipients may be located in Participant's country or elsewhere, and that the recipient's country (e.g., the United States) may have different data privacy laws and protections to Participant's country, which may not give the same level of protection to Data. Participant understands that he or she may request a list with the names and addresses of any potential recipients of Data by contacting his or her human resources representative. Participant authorizes the Company, the stock plan service provider and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing Participant's participation in the Plan to receive, possess, use, retain and transfer Data, in electronic or other form, for the sole purpose of implementing, administering and managing Participant's participation in the Plan. Participant understands that Data will be held only as long as is necessary to implement, administer and manage his or her participation in the Plan. Participant understands that he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case, without cost, by contacting in writing his or her local human resources representative, filling out the individual rights request online form at <https://www.paloaltonetworks.com/legal-notices/privacy>, or by sending an email to individualrights@paloaltonetworks.com.

Further. Participant understands that he or she is

pemindahan, dalam bentuk elektronik atau lain-lain, data peribadinya seperti yang dinyatakan dalam Perjanjian Penganugerahan ini dan apa-apa bahan geran Unit Saham Terbatas oleh dan di antara, sebagaimana yang berkenaan, Penerima Perkhidmatan, Syarikat, dan mana-mana Anak Syarikat bagi tujuan eksklusif untuk melaksanakan, mentadbir dan menguruskan penyertaan Peserta dalam Pelan tersebut.

Sebelum ini, Peserta mungkin telah membekalkan Syarikat dan Penerima Perkhidmatan dengan, dan Syarikat dan Penerima Perkhidmatan mungkin memegang, maklumat peribadi tertentu tentang Peserta, termasuk, tetapi tidak terhad kepada, namanya, alamat rumah dan nombor telefon, alamat emel, tarikh lahir, insurans sosial, nombor pasport atau nombor pengenalan lain, gaji, kewarganegaraan, jawatan, apa-apa syer dalam saham atau jawatan pengarah yang dipegang dalam Syarikat, fakta dan syarat-syarat penyertaan Peserta dalam Pelan tersebut, butir-butir semua Unit Saham Terbatas atau apa-apa hak lain untuk syer dalam saham yang dianugerahkan, dibatalkan, dilaksanakan, terletak hak, tidak diletak hak ataupun tertunggak bagi faedah Peserta ("Data"), untuk tujuan eksklusif bagi melaksanakan, mentadbir dan menguruskan Pelan tersebut.

Peserta juga memberi kuasa untuk membuat apa-apa pemindahan Data, sebagaimana yang diperlukan, kepada E*TRADE Financial Services, Inc. ("E*TRADE"), yang membantu Syarikat dalam pelaksanaan, pentadbiran dan pengurusan Pelan tersebut dan/atau dengan sesiapa yang menandatangani apa-apa Saham yang diperolehi melalui pemberian hak Unit-unit Saham Terbatas. Peserta mengakui bahawa penerima-penerima ini mungkin berada di negara Peserta atau di tempat lain, dan bahawa negara penerima (contohnya, Amerika Syarikat) mungkin mempunyai undang-undang privasi data dan perlindungan yang berbeza daripada negara Peserta, yang mungkin tidak boleh memberi tahap perlindungan yang sama kepada Data. Peserta faham bahawa dia boleh meminta senarai nama dan alamat mana-mana penerima Data yang berpotensi dengan menghubungi wakil sumber manusianya. Peserta memberi kuasa kepada Syarikat, pembekal perkhidmatan pelan saham dan mana-mana penerima lain yang mungkin membantu Syarikat (masa sekarang atau pada masa depan) untuk melaksanakan, mentadbir dan menguruskan penyertaan Peserta dalam Pelan tersebut untuk menerima, memiliki, menggunakan, mengekalkan atau memindahkan Data, dalam bentuk elektronik atau lain-lain, semata-mata dengan tujuan tunggal untuk melaksanakan, mentadbir dan menguruskan penyertaan Peserta dalam Pelan tersebut. Peserta faham bahawa Data akan dipegang hanya untuk tempoh yang diperlukan untuk melaksanakan, mentadbir dan menguruskan penyertaannya dalam Pelan tersebut. Peserta faham bahawa dia boleh, pada bila-bila masa, melihat Data, meminta maklumat tambahan mengenai penyimpanan dan pemprosesan Data, meminta bahawa apa-apa pindaan-pindaan yang perlu dilaksanakan ke atas Data atau menolak atau menarik balik persetujuan dalam ini, dalam mana-mana kes, tanpa kos, dengan menghubungi secara bertulis wakil sumber manusianya, mengisi borang dalam talian permintaan hak individu di <https://www.paloaltonetworks.com/legal-notices/privacy>, atau menghantar e-mel ke individualrights@paloaltonetworks.com.

Selanjutnya. Peserta memahami bahawa dia memberikan

Participant understands that he or she is providing the consents herein on a purely voluntary basis. If Participant does not consent, or if Participant later seeks to revoke the consent, his or her status and career with the Service Recipient will not be affected; the only consequence of refusing or withdrawing the consent is that the Company would not be able to grant future Restricted Stock Units or other equity awards to Participant or administer or maintain such awards. Therefore, Participant understands that refusing or withdrawing his or her consent may affect his or her ability to participate in the Plan. For more information on the consequences of the refusal to consent or withdrawal of consent, Participant understands that he or she may contact his or her human resources representative.

Seorang yang Peserta memahami bahawa dia memberikan persetujuan di sini secara sukarela. Jika Peserta tidak bersetuju, atau jika Peserta kemudian membatalkan persetujuannya, status dan kerjayanya dengan Penerima Perkhidmatan tidak akan terjejas; satu-satunya akibat jika tidak bersetuju atau menarik balik persetujuan adalah bahawa Syarikat tidak akan dapat memberikan Unit-unit Saham Terbatas pada masa depan atau anugerah ekuiti lain kepada Peserta atau mentadbir atau mengekalkan anugerah tersebut. Oleh itu, Peserta faham bahawa keengganan atau penarikan balik persetujuannya boleh menjejaskan keupayaannya untuk mengambil bahagian dalam Pelan tersebut. Untuk maklumat lanjut mengenai akibat keengganan untuk memberikan keizinan atau penarikan balik keizinan, Peserta fahami bahawa dia boleh menghubungi wakil sumber manusianya.

NOTIFICATIONS

Director Notification Obligation. If Participant is a director of a Malaysian Parent or Subsidiary, Participant is subject to certain notification requirements under the Malaysian Companies Act 2016. Among these requirements is an obligation to notify the Malaysian Parent or Subsidiary in writing when Participant receives or disposes of an interest (e.g., Restricted Stock Units or Shares) in the Company or any related company. Such notifications must be made within 14 days of receiving or disposing of any interest in the Company or any related company.

MEXICO

TERMS AND CONDITIONS

Acknowledgement of the Award Agreement. By accepting the Restricted Stock Units, Participant acknowledges that he or she has received a copy of the Plan and the Award Agreement, including this Addendum, which he or she has reviewed. Participant further acknowledges that he or she accepts all the provisions of the Plan and the Award Agreement, including this Addendum. Participant also acknowledges that he or she has read and specifically and expressly approves the terms and conditions set forth in the "Nature of Grant" section of the Terms and Conditions of Global Restricted Stock Unit Grant, which clearly provide as follows:

- (1) Participant's participation in the Plan does not constitute an acquired right;
- (2) The Plan and Participant's participation in it are offered by the Company on a wholly discretionary basis;
- (3) Participant's participation in the Plan is voluntary; and
- (4) The Company and any of its Parent and Subsidiaries are not responsible for any decrease in the value of any Shares acquired under the Plan.

Labor Law Acknowledgement and Policy Statement. By accepting the Restricted Stock Units, Participant acknowledges that the Company, with registered offices at 3000 Tannery Way, Santa Clara, CA 95054, U.S.A., is solely responsible for the administration of the Plan. Participant further acknowledges that his or her participation in the Plan, the grant of Restricted Stock Units and any acquisition of Shares under the Plan do not constitute an employment relationship between Participant and the Company because Participant is participating in the Plan on a wholly commercial basis. Based on the foregoing, Participant expressly acknowledges that the Plan and the benefits that he or she may derive from participation in the Plan do not establish any rights between Participant and the Service Recipient and do not form part of the employment conditions and/or benefits provided by the Service Recipient, and any modification of the Plan or its termination shall not constitute a change or impairment of the terms and conditions of Participant's employment.

Participant further understands that his or her participation in the Plan is the result of a unilateral and discretionary decision of the Company and, therefore, the Company reserves the absolute right to amend and/or discontinue Participant's participation in the Plan at any time, without any liability to Participant.

Finally, Participant hereby declares that he or she does not reserve to him- or herself any action or right to bring any claim against the Company for any compensation or damages regarding any provision of the Plan or the benefits derived under the Plan, and that he or she therefore grants a full and broad release to the Company, its Parent, Subsidiaries, branches, representation offices, stockholders, officers, agents or legal representatives, with respect to any claim that may arise.

Spanish Translation

Reconocimiento del Convenio de Concesión. Al aceptar las Unidades de Acciones Restringidas ("Unidades"), el Beneficiario reconoce que ha recibido y revisado una copia del Plan y del Convenio de Concesión, incluyendo este Apéndice. El Beneficiario reconoce y acepta todas las disposiciones del Plan y del Convenio de Concesión, incluyendo el apéndice. El Beneficiario también reconoce que ha leído y aprobado de forma expresa los términos y condiciones establecidos en la sección: "Nature of Grant" del Convenio de Concesión, que claramente establece lo siguiente:

- (1) La participación del Beneficiario en el Plan no constituye un derecho adquirido;
- (2) El Plan y la participación del Beneficiario en él es ofrecido por la Compañía de manera completamente discrecional;
- (3) La participación del Beneficiario en el Plan es voluntaria; y
- (4) La Compañía y su Padre y sus Subsidiarias no son responsables por ninguna disminución en el valor de las Acciones adquiridas en virtud del Plan.

Reconocimiento del Derecho Laboral y Declaración de la Política Al aceptar el otorgamiento de las Unidades, el Beneficiario reconoce que la Compañía, con domicilio social en 3000 Tannery Way, Santa Clara, CA 95054, E.U.A., es la única responsable de la administración del Plan. Además, el Beneficiario reconoce que su participación en el Plan, la concesión de las Unidades y cualquier adquisición de Acciones en virtud del Plan no constituyen una relación laboral entre el Beneficiario y la Compañía, en virtud de que el Beneficiario está participando en el Plan sobre una base totalmente comercial. Por lo anterior, el Beneficiario expresamente reconoce que el Plan y los beneficios que puedan derivarse de su participación no establecen ningún derecho entre el Beneficiario y el Empleador y que no forman parte de las condiciones de trabajo y/o beneficios otorgados por el Empleador, y cualquier modificación del Plan o la terminación no constituirá un cambio o modificación de los términos y condiciones en el empleo del Beneficiario.

Además, el Beneficiario comprende que su participación en el Plan es el resultado de una decisión discrecional y unilateral de la Compañía, por lo que la misma se reserva el derecho absoluto de modificar y/o suspender la participación del Beneficiario en el Plan en cualquier momento, sin responsabilidad alguna del Beneficiario.

Finalmente, el Beneficiario manifiesta que no se reserva acción o derecho alguno que origine una demanda en contra de la Compañía, por cualquier indemnización o daño relacionado con las disposiciones del Plan o de los beneficios otorgados en el mismo, y en consecuencia el Beneficiario libera de la manera más amplia y total de responsabilidad a la Compañía, sus padre, subsidiarias, sucursales, oficinas de representación, sus accionistas, directores, agentes y representantes legales con respecto a cualquier demanda que pudiera surgir.

NOTIFICATIONS

Securities Law Information. The Restricted Stock Units granted, and any Shares acquired, under the Plan have not been registered with the National Register of Securities maintained by the Mexican National Banking and Securities Commission and cannot be offered or sold publicly in Mexico. In addition, the Plan, Award Agreement and any other document relating to the Restricted Stock Units may not be publicly distributed in Mexico. These materials are addressed to Participant because of his or her existing relationship with the Company and these materials should not be reproduced or copied in any form. The offer contained in these materials does not constitute a public offering of securities, but rather a private placement of securities addressed specifically to individuals who are present Service Providers made in accordance with the provisions of the Mexican Securities Market Law, and any rights under such offering shall not be assigned or transferred.

MOROCCO

TERMS AND CONDITIONS

Settlement of Restricted Stock Units. Unless otherwise determined by the Administrator, Participant is not entitled to receive any Shares upon vesting of the Restricted Stock Units due to exchange control regulations in Morocco. This means that upon vesting of the Restricted Stock Units, Participant will receive a cash payment equal to the value of the underlying Shares at vesting, less any Tax-Related Items and broker's fees or commissions, which will be remitted to Participant via local payroll. Any references in the Plan and this Award Agreement to the issuance of Shares shall not apply to Participant.

NETHERLANDS

There are no country-specific provisions.

NEW ZEALAND

NOTIFICATIONS

Securities Law Information. WARNING: Participant is being offered Restricted Stock Units which, if vested, will entitle Participant to acquire Shares in accordance with the terms of the Award Agreement and the Plan. The Shares, if issued, will give Participant a stake in the ownership of the Company. Participant may receive a return if dividends are paid.

If the Company runs into financial difficulties and is wound up, Participant will be paid only after all creditors have been paid. Participant may lose some or all of Participant's investment, if any.

New Zealand law normally requires people who offer financial products to give information to investors before they invest. This information is designed to help investors to make an informed decision. The usual rules do not apply to this offer because it is made under an employee share scheme. As a result, Participant may not be given all the information usually required. Participant will also have fewer other legal protections for this investment. Participant should ask questions, read all documents carefully, and seek independent financial advice before committing.

The Shares are quoted on The Nasdaq Global Select Market ('Nasdaq'). This means that if Participant acquires Shares under the Plan, Participant may be able to sell the Shares on the Nasdaq if there are interested buyers. Participant may get less than Participant invested. The price will depend on the demand for the Shares.

For information on risk factors impacting the Company's business that may affect the value of the Shares, Participant should refer to the risk factors discussion on the Company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, which are filed with the U.S. Securities and Exchange Commission and are available online at www.sec.gov, as well as on the Company's "Investor Relations" website at <http://investors.paloaltonetworks.com/>.

NIGERIA

There are no country-specific provisions.

NORWAY

There are no country-specific provisions.

PAKISTAN

NOTIFICATIONS

Exchange Control Information. Participant will be required to register ownership of foreign shares (e.g., the Shares) with the State Bank of Pakistan using a prescribed form. Participant will also be required to immediately repatriate to Pakistan the proceeds from the sale of Shares Participant acquires upon the vesting of the Restricted Stock Units. Participant should consult with his or her personal advisor to ensure compliance with applicable exchange control regulations in Pakistan, as such regulations are subject to frequent change. Participant is responsible for ensuring compliance with all exchange control laws in Pakistan.

PANAMA

NOTIFICATIONS

Securities Law Information. The Restricted Stock Units and any underlying Shares issued at vesting are not subject to registration under Panamanian law as they are not intended for the public, but solely for Participant's benefit.

PERU

TERMS AND CONDITIONS

Labor Law Acknowledgment. By accepting the Restricted Stock Units, Participant acknowledges that the Restricted Stock Units are being granted *ex gratia* to Participant with the purpose of rewarding Participant.

NOTIFICATIONS

Securities Law Information. The offer of Restricted Stock Units is considered a private offering in Peru. Therefore, it is not subject to registration.

PHILIPPINES

TERMS AND CONDITIONS

Necessary Approvals. The offering of the Plan and the grant of the Restricted Stock Units may be subject to certain securities approval/confirmation requirements in the Philippines with the Philippine Securities and Exchange Commission. If the Company has not obtained, or does not maintain, the necessary securities approval/confirmation

prior to the vesting of the Restricted Stock Units, Participant will not vest in the Restricted Stock Units and no Shares subject to the Restricted Stock Units will be issued. Restricted Stock Units shall vest and Shares shall be issued in settlement of the Restricted Stock Units only if and when all necessary securities approvals/confirmations have been obtained and are maintained.

NOTIFICATIONS

Securities Law Information. Participant should be aware of the risks of participating in the Plan, which include (without limitation) the risk of fluctuation in the price of the Shares on The Nasdaq Global Select Market and the risk of currency fluctuations between the U.S. dollar and Participant's local currency. In this regard, Participant should note that the value of any Shares Participant may acquire under the Plan may decrease after the Shares are issued, and fluctuations in foreign exchange rates between Participant's local currency and the U.S. dollar may affect the value of the Restricted Stock Units or any amounts due to Participant pursuant to the vesting of the Restricted Stock Units or the subsequent sale of any Shares acquired upon vesting. The Company is not making any representations, projections or assurances about the value of the Shares now or in the future.

For further information on risk factors impacting the Company's business that may affect the value of the Shares, Participant should refer to the risk factors discussion in the Company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, which are filed with the U.S. Securities and Exchange Commission and are available online at www.sec.gov, as well as on the Company's website at <https://investors.paloaltonetworks.com/>. In addition, Participant may receive, free of charge, a copy of the Company's Annual Report, Quarterly Reports or any other reports, proxy statements or communications distributed to the Company's stockholders by contacting Investor Relations at Palo Alto Networks, Inc., 3000 Tannery Way, Santa Clara, California 95054 U.S.A. and at +1 (408) 753-4000.

Participant acknowledges that he or she is permitted to sell Shares acquired under the Plan through the designated Plan broker appointed by the Company (or such other broker to whom Participant transfers Shares), provided that such sale takes place outside of the Philippines through the facilities of The Nasdaq Global Select Market on which the Shares are listed.

POLAND

NOTIFICATIONS

Exchange Control Information. If Participant holds foreign securities (including Shares) and maintains accounts abroad, Participant may be required to file certain reports with the National Bank of Poland. Specifically, if the value of securities and cash held in such foreign accounts exceeds PLN 7 million, Participant must file reports on the transactions and balances of the accounts on a quarterly basis. Further, any fund transfers in excess of a certain threshold (currently €15,000 (or PLN 15,000 if such transfer of funds is connected with business activity of an entrepreneur)) into or out of Poland must be effected through a bank in Poland. Polish residents are required to store all documents related to foreign exchange transactions for a period of five years.

PORTUGAL

TERMS AND CONDITIONS

Language Consent. Participant hereby expressly declares that Participant has full knowledge of the English language and has read, understood and fully accepted and agreed with the terms and conditions established in the Plan and Award Agreement.

Conhecimento da Língua. *Por meio do presente, eu declaro expressamente que tem pleno conhecimento da língua inglesa e que li, compreendi e livremente aceitei e concordei com os termos e condições estabelecidas no Plano e no Acordo.*

NOTIFICATIONS

Exchange Control Information. If Participant is a resident of Portugal and he or she receives Shares, the acquisition of such Shares should be reported to the *Banco de Portugal* for statistical purposes. If the Shares are deposited with a commercial bank or financial intermediary in Portugal, such bank or financial intermediary will submit the report to the Banco de Portugal. If the Shares are not deposited with a commercial bank, broker or financial intermediary in Portugal, Participant will be responsible for submitting the report to the *Banco de Portugal*.

QATAR

There are no country-specific provisions.

ROMANIA

TERMS AND CONDITIONS

Vesting Schedule. The following provision supplements Section 3 of the Terms and Conditions of Global Restricted Stock Unit Grant:

Notwithstanding anything to the contrary in the Notice of Grant or the Award Agreement, no part of the Restricted Stock Units will vest until the one-year anniversary of the Date of Grant.

Language Consent. By accepting the grant of Restricted Stock Units, Participant acknowledges that he or she is proficient in reading and understanding English and fully understands the terms of the documents related to the grant (the Notice of Grant, the Award Agreement and the Plan), which were provided in the English language. Participant accepts the terms of those documents accordingly.

Consimtamant cu privire la limba. Prin acceptarea acordarii de RSU-uri, Participantul confirma ca acesta sau aceasta are un nivel adecvat de cunoastere in ce priveste citirea si intelegerea limbii engleze, a citit si confirma ca a inteles pe deplin termenii documentelor referitoare la acordare (Anuntul, Acordul RSU si Planul), care au fost furnizate in limba engleza. Participantul accepta termenii acestor documente in consecinta.

NOTIFICATIONS

Exchange Control Information. If Participant deposits the proceeds from the sale of Shares acquired under the Plan into a bank account in Romania, Participant may be required to provide the Romanian bank with appropriate documentation explaining the source of the funds. Participant understands that Participant should consult with Participant's personal legal advisor to determine whether Participant will be required to submit such documentation to the Romanian bank.

SAUDI ARABIA

NOTIFICATIONS

Securities Law Information. The Award Agreement and related plan documents may not be distributed in Saudi Arabia except to such persons as are permitted under the Offers of Securities and Continuing Obligations issued by the Capital Market Authority.

The Capital Market Authority does not make any representation as to the accuracy or completeness of the Award Agreement, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of the Award Agreement. Prospective purchasers of the securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities. If Participant does not understand the contents of the Award Agreement, Participant should consult an authorized financial adviser.

SINGAPORE

TERMS AND CONDITIONS

Sale of Shares. For any Restricted Stock Units that vest within six months of the Date of Grant, Participant agrees that he or she will not sell or offer to sell the Shares acquired prior to the six-month anniversary of the Date of Grant, unless such sale or offer to sell in Singapore is made pursuant to the exemptions under Part XIII Division (1) Subdivision (4) (other than section 280) of the Singapore Securities and Futures Act (Chapter 289, 2006 Ed.) ("SFA").

NOTIFICATIONS

Securities Law Information. The grant of the Restricted Stock Units under the Plan is being made pursuant to the "Qualifying Person" exemption under section 273(1)(f) of the SFA and not with a view to the Restricted Stock Units being subsequently offered for sale to any other party. The Plan has not been lodged or registered as a prospectus with the Monetary Authority of Singapore.

Director Notification Obligation. If Participant is a director, associate director or shadow director of a Singaporean Parent or Subsidiary, Participant is subject to certain notification requirements under the Singapore Companies Act. Among these requirements is an obligation to notify the Singaporean Parent or Subsidiary in writing when (i) Participant receives an interest (e.g., Shares) in the Company or any related companies or (ii) Participant sells or receives Shares of the Company or any related company (including when Participant sells or receives Shares acquired under the Plan). These notifications must be made within two business days of acquiring or disposing of any interest in the Company or any related company. In addition, a notification must be made of Participant's interests in the Company or any related company within two business days of becoming a director.

SLOVAKIA

There are no country-specific provisions.

SLOVENIA

TERMS AND CONDITIONS

Language Consent. By accepting the grant of Restricted Stock Units, Participant acknowledges that he or she is proficient in reading and understanding English and fully understands the terms of the documents related to the grant (the Notice of Grant, the Award Agreement and the Plan), which were provided in the English language. Participant accepts the terms of those documents accordingly.

Soglasje za Uporabo Angleškega Jezika. S sprejetjem dodelitve RSU Udeleženec (Participant) priznava in potrjuje, da je sposoben brati in razumeti angleški jezik ter v celoti razume pogoje dokumentov, povezanih z dodelitvijo (Obvestilo (Notice of Grant), pogodba (Award Agreement) in Načrt (Plan)), ki so bili posredovani v angleškem jeziku. Udeleženec skladno s tem sprejema pogoje teh dokumentov.

SOUTH AFRICA

TERMS AND CONDITIONS

Withholding of Taxes. The following provision supplements Section 7 of the Terms and Conditions of Global Restricted Stock Unit Grant:

By accepting the Restricted Stock Units, Participant agrees to immediately notify the Service Recipient of the amount of any gain realized upon vesting of the Restricted Stock Units. If Participant fails to advise the Service Recipient of the gain realized upon vesting of the Restricted Stock Units, then he or she may be liable for a fine. Participant will be responsible for paying the difference between the actual tax liability and the amount withheld by the Company or the Service Recipient.

NOTIFICATIONS

Securities Law Information. The documents listed below are available for Participant's review on the Company's website at <http://investors.paloaltonetworks.com> and the Company's intranet:

1. The Company's most recent annual financial statements; and
2. The Company's most recent Plan prospectus.

A copy of the above documents will be sent to Participant free of charge on written request to equity@paloaltonetworks.com.

Participant should carefully read the materials provided before making a decision whether to participate in the Plan. In addition, Participant should contact his or her tax advisor for specific information concerning Participant's personal tax situation with regard to Plan participation.

Exchange Control Information. By accepting the Restricted Stock Units, Participant acknowledges that Participant is solely responsible for complying with applicable South African exchange control regulations. Since the exchange control regulations change frequently and without notice, Participant should consult Participant's legal advisor prior to the acquisition or sale of Shares acquired under the Plan to ensure compliance with current regulations. As noted, it is Participant's responsibility to comply with South African exchange control laws, and neither the Company nor any Parent or Subsidiary will be liable for any fines or penalties resulting from Participant's failure to comply with Applicable Laws.

SPAIN

TERMS AND CONDITIONS

Labor Law Acknowledgment. This section supplements Section 10 of the Terms and Conditions of Global Restricted Stock Unit Grant:

In accepting the Restricted Stock Units, Participant acknowledges that he or she consents to participation in the Plan and has received a copy of the Plan.

Participant understands that the Company has unilaterally, gratuitously, and discretionally decided to grant Restricted Stock Units under the Plan to individuals who may be Service Providers throughout the world. The decision is a limited decision that is entered into upon the express assumption and condition that (i) any grant will not economically or otherwise bind the Company or any Parent or Subsidiary on an ongoing basis (i.e., it is not to be considered an acquired right or a more beneficial condition to be repeated in the future); (ii) the Restricted Stock Units or the Shares acquired upon vesting shall not become a part of any employment or service contract (either with the Company or any Parent or Subsidiary) and shall not be considered a mandatory benefit, salary for any purposes (including severance compensation), or any other right whatsoever; and (iii) unless otherwise provided in the Terms and Conditions of Global Restricted Stock Unit Grant, the Restricted Stock Units will cease vesting upon the termination of Participant's

status as a Service Provider (as detailed in the following paragraph). In addition, Participant understands that this grant would not be made to Participant but for the assumptions and conditions referred to above; thus, Participant acknowledges and freely accepts that should any or all of the assumptions be mistaken or should any of the conditions not be met for any reason, then any grant of Restricted Stock Units shall be null and void.

Further, the vesting of the Restricted Stock Units is expressly conditioned on Participant's continued and active rendering of service, such that unless otherwise provided in the Terms and Conditions of Global Restricted Stock Unit Grant, if Participant's status as a Service Provider terminates for any reason whatsoever, the Restricted Stock Units will cease vesting immediately effective on the date of Participant's termination of status as a Service Provider. This will be the case, for example, even if (1) Participant is considered to be unfairly dismissed without good cause; (2) Participant is dismissed for disciplinary or objective reasons or due to a collective dismissal; (3) Participant terminates service due to a change of work location, duties or any other employment or contractual condition; (4) Participant terminates service due to a unilateral breach of contract by the Company or any Parent or Subsidiary; or (5) Participant's status as a Service Provider terminates for any other reason whatsoever (except death).

NOTIFICATIONS

Securities Law Information. The Restricted Stock Units described in the Plan and the Award Agreement, including this Addendum, do not qualify under Spanish regulations as a security. No "offer of securities to the public," as defined under Spanish law, has taken place or will take place in the Spanish territory. The Plan and the Award Agreement, including this Addendum, have not been nor will they be registered with the *Comisión Nacional del Mercado de Valores* (Spanish Securities Exchange Commission), and they do not constitute a public offering prospectus.

Exchange Control Information. When receiving foreign currency payments in excess of a certain threshold (currently €50,000) derived from the ownership of Shares (e.g., as a result of the sale of the Shares or the receipt of dividends), Participant must inform the financial institution receiving the payment of the basis upon which such payment is made. Participant will likely need to provide the institution with the following information: (i) Participant's name, address, and fiscal identification number; (ii) the name and corporate domicile of the Company; (iii) the amount of the payment; (iv) the currency used; (v) the country of origin; (vi) the reasons for the payment; and (vii) any additional information that may be required.

Further, Participant is required to declare electronically to the Bank of Spain any securities accounts (including brokerage accounts held abroad), as well as the Shares held in such accounts if the value of the transactions during the prior tax year or the balances in such accounts as of December 31 of the prior tax year exceed a certain threshold (currently €1,000,000). Different thresholds and deadlines to file this declaration apply. However, if neither such transactions during the immediately preceding year nor the balances / positions as of December 31 exceed a certain threshold (currently €1,000,000), no such declaration must be filed unless expressly required by the Bank of Spain. If any of such thresholds were exceeded during the current year, Participant may be required to file the relevant declaration corresponding to the prior year, however, a summarized form of declaration may be available. Participant should consult his or her personal tax or legal advisor for further information regarding these exchange control reporting obligations.

SRI LANKA

NOTIFICATIONS

Exchange Control Information. Participant is required to repatriate to Sri Lanka the proceeds from the sale of any Shares which may be issued to Participant upon vesting and settlement of the Restricted Stock Units within three (3) months of the sale date. Participant is personally responsible for complying with exchange control laws in Sri Lanka, and neither the Company nor the Service Recipient will be liable for any fines or penalties resulting from Participant's failure to comply with applicable laws. Participant should consult with Participant's personal advisor(s) regarding any personal legal obligations Participant may have in connection with Participant's participation in the Plan.

SWEDEN

TERMS AND CONDITIONS

Authorization to Withhold. The following provision supplements Section 7 of the Terms and Conditions of Global Restricted Stock Unit Grant:

Without limiting the Company's and the Service Recipient's authority to satisfy their withholding obligations for Tax-Related Items as set forth in Section 7 of the Terms and Conditions of Global Restricted Stock Unit Grant, by accepting the grant of the Restricted Stock Units, Participant authorizes the Company and/or the Service Recipient to withhold Shares or to sell Shares otherwise deliverable to Participant upon vesting to satisfy Tax-Related Items, regardless of whether the Company and/or the Service Recipient have an obligation to withhold such Tax-Related Items.

SWITZERLAND

NOTIFICATIONS

Securities Law Information. Neither this document nor any other materials relating to the Restricted Stock Units (i) constitutes a prospectus according to articles 35 et seq. of the Swiss Federal Act on Financial Services ("**FinSA**"), (ii) may be publicly distributed or otherwise made publicly available in Switzerland to any person other than a Service Provider, or (iii) has been or will be filed with, approved or supervised by any Swiss reviewing body according to Article 51 of FinSA or any other Swiss regulatory authority, including the Swiss Financial Market Supervisory Authority.

TAIWAN

TERMS AND CONDITIONS

Data Privacy. Participant hereby acknowledges that he or she has read and understands the terms regarding the collection, processing and transfer of Data contained in the Data Privacy Provisions for Participants Outside the European Union / European Economic Area / Switzerland / United Kingdom above in this Addendum and, by participating in the Plan, agrees to such terms. In this regard, upon request of the Company or the Service Recipient, Participant agrees to provide any executed data privacy consent form (or any other agreements or consents that may be required by the Service Recipient or the Company) should the Company and/or the Service Recipient deem such agreement or consent necessary under applicable data privacy laws, either now or in the future. Participant understands that he or she will not be able to participate in the Plan if Participant fails to execute any such consent or agreement

NOTIFICATIONS

Securities Law Information. The grant of the Restricted Stock Units and the Shares to be issued pursuant to the Plan are available only for certain Service Providers. It is not a public offer of securities by a Taiwanese company; therefore, it is exempt from registration in Taiwan.

Exchange Control Information. Participant may acquire and remit foreign currency (including proceeds from the Shares and any dividends paid on such Shares) into and out of Taiwan up to a certain threshold (currently US\$5,000,000) per year. If the transaction amount equals or exceeds a certain threshold (currently TWD\$500,000) in a single transaction, Participant must submit a Foreign Exchange Transaction Form and also provide supporting documentation to the satisfaction of the remitting bank.

THAILAND

NOTIFICATIONS

Exchange Control Information. It is Participant's responsibility to comply with all exchange control regulations in Thailand. Participant is required to immediately repatriate the proceeds from the sale of Shares or the receipt of dividends to Thailand if the proceeds realized in a single transaction exceed a certain threshold (currently US\$1,000,000), unless Participant can rely on an applicable exemption (e.g., where the funds will be used offshore for any permissible purposes under exchange control regulations and the relevant form and supporting documents have been submitted to a commercial bank in Thailand). Any foreign currency repatriated to Thailand must either be converted to Thai Baht or deposited into a foreign currency deposit account within 360 days of repatriation. Any foreign currency repatriated to Thailand must be reported to the Bank of Thailand on a Foreign Exchange Transaction Form through the bank at which Participant deposits or converts the proceeds.

TUNISIA

NOTIFICATIONS

Exchange Control Information. Participant may be required to obtain prior authorization from the Central Bank of Tunisia ("**CBT**") for the acquisition for Shares under the Plan. For this reason, Participant should consult Participant's personal legal advisor prior to vesting and settlement regarding Participant's participation in the Plan.

If Participant holds assets (including Shares acquired under the Plan) outside of Tunisia and the value of such assets exceeds a certain threshold, Participant must declare the assets to the CBT within six months of their acquisition. All proceeds from the sale of Shares or the receipt of any dividends paid under the Plan must be repatriated to Tunisia. As noted above, Participant should consult his or her personal legal advisor before taking action with respect to the remittance of proceeds into Tunisia. Participant is solely responsible for ensuring compliance with applicable exchange control laws in Tunisia and neither the Company nor the Service Recipient will be liable for any non-compliance by Participant.

TÜRKIYE

NOTIFICATIONS

Securities Law Information. By accepting the Restricted Stock Units and participating in the Plan, Participant acknowledges that Participant understands that the Shares acquired under the Plan cannot be sold in Türkiye. The Shares are currently traded on The Nasdaq Global Select Market, which is located outside of Türkiye, under the ticker symbol "PANW" and the Shares may be sold through this exchange.

Financial Intermediary Information. Activity related to investments in foreign securities (e.g., the sale of Shares acquired under the Plan) must be conducted through a bank or financial intermediary institution licensed by the Turkish Capital Markets Board and should be reported to the Turkish Capital Markets Board. Participant understands that Participant is solely responsible for complying with this requirement and should contact his or her personal legal advisor for further information regarding his or her obligations in this respect.

UKRAINE

NOTIFICATIONS

Exchange Control Information. Participant is responsible for complying with all applicable exchange control regulations in Ukraine. *Participant should consult with his or her personal legal advisor to ensure compliance with the applicable requirements.*

UNITED ARAB EMIRATES

TERMS AND CONDITIONS

Nature of Grant. The following provision supplements Section 10 of the Terms and Conditions of Global Restricted Stock Unit Grant:

Participant acknowledges that the Restricted Stock Units and related benefits do not constitute a component of Participant's "wages" for any legal purpose. Therefore, the Restricted Stock Units and related benefits will not be included and/or considered for purposes of calculating any and all labor benefits, such as social insurance contributions and/or any other labor-related amounts which may be payable.

NOTIFICATIONS

Securities Law Information. Participation in the Plan is being offered only to selected Service Providers and is in the nature of providing equity incentives to Service Providers in the United Arab Emirates. The Plan and the Award Agreement are intended for distribution only to such Service Providers and must not be delivered to, or relied on by, any other person. Participant should conduct his or her own due diligence on the Shares. If Participant does not understand the contents of the Plan and the Award Agreement, Participant should consult an authorized financial adviser. The Emirates Securities and Commodities Authority has no responsibility for reviewing or verifying any documents in connection with the Plan. Neither the Ministry of Economy nor the Dubai Department of Economic Development have approved the Plan or the Award Agreement nor taken steps to verify the information set out therein, and have no responsibility for such documents.

UNITED KINGDOM

TERMS AND CONDITIONS

Form of Payment. Notwithstanding any discretion contained in the Plan but without prejudice to Section 7 of the Terms and Conditions of Global Restricted Stock Unit Grant, the grant of Restricted Stock Units does not provide any right for Participant to receive a cash payment, and the Restricted Stock Units are payable in Shares only.

Joint Election for Transfer of Liability for Employer National Insurance Contributions. As a condition of participation in the Plan and the vesting of the Restricted Stock Units, Participant agrees to accept any liability for secondary Class 1 National Insurance contributions that may be payable by the Company, the Service Recipient, any Parent or Subsidiary in connection with the Restricted Stock Units and any event giving rise to Tax-Related Items (the "Employer NICs"). Without prejudice to the foregoing, Participant agrees to execute a joint election with the Company or the Service Recipient, the form of such joint election (the "Joint Election") having been approved formally by HM Revenue and Customs ("HMRC"), and any other required consent or election prior to vesting of the Restricted Stock Units. Participant further agrees to execute such other joint elections as may be required between Participant and any successor to the Company, the Service Recipient, any Parent or Subsidiary. Participant further agrees that the Company, the Service Recipient, any Parent or Subsidiary may collect the Employer NICs from Participant by any of the means set forth in Section 7 of the Terms and Conditions of Global Restricted Stock Unit Grant or the Joint Election.

If Participant does not enter into a Joint Election, if approval of the Joint Election has been withdrawn by HMRC, if the Joint Election is revoked by the Company or the Service Recipient (as applicable), or if the Joint Election is jointly

revoked by Participant and the Company or the Service Recipient (as applicable), Participant will not be entitled to vest in the Restricted Stock Units and no Shares will be issued to Participant under the Plan, without any liability to the Company, the Service Recipient, or any Parent or Subsidiary.

Responsibility for Taxes. Without limitation to Section 7 of the Terms and Conditions of Global Restricted Stock Unit Grant, Participant agrees that Participant is liable for all Tax-Related Items and hereby covenants to pay all such Tax-Related Items as and when requested by the Company or the Service Recipient or by HMRC (or any other tax authority or any other relevant authority). Participant also agrees to indemnify and keep indemnified the Company and the Service Recipient against any Tax-Related Items that they are required to pay or withhold or have paid or will pay to HMRC (or any other tax authority or any other relevant authority) on Participant's behalf.

Notwithstanding the foregoing, if Participant is a director or executive officer of the Company (within the meaning of Section 13(k) of the Exchange Act), Participant may not be able to indemnify the Company or the Service Recipient for the amount of any income tax not collected from or paid by Participant, as it may be considered a loan. In this case, the amount of any income tax not collected may constitute an additional benefit to Participant on which additional income tax and NICs may be payable. Participant understands that Participant will be responsible for reporting and paying any income tax due on this additional benefit directly to HMRC under the self-assessment regime and for paying the Company and/or Service Recipient for the value of any employee NICs due on this additional benefit, which may be obtained from Participant by the Company or the Service Recipient by any of the means referred to in Section 7 of the Terms and Conditions of Global Restricted Stock Unit Grant.

VIETNAM

TERMS AND CONDITIONS

The following provisions apply if Participant is subject to exchange control restrictions and requirements in Vietnam, including the requirements imposed by the State Bank of Vietnam as determined by the Company in its sole discretion:

Settlement of Restricted Stock Units. Unless otherwise determined by the Administrator, Participant is not entitled to receive any Shares upon vesting of the Restricted Stock Units due to exchange control regulations in Vietnam. This means that upon vesting of the Restricted Stock Units, Participant will receive a cash payment equal to the value of the underlying Shares at vesting, less any Tax-Related Items and broker's fees or commissions, which will be remitted to Participant via local payroll. Any references in the Plan and this Award Agreement to the issuance of Shares shall not apply to Participant.

**NICS JOINT ELECTION FOR UK PARTICIPANTS FOR THE PALO ALTO
NETWORKS, INC. 2021 EQUITY INCENTIVE PLAN**

Important Note on the Election to Transfer Employer NICs (the ‘Election’)

As a condition of your participation in the Palo Alto Networks, Inc. 2021 Equity Incentive Plan (the Plan”), you are required to enter into the Election to transfer to you any liability for employer National Insurance contributions (“Employer NICs”) that may arise in connection with your participation in the Plan.

By accepting your award (the “Award”) (whether by signing the applicable award agreement or via the Company's online acceptance procedures) or by separately accepting the Election (whether in hard copy or electronically), you indicate your acceptance to transfer Employer NICs and to be bound by the terms of the Election. You should read this important note and the Election in their entirety before accepting the applicable award agreement and the Election. Please print and keep a copy of the Election for your records.

By entering into the Election:

- you agree that any liability for Employer NICs that may arise in connection with your participation in the Plan will be transferred to you;
 - you authorise your employer to recover an amount sufficient to cover this liability by such methods as set forth in Section 7 of the Terms and Conditions of Global Restricted Stock Unit Grant and/or this Election including, but not limited to, deductions from your salary or other payments due or the sale of sufficient shares acquired pursuant to your Award; and
 - you acknowledge that the Company or your employer may require you to sign a paper copy of this Election (or a substantially similar form) if the Company determines such is necessary to give effect to the Election even if you have accepted the applicable award agreement or the Election through the Company's electronic acceptance procedure.
-

**Joint Election for Transfer of Liability for
Employer National Insurance Contributions to Employee**

Election To Transfer the Employer's National Insurance Liability to the Employee

This Election is between:

- A. The individual who has obtained authorised access to this Election (the **"Employee"**), who is employed by one of the employing companies listed in the attached schedule (the **"Employer"**) and who is eligible to receive stock options and/or restricted stock units (the **"Awards"**) pursuant to the Palo Alto Networks, Inc. 2021 Equity Incentive Plan (the **"Plan"**), and
- B. Palo Alto Networks, Inc., a Delaware corporation, with registered offices at 3000 Tannery Way, Santa Clara, CA 95054, U.S.A. (the **"Company"**), which may grant Awards under the Plan and is entering into this Election on behalf of the Employer.

1. Introduction

- 1.1. This Election relates to all Awards granted to the Employee under the Plan up to the termination date of the Plan.
- 1.2. In this Election the following words and phrases have the following meanings:
 - (a) **"Chargeable Event"** means any event giving rise to Relevant Employment Income.
 - (b) **"ITEPA"** means the Income Tax (Earnings and Pensions) Act 2003.
 - (c) **"Relevant Employment Income"** from Awards on which Employer's National Insurance Contributions becomes due is defined as:
 - (i) an amount that counts as employment income of the earner under section 426 ITEPA (restricted securities: charge on certain post-acquisition events);
 - (ii) an amount that counts as employment income of the earner under section 438 of ITEPA (convertible securities: charge on certain post-acquisition events); or
 - (iii) any gain that is treated as remuneration derived from the earner's employment by virtue of section 4(4)(a) SSCBA, including without limitation:
 - (A) the acquisition of securities pursuant to the Awards (within the meaning of section 477(3)(a) of ITEPA);
 - (B) the assignment (if applicable) or release of the Awards in return for consideration (within the meaning of section 477(3)(b) of ITEPA);
 - (C) the receipt of a benefit in connection with the Awards, other than a benefit within (i) or (ii) above (within the meaning of section 477(3)(c) of ITEPA).
 - (d) **"SSCBA"** means the Social Security Contributions and Benefits Act 1992.
- 1.3. This Election relates to the Employer's secondary Class 1 National Insurance Contributions (the **"Employer's Liability"**) which may arise in respect of Relevant Employment Income in respect of the Awards pursuant to section 4(4)(a) and/or paragraph 3B(1A) of Schedule 1 of the SSCBA.
- 1.4. This Election does not apply in relation to any liability, or any part of any liability, arising as a result of regulations being given retrospective effect by virtue of section 4B(2) of either the SSCBA, or the Social Security Contributions and Benefits (Northern Ireland) Act 1992.
- 1.5. This Election does not apply to the extent that it relates to relevant employment income which is employment income of the earner by virtue of Chapter 3A of Part VII of ITEPA (employment income: securities with artificially depressed market value).

2. The Election

The Employee and the Company jointly elect that the entire liability of the Employer to pay the Employer's Liability that arises on any Relevant Employment Income is hereby transferred to the Employee. The Employee understands that, by signing this Election (including by electronic signature process) or by accepting the Awards (including by electronic acceptance process if made available by the Company), as applicable, he or she will become personally liable for the Employer's Liability covered by this Election. This Election is made in accordance with paragraph 3B(1) of Schedule 1 of the SSCBA.

3. Payment of the Employer's Liability

- 3.1. The Employee hereby authorises the Company and/or the Employer to collect the Employer's Liability in respect of any Relevant Employment Income from the Employee at any time after the Chargeable Event:
- (a) by deduction from salary or any other payment payable to the Employee at any time on or after the date of the Chargeable Event; and/or
 - (b) directly from the Employee by payment in cash or cleared funds; and/or
 - (c) by arranging, on behalf of the Employee, for the sale of some of the securities which the Employee is entitled to receive in respect of the Awards, the proceeds from which must be delivered to the Employer in sufficient time for payment to be made to Her Majesty's Revenue & Customs ("**HMRC**") by the due date; and/or
 - (d) by any other means specified in the applicable Restricted Stock Unit agreement entered into between the Employee and the Company.
- 3.2. The Company hereby reserves for itself and the Employer the right to withhold the transfer of any securities to the Employee in respect of the Awards until full payment of the Employer's Liability is received.
- 3.3. The Company agrees to procure the remittance by the Employer of the Employer's Liability to HMRC on behalf of the Employee within 14 days after the end of the UK tax month during which the Chargeable Event occurs (or within 17 days after the end of the UK tax month during which the Chargeable Event occurs if payments are made electronically).

4. Duration of Election

- 4.1. The Employee and the Company agree to be bound by the terms of this Election regardless of whether the Employee is transferred abroad or is not employed by the Employer on the date on which the Employer's Liability becomes due.
- 4.2. Any reference to the Company and/or the Employer shall include that entity's successors in title and assigns as permitted in accordance with the terms of the Plan and relevant award agreement. This Election will continue in effect in respect of any awards which replace the Awards in circumstances where section 483 of ITEPA applies.
- 4.3. This Election will continue in effect until the earliest of the following:
- (a) the date on which the Employee and the Company agree in writing that it should cease to have effect;
 - (b) the date on which the Company serves written notice on the Employee terminating its effect;
 - (c) the date on which HMRC withdraws approval of this Election; or
 - (d) the date on which, after due payment of the Employer's Liability in respect of the entirety of the Awards to which this Election relates or could relate, the Election ceases to have effect in accordance with its own terms.
- 4.4. This Election will continue in force regardless of whether the Employee ceases to be an employee of the Employer.
-

Acceptance by the Employee

The Employee acknowledges that, by signing this Election (including by electronic signature process) or by accepting the Awards (including by electronic acceptance process if made available by the Company), the Employee agrees to be bound by the terms of this Election.

Employee: _____

Date: _____

Acceptance by the Company

The Company acknowledges that, by signing this Election (including by electronic signature process) or arranging for the scanned signature of an authorised representative to appear on this Election, the Company agrees to be bound by the terms of this Election.

Signature for and on behalf of the Company

PALO ALTO NETWORKS, INC.

By: _____

Title: _____

Date: _____

Schedule of Employer Companies

The employing companies to which this Election relates include:

Name	Palo Alto Networks (UK) Limited
Registered Office:	22 Bishopsgate, Level 55, London, EC2N 4BQ, England
Company Registration Number:	06851390
Corporation Tax Reference:	14747 26068
PAYE Tax District	120 – North East Metropolitan
PAYE Reference:	120/PH00260439

Name	Palo Alto Networks FS International Limited
Registered Office:	22 Bishopsgate, Level 55, London, EC2N 4BQ, England
Company Registration Number:	13789823
Corporation Tax Reference:	26559 18447
PAYE Tax District	120 – North East Metropolitan
PAYE Reference:	120/TE66757

PALO ALTO NETWORKS, INC.

2012 EMPLOYEE STOCK PURCHASE PLAN

(as amended and restated May 17, 2022 (the "Restatement Effective Date"))

1. Purpose. The purpose of the Plan is to provide employees of the Company and its Designated Companies with an opportunity to purchase Common Stock through accumulated Contributions. The Company intends for the Plan to have two components: a Code Section 423 Component ("423 Component") and a Non-Code Section 423 Component ("Non-423 Component"). The Company's intention is to have the 423 Component of the Plan qualify as an "employee stock purchase plan" under Section 423 of the Code. The provisions of the 423 Component, accordingly, will be construed so as to extend and limit Plan participation in a uniform and nondiscriminatory basis consistent with the requirements of Section 423 of the Code. In addition, this Plan authorizes the grant of an option to purchase shares of Common Stock under the Non-423 Component that does not qualify as an "employee stock purchase plan" under Section 423 of the Code; such an option will be granted pursuant to rules, procedures or subplans adopted by the Administrator designed to achieve tax, securities laws or other objectives for Eligible Employees and the Company. Except as otherwise provided herein, the Non-423 Component will operate and be administered in the same manner as the 423 Component.

2. Definitions.

(a) "Administrator" means the Board or any Committee designated by the Board to administer the Plan pursuant to Section 14.

(b) "Affiliate" means any entity, other than a Subsidiary, in which the Company has an equity or other ownership interest.

(c) "Applicable Laws" means the requirements relating to the administration of equity-based awards under U.S. state corporate laws, U.S. federal and state securities laws, the Code, any stock exchange or quotation system on which the Common Stock is listed or quoted and the applicable laws of any foreign country or jurisdiction where options are, or will be, granted under the Plan.

(d) "Board" means the Board of Directors of the Company.

(e) "Change in Control" means the occurrence of any of the following events:

(i) A change in the ownership of the Company which occurs on the date that any one person, or more than one person acting as a group ("Person"), acquires ownership of the stock of the Company that, together with the stock held by such Person, constitutes more than fifty percent (50%) of the total voting power of the stock of the Company; provided, however, that for purposes of this subsection, the acquisition of additional stock by any one Person, who is considered to own more than fifty percent (50%) of the total voting power of the stock of the Company will not be considered a Change in Control; or

(ii) A change in the effective control of the Company which occurs on the date that a majority of members of the Board is replaced during any twelve (12)-month period by Directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election. For purposes of this clause (ii), if any Person is considered to be in effective control of the Company, the acquisition of additional control of the Company by the same Person will not be considered a Change in Control; or

(iii) A change in the ownership of a substantial portion of the Company's assets which occurs on the date that any Person acquires (or has acquired during the twelve (12)-month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than fifty percent (50%) of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions; provided, however, that for purposes of this subsection, the following will not constitute a change in the ownership of a substantial portion of the Company's assets: (A) a transfer to an entity that is controlled by the Company's stockholders immediately after the transfer, or (B) a transfer of assets by the Company to: (1) a stockholder of the Company (immediately before the asset transfer) in exchange for or with respect to the Company's stock, (2) an entity, fifty percent (50%) or more of the total value or voting power of which is owned, directly or indirectly, by the Company, (3) a Person, that owns, directly or indirectly, fifty percent (50%) or more of the total value or voting power of all the outstanding stock of the Company, or (4) an entity, at least fifty percent (50%) of the total value or voting power of which is owned, directly or indirectly, by a Person described in this subsection (iii)(B)(3). For purposes of this subsection, gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

For purposes of this definition, persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company.

Notwithstanding the foregoing, a transaction will not be deemed a Change in Control unless the transaction qualifies as a change in control event within the meaning of Code Section 409A, as it has been and may be amended from time to time, and any proposed or final U.S. Treasury Regulations and Internal Revenue Service guidance that has been promulgated or may be promulgated thereunder from time to time.

Further and for the avoidance of doubt, a transaction will not constitute a Change in Control if: (i) its sole purpose is to change the state of the Company's incorporation, or (ii) its sole purpose is to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

(f) "Code" means the U.S. Internal Revenue Code of 1986, as amended. Reference to a specific section of the Code or U.S. Treasury Regulation thereunder will include such section or regulation, any valid regulation or other official applicable guidance promulgated under such section, and any comparable provision of any future legislation or regulation amending, supplementing or superseding such section or regulation.

(g) "Committee" means a committee of the Board appointed in accordance with Section 14 hereof.

(h) "Common Stock" means the common stock of the Company.

(i) "Company" means Palo Alto Networks, Inc., a Delaware corporation, or any successor thereto.

(j) "Compensation" means an Eligible Employee's base straight time gross earnings, payments for overtime and shift premium, but exclusive of payments for commissions, incentive compensation, bonuses and other similar compensation. The Administrator, in its discretion, may, on a uniform and nondiscriminatory basis, establish a different definition of Compensation for a subsequent Offering Period.

(k) "Contributions" means the payroll deductions and other additional payments that the Company may permit to be made by a Participant to fund the exercise of options granted pursuant to the Plan.

(l) "Designated Company" means any Subsidiary or Affiliate that has been designated by the Administrator from time to time in its sole discretion as eligible to participate in the Plan. For purposes of the 423 Component, only the Company and its Subsidiaries may be Designated Companies, provided, however, that at any given time, a Subsidiary that is a Designated Company under the 423 Component shall not be a Designated Company under the Non-423 Component.

(m) "Director" means a member of the Board.

(n) "Eligible Employee" means any individual who is providing services to the Company or a Designated Company as an employee and is considered by the Company or a Designated Company to be an employee and who meets any minimum service limitations determined under the methodology specified below. For purposes of clarity, the term "Eligible Employee" shall not include the following, regardless of any subsequent reclassification as an employee by the Company or a Designated Company, any governmental agency, or any court: (i) any independent contractor; (ii) any consultant; (iii) any individual performing services for the Company or a Designated Company who has entered into an independent contractor or consultant agreement with the Company or a Designated Company; (iv) any individual performing services for the Company or a Designated Company under a purchase order, a supplier agreement or any other agreement that the Company or a Designated Company enters into for services; (v) any individual classified by the Company or a Designated Company as contract labor (such as contractors, contract employees, job shoppers), regardless of length of service; (vi) any individual whose base wage or salary is not processed for payment by the payroll department(s) or payroll provider(s) of the Company or a Designated Company; and (vii) any leased employee within the meaning of Code Section 414(n), including such persons leased from a professional employer organization. The exclusive means for individuals who are not contemporaneously classified as employees of the Company or a Designated Company on the Company's or Designated Company's payroll system on an Enrollment Date to become eligible to participate in the Plan is through the adoption of a subplan that specifically designates such individuals eligible to participate.

For purposes of the Plan, the employment relationship will be treated as continuing intact while the individual is on sick leave or other leave of absence that the Employer approves or is legally protected under Applicable Laws. Where the period of leave exceeds three (3) months and the individual's right to reemployment is not guaranteed either by statute or by contract, the employment relationship will be deemed to have terminated three (3) months and one (1) day following the commencement of such leave.

The Administrator retains the authority to revise the definition of Eligible Employee (on a uniform and nondiscriminatory basis or as otherwise permitted by Treasury Regulation Section 1.423-2). Accordingly, the Administrator, in its discretion, from time to time may, prior to an Enrollment Date for all options to be granted on such Enrollment Date in an Offering, determine (on a uniform and nondiscriminatory basis or as otherwise permitted by Treasury Regulation Section 1.423-2) that the definition of Eligible Employee will or will not include an individual if he or she: (i) has not completed at least two (2) years of service since his or her last hire date (or such lesser period of time as may be determined by the Administrator in its discretion), (ii) customarily works not more than twenty (20) hours per week (or such lesser period of time as may be determined by the Administrator in its discretion), (iii) customarily works not more than five (5) months per calendar year (or such lesser period of time as may be determined by the Administrator in its discretion), (iv) is a highly compensated employee within the meaning of Section 414(q) of the Code, or (v) is a highly compensated employee within the meaning of Section 414(q) of the Code with compensation above a certain level or is an officer or subject to the

disclosure requirements of Section 16(a) of the Exchange Act, provided the exclusion is applied with respect to each Offering in an identical manner to all highly compensated individuals of the Employer whose Employees are participating in that Offering. Until subsequent action is taken by the Administrator, to be an Eligible Employee an individual must be customarily employed for at least twenty (20) hours per week and more than five (5) months in any calendar year by the Employer, or any lesser number of hours per week and/or number of months in any calendar year established by the Administrator (if required under applicable local law) for purposes of any separate Offering or for Eligible Employees participating in the Non-423 Component. Each exclusion shall be applied with respect to an Offering in a manner complying with U.S. Treasury Regulation Section 1.423-2(e)(2)(ii).

(o) “Employer” means the employer of the applicable Eligible Employee(s).

(p) “Enrollment Date” means the first Trading Day of each Offering Period.

(q) “Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended, including the rules and regulations promulgated thereunder.

(r) “Exercise Date” means the first Trading Day on or after February 28 and August 31 of each Purchase Period. Notwithstanding the foregoing, the first Exercise Date following the Restatement Effective Date will be February 28, 2018.

(s) “Fair Market Value” means, as of any date and unless the Administrator determines otherwise, the value of Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the New York Stock Exchange, NASDAQ Global Select Market, the NASDAQ Global Market or the NASDAQ Capital Market of The NASDAQ Stock Market, its Fair Market Value will be the closing sales price for such stock as quoted on such exchange or system on the date of determination (or the closing bid, if no sales were reported), as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable;

(ii) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, its Fair Market Value will be the mean between the high bid and low asked prices for the Common Stock on the date of determination (or if no bids and asks were reported on that date, as applicable, on the last Trading Day such bids and asks were reported), as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable; or

(iii) In the absence of an established market for the Common Stock, the Fair Market Value thereof will be determined in good faith by the Administrator.

(t) “Fiscal Year” means the fiscal year of the Company.

(u) “New Exercise Date” means a new Exercise Date if the Administrator shortens any Offering Period then in progress.

(v) “Offering” means an offer under the Plan of an option that may be exercised during an Offering Period as further described in Section 4. For purposes of the Plan, the Administrator may designate separate Offerings under the Plan (the terms of which need not be identical) in which Employees of one or more Employers will participate, even if the dates of the applicable Offering Periods of each such Offering are identical and the provisions of the Plan will separately apply to each Offering. To the extent permitted by U.S. Treasury Regulation Section 1.423-2(a)(1), the terms of each Offering need not be identical provided that the terms of the Plan and an Offering together satisfy U.S. Treasury Regulation Section 1.423-2(a)(2) and (a)(3).

(w) “Offering Periods” means the periods of approximately twenty-four (24) months during which an option granted pursuant to the Plan may be exercised, (i) commencing on the first Trading Day on or after February 28 and August 31 of each year and terminating on the first Trading Day on or after August 31 and February 28, approximately twenty-four (24) months later (subject to Section 30); for clarity, the first Offering Period following the Restatement Effective Date will commence on September 18, 2017 and end on the first Trading Date on or after August 31, 2019. The duration and timing of Offering Periods may be changed pursuant to Sections 4 and 20.

(x) “Parent” means a “parent corporation,” whether now or hereafter existing, as defined in Section 424(e) of the Code.

(y) “Participant” means an Eligible Employee who participates in the Plan.

(z) “Plan” means this Palo Alto Networks, Inc. 2012 Employee Stock Purchase Plan.

(aa) “Purchase Period” means the period during an Offering Period which shares of Common Stock may be purchased on a Participant’s behalf in accordance with the terms of the Plan. Unless the Administrator provides otherwise, for Offering Periods commencing on or after the Restatement Effective Date, the Purchase Period shall mean the approximately six (6)-month period commencing on one Exercise Date and ending with the next Exercise Date, except that the first Purchase Period of any Offering Period shall commence on the Enrollment Date and end with the next Exercise Date.

(bb) “Purchase Price” means an amount equal to eighty-five percent (85%) of the Fair Market Value of a share of Common Stock on the Enrollment Date or on the Exercise Date, whichever is lower; provided however, that the Purchase Price may be determined for subsequent Offering Periods by the Administrator subject to compliance with Section 423 of the Code (or any successor rule or provision or any other Applicable Law, regulation or stock exchange rule) or pursuant to Section 20.

(cc) “Subsidiary” means a “subsidiary corporation,” whether now or hereafter existing, as defined in Section 424(f) of the Code.

(dd) “Trading Day” means a day on which the national stock exchange upon which the Common Stock is listed is open for trading.

(ee) “U.S. Treasury Regulations” means the Treasury regulations of the Code. Reference to a specific Treasury Regulation or Section of the Code shall include such Treasury Regulation or Section, any valid regulation promulgated under such Section, and any comparable provision of any future legislation or regulation amending, supplementing or superseding such Section or regulation.

3. Eligibility.

(a) Enrollment. Any Eligible Employee on a given Enrollment Date subsequent to the first Offering Period will be eligible to participate in the Plan, subject to the requirements of Section 5.

(b) Non-U.S. Employees. Eligible Employees who are citizens or residents of a non-U.S. jurisdiction (without regard to whether they also are citizens or residents of the United States or resident aliens (within the meaning of Section 7701(b)(1)(A) of the Code)) may be excluded from participation in the Plan or an Offering if the participation of such Eligible Employees is prohibited under the laws of the applicable jurisdiction or if complying with the laws of the applicable jurisdiction would cause the Plan or an Offering to violate Section 423 of the Code. In the case of the Non-423 Component, Eligible Employees may be excluded from participation in the Plan or an Offering if the Administrator has determined that participation of such Eligible Employees is not advisable or practicable.

(c) Limitations. Any provisions of the Plan to the contrary notwithstanding, no Eligible Employee will be granted an option under the Plan (i) to the extent that, immediately after the grant, such Eligible Employee (or any other person whose stock would be attributed to such Eligible Employee pursuant to Section 424(d) of the Code) would own capital stock of the Company or any Parent or Subsidiary of the Company and/or hold outstanding options to purchase such stock possessing five percent (5%) or more of the total combined voting power or value of all classes of the capital stock of the Company or of any Parent or Subsidiary of the Company, or (ii) to the extent that his or her rights to purchase stock under all employee stock purchase plans (as defined in Section 423 of the Code) of the Company or any Parent or Subsidiary of the Company accrues at a rate, which exceeds twenty-five thousand dollars (\$25,000) worth of stock (determined at the Fair Market Value of the stock at the time such option is granted) for each calendar year in which such option is outstanding at any time, as determined in accordance with Section 423 of the Code and the regulations thereunder.

4. Offering Periods. The Plan will be implemented by overlapping Offering Periods with a new Offering Period commencing on the first Trading Day on or after February 28 and August 31 of each year, or on such other date as the Administrator will determine. Notwithstanding the foregoing, the first Offering Period following the Restatement Effective Date will commence on September 18, 2017. The Administrator will have the power to change the duration of Offering Periods (including the commencement dates thereof) with respect to future Offerings without stockholder approval if such change is announced prior to the scheduled beginning of the first Offering Period to be affected thereafter; provided, however, that no Offering Period may last more than twenty-seven (27) months.

5. Participation. An Eligible Employee may participate in the Plan pursuant to Section 3(a) by (i) submitting to the Company's stock administration office (or its designee), on or before a date determined by the Administrator prior to an applicable Enrollment Date, a properly completed subscription agreement authorizing Contributions in the form provided by the Administrator for such purpose, or (ii) following an electronic or other enrollment procedure determined by the Administrator.

6. Contributions.

(a) At the time a Participant enrolls in the Plan pursuant to Section 5, he or she will elect to have Contributions (in the form of payroll deductions or otherwise, to the extent permitted by the Administrator) made on each pay day during the Offering Period in an amount not exceeding fifteen percent (15%) of the Compensation, which he or she receives on each pay day during the Offering Period, including any pay day that occurs on an Exercise Date. The Administrator, in its sole discretion, may permit all Participants in a specified Offering to contribute amounts to the Plan through payment by cash, check or other means set forth in the subscription agreement prior to each Exercise Date of each Purchase Period. A Participant's subscription agreement will remain in effect for successive Offering Periods unless terminated as provided in Section 10 hereof.

(b) In the event Contributions are made in the form of payroll deductions, such payroll deductions for a Participant will commence on the first pay day following the Enrollment Date and will end on the last pay day on or prior to the Exercise Date of such Offering Period to which such authorization is applicable, unless sooner terminated by the Participant as provided in Section 10 hereof; provided, however, that for the first Offering Period, payroll deductions will

commence on the first pay day on or following the end of the Enrollment Window.

(c) All Contributions made for a Participant will be credited to his or her account under the Plan and Contributions will be made in whole percentages only. A Participant may not make any additional payments into such account.

(d) A Participant may discontinue his or her participation in the Plan as provided in Section 10. Unless otherwise determined by the Administrator, during an Offering Period, a Participant may not increase the rate of his or her Contributions and may only decrease the rate of his or her Contributions one (1) time per Purchase Period. Any such decrease during an Offering Period requires the Participant (i) properly completing and submitting to the Company's stock administration office (or its designee), on or before a date determined by the Administrator prior to an applicable Exercise Date, a new subscription agreement authorizing the change in Contribution rate in the form provided by the Administrator for such purpose, or (ii) following an electronic or other procedure prescribed by the Administrator. If a Participant has not followed such procedures to change the rate of Contributions, the rate of his or her Contributions will continue at the originally elected rate throughout the Offering Period and future Offering Periods (unless terminated as provided in Section 10). The Administrator may, in its sole discretion, amend the nature and/or number of Contribution rate changes that may be made by Participants during any Offering Period or Purchase Period, and may establish such other conditions or limitations as it deems appropriate for Plan administration. Any change in payroll deduction rate made pursuant to this Section 6(d) will be effective as of the first full payroll period following five (5) business days after the date on which the change is made by the Participant (unless the Administrator, in its sole discretion, elects to process a given change in payroll deduction rate more quickly).

(e) Notwithstanding the foregoing, to the extent necessary to comply with Section 423(b)(8) of the Code and Section 3(c), a Participant's Contributions may be decreased to zero percent (0%) at any time during a Purchase Period. Subject to Section 423(b)(8) of the Code and Section 3(c) hereof, Contributions will recommence at the rate originally elected by the Participant effective as of the beginning of the first Purchase Period scheduled to end in the following calendar year, unless terminated by the Participant as provided in Section 10.

(f) Notwithstanding any provisions to the contrary in the Plan, the Administrator may allow Eligible Employees to participate in the Plan via cash contributions instead of payroll deductions if (i) payroll deductions are not permitted under applicable local law, (ii) the Administrator determines that cash contributions are permissible under Section 423 of the Code, or (iii) for Participants participating in the Non-423 Component.

(g) At the time the option is exercised, in whole or in part, or at the time some or all of the Common Stock issued under the Plan is disposed of (or any other time that a taxable event related to the Plan occurs), the Participant must make adequate provision for the Company's or Employer's federal, state, local or any other tax liability payable to any authority including taxes imposed by jurisdictions outside of the U.S., national insurance, social security or other tax withholding obligations, if any, which arise upon the exercise of the option or the disposition of the Common Stock (or any other time that a taxable event related to the Plan occurs). At any time, the Company or the Employer may, but will not be obligated to, withhold from the Participant's compensation the amount necessary for the Company or the Employer to meet applicable withholding obligations, including any withholding required to make available to the Company or the Employer any tax deductions or benefits attributable to sale or early disposition of Common Stock by the Eligible Employee. In addition, the Company or the Employer may, but will not be obligated to, withhold from the proceeds of the sale of Common Stock or any other method of withholding the Company or the Employer deems appropriate to the extent permitted by U.S. Treasury Regulation Section 1.423-2(f).

7. Grant of Option. On the Enrollment Date of each Offering Period, each Eligible Employee participating in such Offering Period will be granted an option to purchase on each Exercise Date during such Offering Period (at the applicable Purchase Price) up to a number of shares of Common Stock determined by dividing such Eligible Employee's Contributions accumulated prior to such Exercise Date and retained in the Eligible Employee's account as of the Exercise Date by the applicable Purchase Price; provided that in no event will an Eligible Employee be permitted to purchase during each Purchase Period more than 625 shares of Common Stock (subject to any adjustment pursuant to Section 19) and provided further that such purchase will be subject to the limitations set forth in Sections 3(d) and 13. The Eligible Employee may accept the grant of such option (i) with respect to the first Offering Period by submitting a properly completed subscription agreement in accordance with the requirements of Section 5 on or before the last day of the Enrollment Window, and (ii) with respect to any subsequent Offering Period under the Plan, by electing to participate in the Plan in accordance with the requirements of Section 5. The Administrator may, for future Offering Periods, increase or decrease, in its absolute discretion, the maximum number of shares of Common Stock that an Eligible Employee may purchase during each Purchase Period of an Offering Period. Exercise of the option will occur as provided in Section 8, unless the Participant has withdrawn pursuant to Section 10. The option will expire on the last day of the Offering Period.

8. Exercise of Option.

(a) Unless a Participant withdraws from the Plan as provided in Section 10, his or her option for the purchase of shares of Common Stock will be exercised automatically on the Exercise Date, and the maximum number of full shares subject to the option will be purchased for such Participant at the applicable Purchase Price with the accumulated Contributions from his or her account. No fractional shares of Common Stock will be purchased; any Contributions accumulated in a Participant's account, which are not sufficient to purchase a full share will be promptly refunded to Participant as soon as reasonably practicable following an Exercise Date. During a Participant's lifetime, a Participant's option to purchase shares hereunder is exercisable only by him or her.

(b) If the Administrator determines that, on a given Exercise Date, the number of shares of Common Stock with respect to which options are to be exercised may exceed (i) the number of shares of Common Stock that were available for sale under the Plan on the Enrollment Date of the applicable Offering Period, or (ii) the number of shares of Common Stock available for sale under the Plan on such Exercise Date, the Administrator may in its sole discretion (x) provide that the Company will make a pro rata allocation of the shares of Common Stock available for purchase on such Enrollment Date or Exercise Date, as applicable, in as uniform a manner as will be practicable and as it will determine in its sole discretion to be equitable among all Participants exercising options to purchase Common Stock on such Exercise Date, and continue all Offering Periods then in effect or (y) provide that the Company will make a pro rata allocation of the shares available for purchase on such Enrollment Date or Exercise Date, as applicable, in as uniform a manner as will be practicable and as it will determine in its sole discretion to be equitable among all participants exercising options to purchase Common Stock on such Exercise Date, and terminate any or all Offering Periods then in effect pursuant to Section 20. The Company may make a pro rata allocation of the shares available on the Enrollment Date of any applicable Offering Period pursuant to the preceding sentence, notwithstanding any authorization of additional shares for issuance under the Plan by the Company's stockholders subsequent to such Enrollment Date.

9. Delivery. As soon as reasonably practicable after each Exercise Date on which a purchase of shares of Common Stock occurs, the Company will arrange the delivery to each Participant of the shares purchased upon exercise of his or her option in a form determined by the Administrator (in its sole discretion) and pursuant to rules established by the Administrator. The Company may permit or require that shares be deposited directly with a broker designated by the Company or to a designated agent of the Company, and the Company may utilize electronic or automated methods of share transfer. The Company may require that shares be retained with such broker or agent for a designated period of time and/or may establish other procedures to permit tracking of disqualifying dispositions of such shares. No Participant will have any voting, dividend, or other stockholder rights with respect to shares of Common Stock subject to any option granted under the Plan until such shares have been purchased and delivered to the Participant as provided in this Section 9.

10. Withdrawal.

(a) A Participant may withdraw all but not less than all the Contributions credited to his or her account and not yet used to exercise his or her option under the Plan at least one (1) business day prior to an Exercise Date by (i) submitting to the Company's stock administration office (or its designee) a written notice of withdrawal in the form determined by the Administrator for such purpose, or (ii) following an electronic or other withdrawal procedure determined by the Administrator. All of the Participant's Contributions credited to his or her account will be paid to such Participant promptly after receipt of notice of withdrawal and such Participant's option for the Offering Period will be automatically terminated, and no further Contributions for the purchase of shares will be made for such Offering Period. If a Participant withdraws from an Offering Period, Contributions will not resume at the beginning of the succeeding Offering Period, unless the Participant re-enrolls in the Plan in accordance with the provisions of Section 5.

(b) A Participant's withdrawal from an Offering Period will not have any effect upon his or her eligibility to participate in any similar plan that may hereafter be adopted by the Company or in succeeding Offering Periods that commence after the termination of the Offering Period from which the Participant withdraws.

11. Termination of Employment. Upon a Participant's ceasing to be an Eligible Employee, for any reason, he or she will be deemed to have elected to withdraw from the Plan and the Contributions credited to such Participant's account during the Offering Period but not yet used to purchase shares of Common Stock under the Plan will be returned to such Participant or, in the case of his or her death, to the person or persons entitled thereto under Section 15, and such Participant's option will be automatically terminated.

12. Interest. No interest will accrue on the Contributions of a participant in the Plan, except as may be required by Applicable Law, as determined by the Company, and if so required by the laws of a particular jurisdiction, shall apply to all Participants in the relevant Offering under the 423 Component, except to the extent otherwise permitted by U.S. Treasury Regulation Section 1.423-2(f).

13. Stock.

(a) Subject to adjustment upon changes in capitalization of the Company as provided in Section 19 hereof, the maximum number of shares of Common Stock that will be made available for sale under the Plan will be 1,000,000 shares of Common Stock, plus an annual increase to be added on the first day of each Fiscal Year beginning with the 2014 Fiscal Year equal to the least of (i) 2,000,000 shares of Common Stock, (ii) one percent (1%) of the outstanding shares of Common Stock on such date, or (iii) an amount determined by the Administrator.

(b) Until the shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), a Participant will only have the rights of an unsecured creditor with respect to such shares, and no right to vote or receive dividends or any other rights as a stockholder will exist with respect to such shares.

(c) Shares of Common Stock to be delivered to a Participant under the Plan will be registered in the name of the Participant or in the name of the Participant and his or her spouse.

14. Administration. The Plan will be administered by the Board or a Committee appointed by the Board, which Committee will be constituted to comply with Applicable Laws. The Administrator will have full and exclusive discretionary

authority to construe, interpret and apply the terms of the Plan, to designate separate Offerings under the Plan, to designate Subsidiaries and Affiliates as participating in the 423 Component or Non-423 Component, to determine eligibility, to adjudicate all disputed claims filed under the Plan and to establish such procedures that it deems necessary for the administration of the Plan (including, without limitation, to adopt such procedures and sub-plans as are necessary or appropriate to permit the participation in the Plan by employees who are foreign nationals or employed outside the U.S., the terms of which sub-plans may take precedence over other provisions of this Plan, with the exception of Section 13(a) hereof, but unless otherwise superseded by the terms of such sub-plan, the provisions of this Plan shall govern the operation of such sub-plan). Unless otherwise determined by the Administrator, the Employees eligible to participate in each sub-plan will participate in a separate Offering or in the Non-423 Component. Without limiting the generality of the foregoing, the Administrator is specifically authorized to adopt rules and procedures regarding eligibility to participate, the definition of Compensation, handling of Contributions, making of Contributions to the Plan (including, without limitation, in forms other than payroll deductions), establishment of bank or trust accounts to hold Contributions, payment of interest, conversion of local currency, obligations to pay payroll tax, determination of beneficiary designation requirements, withholding procedures and handling of stock certificates that vary with applicable local requirements. The Administrator also is authorized to determine that, to the extent permitted by U.S. Treasury Regulation Section 1.423-2(f), the terms of an option granted under the Plan or an Offering to citizens or residents of a non-U.S. jurisdiction will be less favorable than the terms of options granted under the Plan or the same Offering to employees resident solely in the U.S. Every finding, decision and determination made by the Administrator will, to the full extent permitted by law, be final and binding upon all parties.

15. Designation of Beneficiary.

(a) If permitted by the Administrator, a Participant may file a designation of a beneficiary who is to receive any shares of Common Stock and cash, if any, from the Participant's account under the Plan in the event of such Participant's death subsequent to an Exercise Date on which the option is exercised but prior to delivery to such Participant of such shares and cash. In addition, if permitted by the Administrator, a Participant may file a designation of a beneficiary who is to receive any cash from the Participant's account under the Plan in the event of such Participant's death prior to exercise of the option. If a Participant is married and the designated beneficiary is not the spouse, spousal consent will be required for such designation to be effective.

(b) Such designation of beneficiary may be changed by the Participant at any time by notice in a form determined by the Administrator, which may be electronic. In the event of the death of a Participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such Participant's death, the Company will deliver such shares and/or cash to the executor or administrator of the estate of the Participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such shares and/or cash to the spouse or to any one or more dependents or relatives of the Participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

(c) All beneficiary designations will be in such form and manner as the Administrator may designate from time to time. Notwithstanding Sections 15(a) and (b) above, the Company and/or the Administrator may decide not to permit such designations by Participants in non-U.S. jurisdictions to the extent permitted by U.S. Treasury Regulation Section 1.423-2(f).

16. Transferability. Neither Contributions credited to a Participant's account nor any rights with regard to the exercise of an option or to receive shares of Common Stock under the Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution or as provided in Section 15 hereof) by the Participant. Any such attempt at assignment, transfer, pledge or other disposition will be without effect, except that the Company may treat such act as an election to withdraw funds from an Offering Period in accordance with Section 10 hereof.

17. Use of Funds. The Company may use all Contributions received or held by it under the Plan for any corporate purpose, and the Company will not be obligated to segregate such Contributions except under Offerings or for Participants in the Non-423 Component for which Applicable Laws require that Contributions to the Plan by Participants be segregated from the Company's general corporate funds and/or deposited with an independent third party. Until shares of Common Stock are issued, Participants will only have the rights of an unsecured creditor with respect to such shares.

18. Reports. Individual accounts will be maintained for each Participant in the Plan. Statements of account will be given to participating Eligible Employees at least annually, which statements will set forth the amounts of Contributions, the Purchase Price, the number of shares of Common Stock purchased and the remaining cash balance, if any.

19. Adjustments, Dissolution, Liquidation, Merger or Change in Control.

(a) Adjustments. In the event that any dividend or other distribution (whether in the form of cash, Common Stock, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Common Stock or other securities of the Company, or other change in the corporate structure of the Company affecting the Common Stock occurs, the Administrator, in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, will, in such manner as it may deem equitable, adjust the number and class of Common Stock that may be delivered under the Plan, the Purchase Price per share and the number of shares of Common Stock covered by each option under the Plan that has not yet been exercised, and the numerical limits of Sections 7 and 13.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, any Offering Period then in progress will be shortened by setting a New Exercise Date, and will terminate immediately prior to the consummation of such proposed dissolution or liquidation, unless provided otherwise by the Administrator. The New Exercise Date will be before the date of the Company's proposed dissolution or liquidation. The Administrator will notify each Participant in writing or electronically, prior to the New Exercise Date, that the Exercise Date for the Participant's option has been changed to the New Exercise Date and that the Participant's option will be exercised automatically on the New Exercise Date, unless prior to such date the Participant has withdrawn from the Offering Period as provided in Section 10 hereof.

(c) Merger or Change in Control. In the event of a merger or Change in Control, each outstanding option will be assumed or an equivalent option substituted by the successor corporation or a Parent or Subsidiary of the successor corporation. In the event that the successor corporation refuses to assume or substitute for the option, the Offering Period with respect to which such option relates will be shortened by setting a New Exercise Date on which such Offering Period shall end. The New Exercise Date will occur before the date of the Company's proposed merger or Change in Control. The Administrator will notify each Participant in writing or electronically prior to the New Exercise Date, that the Exercise Date for the Participant's option has been changed to the New Exercise Date and that the Participant's option will be exercised automatically on the New Exercise Date, unless prior to such date the Participant has withdrawn from the Offering Period as provided in Section 10 hereof.

20. Amendment or Termination.

(a) The Administrator, in its sole discretion, may amend, suspend, or terminate the Plan, or any part thereof, at any time and for any reason. If the Plan is terminated, the Administrator, in its discretion, may elect to terminate all outstanding Offering Periods either immediately or upon completion of the purchase of shares of Common Stock on the next Exercise Date (which may be sooner than originally scheduled, if determined by the Administrator in its discretion), or may elect to permit Offering Periods to expire in accordance with their terms (and subject to any adjustment pursuant to Section 19). If the Offering Periods are terminated prior to expiration, all amounts then credited to Participants' accounts that have not been used to purchase shares of Common Stock will be returned to the Participants (without interest thereon, except as otherwise required under Applicable Laws, as further set forth in Section 12 hereof) as soon as administratively practicable.

(b) Without stockholder consent and without limiting Section 20(a), the Administrator will be entitled to change the Offering Periods or Purchase Periods, designate separate Offerings, limit the frequency and/or number of changes in the amount withheld during an Offering Period, establish the exchange ratio applicable to amounts withheld in a currency other than U.S. dollars, permit Contributions in excess of the amount designated by a Participant in order to adjust for delays or mistakes in the Company's processing of properly completed Contribution elections, establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts applied toward the purchase of Common Stock for each Participant properly correspond with Contribution amounts, and establish such other limitations or procedures as the Administrator determines in its sole discretion advisable that are consistent with the Plan.

(c) In the event the Administrator determines that the ongoing operation of the Plan may result in unfavorable financial accounting consequences, the Administrator may, in its discretion and, to the extent necessary or desirable, modify, amend or terminate the Plan to reduce or eliminate such accounting consequence including, but not limited to:

(i) amending the Plan to conform with the safe harbor definition under the Financial Accounting Standards Board Accounting Standards Codification Topic 718 (or any successor thereto), including with respect to an Offering Period underway at the time;

(ii) altering the Purchase Price for any Offering Period or Purchase Period including an Offering Period or Purchase Period underway at the time of the change in Purchase Price;

(iii) shortening any Offering Period or Purchase Period by setting a New Exercise Date, including an Offering Period or Purchase Period underway at the time of the Administrator action;

(iv) reducing the maximum percentage of Compensation a Participant may elect to set aside as Contributions; and

(v) reducing the maximum number of Shares a Participant may purchase during any Offering Period or Purchase Period.

Such modifications or amendments will not require stockholder approval or the consent of any Plan Participants.

21. Notices. All notices or other communications by a Participant to the Company under or in connection with the Plan will be deemed to have been duly given when received in the form and manner specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

22. Conditions Upon Issuance of Shares. Shares of Common Stock will not be issued with respect to an option unless the exercise of such option and the issuance and delivery of such shares pursuant thereto will comply with all applicable provisions of law, domestic or foreign, including, without limitation, the U.S. Securities Act of 1933, as amended,

the Exchange Act, the rules and regulations promulgated thereunder, and the requirements of any stock exchange upon which the shares may then be listed, and will be further subject to the approval of counsel for the Company with respect to such compliance.

As a condition to the exercise of an option, the Company may require the person exercising such option to represent and warrant at the time of any such exercise that the shares are being purchased only for investment and without any present intention to sell or distribute such shares if, in the opinion of counsel for the Company, such a representation is required by any of the aforementioned applicable provisions of law.

23. Code Section 409A. The 423 Component of the Plan is exempt from the application of Code Section 409A and any ambiguities herein will be interpreted to so be exempt from Code Section 409A. In furtherance of the foregoing and notwithstanding any provision in the Plan to the contrary, if the Administrator determines that an option granted under the Plan may be subject to Code Section 409A or that any provision in the Plan would cause an option under the Plan to be subject to Code Section 409A, the Administrator may amend the terms of the Plan and/or of an outstanding option granted under the Plan, or take such other action the Administrator determines is necessary or appropriate, in each case, without the Participant's consent, to exempt any outstanding option or future option that may be granted under the Plan from or to allow any such options to comply with Code Section 409A, but only to the extent any such amendments or action by the Administrator would not violate Code Section 409A. Notwithstanding the foregoing, the Company shall have no liability to a Participant or any other party if the option to purchase Common Stock under the Plan that is intended to be exempt from or compliant with Code Section 409A is not so exempt or compliant or for any action taken by the Administrator with respect thereto. The Company makes no representation that the option to purchase Common Stock under the Plan is compliant with Code Section 409A.

24. Term of Plan. The Plan will become effective upon the earlier to occur of its adoption by the Board or its approval by the stockholders of the Company. It will continue in effect for a term of twenty (20) years, unless sooner terminated under Section 20.

25. Stockholder Approval. The Plan will be subject to approval by the stockholders of the Company within twelve (12) months after the date the Plan is adopted by the Board. Such stockholder approval will be obtained in the manner and to the degree required under Applicable Laws.

26. Governing Law. The Plan shall be governed by, and construed in accordance with, the laws of the State of California (except its choice-of-law provisions).

27. No Right to Employment. Participation in the Plan by a Participant shall not be construed as giving a Participant the right to be retained as an employee of the Company or a Subsidiary or Affiliate, as applicable. Furthermore, the Company or a Subsidiary or Affiliate may dismiss a Participant from employment at any time, free from any liability or any claim under the Plan.

28. Severability. If any provision of the Plan is or becomes or is deemed to be invalid, illegal, or unenforceable for any reason in any jurisdiction or as to any Participant, such invalidity, illegality or unenforceability shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as to such jurisdiction or Participant as if the invalid, illegal or unenforceable provision had not been included.

29. Compliance with Applicable Laws. The terms of this Plan are intended to comply with all Applicable Laws and will be construed accordingly.

30. Automatic Transfer to Low Price Offering Period. To the extent permitted by Applicable Laws, if the Fair Market Value of the Common Stock on any Exercise Date in an Offering Period is lower than the Fair Market Value of the Common Stock on the Enrollment Date of such Offering Period, then all participants in such Offering Period will be automatically withdrawn from such Offering Period immediately after the exercise of their option on such Exercise Date and automatically re-enrolled in the immediately following Offering Period as of the first day thereof.

PALO ALTO NETWORKS, INC
APPENDIX – ISRAELI TAXPAYERS
2012 EMPLOYEE STOCK PURCHASE PLAN

ADOPTED
ON MAY 30, 2014

PALO ALTO NETWORKS, INC.

APPENDIX – ISRAELI TAXPAYERS

2012 EMPLOYEE STOCK PURCHASE PLAN

1. Special Provisions for Persons who are Israeli Taxpayers

1.1 This Appendix (the “**Appendix**”) to the Palo Alto Networks, Inc. 2012 Employee Stock Purchase Plan (the “**ESPP Plan**”), is effective as of May 30, 2014 (the “**Effective Date**”).

1.2 The provisions specified hereunder apply only to Eligible Employees who are subject to taxation by the State of Israel with respect to grant of rights to purchase Plan Shares under the ESPP Plan (respectively, the “**Israeli Eligible Employee**” and “**Purchase Rights**”).

1.3 This Appendix applies with respect to Purchase Rights granted under the ESPP Plan. The purpose of this Appendix is to establish certain rules and limitations applicable to Purchase Rights that may be granted under the ESPP Plan from time to time, in compliance with the securities and other applicable laws currently in force in the State of Israel. For Israeli tax purposes, such Purchase Rights are classified as options issued under the ESPP Plan. Except as otherwise provided by this Appendix, all grants made pursuant to this Appendix shall be governed by the terms of the ESPP Plan. This Appendix is applicable only to grants made after the Effective Date. This Appendix complies with, and is subject to the ITO, the ITO Rules and Section 102 (as such terms are defined below).

1.4 The ESPP Plan and this Appendix shall be read together. In any case of contradiction, whether explicit or implied, between the provisions of this Appendix and the ESPP Plan, the provisions of the ESPP Plan shall govern.

2. Definitions

Capitalized terms not otherwise defined herein shall have the meaning assigned to them in the ESPP Plan. The following additional definitions will apply to grants made pursuant to this Appendix:

“**Affiliate**” as used in this Appendix, shall mean any Parent or Subsidiary that is an “employing company” within the meaning of Section 102(a) of the ITO.

“**Controlling Shareholder**” as defined under Section 32(9) of the ITO, means an individual who prior to the grant or as a result of the exercise of any options under the ESPP Plan, holds or would hold, directly or indirectly, in his name or with a relative (as defined in the ITO) (i) 10% of the outstanding shares of the Company, (ii) 10% of the voting power of the Company, (iii) the right to hold or purchase 10% of the outstanding equity or voting power of the Company, (iv) the right to obtain 10% of the “profit” of the Company (as defined in the ITO), or (v) the right to appoint a Director.

“**Eligible 102 Israeli Eligible Employee**” an Israeli Eligible Employee who is an employee or is serving as a director of the Company or an Affiliate, who is not a Controlling Shareholder.

“**ITA**” means the Israeli Tax Authority.

“**ITO**” means the Israeli Income Tax Ordinance (New Version) 1961 and the rules, regulations, orders or procedures promulgated thereunder and any amendments thereto, including specifically the ITO Rules, all as may be amended from time to time.

“**ITO Rules**” means the Income Tax Rules (Tax Benefits in Share Issuance to Employees) 5763-2003.

“**Non-Trustee Grant**” means a Purchase Right granted to an Israeli Eligible Employee pursuant to Section 102(c) of the ITO and not held in trust by a Trustee.

“**Section 102**” means the provisions of Section 102 of the ITO, as amended from time to time.

“**Section 3(i)**” means Section 3(i) of the ITO, as amended from time to time.

“**Shares**” means Plan Shares issued upon the exercise of Purchase Rights under the ESPP Plan.

3. Non-Trustee Grant of Purchase Right

3.1 A grant of Purchase Rights to an Israeli Eligible Employee shall be made pursuant to Section 102(c) or Section 3(i) of the ITO.

3.2 Only Eligible 102 Israeli Eligible Employee may receive Non-Trustee Grants under this Appendix.

4. Terms And Conditions Of Non-Trustee Grants

4.1 Each grant under the ESPP Plan shall be subject to the relevant provisions of the ITO, the ITO Rules, Section 102 and any ruling obtained from the ITA in connection with the ESPP Plan, which shall be deemed an integral part of the such grant and shall prevail over any term contained in the ESPP Plan, this Appendix or any offering document that is not consistent therewith. Any provision of the ITO and any approvals by the ITA not expressly specified in this Appendix or any document evidencing a grant that are necessary to receive under the ITO, the ITO Rules and Section 102 in connection with grant under the ESPP Plan shall be binding on the Israeli Eligible Employee. The Israeli Eligible Employee granted a Purchase Offering under the ESPP Plan shall comply with the ITO provisions. For avoidance of doubt, it is reiterated that compliance with the ITO specifically includes compliance with the ITO Rules. Further, the Israeli Eligible Employee agrees to execute any and all documents which the Company and/or Affiliate may reasonably determine to be necessary in order to comply with the provision of any applicable law.

4.2 Shares issued upon an exercise of a Purchase Right shall be transferred to the Israeli Eligible Employee directly, provided that the Israeli Eligible Employee first complies with all applicable provisions of the ESPP Plan, and all taxes which apply to the grant of the Purchase Right and exercise of the Purchase Rights were paid.

5. Tax Consequences

Any tax consequences arising from the grant of the Purchase Right or from exercise of the Purchase Right or from the sale of Shares issued upon an exercise of the Purchase Right, or from any other event or act (of the Company, and/or its Affiliates, or the Israeli Eligible Employee) hereunder, shall be borne solely by the Israeli Eligible Employee. The Company and/or its Affiliates shall withhold taxes according to the requirements under the applicable laws, rules, and regulations, including withholding taxes at source. Furthermore, the Israeli Eligible Employee shall agree to indemnify the Company and/or its Affiliates and hold them harmless against and from any and all liability for any such tax or interest or penalty thereon, including without limitation, liabilities relating to the necessity to withhold, or to have withheld, any such tax from any payment made to the Israeli Eligible Employee. The Company or any of its Affiliates may make such provisions and take such steps as it may deem necessary or appropriate for the withholding of all taxes required by law to be withheld with respect to Purchase Rights granted under the ESPP Plan and the sale of Shares issued upon an exercise of such Purchase Right, including, but not limited, to (i) deducting the amount so required to be withheld from any other amount then or thereafter payable to an Israeli Eligible Employee, and/or (ii) requiring an Israeli Eligible Employee to pay to the Company or any of its Affiliates the amount so required to be withheld as a condition of the issuance, delivery, distribution or release of any Share, and/or (iii) by causing the exercise of Purchase Right and/or the sale of Shares held by an Israeli Eligible Employee to cover such liability, up to the amount required to satisfy minimum statutory withholding requirements. In addition, the Israeli Eligible Employee will be required to pay any amount which exceeds the tax to be withheld and remitted to the tax authorities, pursuant to applicable tax laws, regulations and rules.

6. Guarantee

If an Eligible 102 Israeli Eligible Employee that holds Shares issued upon the exercise of Purchase Rights ceases to be employed by the Company or any Affiliate, such Israeli Eligible Employee shall extend to the Company and/or its Affiliate a security or guarantee for the payment of tax due at the time of sale of Shares to the satisfaction of the Company, all in accordance with the provisions of Section 102 of the ITO and the ITO Rules.

7. Governing Law and Jurisdiction

Notwithstanding any other provision of the ESPP Plan, with respect to Israeli Eligible Employees subject to this Appendix, (i) the ESPP Plan the Purchase Rights and Shares issued thereunder or in connection therewith shall be governed by, and interpreted in accordance with, the laws of the State of Israel applicable to contracts made and to be performed therein, and (ii) any contribution by Israeli Eligible Employees under the ESPP Plan by means of salary deduction shall be subject to the restrictions and limitations provided under applicable Israeli labor laws.

8. Securities Laws

Without derogation from any provisions of the ESPP Plan, all Purchase Rights and Shares issued hereunder shall be subject to compliance with the Israeli Securities Law, 1968, and the rules and regulations promulgated thereunder.

EXHIBIT A

PALO ALTO NETWORKS, INC.

2012 EMPLOYEE STOCK PURCHASE PLAN

GLOBAL SUBSCRIPTION AGREEMENT

1. **Enrollment.** By electronically accepting this Global Subscription Agreement and the Appendix to the Global Subscription Agreement ("Appendix") (together, the "Agreement"), I hereby elect to participate in the Palo Alto Networks, Inc. 2012 Employee Stock Purchase Plan (the "ESPP") and subscribe to purchase shares of Common Stock in accordance with this Agreement and the ESPP. Any defined terms in this Agreement shall have the meaning ascribed to such terms in the ESPP.

2. **Amount of Contribution.** I hereby authorize payroll deductions from each paycheck at the percentage of my Compensation (from 1% to 15%) as indicated on the online enrollment page (and as I may subsequently change, to the extent allowed under the provisions of the ESPP and the Administrator) on each payday during the Offering Period in accordance with the ESPP. (Please note that no fractional percentages are permitted.) I acknowledge that a lesser percentage of my Compensation than indicated by me may be contributed if necessary to comply with Applicable Laws (in particular, those related to minimum salary requirements).

I understand that the ESPP is a voluntary plan and I acknowledge that any payroll deductions I elect to contribute to the ESPP are made on an entirely voluntary basis. I understand that said payroll deductions will be accumulated for the purchase of shares of Common Stock at the applicable Purchase Price determined in accordance with the ESPP. I also understand that, subject to the provisions of the ESPP, I may freely withdraw from participation in the ESPP (through the Company's designated electronic process) and receive a full refund of all voluntary contributions I have made under the ESPP that have not been applied toward the purchase of shares of Common Stock. Finally, I understand that if I do not withdraw from an Offering Period, any accumulated payroll deductions will be used to automatically exercise my option and purchase Common Stock under the ESPP.

Unless I withdraw from the ESPP or become ineligible to participate in the ESPP, or unless the ESPP is terminated by the Company, I will continue to participate in the ESPP during subsequent Offering Periods and shares of Common Stock will be purchased on my behalf with my accumulated payroll deductions on the applicable Exercise Date. My participation in the ESPP will continue to be governed by this Agreement and the ESPP. At its discretion and to the extent permitted by the ESPP, the Company may amend the ESPP and/or this Agreement, and by continuing to participate in the ESPP, and without the need to provide affirmative consent, I agree to the terms and conditions of the amended ESPP and/or Agreement.

I agree to execute a separate participation agreement with the Company or the Employer (as defined below), or any other agreement or consent that may be required by the Company or the Employer in connection with this authorization, either now or in the future. I understand that I will not be able to participate in the ESPP if I fail to execute any such consent or agreement.

3. **Issuance of Shares.** Shares of Common Stock purchased for me under the ESPP should be issued in the name(s) of the person(s) I specify on the online enrollment page. (Eligible Employee or Eligible Employee and Spouse only).

4. **Responsibility for Taxes.** I acknowledge that, regardless of any action taken by the Company or, if different, my employer (the "Employer"), the ultimate liability for all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to my participation in the ESPP and legally applicable or deemed legally applicable to me ("Tax-Related Items") is and remains my responsibility and may exceed the amount, if any, actually withheld by the Company or the Employer. I further acknowledge that the Company and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the ESPP, including, but not limited to, the grant of the option to purchase shares of Common Stock, the purchase of shares of Common Stock, the issuance of shares of Common Stock purchased under the ESPP, the sale of shares of Common Stock purchased under the ESPP or the receipt of any dividends; and (2) do not commit to and are under no obligation to structure the terms of the option to purchase shares of Common Stock or any aspect of the ESPP to reduce or eliminate my liability for Tax-Related Items or achieve any particular tax result. Further, if I am subject to Tax-Related Items in more than one jurisdiction, I acknowledge that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

In connection with any relevant taxable or tax withholding event, as applicable, I agree to make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items. In this regard, I authorize the Company and/or the Employer, at their discretion, to satisfy any obligations with regard to all Tax-Related Items by one or a combination of the following: (1) withholding from my wages or other cash compensation payable to me by the Company, the Employer, or any other Subsidiary or Affiliate; (2) withholding from proceeds of the sale of shares of Common

Stock under the ESPP, either through a voluntary sale or through a mandatory sale arranged by the Company (on my behalf pursuant to this authorization without further consent); (3) withholding shares of Common Stock to be issued at purchase under the ESPP; or (4) any other method deemed by the Company to comply with Applicable Laws and the ESPP.

The Company and/or the Employer may withhold or account for Tax-Related Items by considering statutory withholding rates or other withholding rates, including maximum rates applicable in my jurisdiction(s). In the event of over-withholding, I may receive a refund of any over-withheld amount in cash (with no entitlement to the equivalent in shares of Common Stock) or, if not refunded, I may be able to seek a refund from the applicable tax authorities. In the event of under-withholding, I may be required to pay additional Tax-Related Items directly to the applicable tax authorities. If the obligation for Tax-Related Items is satisfied by withholding shares of Common Stock, for tax purposes, I am deemed to have been issued the full number of shares of Common Stock purchased under the ESPP, notwithstanding that a number of the shares of Common Stock is held back solely for the purpose of paying the Tax-Related Items.

Finally, I agree to pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of my participation in the ESPP that cannot be satisfied by the means previously described. The Company may refuse to purchase or deliver the shares or the proceeds of the sale of shares of Common Stock, if I fail to comply with my obligations in connection with the Tax-Related Items.

5. **Nature of Grant.** By enrolling and participating in the ESPP, I acknowledge, understand and agree that:

- (a) the ESPP is established voluntarily by the Company, it is discretionary in nature, and it may be terminated, suspended or amended by the Company at any time, to the extent permitted by the ESPP;
- (b) the grant of the option to purchase shares of Common Stock is exceptional, voluntary and does not create any contractual or other right to receive future options or benefits in lieu of options, even if options have been granted in the past;
- (c) all decisions with respect to future options to purchase shares of Common Stock or other grants, if any, will be at the sole discretion of the Company;
- (d) the grant of the option to purchase shares of Common Stock and my participation in the ESPP shall not create a right to employment or be interpreted as forming an employment or service contract with the Company and shall not interfere with the ability of the Employer to terminate my employment relationship (if any) at any time;
- (e) I am voluntarily participating in the ESPP;
- (f) the ESPP and the shares of Common Stock purchased under the ESPP, and the income from and value of same, are not intended to replace any pension rights or compensation;
- (g) the ESPP and the shares of Common Stock subject to the ESPP, and the income from and value of same, are not part of normal or expected compensation for any purposes, including but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, leave-related pay, holiday pay, pension or retirement or welfare benefits or similar payments;
- (h) unless otherwise agreed with the Company, the option to purchase shares of Common Stock and the shares of Common Stock subject to the option, and the income from and value of same, are not granted as consideration for, or in connection with, the service I may provide as a director of a Subsidiary or Affiliate;
- (i) the future value of the underlying shares of Common Stock is unknown, indeterminable and cannot be predicted with certainty and the value of the shares of Common Stock purchased under the ESPP may increase or decrease in the future, even below the Purchase Price;
- (j) no claim or entitlement to compensation or damages shall arise from forfeiture of the option to purchase shares of Common Stock under the ESPP resulting from termination of my employment (for any reason whatsoever, whether or not later found to be invalid or in breach of Applicable Laws in the jurisdiction where I am employed or the terms of my employment agreement, if any);
- (k) in the event of termination of my employment (for any reason whatsoever, whether or not later found to be invalid or in breach of Applicable Laws in the jurisdiction where I am employed or the terms of my employment agreement, if any), my right to participate in the ESPP, if any, will terminate effective as of the date I cease to actively provide services and will not be extended by any notice period (e.g., employment would not include any contractual notice or any period of "garden leave" or similar period mandated under Applicable Laws in the jurisdiction where I am employed or the terms of my employment agreement, if any); the Administrator shall have exclusive discretion to determine when I am no longer actively employed for purposes of my participation in the ESPP (including whether I can be considered to be actively employed while on a leave of absence);
- (l) unless otherwise provided in the ESPP or by the Company in its discretion, the option to purchase shares of Common Stock and the benefits evidenced by this Agreement do not create any entitlement to have the ESPP or any such benefits granted thereunder, transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the shares of the Company; and

(m) if I provide services outside the United States:

- (i) the ESPP and the shares of Common Stock subject to the ESPP, and the income from and value of same, are not part of normal or expected compensation for any purposes; and
- (ii) neither the Company, the Employer nor any Subsidiary or Affiliate shall be liable for any foreign exchange rate fluctuation between my local currency and the United States Dollar that may affect the value of the shares of Common Stock or any amounts due pursuant to the purchase of the shares or the subsequent sale of any shares of Common Stock purchased under the ESPP.

6. **No Advice Regarding Grant.** The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding my participation in the ESPP or my purchase or sale of the shares of Common Stock. I understand and agree that I should consult with my own personal tax, legal and financial advisors regarding my participation in the ESPP before taking any action related to the ESPP.

7. **Governing Law and Venue.** The option to purchase shares of Common Stock and the provisions of this Agreement are governed by, and subject to, the laws of the State of California (except its choice-of-law provisions).

For purposes of any action, lawsuit or other proceedings brought to enforce this Agreement, relating to it, or arising from it, the parties hereby submit to and consent to the sole and exclusive jurisdiction of the courts of Santa Clara County, California, or the federal courts for the United States for the Northern District of California, and no other courts, where this grant is made and/or to be performed.

8. **Language.** I acknowledge that I am sufficiently proficient in English, or have consulted with an advisor who is sufficiently proficient in English, so as to allow me to understand the terms and conditions of this Agreement. Furthermore, if I have received this Agreement or any other document related to the ESPP translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control, unless otherwise required by Applicable Laws.

9. **Electronic Delivery and Participation.** The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the ESPP by electronic means. I hereby consent to receive such documents by electronic delivery and agree to participate in the ESPP through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

10. **Severability.** The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

11. **Appendix.** Notwithstanding any provisions in this Agreement, my participation in the ESPP shall be subject to the additional terms and conditions set forth in for my country in the Appendix. Moreover, if I relocate to one of the countries included in the Appendix, the additional terms and conditions for such country will apply to me, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Appendix constitutes part of this Agreement.

12. **Imposition of Other Requirements.** The Company, at its discretion, may elect to terminate, suspend or modify the terms of the ESPP at any time, to the extent permitted by the ESPP. I agree to be bound by such termination, suspension or modification regardless of whether notice is given to me of such event, subject in any case to my right to timely withdraw from the ESPP in accordance with the ESPP withdrawal procedures then in effect. In addition, the Company reserves the right to impose other requirements on my participation in the ESPP and on any shares of Common Stock purchased under the ESPP, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require me to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

13. **Waiver.** I acknowledge that a waiver by the Company of breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by me or any other Participant.

14. **Insider-Trading/Market-Abuse Laws.** I may be subject to insider-trading restrictions and/or market-abuse laws which may affect my ability to accept, acquire, sell or otherwise dispose of shares of Common Stock under the ESPP, rights to shares, or rights linked to the value of shares during such times as I am considered to have "inside information" regarding the Company (as defined by the laws or regulations in my country). Local insider-trading laws and regulations may prohibit the cancellation or amendment of orders I place before possessing inside information. Furthermore, I could be prohibited from (i) disclosing the inside information to any third party (other than on a "need to know" basis) and (ii) "tipping" third parties or causing them otherwise to buy or sell securities. I understand that third parties include fellow employees.

Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Company insider-trading policy. I am responsible for complying with any applicable restrictions, and I should speak to my personal legal advisor for further details regarding any applicable insider-trading and/or market-abuse laws in my country.

15. **Exchange Control, Foreign Asset/Account and/or Tax Reporting.** Certain foreign asset and/or account reporting

requirements may affect my ability to acquire or hold shares of Common Stock under the ESPP or cash received from participating in the ESPP (including from any dividends received or sale proceeds arising from the sale of shares of Common Stock) in a brokerage or bank account outside my country. I also may be required to repatriate sale proceeds or other funds received as a result of my participation in the ESPP to my country through a designated bank or broker and/or within a certain time after receipt. In addition, I may be subject to tax payment and/or reporting obligations in connection with any income realized under the ESPP and/or from the sale of shares of Common Stock. I acknowledge that I am responsible for ensuring compliance with any applicable requirements, and that I should consult my personal legal advisor on this matter.

* * *

By clicking "ACCEPT" and electronically enrolling in the ESPP, I hereby agree to be bound by the terms of the ESPP and this Agreement. The effectiveness of this Agreement is dependent upon my eligibility to participate in the ESPP. I have received a copy of the complete ESPP and its accompanying prospectus. I understand that my participation in the ESPP is in all respects subject to the terms of the ESPP. Further, I expressly acknowledge the information provided in the Appendix related to the collection, processing and use of my personal data by the Company and its Subsidiaries or Affiliates and the transfer of personal data to the recipients mentioned in the Appendix.

I UNDERSTAND THAT THIS AGREEMENT WILL REMAIN IN EFFECT THROUGHOUT SUCCESSIVE OFFERING PERIODS UNLESS TERMINATED BY ME.

EXHIBIT B
APPENDIX
TO THE
PALO ALTO NETWORKS, INC.
2012 EMPLOYEE STOCK PURCHASE PLAN
GLOBAL SUBSCRIPTION AGREEMENT

Certain capitalized terms used but not defined in this Appendix have the meanings set forth in the ESPP and/or the Global Subscription Agreement.

Terms and Conditions

This Appendix includes additional terms and conditions that govern my participation in the ESPP, including the option to purchase shares of Common Stock granted under the ESPP, if I reside and/or work in one of the countries listed below.

If I am a citizen or resident (or am considered as such for local law purposes) of a country other than the one in which I am currently residing and/or working or if I transfer employment and/or residency to another country after enrolling in the ESPP, the terms and conditions of participation in the ESPP contained herein may not be applicable to me and the Company shall, in its discretion, determine to what extent the terms and conditions contained herein shall apply to my participation in the ESPP.

Notifications

This Appendix also includes information regarding exchange controls and certain other issues of which I should be aware with respect to participation in the ESPP. The information is based on the securities, exchange control and other laws in effect in the respective countries as of August 2024. Such laws are often complex and change frequently. As a result, the Company strongly recommends that I not rely on the information herein as my only source of information relating to the consequences of my participation in the ESPP because the information may be out of date at the time that I purchase shares of Common Stock under the ESPP or sell the shares of Common Stock acquired under the ESPP.

In addition, the information contained herein is general in nature and may not apply to my particular situation, and the Company is not in a position to assure me of a particular result. Accordingly, I should seek appropriate professional advice as to how the relevant laws in my country may apply to my situation.

Finally, if I am a citizen or resident (or am considered as such for local law purposes) of a country other than the one in which I am currently residing and/or working or if I transfer employment and/or residency to another country after enrolling in the ESPP, the information contained herein may not be applicable to me.

DATA PRIVACY PROVISIONS FOR ALL PARTICIPANTS

Terms and Conditions

The following provisions apply if I reside in European Union / European Economic Area member states, Guernsey, Switzerland or the United Kingdom:

(i) Collection and Usage. Pursuant to applicable data protection laws, I am hereby notified that the Company collects, processes, uses and transfers certain personally-identifiable information about me for the legitimate purpose of granting options to purchase shares of Common Stock under the ESPP and implementing, administering and managing my participation in the ESPP. Specifics of the data processing are described below.

(i) Controller and Representative. The Company is the controller responsible for the processing of my personal data in connection with the Plan. The Company's representative is Chief Privacy Officer, privacy@paloaltonetworks.com.

(ii) Personal Data Subject to Processing. The Company collects, processes and uses the following types of personal data about me: my name, employee ID, home address and telephone number, work and email address, date of birth, social security number or other tax identification number, social insurance, passport number or other international identification number, salary, nationality, job title, hire date, work country, department, cost center, subsidiary, organization level, expense group, termination date, supervisor, employment status, any shares of stock or directorships held in the Company, details of all options to purchase shares of Common Stock or any other entitlement to shares of Common Stock awarded, canceled, settled, purchased, vested, unvested or outstanding in my favor, which the Company receives from me or the Employer ("Data").

(iii) Purposes and Legal Bases of Processing. The Company processes Data for the purposes of performing its contractual obligations under this Agreement, granting options to purchase shares of Common Stock under the ESPP, implementing, administering and managing my participation in the ESPP and facilitating compliance with applicable tax and securities law. The legal basis for the processing of Data by the Company and the third-party service providers described below is the necessity of the data processing for the Company to perform its contractual obligations under this Agreement and for the Company's legitimate business interests of managing the ESPP and generally administering employee equity awards.

(iv) Service Providers. The Company transfers Data to its designated stock plan service provider (currently, E*TRADE Financial Services, Inc. and certain of its affiliated companies ("E*TRADE")), which is an independent stock plan administrator with operations, relevant to the Company, in the United States and assists the Company with the implementation, administration and management of the ESPP. In the future, the Company may select different service providers and may share Data with such service providers. The Company's stock plan administrators will open an account for me to receive and trade shares of Common Stock. I will be asked to agree on separate terms and data processing practices with the service provider, which is a condition of my ability to participate in the ESPP. Data will only be accessible by those individuals requiring access to it for purposes of implementing, administering and operating my participation in the Plan. I understand that I may request a list with the names and addresses of any potential recipients of Data by contacting my local human resources representative, filling out the individual rights request online form at <https://www.paloaltonetworks.com/legal-notices/privacy>, or by sending an email to individualrights@paloaltonetworks.com.

(v) International Transfers. The Company and its service providers, including, without limitation, E*TRADE, operate, relevant to the Company, in the United States, which means that it will be necessary for Data to be transferred to, and processed in, the United States. I understand and acknowledge that the United States is not subject to an unlimited adequacy finding by the European Commission and that Data may not have an equivalent level of protection as compared to my country of residence. To provide appropriate safeguards for the protection of Data, Data is transferred to the Company based on data transfer and processing agreements implementing the EU Standard Contractual Clauses. I may request a copy of the safeguards used to protect Data by contacting the Company at: privacy@paloaltonetworks.com. The Company reserves the right to use a different but adequate data transfer legal mechanism.

(vi) Data Retention. The Company will use Data only as long as is necessary to implement, administer and manage my participation in the ESPP, or as required to comply with Applicable Laws, exercise or defense of legal rights, and archiving, back-up and deletion processes. When the Company no longer needs Data, the Company will remove it from its systems according to its retention policies. If the Company keeps data longer, it would be to satisfy legal or regulatory obligations and the Company's legal basis would be relevant laws or regulations.

(vii) Data Subject Rights. To the extent provided by law, I have the right to (i) inquire whether and what kind of Data the Company holds about me and how it is processed, and to access or request copies of such Data, (ii)

request the correction or supplementation of Data that is inaccurate, incomplete or out-of-date in light of the purposes underlying the processing, or (iii) obtain the erasure of Data no longer necessary for the purposes underlying the processing or processed in non-compliance with applicable legal requirements. In addition, I have, to the extent provided by law, the right to (iv) request the Company to restrict the processing of Data in certain situations where I feel its processing is inappropriate, (v) object, in certain circumstances, to the processing of Data for legitimate interests, and to (vi) request portability of Data that I have actively or passively provided to the Company, where the processing of such Data is based on consent or a contractual agreement with me and is carried out by automated means. In case of concerns, I also have the right to (vii) lodge a complaint with the competent local data protection authority. To receive additional information regarding my rights, raise any other questions regarding the practices described in this Agreement or to exercise my rights, I should contact the Company at: privacy@paloaltonetworks.com (for questions) or individualrights@paloaltonetworks.com (to exercise rights).

(viii) **Contractual Requirement.** My provision of Data and its processing as described above is a contractual requirement and a condition to my ability to participate in the ESPP. I understand that, as a consequence of my refusing to provide Data, the Company may not be able to allow me to participate in the ESPP, grant options to purchase shares of Common Stock to me or administer or maintain such options to purchase shares of Common Stock under the ESPP. However, my participation in the ESPP and my acceptance of this Agreement are purely voluntary. While I will not be able receive options to purchase shares of Common Stock under the ESPP if I decide against participating in the ESPP or providing Data as described above, with the exception of not receiving these benefits, my status as an employee will not be affected in any way. For more information on the consequences of the refusal to provide Data, I may contact the Company at: privacy@paloaltonetworks.com.

The following provisions apply if I reside outside of European Union / European Economic Area member states, Guernsey, Switzerland and the United Kingdom:

I consent to the collection, use and transfer, in electronic or other form, of my personal data as described in this Agreement and any other ESPP participation materials by and among, as applicable, the Employer, the Company and any Subsidiary or Affiliate for the exclusive purpose of implementing, administering and managing my participation in the ESPP.

I understand that the Company and the Employer hold certain personal information about me, including, but not limited to, my name, home address and telephone number, email address, date of birth, social insurance number, passport or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all options to purchase shares of Common Stock under the ESPP or any other entitlement to shares of stock awarded, cancelled, exercised, vested, unvested, or outstanding in my favor ("Data"), for the exclusive purpose of implementing, administering and managing the ESPP.

I understand that Data will be transferred to E*TRADE Financial Services, Inc. and certain of its affiliated companies (collectively, "E*TRADE"), or such other stock plan service provider as may be selected by the Company in the future, which is assisting the Company with the implementation, administration and management of the ESPP. I understand that the recipients of Data may be located in the United States or elsewhere, and that the recipients' country (e.g., the United States) may have different data privacy laws and protections than my country. I understand that, if I reside outside the U.S., I may request a list with the names and addresses of any potential recipients of Data by contacting my local human resources representative, filling out the individual rights request online form at <https://www.paloaltonetworks.com/legal-notices/privacy>, or by sending an email to individualrights@paloaltonetworks.com. I authorize the Company, E*TRADE and any other possible recipients which may assist the Company, (presently or in the future) with implementing, administering and managing the ESPP to receive, possess, use, retain and transfer Data, in electronic or other form, for the sole purpose of implementing, administering and managing my participation in the ESPP. I understand that Data will be held only as long as is necessary to implement, administer and manage my participation in the ESPP. I understand that, if I reside outside the U.S., I may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing my local human resources representative, filling out the individual rights request online form at <https://www.paloaltonetworks.com/legal-notices/privacy>, or by sending an email to individualrights@paloaltonetworks.com. Further, I understand that I am providing the consents herein on a purely voluntary basis. If I do not consent, or if I later seek to revoke my consent, my employment status or service with the Employer will not be affected; the only consequence of refusing or withdrawing my consent is that the Company would not be able to grant me the option to purchase shares of Common Stock under the ESPP or other equity awards or administer or maintain such awards. Therefore, I understand that refusing or withdrawing my consent may affect my ability to participate in the ESPP. For more information on the consequences of my refusal to consent or withdrawal of consent, I understand that I may contact my local human resources representative or send an email to privacy@paloaltonetworks.com.

AUSTRALIA

Terms and Conditions

Australian Offer Document. The offer of options to purchase shares of Common Stock under the ESPP is being made under Division 1A of Part 7.12 of the Australian Corporations Act 2001 (Cth) ("Division 1A"). For purposes of Division 1A, the Agreement, including this Appendix, is to be regarded as an Employee Share Scheme ("ESS") offer document.

In addition to the information set out in the Agreement (including this Appendix), I am also being provided with copies of the following documents:

- (a) the ESPP;
- (b) the ESPP prospectus; and
- (c) Employee Information Supplement (collectively, the "Additional Documents").

The Additional Documents provide further information to help me make an informed investment decision about participating in the ESPP. Neither the ESPP nor the ESPP prospectus is a prospectus for the purposes of the Corporations Act 2001.

I should not rely upon any oral statements made in relation to this offer. I should rely only upon the statements contained in the Agreement (including this Appendix) and the Additional Documents when considering participation in the ESPP.

Notifications

Exchange Control Information. Exchange control reporting is required for cash transactions exceeding a certain threshold (currently AUD10,000) and international fund transfers. I understand that the Australian bank assisting with the transaction may file the report for me. If there is no Australian bank involved in the transfer, I will have to file the report. I acknowledge that I should consult with a personal advisor to ensure that I am properly complying with applicable reporting requirements in Australia.

Securities Law Information. Investment in Common Stock involves a degree of risk. Eligible employees who elect to participate in the ESPP should monitor their participation and consider all risk factors relevant to the acquisition of Common Stock under the ESPP as set forth below and in the Additional Documents.

The information herein is general information only. It is not advice or information that takes into account my objectives, financial situation and needs. I should consider obtaining my own financial product advice from a person who is licensed by the Australian Securities & Investments Commission ("ASIC") to give such advice.

Additional Risk Factors for Australian Residents. I should have regard to risk factors relevant to investment in securities generally and, in particular, to holding shares of Common Stock. For example, the price at which an individual share of Common Stock is quoted on The Nasdaq Global Select Market ("Nasdaq") may increase or decrease due to a number of factors. There is no

guarantee that the price of a share of Common Stock will increase. Factors that may affect the price of the Common Stock include fluctuations in the domestic and international market for listed stocks, general economic conditions, including interest rates, inflation rates, commodity and oil prices, changes to government fiscal, monetary or regulatory policies, legislation or regulation, the nature of the markets in which the Company operates and general operational and business risks.

More information about potential factors that could affect the Company's business and financial results will be included in the Company's most recent Annual Report on Form 10-K and the Company's Quarterly Report on Form 10-Q. Copies of these reports are available at www.sec.gov, on the Company's investor's page at <https://investors.paloaltonetworks.com/investor-relations/financials/sec-filings/default.aspx>, and upon request to the Company.

In addition, Participant should be aware that the Australian dollar ("AUD") value of any shares of Common Stock acquired under the ESPP will be affected by the USD/AUD exchange rate. Participation in the ESPP involves certain risks related to fluctuations in this rate of exchange.

Common Stock in a U.S. Corporation Common stock of a U.S. corporation is analogous to ordinary shares of an Australian corporation. Each holder of a share of Common Stock is entitled to one vote. Dividends may be paid on the shares of Common Stock out of any funds of the Company legally available for dividends at the discretion of the Board. Further, the Common Stock is not liable to any further calls for payment of capital or for other assessment by the Company and have no sinking fund provisions, pre-emptive rights, conversion rights or redemption provisions.

Ascertaining the Market Price of Shares. I may ascertain the current market price of the Common Stock as traded on The Nasdaq Global Select Market under the symbol "PANW" at <https://www.nasdaq.com/market-activity/stocks/panw>. The AUD

equivalent of that price can be obtained at www.rba.gov.au/statistics/frequency/exchange-rates.html. Please note that this is not a prediction of what the market price of the Common Stock will be on any applicable Exercise Date or when shares of Common Stock are issued to me (or at any other time), or of the applicable exchange rate at such time.

Statutory Terms and Conditions. As noted above, this offer is being made under Division 1A. To comply with Division 1A, the following terms and conditions apply:

1. Enrollment Period

A new Offering Period will automatically begin approximately every six (6) months on the first Trading Day on or after February 28 and August 31 of each year. Each new Offering Period will be approximately twenty-four (24) months in duration and will consist of four (4) six-month Purchase Periods, ending on the first Trading Day on or after February 28 and August 31 of each year. Enrollment periods for each Offering Period generally begin on or about February 1 and

August 1 each year and remain open until the first day of the respective Offering Period (the "Enrollment Period"). I may accept this offer at any time during an Enrollment Period.

2. Acquisition of Options and Shares of Common Stock

Since I may access this ESS offer document starting from the first day of each Enrollment Period and each Enrollment Period begins more than 14 days prior to start of the relevant Offering Period, I cannot acquire any options under the ESPP or shares of Common Stock until at least 14 days after receiving this ESS offer document.

3. ESS Contribution Plan Terms

The ESPP is an ESS contribution plan for the purposes of Division 1A. Accordingly, the following terms are included:

- (a) The ESPP allows Australian Participants to elect to have regular deductions made from Australian Participants' wages or salary for the purpose of acquiring shares of Common Stock.
- (b) Before Australian Participants acquire any shares of Common Stock under this offer, any such deductions will be held on trust in an account with an Australian ADI that is kept solely for that purpose.
- (c) Australian Participants may elect to discontinue the deductions at any time.
- (d) If Australian Participants do so elect:
 - (i) any deductions from Australian Participants' wages or salary will cease, and any deductions made after the election will be repaid to Australian Participants, within 45 days of the election; and
 - (ii) the amount of the deductions or payments standing, at the time when Australian Participants' election is made, to the credit of the account for Australian Participants will be repaid to Australian Participants within 45 days of the election.
- (e) Australian Participants must agree in writing (which may be electronic) to the terms of the ESPP before participating in the ESPP.

4. Terms Relating to Disclosure

This offer is also subject to the following terms relating to disclosure:

- (a) this ESS offer document and the terms of the offer:
 - (i) must not include a misleading or deceptive statement; and
 - (ii) must not omit any information that would result in this document or terms of the offer being misleading or deceptive;
- (b) the Company must provide Australian Participants with an updated ESS offer document as soon as practicable after becoming aware that the document that was provided has become out of date, or is otherwise not correct, in a material respect;
- (c) each person mentioned in items (ii), (iii) and (iv) of the table below must notify, in writing, the Company as soon as practicable if, during the Enrollment Period, the person becomes aware that:
 - (i) a material statement in the documents mentioned in paragraph (a) is misleading or deceptive; or
 - (ii) information was omitted from any of those documents that has resulted in one or more of those documents being misleading or deceptive; or
 - (iii) a new circumstance has arisen during the Enrollment Period which means the ESS offer document is out of date, or otherwise not correct, in a material respect; and
- (d) if Australian Participants suffer loss or damage because of a contravention of a term of the offer covered by paragraph (a), (b) or (c) above, Australian Participants can recover the amount of loss or damage in accordance with the table below.

For the purposes of paragraph (d) above, Australian Participants must be able to recover loss or damage in accordance with the following table:

Item	Australian Participants may recover loss or damage suffered from these people... as a result of a contravention of	
i)	a term of the offer covered by any of the following paragraphs: <ul style="list-style-type: none"> paragraph (a) (misleading or deceptive statements and omissions); paragraph (b) (out of date ESS offer document) 	the Company
ii)	a term of the offer covered by any of the following paragraphs: <ul style="list-style-type: none"> paragraph (a) (misleading or deceptive statements and omissions); paragraph (b) (out of date ESS offer document) 	each director of the Company
iii)	a term of the offer covered by any of the following paragraphs: <ul style="list-style-type: none"> paragraph (a) (misleading or deceptive statements and omissions); paragraph (b) (out of date ESS offer document) 	a person named, with their consent, in an ESS offer document or the terms of the offer as a proposed director of the Company
iv)	a term of the offer covered by paragraph (a) (misleading or deceptive statements and omissions)	a person named, with their consent, in the ESS offer document or the terms of the offer as having made: <ul style="list-style-type: none"> a. the misleading or deceptive statement; or b. a statement on which the misleading or deceptive statement is based
v)	a term of the offer covered by paragraph (c) (failure to notify the Company of misleading or deceptive statement and omissions or new circumstances)	the person mentioned in item (ii), (iii) or (iv) of this table who failed to notify the Company in accordance with the term covered by paragraph (c)

5. Exclusions from Liability

A person mentioned in the table in section 4 above is not liable for any loss or damage suffered by Australian Participants because of a contravention of a term of the offer covered by paragraph (a) or (b) of section 4 above if:

- (a) the person:
 - (i) made all inquiries (if any) that were reasonable in the circumstances; and
 - (ii) after doing so, believed on reasonable grounds that the statement was not misleading or deceptive; or
- (b) the person did not know that the statement was misleading or deceptive; or
- (c) the person placed reasonable reliance on information given to the person by:
 - (i) if the person is a body corporate or a responsible entity of a registered scheme—someone other than a director, employee or agent of the body corporate or responsible entity; or
 - (ii) if the person is an individual—someone other than an employee or agent of the individual; or
- (d) for a person mentioned in column 2 of item (iii) or (iv) of the table in section 4 above—the person proves that they publicly withdrew their consent to being named in the document in that way; or
- (e) the contravention arose because of a new circumstance that has arisen since the ESS offer document was prepared and the person proves that they were not aware of the matter.

AUSTRIA

Terms and Conditions

Interest Waiver. By enrolling in the ESPP and accepting the terms of the Agreement, I unambiguously consent to waive my right to any interest with respect to payroll deductions accumulated for me during an Offering Period.

Amount of Contribution. My individual payroll deductions are subject to compliance with the minimum salary and minimum subsistence level provisions under Applicable Laws in Austria. The Company and/or the Employer, at their discretion, may limit the amount of my payroll deductions to comply with such requirements.

Notifications

Securities Law Information. The Company has prepared and made available an Information Document in reliance on an exemption from prospectus requirements that may otherwise apply to the offer of the ESPP in Austria. The Information Document is attached hereto as Exhibit C.

Exchange Control Information. If I hold securities (including shares of Common Stock acquired under the ESPP outside Austria, even if I hold them outside of Austria with an Austrian bank) or cash (including proceeds from the sales of shares of Common Stock), I understand I must submit quarterly reports to the Austrian National Bank. An exemption applies if the value of the shares held outside Austria of any quarter does not exceed a certain threshold (currently €5,000,000). The deadline for filing the quarterly report is the 15th of the month following the end of the respective quarter.

If I sell shares of Common Stock or receive any cash dividends, there may be exchange control obligations if the cash received is held outside Austria, as a separate reporting requirement applies to any non-Austrian cash accounts. If the transaction volume of all of my cash accounts abroad exceeds a certain threshold (currently €10,000,000), the movements and the balance of all accounts must be reported monthly, as of the last day of the month, on or before the 15th day of the following month, on the prescribed forms.

BELGIUM

Terms and Conditions

Authorization to Remit Eligible Cash Earnings For Belgian law purposes, I understand that “payroll deductions” means a specific instruction to the Employer to pay out part of my Compensation (as indicated in the Agreement) in order to fund the Purchase Price for the shares of Common Stock, in accordance with the terms and conditions of the ESPP.

Notifications

Exchange Control Information. I acknowledge and understand that if I am a Belgian resident, I am required to complete a report providing the National Bank of Belgium with details regarding any securities or bank accounts held outside Belgium, including the account number, the name of the bank in which such account is held and the country in which the account is located. This report, as well as information on how to complete it, can be found on the website of the National Bank of Belgium, www.nbb.be, under the *Kredietcentrales / Centrales des credits* caption.

BRAZIL

Terms and Conditions

Authorization for Transmission of Funds. I agree to execute a letter of authorization and any other agreements or consents that may be required to enable the Company, any Subsidiary or Affiliate or the Employer to remit accumulated payroll deductions from Brazil to the United States for the purchase of shares of Common Stock. I understand that if I fail to execute the letter of authorization or any other agreements or consents that may be required for the remittance of payroll deductions, I will not be able to participate in the ESPP.

Compliance with Law. By enrolling in the ESPP and accepting the terms of this Agreement, I acknowledge and agree to comply with all applicable Brazilian laws and pay any and all Tax-Related Items associated with the purchase and sale of shares of Common Stock acquired pursuant to the ESPP and the receipt of any dividends paid on such shares.

Nature of Grant. The following provision supplements Section 5 of the Global Subscription Agreement:

By enrolling and participating in the ESPP, I agree that (i) I am making an investment decision and (ii) the value of the shares of Common Stock is not fixed and may increase or decrease without compensation to me.

Notifications

Exchange Control Information. If I am a resident or domiciled in Brazil, I will be required to submit an annual declaration of assets and rights held outside of Brazil to the Central Bank of Brazil if the aggregate value of such assets and rights is equal to or greater than a certain threshold (currently US\$1,000,000). Quarterly reporting is required if the aggregate value of such assets and rights exceeds a certain threshold (currently US\$100,000,000). Assets and rights that must be reported include shares of Common Stock acquired pursuant to the ESPP.

BULGARIA

Notifications

Exchange Control Information. I will be required to file statistical forms with the Bulgarian National Bank annually regarding my receivables in bank accounts abroad as well as securities held abroad (e.g., shares of Common Stock acquired under the ESPP) if the total sum of all such receivables and securities equals or exceeds a certain threshold (currently BGN 50,000) as of the previous calendar year-end. The reports are due by March 31. I should contact my bank in Bulgaria for additional information regarding these requirements.

CANADA

Terms and Conditions

Termination of Service. The following provision replaces Section 5(j) of the Global Subscription Agreement:

In the event of termination of my employment (for any reason and whether or not later found to be invalid or in breach of Canadian laws or the terms of my employment agreement, if any), my right to participate in the ESPP, if any, shall terminate effective as of the date I am no longer actually providing services to the Company or any other Designated Company (the “Termination Date”). The Termination Date shall exclude and shall not be extended by any period during which notice, pay in lieu of notice or related payments or damages are provided or required to be provided under statute, contract, common/civil law or otherwise. For greater certainty, I will not purchase or be entitled to any pro-rated purchase of shares for that portion of time before the date on which my participation terminates, nor will I be entitled to any compensation for lost purchase.

Notwithstanding the foregoing, if applicable employment standards legislation explicitly requires continued participation in the ESPP during a statutory notice period, I acknowledge my right to participate in the ESPP, if any, will terminate effective as of the last day of my minimum statutory notice period, but I will not earn or be entitled to any pro-rated purchase of shares if the Exercise Date falls after the end of my statutory notice period, nor will I be entitled to any compensation for the lost purchase of shares.

The following provision applies if I reside in Quebec:

French Language Documents. The following provision replaces Section 8 of the Global Subscription Agreement in its entirety:

A French translation of this document and the ESPP are available to me on the Company's Global Equity Programs LOOP Page (<https://theloop.paloaltonetworks.com/loop/employee-resources/global-equity-programs/equity-plan-documents>). Notwithstanding anything to the contrary in the ESPP or the Agreement, and unless I indicate otherwise, the French translation of this Agreement and the ESPP will govern my participation in the ESPP. If I transfer residency outside of Quebec, the English version of this Agreement and the ESPP will govern my participation in the ESPP.

Documents en langue française. La disposition suivante remplace le paragraphe 8 de la Convention mondiale de souscription dans son intégralité :

Une traduction française du présent document et du Régime est mise à ma disposition sur la page LOOP des programmes d'actions mondiaux de la Société (<https://theloop.paloaltonetworks.com/loop/employee-resources/global-equity-programs/equity-plan-documents>). Malgré toute disposition contraire dans le Régime ou la Convention, sauf si j'indique le contraire, la traduction française de la présente Convention et du Régime régira ma participation au Régime. Si je transfère ma résidence à l'extérieur du Québec, la version anglaise de la présente Convention et du Régime régira ma participation au Régime.

Data Privacy. This provision supplements the Data Privacy Provisions for Participants who reside outside of European Union / European Economic Area member states, Switzerland and the United Kingdom above in this Appendix:

I hereby authorize the Company and the Company's representatives to discuss with and obtain all relevant information from all personnel, professional or not, involved in the administration and operation of the ESPP. I further authorize the Company or any Subsidiary or Affiliate and the Administrator to disclose and discuss the ESPP with their advisors. I acknowledge and agree that my personal information, including sensitive personal information, may be transferred or disclosed outside the Province of Quebec, including to the United States. I further authorize the Company or any Subsidiary or Affiliate to record such information and to keep such information in my employee file. I also acknowledge that the Company and other parties involved in the administration of the ESPP may use technology for profiling purposes and make automated decisions that may have an impact on me or the administration of the ESPP.

Notifications

Securities Law Information. I acknowledge that I am permitted to sell shares of Common Stock acquired pursuant to the ESPP through the designated broker appointed under the ESPP, if any, provided the sale of the shares acquired pursuant to the ESPP takes place outside of Canada through the facilities of a stock exchange on which the shares are listed (*i.e.*, the Nasdaq Stock Market).

CHINA

Terms and Conditions

The following provisions will apply if I am subject to exchange control restrictions and requirements in the People's Republic of China ("PRC"), including the requirements imposed by the State Administration of Foreign Exchange ("SAFE") as determined by the Company in its sole discretion:

Purchase Conditioned on Satisfaction of Regulatory Obligations. Notwithstanding anything to the contrary in the Agreement or the ESPP, no shares of Common Stock will be purchased on my behalf unless and until all necessary exchange control or other approvals with respect to the ESPP have been obtained from SAFE or its local counterpart ("SAFE Approval") and maintained prior to each Exercise Date. In the event SAFE Approval has not been obtained or maintained prior to any Exercise Date(s), the Company may return payroll deductions credited to my account but not used to purchase shares during the Purchase Period, without interest, or take such other steps as it determines in its sole discretion to be necessary for the implementation of the ESPP. In such case, participation in the ESPP will continue, unless I otherwise withdraw from or becomes ineligible to participate in the ESPP.

Shares Must Remain With Company's Designated Broker. I agree to hold any shares of Common Stock acquired under the ESPP with E*TRADE, or such other broker as the Company may designate, until the shares are sold. The limitation shall apply to all shares issued to me under the ESPP, whether or not I remain an Eligible Employee.

Sale of Shares. Due to local regulatory requirements, I understand and agree that the Company may require that any shares of Common Stock purchased under the ESPP be immediately sold.

I further agree that the Company is authorized to instruct its designated broker to assist with the mandatory sale of such

shares (on my behalf pursuant to this authorization without further consent) and I expressly authorize the Company's designated broker to complete the sale of such shares. In this regard, I agree to sign any agreements, forms and/or consents that may be reasonably requested by the Company (or the Company's designated broker) to effectuate the sale of the shares (including, without limitation, as to the transfers of the proceeds and other exchange control matters noted below) and shall otherwise cooperate with the Company with respect to such matters, provided that I shall not be permitted to exercise any influence over how, when or whether the sales occur. I acknowledge that the Company's designated broker is under no obligation to arrange for the sale of the shares at any particular price.

If the Company, in its discretion, does not exercise its right to require the automatic sale of the shares purchased under the ESPP, as described in the preceding paragraph, I understand and agree that any shares acquired under the ESPP must be sold no later than six months from my termination of employment, or within any such other period as may be permitted by the Company or required by SAFE. I understand that any shares acquired under the ESPP that have not been sold within six months of my termination or within such other period as may be permitted by the Company or required by SAFE will be automatically sold by the designated broker pursuant to this authorization without further consent and subject to the terms of the preceding paragraph.

Upon the sale of the shares, I will receive the cash proceeds from the sale, less any brokerage fees or commissions and subject to any obligation to satisfy any Tax-Related Items. I agree to comply with all requirements the Company may impose in order to facilitate compliance with exchange control requirements in China prior to receipt of the cash proceeds. I acknowledge that I am not aware of any material nonpublic information with respect to the Company or any securities of the Company as of the date of the Agreement.

Exchange Control Requirements. By enrolling and participating in the ESPP, I understand and agree that, pursuant to local exchange control requirements, I will be required to repatriate the cash proceeds from the sale of the shares and the receipt of any dividends to China. I further understand that, under local law, such repatriation of the cash proceeds may need to be effectuated through a special exchange control account established by the Company, the Employer or another Subsidiary or Affiliate, and I hereby consent and agree that any proceeds from the sale of any shares I acquire under the ESPP and any dividends may be transferred to such special account prior to being delivered to me.

I further understand that the proceeds will be delivered to me as soon as possible, but there may be delays in distributing the funds to me due to exchange control requirements in China. Proceeds may be paid to me in U.S. dollars or local currency, at the Company's discretion. If the proceeds are paid in U.S. dollars, I will be required to set up a U.S. dollar bank account in China so that the proceeds may be deposited into this account. If the proceeds are paid in local currency, I agree that the Company, the Employer or any other Subsidiary or Affiliate in China is under no obligation to secure any particular exchange conversion rate and there may be delays in converting the cash proceeds to local currency due to exchange control restrictions. I agree to bear any currency fluctuation risk between the time the cash proceeds are received and the time the cash proceeds are distributed to me through the special account described above.

I further agree to comply with any other requirements that may be imposed by the Company in the future in order to facilitate compliance with exchange control requirements in China.

Additional Restrictions. No shares of Common Stock will be purchased or issued unless the Company determines that such purchase and issuance and delivery of shares complies with all Applicable Laws. Further, the Company is under no obligation to purchase and/or issue shares if the Company's SAFE approval becomes invalid or ceases to be in effect by the Exercise Date.

COSTA RICA

Terms and Conditions

Authorization for Payroll Deductions. I hereby expressly acknowledge that my authorization to the Employer to withhold a percentage of my Compensation, as specified in the Global Subscription Agreement, was given voluntarily for purposes of my participation in the ESPP.

CZECH REPUBLIC

Terms and Conditions

Payroll Deduction Authorization. I hereby authorize the Employer to take payroll deductions from each of my paychecks during the Offering Period at the percentage of my Compensation (from 1% to 15%) as indicated on the online enrollment page. I understand that, by electronically accepting this Agreement, I am executing the attached Agreement on Wage Deductions. I understand I will not be able to participate in the ESPP if I fail to execute the Agreement on Wage Deductions.

Notifications

Exchange Control Information. The Czech National Bank may require me to fulfill certain notification duties in relation to the purchase of shares of Common Stock under the ESPP and/or the opening and maintenance of a foreign bank or brokerage account. In addition, I may need to report certain events even in the absence of a request from the Czech National Bank. Because exchange control regulations may change without notice, I should consult my personal legal advisor prior to the purchase or the sale of shares of Common Stock to ensure compliance with current regulations. It is my responsibility to comply with any applicable Czech exchange control laws.

DOHODA O SRÁŽKÁCH ZE MZDY

(dále jen „Dohoda“)

uzavřená podle zákona č. 262/2006 Sb., zákoníku práce (dále jen „zákoník práce“) mezi:

Palo Alto Networks (Czech) s.r.o., společností založenou a existující podle práva České republiky, se sídlem Město, Czech Republic, IČO: 038 66 149, dále jen „Zaměstnavatel“,

a

zaměstnancem, který se elektronicky přihlásil k účasti v Doplněném a přepracovaném obecném plánu Palo Alto Networks, Inc. 2012 Employee Stock Purchase Plan („Plán“) a jehož datum narození a trvalé bydliště jsou vedeny v záznamech Palo Alto Networks, Inc., dále jen „Zaměstnanec“,

Zaměstnanec a Zaměstnavatel dále také jen společně jako „Strany“ či jednotlivě jako „Strana“.

1. Zaměstnanec je oprávněn účastnit se Plánu a kupovat kmenové akcie („Akcie“), společností Palo Alto Networks, Inc., se sídlem 3000 Tannery Way, Santa Clara, California 95054, U.S.A. („Společnost“), a to za podmínek stanovených Plánem a jakoukoliv dodatečnou dohodou o zápise, uzavřenou mezi Zaměstnancem a Společností. Není-li výslovně uvedeno jinak, jednotlivé termíny a definice užívané v této Dohodě mají význam, který je jim připisován v Plánu.

2. Zaměstnanec bude hradit svůj příspěvek na kupní cenu Akcií dle Plánu, a to prostřednictvím srážek ze mzdy Zaměstnance, vyplácené mu Zaměstnavatelem, a to počínaje prvním platebním termínem následujícím po zápise Zaměstnance do Plánu. Zaměstnanec tímto dává souhlas Zaměstnavateli, aby Zaměstnavatel prováděl jednou za každý kalendářní měsíc srážku ze mzdy Zaměstnance (ve smyslu § 145 zákoníku práce podle ustanovení § 146 písm. b) zákoníku práce a článků 3.01 a 6 Plánu) ve výši, která nepřesáhne 25 000 USD (v českých korunách) v hodnotě akcií za kalendářní rok, odpovídající procentu ze mzdy Zaměstnance (jak je definována v Plánu), které se Zaměstnanec rozhodl přispívat po zápise do Plánu. Jestliže Zaměstnanec následně zvýší či sníží procento svého příspěvku (jak je povoleno v podmínkách Plánu), výše srážek Zaměstnance se adekvátně změní. Mimoto pokud se změní mzda Zaměstnance, výše srážek se může adekvátně změnit.

Například, pokud mzda Zaměstnance v měsíci po zápise činí 100 000 Kč a Zaměstnanec se rozhodl přispívat 10% své mzdy na nákup Akcií dle Plánu, Zaměstnavatel je oprávněn provést srážku 10 000 Kč ze mzdy Zaměstnance v měsíci po Dni zápisu. Jestliže se mzda Zaměstnance zvýší na 120 000 Kč v následujícím měsíci, Zaměstnavatel je oprávněn provést srážku 12 000 Kč ze mzdy Zaměstnance. Jestliže Zaměstnanec sníží procento svého příspěvku na 5% v následujícím měsíci, Zaměstnavatel je oprávněn provést srážku 6 000 Kč ze mzdy Zaměstnance.

3. Zaměstnavatel se zavazuje poukazovat provedené srážky ze mzdy dle této Dohody Společnosti, a to do 30 dnů od data zakoupení. Zaměstnavatel je oprávněn použít sražené finanční prostředky dle této Dohody výhradně v souladu s podmínkami a pravidly uvedenými v této Dohodě a Plánu a vrátit jakékoliv srážky Zaměstnanci, pokud to vyžaduje Plán.

4. Zaměstnanec potvrzuje a souhlasí s tím, že veškeré srážky ze mzdy Zaměstnance provedené v minulosti v souvislosti s účastí Zaměstnance na

AGREEMENT ON WAGE DEDUCTIONS

(hereinafter referred to as the “Agreement”)

concluded pursuant to Act No. 262/2006, the Labor Code (hereinafter referred to as the “Labor Code”), between:

Palo Alto Networks (Czech) s.r.o., a company established and existing under the laws of the Czech Republic, with its registered seat at Město, Czech Republic, Identification No.: 038 66 149 hereinafter referred to as the “Employer”,

and

The employee who has electronically enrolled in the Palo Alto Networks, Inc. 2012 Employee Stock Purchase Plan (“Plan”) and whose date of birth and home address are maintained in the records of Palo Alto Networks, Inc., hereinafter referred to as the “Employee.”

Employee and Employer are hereinafter also referred to jointly as “Parties” or individually as a “Party.”

1. The Employee is eligible to participate in the Plan and to purchase shares of common stock (“Shares”) of Palo Alto Networks, Inc., with registered address at 3000 Tannery Way, Santa Clara, California 95054, U.S.A. (“Company”), under the terms and conditions of the Plan and any additional subscription agreement entered into between the Employee and the Company. Unless explicitly stated otherwise, individual terms and definitions used herein have the meaning assigned to them in the Plan.

2. The Employee will pay his/her contributions to purchase Shares under the Plan by way of deductions from wages paid to the Employee by the Employer, starting with the first pay day following the Enrollment Date. The Employee hereby grants his/her consent to the Employer to make deductions once per calendar month (pursuant to Sec. 145 of the Labor Code pursuant to Sec. 146 (b) of the Labor Code and Sections 3.01 and 6 of the Plan) to the extent not to exceed USD 25,000 (in Czech crowns) worth of stock per calendar year that reflects the percentage of the Employee's Compensation (as defined in the Plan) that he or she has elected to contribute upon enrollment in the Plan. If the Employee subsequently increases or decreases his/her contribution percentage (as permitted under the terms of the Plan), the amount of the Employee's deductions will change accordingly. In addition, if the Employee's Compensation changes, the amount of the deductions may change accordingly.

By way of example, if the Employee's Compensation in the month after enrollment is CZK 100,000 and the Employee has elected to contribute 10% of his or her Compensation to purchase Shares under the Plan, the Employer is authorized to deduct CZK 10,000 from the Employee's Compensation in the month after the Enrollment Date. If the Employee's Compensation increases to CZK 120,000 in a subsequent month, the Employer is authorized to deduct CZK 12,000 from the Employee's Compensation in the month of the increase. If the Employee decreases his or her contribution percentage to 5% in a subsequent month, the Employer is authorized to deduct CZK 6,000 from the Employee's Compensation.

3. The Employer undertakes to remit the wage deductions under this Agreement to the Company within 30 days prior to the Exercise Date. The Employer is entitled to use such wage deductions solely in accordance with the terms and conditions of this Agreement and the Plan, and to refund any deductions to the Employee, if required by the Plan.

4. The Employee acknowledges and agrees that any past deductions from the Employee's Compensation with respect to the Employee's

Plánu byly v souladu s českým právem a Zaměstnanec dal se všemi těmito srážkami řádný souhlas.

participation in the Plan complied with Czech law and the Employee duly authorized all such deductions.

5. Tato Dohoda zaniká:

- a) pokud je (písemně) vypovězena jakoukoliv Stranou; nebo
- b) pokud je ukončena účast Zaměstnance v Plánu, jak je stanoveno v Plánu (včetně situace, kdy Zaměstnanec ukončí pracovní poměr nebo odstoupí od Plánu).

5. This Agreement terminates:

- (a) if it is terminated (in writing) by either Party; or
- (b) when the Employee's participation in the Plan is terminated, as set forth in the Plan (including if the Employee terminates employment or withdraws from the Plan).

6. Tato Dohoda je vyhotovena v českém a anglickém jazyce. Rozhodující je české znění této Dohody. Každá Strana obdrží jedno vyhotovení této Dohody. Jakékoli změny této Dohody mohou být učiněny jen písemnou dohodou podepsanou oběma Stranami.

6. This Agreement has been executed in Czech and English language. The Czech language version of this Agreement shall be decisive. Each Party will receive one version of this Agreement. Any change(s) to this Agreement may only be made by a written agreement signed by both Parties.

Obě Strany tímto prohlašují a potvrzují, že tato Dohoda byla uzavřena po vzájemném projednání a to svobodně, vážně a určitě, nikoliv v tísní za nápadně nevýhodných podmínek a na důkaz toho Strany vyjadřují osobně či prostřednictvím svých zástupců svůj souhlas.

Both Parties represent and declare that this Agreement has been concluded upon mutual discussion, freely, seriously and definitely and not under strikingly unfavorable conditions, in witness whereof, the Parties themselves or through their representatives have agreed hereto.

DENMARK

Terms and Conditions

Danish Stock Option Act. By accepting the option to purchase shares of Common Stock and enrolling in the ESPP, I acknowledge that I have received the Employer Statement translated into Danish and set forth below, which is being provided to comply with the Danish Stock Option Act (the "Act").

I acknowledge that the Act has been amended as of January 1, 2019. Accordingly, I agree that in the event of termination of my employment, the provisions governing my participation in the ESPP under this Agreement and the ESPP will apply for any Offering Period which begins on or after January 1, 2019. The relevant provisions are detailed in the Agreement, the ESPP and the Employer Statement.

EMPLOYER STATEMENT

Pursuant to Section 3(1) of the Act on Stock Options in employment relations (the "Stock Option Act"), you are entitled to receive the following information regarding the PALO ALTO NETWORKS, Inc. 2012 Employee Stock Purchase Plan (the "ESPP") in a separate written statement.

This statement contains information applicable to your participation in the ESPP, as required under the Stock Option Act. Additional terms and conditions of the ESPP are described in the ESPP and other subscription materials, which have been made available to you. In the event of a conflict between a provision contained in this Employer Statement and provisions contained in the ESPP subscription materials, this Employer Statement shall prevail. Capitalized terms used but not defined herein, shall have the same meaning as terms defined in the ESPP.

1. Time of grant of right to purchase stock under the ESPP

Provided you are eligible to participate in the ESPP and decide to enroll in the ESPP, consistent with the requirements of the ESPP, you will be granted a right to purchase shares of stock of PALO ALTO NETWORKS, Inc. (the "Company") at the beginning of each Offering Period, as defined in the ESPP, as long as you remain enrolled in the ESPP.

For each Offering Period, you may elect to have payroll deductions from each paycheck in the amount of a specific percentage of your Compensation on each payday (from 1 to 15%). Your participation in the ESPP is subject to the additional terms and conditions provided in the ESPP materials.

2. Terms or conditions for grant of a right to future purchases of stock.

ARBEJDSGIVERERKLÆRING

I henhold til § 3, stk. 1, i lov om brug af køberet eller tegningsret mv. i ansættelsesforhold ("Aktieoptionsloven") er du berettiget til i en særskilt skriftlig erklæring at modtage følgende oplysninger vedrørende PALO ALTO NETWORKS, Inc.'s medarbejderaktieordning "2012 Employee Stock Purchase Plan" (i det følgende kaldet "ESPP").

Denne erklæring indeholder de i henhold til Aktieoptionsloven krævede oplysninger vedrørende din deltagelse i ESPP. Yderligere kriterier og betingelser for ordningen er beskrevet i ESPP og det andet tegningsmateriale, som du har fået udleveret. I tilfælde af uoverensstemmelser mellem en bestemmelse i denne Arbejdsgivererklæring og bestemmelserne i ESPP-tegningsmaterialet skal denne Arbejdsgivererklæring have forrang. Begreber, der står med stort begyndelsesbogstav i denne Arbejdsgivererklæring, men som ikke er defineret heri, har samme betydning som de i ESPP definerede begreber.

1. Tidspunktet for tildeling af retten til at købe aktier i henhold til ESPP

Forudsat at du er berettiget til at deltage i ESPP samt beslutter dig for at tilmelde dig ESPP, vil du i overensstemmelse med kravene i ESPP få tildelt en ret til at købe aktier i PALO ALTO NETWORKS, Inc. ("Selskabet") ved starten af hver Udbudsperiode (som defineret i ESPP), så længe du vedbliver at være tilmeldt ESPP.

For hver Udbudsperiode kan du vælge, at der i forbindelse med hver lønudbetaling fra din løn trækkes et beløb svarende til en bestemt procentdel af dit Vederlag (fra 1 til 15%). Din deltagelse i ESPP er underlagt de yderligere kriterier og betingelser, som fremgår af ESPP-materialet.

2. Kriterier eller betingelser for tildeling af retten til senere at købe aktier

ESPP udbydes efter Selskabets bestyrelses frie skøn. Selskabet har til enhver

The ESPP is offered at the discretion of the Company's Board of Directors. The Company may terminate, suspend or amend the ESPP at any time and without the consent of the participating employees.

3. Purchase Date

On the last day of each Purchase Period, or the next trading day, if the last day is not a trading day (*i.e.*, the Exercise Date), shares of common stock of the Company will automatically be purchased for you with your accumulated payroll deductions. The number of shares purchased will depend upon the Purchase Price, as defined below, and the amount of accumulated payroll deductions. You will become the immediate owner of the shares purchased and you may then sell your shares at any time.

4. Purchase Price

The Purchase Price per share shall mean an amount equal to 85% of the lesser of (a) the Fair Market Value, as defined in the ESPP, of a share of common stock on the Enrollment Date; or (b) the Fair Market Value, as defined in the ESPP, of a share of common stock on the Exercise Date.

5. Your rights upon termination of employment

The treatment of your ESPP rights upon termination of employment will be determined in accordance with the termination provisions in the ESPP and the ESPP subscription materials, pursuant to which your right to purchase shares under the ESPP will terminate immediately as of the date you cease to actively provide services.

6. Financial aspects of participating in the ESPP

Aside from the payroll deductions which will start after you enroll in the ESPP, the ESPP offering has no immediate financial consequences for you. The value of the shares purchased for you under the ESPP are not taken into account when calculating holiday allowances, pension contributions or other statutory consideration calculated on the basis of salary.

Shares of stock are financial instruments and investing in stock will always have financial risk. The possibility of profit at the time you sell your shares will not only be dependent on the Company's financial development, but also on the general development of the stock market, among other things. In addition, after you purchase shares, the shares could decrease in value even below the Purchase Price.

Stock Plan Services

FINLAND

There are no country-specific provisions.

FRANCE

Terms and Conditions

French Translation. The following is a French translation of Section 2 of the Global Subscription Agreement:

Montant de la Contribution. *Par la présente, j'autorise des déductions sur mon salaire d'un pourcentage de ma Rémunération (de 1% à 15%) sur chacune de mes fiches de paie de chaque jour de paie, tel qu'indiqué sur la page de souscription en ligne (et, comme j'ai la possibilité de modifier, dans la mesure permise par le Plan d'Achat d'Actions et de l'Administrateur), et ce durant toute la Période d'Offre en vertu du Plan d'Achat d'Actions. (Merci de noter qu'aucune décimale n'est autorisée dans les pourcentages). Je reconnais qu'un pourcentage de ma Rémunération inférieur à celui indiqué par moi peut être cotisé si nécessaire pour se conformer aux lois applicables (en particulier les lois applicables relatives aux exigences de salaire minimum).*

Je comprends que le Plan d'Achat d'Actions est un régime volontaire et je reconnais que toutes les retenues salariales que je choisis de cotiser à le Plan d'Achat d'Actions sont effectuées sur une base entièrement volontaire. Je comprends que ces déductions opérées sur mon salaire seront accumulées pour l'achat des Actions au Prix d'Achat applicable déterminé en vertu du Plan d'Achat d'Actions. Je comprends également que, sous réserve des dispositions du Plan d'Achat d'Actions, je peux modifier le taux de mes retenues salariales ou librement me retirer de la participation au Plan d'Achat d'Actions (par le

tid ret til at ophæve, afbryde eller ændre ESPP uden de deltagende medarbejders samtykke.

3. Købsdato

På den sidste dag i hver købsperiode, eller, hvis denne dag ikke er en handelsdag, på den næstfølgende handelsdag efter den sidste dag i hver Udbudsperiode (dvs. Udnyttelsesdatoen) vil der automatisk blive købt ordinære aktier i Selskabet til dig for det akkumulerede beløb, der er fratrasket dine lønudbetalinger. Antallet af købte aktier afhænger af Købskursen (som defineret nedenfor) og det akkumulerede beløb, der er fratrasket dine lønudbetalinger. Du bliver den umiddelbare ejer af de købte aktier, og du kan til enhver tid sælge dine aktier.

4. Købskurs

Købskursen pr. aktie betyder et beløb svarende til 85% af det laveste af de to følgende beløb: (a) Markedskursen (som defineret i ESPP) på en ordinær aktie på Tilmeldingsdato eller (b) Markedskursen (som defineret i ESPP) på en ordinær aktie på Udnyttelsesdatoen.

5. Din retsstilling i forbindelse med fratræden

I tilfælde af dit ansættelsesforholds ophør vil dine ESPP-rettigheder blive behandlet i overensstemmelse med fratrædelsesbestemmelserne i ESPP og ESPP-tegningsmaterialet, ifølge hvilke din ret til at købe aktier i henhold til ESPP ophører øjeblikkeligt med virkning fra det tidspunkt, hvor du ophører med aktivt at levere ydelser.

6. Økonomiske aspekter ved at deltage i ESPP

Bortset fra de fradrag i din løn, der vil blive påbegyndt, når du har tilmeldt dig ESPP, har ESPP-udbuddet ikke nogen umiddelbare økonomiske konsekvenser for dig. Værdien af de aktier, der købes til dig i henhold til ESPP, indgår ikke i beregningen af feriepenge, pensionsbidrag eller øvrige vederlagsafhængige lovpligtige ydelser.

Aktier er finansielle instrumenter, og investering i aktier vil altid være forbundet med en økonomisk risiko. Muligheden for en gevinst på det tidspunkt, hvor du sælger dine aktier, afhænger ikke kun af Selskabets økonomiske udvikling, men også bl.a. af den generelle udvikling på aktiemarkedet. Derudover kan aktiernes værdi efter købstidspunktet falde til en værdi, der ligger under Købsprisen.

Aktieordningsadministrationen

biais du processus électronique désigné par la Société) et recevoir un remboursement intégral de toutes les contributions volontaires que j'ai versées dans le cadre de le Plan d'Achat d'Actions qui n'ont pas été affectées à l'achat d'Actions. Enfin, je comprends que si je ne me retire pas durant la Période d'Offre, toute accumulation de déductions sur mon salaire serait automatiquement utilisée pour exercer mon option et acheter des Actions en vertu du Plan d'Achat d'Actions.

À moins que je ne me retire du Plan d'Achat d'Actions, ou que je ne devienne inéligible au Plan d'Achat d'Actions, ou à moins que le Plan d'Achat d'Actions ne soit dénoncé par la Société, je continuerai à souscrire au Plan d'Achat d'Actions au cours des Périodes d'Offres suivantes et les Actions seront acquises en mon nom à la Date d'Exercice applicable avec le montant total des déductions effectuées sur mon salaire. La souscription au Plan d'Achat d'Actions continuera d'être régie par cet Accord et le Plan d'Achat d'Actions. A sa discrétion et dans la mesure permise par le Plan d'Achat d'Actions, la Société pourra modifier le Plan d'Achat d'Actions et/ou cet Accord, et en continuant à souscrire au Plan d'Achat d'Actions, sans avoir besoin de fournir un consentement exprès, j'accepte les termes et conditions du Plan d'Achat d'Actions modifié et/ou de l'Accord.

J'accepte de signer un accord de participation distinct avec la Société ou l'Employeur (tel que défini ci-dessous), ou tout autre accord ou consentement qui pourrait être requis par la Société ou l'Employeur dans le cadre de cette autorisation, maintenant ou à l'avenir. Je comprends que je ne pourrai pas participer à le Plan d'Achat d'Actions si je n'exécute pas un tel consentement ou accord.

Language Consent. By enrolling in the ESPP, I confirm having read and understood the documents relating to the grant of the option to purchase shares of Common Stock under the ESPP, which were provided in the English language. I accept the terms of those documents accordingly.

Accord sur la langue. En souscrivant au Plan d'Achat d'Actions, je confirme avoir lu et compris les documents en lien avec l'octroi du droit d'acquérir des actions en vertu du Plan d'Achat d'Actions, lesquels m'ont été communiqués en langue anglaise. J'accepte les termes de ces documents en connaissance de cause.

GERMANY

Notifications

Securities Law Information. The Company has prepared and made available an Information Document in reliance on an exemption from prospectus requirements that may otherwise apply to the offer of the ESPP in Germany. The Information Document is attached hereto as Exhibit C.

Exchange Control Information. Certain cross-border transactions in excess of a certain threshold (currently €12,500) (the "Threshold") must be reported to the German Federal Bank (*Bundesbank*). If I make or receive a payment in excess of the Threshold (including if I acquire shares of Common Stock under the ESPP with a value in excess of the Threshold or sell shares of Common Stock via a foreign broker, bank or service provider and receive proceeds in excess of the Threshold) and/or if the Company withholds or sells shares of Common Stock with a value in excess of the Threshold to cover Tax-Related Items, I must report the payment and/or the value of the shares of Common Stock withheld or sold to the *Bundesbank*, either electronically using the "General Statistics Reporting Portal" ("Allgemeine Meldeportal Statistik") available via the *Bundesbank's* website (www.bundesbank.de) or via such other method e.g., by email or telephone) as is permitted or required by the *Bundesbank*. The report must be submitted monthly or within other such timing as is permitted or required by the *Bundesbank*. I understand I am responsible for complying with applicable reporting requirements.

GREECE

There are no country-specific provisions.

GUERNSEY

There are no country-specific provisions.

HONG KONG

Notifications

Securities Law Information. Warning: The option to purchase shares of Common Stock and the issuance of shares of Common Stock upon purchase do not constitute a public offer of securities under Hong Kong law and are available only to Eligible Employees. The ESPP, the Agreement, this Appendix and other incidental communication materials that I may receive have not been prepared in accordance with and are not intended to constitute a "prospectus" for a public offering of securities under applicable securities laws in Hong Kong. Furthermore, none of the documents relating to the ESPP have been reviewed by any regulatory authority in Hong Kong. I understand that I should exercise caution in relation to the offer. If I am in any doubt about any of the contents of the ESPP, the Agreement, this Appendix or any other communication materials, I should obtain independent professional advice.

HUNGARY

Terms and Conditions

Authorization for Payroll Deductions. I understand that as a condition of my participation in the ESPP, I will be required to execute the attached Consent for Deduction form. I understand that, by electronically accepting this Agreement, I am executing the attached Consent for Deduction form. I understand that I will not be able to participate in the ESPP until the Company receives my executed form.

(Consent for Deduction form on next page)

CONSENT FOR DEDUCTION

I, the undersigned, in order to participate in the Palo Alto Networks, Inc. 2012 Employee Stock Purchase Plan ("ESPP"), authorize my employer to withhold payroll deductions in the amount of my Compensation I indicated on the online enrollment page, or such other percentage as subsequently selected by me under the ESPP. I understand that this amount must not be less than 1% and not more than 15% of my Compensation for any purchase period with the reservation that the deductions are made in accordance with the applicable provisions of the Hungarian labor law.

I acknowledge and agree that any past payroll deductions from my Compensation with respect to my participation in the ESPP complied with Hungarian law and that I authorized all such deductions.

All the terms written in capital letters shall have the meanings given to them in the ESPP.

In case of any discrepancies between the Hungarian language version of this document and its English language version, the Hungarian language version shall prevail.

HOZZÁJÁRULÁS LEVONÁSHOZ

Alulírott, a Palo Alto Networks, Inc. 2012 Munkavállalói Részvényvásárlási Programjában ("Program") való részvételem érdekében felhatalmazom a munkáltatóm, hogy a nettó munkabéremből levonja a Kompenzációnak az általam az online jelentkezési oldalon megjelölt összegét, vagy az általam a Program ideje alatt a későbbiekben meghatározott százalékát. Tudomásul veszem, hogy ez az összeg nem lehet kevesebb, mint a Kompenzációm egy százaléka és nem haladhatja meg annak tizenöt százalékát egyetlen vásárlási időszakban sem, feltéve, hogy a levonások a magyar munkajog vonatkozó rendelkezéseinek megfelelően történtek.

Tudomásul veszem és elfogadom, hogy a Kompenzációból korábban a Programban való részvételemre tekintettel teljesített levonások a magyar jogszabályoknak megfelelően történtek, és ezen levonásokhoz hozzájárultam.

Valamennyi nagybetűs fogalom a Programban meghatározott jelentéssel bír.

Jelen dokumentum magyar és angol nyelvű változata közötti bármilyen eltérés esetén a magyar nyelvű változat az irányadó.

INDIA

Terms and Conditions

Tax Collection at Source. By enrolling and participating in the ESPP, I understand that Tax Collection at Source ("TCS") may apply to funds remitted out of India if the funds exceed a certain amount (currently, INR 700,000) during the Indian fiscal year ("TCS Threshold"). Therefore, my annual remittances out of India, including my payroll deductions contributed under the ESPP, may be subject to TCS. Depending on the procedures established by the Employer and the bank remitting the funds out of India, I understand and agree that the Company or the Employer may deduct any applicable TCS via any withholding method set forth in Section 4 of the Global Subscription Agreement. If any applicable TCS is not deducted via any withholding method set forth in Section 4 of the Global Subscription Agreement, I understand that the Employer or the bank may collect any applicable TCS from my contributed payroll deductions and remit the remaining payroll deductions to the Company which may impact the number of shares of Common Stock that I will be able to purchase with my payroll deductions under the ESPP. I understand that I may be required to provide a declaration to the Employer or the bank remitting the funds regarding whether the TCS Threshold has been reached based on all my remittances out of India, including payroll deductions contributed under the ESPP, and I agree to provide such declaration upon request.

Notifications

Exchange Control Information. I understand that I must repatriate any proceeds from the sale of shares of Common Stock purchased under the ESPP and any dividends received in relation to the shares of Common Stock to India and convert the proceeds into local currency within such period of time as required under applicable regulations. I should obtain a foreign inward remittance certificate (the "FIRC") from the bank where I deposit the foreign currency and maintain the FIRC as evidence of the repatriation of funds in the event the Reserve Bank of India or the Employer requests proof of repatriation. I also agree to provide any information that may be required by the Company or the Employer to make any applicable filings under exchange control laws in India.

INDONESIA

Terms and Conditions

Language Consent. By enrolling and participating in the ESPP, I (i) confirm having read and understood the documents relating to the grant (i.e., the ESPP and the Agreement) which were provided in the English language, (ii) accept the terms of those documents accordingly, and (iii) agree not to challenge the validity of this document based on Law No. 24 of 2009 on National Flag, Language, Coat of Arms and National Anthem or the implementing Presidential Regulation.

Persetujuan Bahasa. Dengan mendaftar dan ikut serta dalam ESPP, saya (i) memberikan konfirmasi bahwa saya telah membaca dan memahami dokumen-dokumen berkaitan dengan pemberian ini (yaitu, ESPP dan Perjanjian) yang disediakan dalam Bahasa Inggris, (ii) menerima persyaratan di dalam dokumen-dokumen tersebut, dan (iii) setuju untuk tidak mengajukan keberatan atas keberlakuan dari dokumen ini berdasarkan Undang-Undang No. 24 Tahun 2009 tentang Bendera, Bahasa dan Lambang Negara serta Lagu Kebangsaan ataupun Peraturan Presiden sebagai pelaksanaannya.

Notifications

Exchange Control Information. Indonesian residents are obliged to provide the Indonesian central bank (Bank Indonesia) with information on foreign exchange activities. The reporting must be completed online through Bank Indonesia's website, no later than the 15th day of the month following the month in which the foreign exchange activity took place.

In addition, if I remit funds into or out of Indonesia (e.g., proceeds from the sale of shares of Common Stock), the Indonesian Bank through which the transaction is made will submit a report of the transaction to the Bank of Indonesia for statistical reporting purposes. For transactions that equal or exceed a certain threshold (currently US \$10,000), a description of the transaction must be included in the report.

IRELAND

Notifications

Director Notification Obligation. Directors, shadow directors or secretaries of an Irish Subsidiary must notify the Irish Subsidiary in writing if they receive or dispose of an interest in the Company representing more than 1% of the Company's voting share capital (e.g., right to purchase shares of Common Stock under the ESPP, shares, etc.), if they become aware of the event giving rise to the notification requirement or if they become a director or secretary if such an interest exists at the time. This notification requirement also applies with respect to the interests of the spouse or children under the age of 18 of the director, shadow director or secretary (whose interests will be attributed to the director, shadow director or secretary).

ISRAEL

Terms and Conditions

Israeli Appendix. I acknowledge and agree that the offer of the ESPP is subject to the terms and conditions of the Appendix - Israeli Taxpayers to the ESPP, which has been provided or otherwise made available to me.

ITALY

Terms and Conditions

ESPP Document Acknowledgment. In participating in the ESPP, I acknowledge that I have received a copy of the ESPP and the Agreement and have reviewed the ESPP and the Agreement, including this Appendix, in their entirety and fully understand and accept all provisions of the ESPP and the Agreement. I further acknowledge that I have read and specifically and expressly approve the following sections of the Global Subscription Agreement: Section 4 - Responsibility for Taxes; Section 5 - Nature of Grant; Section 7 - Governing Law; Section 8 - Language; Section 9 - Electronic Delivery and Acceptance; Section 10 - Severability; and the Data Privacy Provisions for Participants who reside in European Union / European Economic Area member states, Switzerland and the United Kingdom above in this Appendix.

JAPAN

There are no country-specific provisions.

KOREA

Terms and Conditions

Power of Attorney. If so requested by the Company or the Employer, I understand that I must print, sign and return a Power of Attorney in a form provided to me by the Company or the Employer to my local human resources representative in order to participate in the ESPP.

Notifications

Exchange Control Information. Korean residents may need to file a report with a Korean foreign exchange bank if the Korean resident sells shares of Common Stock acquired under the ESPP and/or receives cash dividends in excess of a certain threshold (currently US\$5,000) (per transaction) and deposits the proceeds into a non-Korean bank account. The reporting is not required if proceeds are deposited into a non-Korean brokerage account. I am responsible for complying with any applicable exchange control reporting obligations in Korea and I should consult my personal legal advisor to determine my personal reporting obligations.

LUXEMBOURG

There are no country-specific provisions.

MALAYSIA

Terms and Conditions

Data Privacy. This provision replaces the Data Privacy Provisions for Participants who reside outside of European Union / European Economic Area member states, Switzerland and the United Kingdom above in this Appendix:

I consent to the collection, use and transfer, in electronic or other form, of my personal data as described in the Global Subscription Agreement and any other Plan grant materials by and among, as applicable, the Employer, the Company and any other Subsidiary or Affiliate or any third parties authorized by the same in assisting in the implementation, administration and management of my participation in the ESPP.

I may have previously provided the Company and the Employer with, and the Company and the Employer may hold, certain personal information about me, including, but not limited to, my name, home address, email address and telephone number, date of birth, social insurance number, passport or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, the fact and conditions of my participation in the ESPP, details of all options or any other entitlement to shares awarded, cancelled, exercised, vested, unvested or outstanding in my favor ("Data"), for the exclusive purpose of implementing, administering and managing the ESPP.

Saya bersetuju dengan pengumpulan, penggunaan dan pemindahan, dalam bentuk elektronik atau lain-lain, data peribadi saya seperti yang dinyatakan dalam Perjanjian Langganan dan apa-apa bahan geran Pelan oleh dan di antara, sebagaimana yang berkenaan, Majikan, Syarikat dan mana-mana Anak Syarikat atau Syarikat Sekutu atau mana-mana pihak ketiga yang diberi kuasa oleh yang sama untuk membantu dalam pelaksanaan, pentadbiran dan pengurusan penyertaan saya dalam Pelan.

Sebelum ini, saya mungkin telah membekalkan Syarikat dan Majikan dengan, dan Syarikat dan Majikan mungkin memegang, maklumat peribadi tertentu tentang saya, termasuk, tetapi tidak terhad kepada, nama saya, alamat rumah, alamat emel dan nombor telefon, tarikh lahir, nombor insurans sosial, pasport atau nombor pengenalan lain, gaji, kewarganegaraan, jawatan, apa-apa syer atau saham atau jawatan pengarah yang dipegang dalam Syarikat, fakta dan syarat-syarat penyertaan saya dalam Pelan, butir-butir semua opsyen atau apa-apa hak lain untuk Syer yang dianugerahkan, dibatalkan, dilaksanakan, terletak hak, tidak diletak hak ataupun yang belum dijelaskan bagi faedah saya ("Data"), untuk tujuan eksklusif bagi melaksanakan, mentadbir dan menguruskan Pelan.

I also authorize any transfer of Data, as may be required, to E*TRADE Financial Services, Inc. and its affiliates ("E*TRADE") or such designated broker which may be assisting the Company with the implementation, administration and management of the ESPP in the future and with whom any shares acquired upon exercise of the options are deposited. I acknowledge that these recipients may be located in my country or elsewhere, and that the recipient's country (e.g., the United States) may have different data privacy laws and protections to my country, which may not give the same level of protection to Data. I understand that I may request a list with the names and addresses of any potential recipients of Data by contacting my local human resources representative. I authorize the Company, E*TRADE and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing my participation in the ESPP to receive, possess, use, retain and transfer Data, in electronic or other form, for the sole purpose of implementing, administering and managing my participation in the ESPP. I understand that Data will be held only as long as is necessary to implement, administer and manage my participation in the ESPP. I understand that I may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case, without cost, by contacting in writing my local human resources representative, whose contact details are equity@paloaltonetworks.com.

Further, I understand that I am providing the consents herein on a purely voluntary basis. If I do not consent, or if I later seek to revoke my consent, my employment status or service with the Employer will not be affected; the only consequence of refusing or withdrawing my consent is that the Company would not be able to grant future options or other equity awards to me or administer or maintain such awards. Therefore, I understand that refusing or withdrawing my consent may affect my ability to participate in the ESPP. For more information on the consequences of my refusal to consent or withdrawal of consent, I understand that I may contact my local human resources representative.

Saya juga memberi kuasa untuk membuat apa-apa pemindahan Data, sebagaimana yang diperlukan, kepada E*TRADE Financial Services, Inc. dan syarikat sekutunya ("E*TRADE") atau broker yang ditetapkan yang mungkin membantu Syarikat dalam pelaksanaan, pentadbiran dan pengurusan Pelan pada masa depan dan dengan sesiapa yang didepositkan dengan Syer-syer yang diperolehi melalui pelaksanaan opsyen. Saya mengakui bahawa penerima-penerima ini mungkin berada di negara saya atau di tempat lain, dan bahawa negara penerima (contohnya, Amerika Syarikat) mungkin mempunyai undang-undang privasi data dan perlindungan yang berbeza daripada negara saya, yang mungkin tidak boleh memberi tahap perlindungan yang sama kepada Data. Saya faham bahawa saya boleh meminta senarai nama dan alamat mana-mana penerima Data yang berpotensi dengan menghubungi wakil sumber manusia tempatan saya. Saya memberi kuasa kepada Syarikat, E*TRADE dan mana-mana penerima lain yang mungkin membantu Syarikat (masa sekarang atau pada masa depan) dengan melaksanakan, mentadbir dan menguruskan penyertaan saya dalam Pelan untuk menerima, memiliki, menggunakan, mengekalkan dan memindahkan Data, dalam bentuk elektronik atau lain-lain, semata-mata dengan tujuan tunggal untuk melaksanakan, mentadbir dan menguruskan penyertaan saya dalam Pelan. Saya faham bahawa Data akan dipegang hanya untuk tempoh yang diperlukan untuk melaksanakan, mentadbir dan menguruskan penyertaan saya dalam Pelan. Saya faham bahawa saya boleh, pada bila-bila masa, melihat Data, meminta maklumat tambahan mengenai penyimpanan dan pemprosesan Data, meminta apa-apa pindaan-pindaan dilaksanakan ke atas Data atau menolak atau menarik balik persetujuan dalam ini, dalam mana-mana kes, tanpa kos, dengan menghubungi equity@paloaltonetworks.com.

Selanjutnya, saya memahami bahawa saya memberikan persetujuan di sini secara sukarela. Jika saya tidak bersetuju, atau jika saya kemudian membatalkan persetujuan saya, status pekerjaan atau perkhidmatan saya dengan Majikan tidak akan terjejas; satu-satunya akibat jika saya tidak bersetuju atau menarik balik persetujuan saya adalah bahawa Syarikat tidak akan dapat memberikan opsyen pada masa depan atau anugerah ekuiti lain kepada saya atau mentadbir atau mengekalkan anugerah tersebut. Oleh itu, saya faham bahawa keengganan atau penarikan balik persetujuan saya boleh menjejaskan keupayaan saya untuk mengambil bahagian dalam Pelan. Untuk maklumat lanjut mengenai akibat keengganan saya untuk memberikan keizinan atau penarikan balik keizinan, saya faham bahawa saya boleh menghubungi wakil sumber manusia tempatan saya.

Notifications

Director Notification Obligation. Malaysian resident participants who are directors of a Malaysian Subsidiary or Affiliate are subject to certain notification requirements under the Malaysian Companies Act 2016. Among these requirements is an obligation to notify the Malaysian Subsidiary or Affiliate in writing when receiving or disposing of an interest (e.g., purchase rights, shares, etc.) in the Company or any related company. This notification must be made within 14 days of receiving or disposing of any interest in the Company or any related company.

MEXICO

Terms and Conditions

Acknowledgement of the Agreement. By enrolling and participating in the ESPP, I acknowledge that I have received a copy of the ESPP and the Agreement, including this Appendix, which I have reviewed. I further acknowledge that I accept all the provisions of the ESPP and the Agreement, including this Appendix. I also acknowledge that I have read and specifically and expressly approves the terms and conditions set forth in Section 5 of the Global Subscription Agreement, which clearly provide as follows:

- (1) My participation in the ESPP does not constitute an acquired right;

- (2) The ESPP and my participation in it are offered by the Company on a wholly discretionary basis;
- (3) My participation in the ESPP is voluntary; and
- (4) The Company and any of its Parent and Subsidiaries are not responsible for any decrease in the value of any shares of Common Stock purchased under the ESPP.

Labor Law Policy and Acknowledgment I expressly recognize that the Company, with registered offices at 3000 Tannery Way, Santa Clara, California 95054, USA, is solely responsible for the administration of the ESPP and that my participation in the ESPP and purchase of shares of Common Stock does not constitute an employment relationship between myself and the Company since I am participating in the ESPP on a wholly commercial basis. Based on the foregoing, I expressly recognize that the ESPP and the benefits that I may derive from participation in the ESPP do not establish any rights between myself and the Employer and do not form part of the employment conditions and/or benefits provided by the Employer and any modification of the ESPP or its termination shall not constitute a change or impairment of the terms and conditions of my employment.

I further understand that my participation in the ESPP is as a result of a unilateral and discretionary decision of the Company, therefore, the Company reserves the absolute right to amend and/or discontinue my participation at any time without any liability to me.

Finally, I hereby declare that I do not reserve any action or right to bring any claim against the Company for any compensation or damages regarding any provision of the ESPP or the benefits derived under the ESPP, and I therefore grant a full and broad release to the Company, its branches, representation offices, shareholders, officers, agents or legal representatives and any Subsidiary or Affiliate with respect to any claim that may arise.

Reconocimiento del Convenio. *Al inscribirme y participar en el ESPP, reconozco que he recibido y revisado una copia del ESPP y del Convenio, incluyendo este Apéndice. De igual forma, reconozco y acepto todas las disposiciones del ESPP y del Convenio, incluyendo el apéndice. También reconozco que he leído y que apruebo de forma expresa todos los términos y condiciones establecidos en la sección 5 del Convenio de Suscripción Global, que claramente establece lo siguiente:*

- (1) *Mi participación en el ESPP no constituye un derecho adquirido;*
- (2) *El ESPP y mi participación en el mismo se ofrecen por la Compañía de forma totalmente discrecional;*
- (3) *Mi participación en el ESPP es voluntaria; y*
- (4) *La Compañía y sus Subsidiarias no son responsables por ninguna disminución en el valor de las acciones que pudiera adquirir bajo el ESPP.*

Política Laboral y Reconocimiento. *Reconozco expresamente que la Compañía, con sus oficinas registradas en 3000 Tannery Way, Santa Clara, California 95054, Estados Unidos, es el único responsable de la administración del ESPP y que mi participación en el mismo y la compra de Acciones no constituye de ninguna manera una relación laboral entre mi persona y la Compañía, dado que mi participación en el ESPP deriva únicamente de una relación comercial. Derivado de lo anterior, expresamente reconozco que el ESPP y los beneficios que pudieran derivar del mismo no establecen ningún derecho entre mi persona y el empleador y no forman parte de las condiciones laborales y/o prestaciones otorgadas por el empleador, y cualquier modificación al ESPP o la terminación del mismo no podrá ser interpretada como una modificación o degradación de los términos y condiciones de mi trabajo.*

Asimismo, entiendo que mi participación en el ESPP es resultado de la decisión unilateral y discrecional de la Compañía, por lo tanto, la Compañía se reserva el derecho absoluto para modificar y/o terminar mi participación en cualquier momento, sin ninguna responsabilidad para mi persona.

Finalmente, manifiesto que no me reservo ninguna acción o derecho que origine una demanda en contra de la Compañía, por cualquier compensación o daño en relación con cualquier disposición del ESPP o de los beneficios derivados del mismo, y en consecuencia otorgo un amplio y total finiquito a la Compañía, sus sucursales, oficinas de representación, sus accionistas, directores, agentes y representantes legales o de cualquier Subsidiaria o Afiliada con respecto a cualquier demanda que pudiera surgir.

Notifications

Securities Law Information. The option to purchase shares of Common Stock and any shares of Common Stock acquired under the ESPP have not been registered with the National Register of Securities maintained by the Mexican National Banking and Securities Commission and cannot be offered or sold publicly in Mexico. In addition, the ESPP, the Agreement and any other document relating to the option to purchase shares of Common Stock may not be publicly distributed in Mexico. I acknowledge that these materials are addressed to me because of my existing relationship with the Company and these materials should not be reproduced or copied in any form. The offer contained in these materials does not constitute a public offering of securities, but rather constitutes a private placement of securities addressed specifically to Eligible Employees made in accordance with the provisions of the Mexican Securities Market Law, and any rights under such offering shall not be assigned or transferred.

NETHERLANDS

Notifications

Securities Law Information. The Company has prepared and made available an Information Document in reliance on an exemption from prospectus requirements that may otherwise apply to the offer of the ESPP in the Netherlands. The Information Document is attached hereto as Exhibit C.

NEW ZEALAND

Notifications

Securities Law Information. Warning: *I understand that I am being offered an opportunity to participate in the ESPP, which allows me to purchase shares of Common Stock under the ESPP in accordance with the terms of the ESPP and the Agreement. The shares of Common Stock, if purchased, give me a stake in the ownership of the Company. I may receive a return if dividends are paid.*

If the Company runs into financial difficulties and is wound up, I will be paid only after all creditors and holders of preference shares have been paid. I may lose some or all of my investment.

New Zealand law normally requires people who offer financial products to give information to investors before they invest. This information is designed to help investors to make an informed decision.

The usual rules do not apply to this offer because it is made under an employee share purchase scheme. As a result, I may not be given all the information usually required. I will also have fewer other legal protections for this investment.

I understand that I should ask questions, read all documents carefully, and seek independent financial advice before committing myself.

The right to purchase shares of Common Stock under the ESPP is not quoted. The Common Stock is quoted and approved for trading on the Nasdaq Stock Market. This means that, if I purchase shares of Common Stock under the ESPP, I may be able to sell my investment on the Nasdaq Stock Market if there are interested buyers. I understand that I may get less than I invested. The price will depend on the demand for the Common Stock.

For information on risk factors impacting the Company's business that may affect the value of the shares of Common Stock, I should refer to the risk factors discussion in the Company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, which are filed with the U.S. Securities and Exchange Commission and are available online at www.sec.gov, as well as on the Company's website at <http://investors.paloaltonetworks.com/>.

NORWAY

There are no country-specific provisions.

POLAND

Terms and Conditions

Authorization for Payroll Deductions. I understand that as a condition of my participation in the ESPP, I will be required to execute the attached Consent for Deduction form. I understand that, by electronically accepting this Agreement, I am executing the attached Consent for Deduction form. I understand that I will not be able to participate in the ESPP until the Company receives my executed form.

Notifications

Exchange Control Information. Polish residents holding foreign securities (including shares of Common Stock) and maintaining accounts abroad must report information to the National Bank of Poland on transactions and balances of the securities and cash deposited in such accounts if the value of such transactions or balances exceeds PLN 7,000,000. If required, the reports must be filed on a quarterly basis on special forms available on the website of the National Bank of Poland. In addition, transfers of funds in excess of a certain threshold (currently €15,000, or PLN 15,000 if such transfer of funds is connected with business activity of an entrepreneur) into and out of Poland must be made via a bank account held at a bank in Poland. Polish residents are required to store all documents related to any foreign exchange transactions for a period of five years. I understand that I am responsible for complying with all applicable exchange control regulations.

(Consent for Deduction form on next page)

CONSENT FOR DEDUCTION

I, in order to participate in the Palo Alto Networks, Inc. Employee Stock Purchase Plan ("Plan"), authorize my employer Palo Alto Networks (Poland) sp. z o.o. to withhold payroll deductions at the percentage of my Compensation I indicated on the online enrollment page, which I may subsequently change to the extent allowed under the Plan and by the Administrator. I understand that this amount must not be less than 1% and not more than 15% of my Compensation for any Offering Period with the reservation that the deductions are made in accordance with the applicable provisions of the Polish labor law.

I acknowledge and agree that any past payroll deductions from my Compensation with respect to my participation in the Plan complied with Polish law and that I authorized all such deductions.

All the terms written in capital letters shall have the meanings given to them in the Plan.

In case of any discrepancies between the Polish language version of this document and its English language version, the Polish language version shall prevail.

ZGODA NA POTRĄCENIE

Ja, w celu uczestnictwa w Palo Alto Networks, Inc. Employee Stock Purchase Plan ("Plan"), upoważniam mojego pracodawcę Palo Alto Networks (Poland) sp. z o.o. do potrącenia procentu mojego Wynagrodzenia wskazanego przeze mnie na stronie rejestracji on-line, którą mogę następnie zmienić w zakresie dozwolonym przez Plan oraz Administratora. Przyjmuję do wiadomości, iż ta kwota nie może być mniejsza niż 1% i większa niż 15% mojego Wynagrodzenia w każdym Okresie Oferty z zastrzeżeniem, że potrącenia będą dokonywane zgodnie z obowiązującymi przepisami polskiego prawa pracy.

Niniejszym potwierdzam i zgadzam się z tym, że jakiegokolwiek przeszłe potrącenia z mojego wynagrodzenia dokonane w związku z moim uczestnictwem w Planie były zgodne z polskim prawem i że wyraziłem/am na nie zgodę.

Wszystkie terminy pisane wielkimi literami mają znaczenie przypisane im w ramach Planu.

W przypadku jakichkolwiek rozbieżności pomiędzy polską a angielską wersją językową niniejszego dokumentu, wersja polska ma charakter wiążący.

PORTUGAL

Terms and Conditions

Language Consent. I hereby agree to receive information related to the ESPP in English through my participation in the ESPP. Specifically, I acknowledge as follows:

I hereby expressly declare that I have full knowledge of the English language and have read, understood and fully accepted and agreed with the terms and conditions established in the ESPP and the Agreement.

Por meio do presente, eu declaro expressamente que tem pleno conhecimento da língua inglesa e que li, compreendi e livremente aceitei e concordei com os termos e condições estabelecidas no Plano e no Acordo.

Notifications

Exchange Control Information. If I hold shares of Common Stock acquired under the ESPP, the acquisition of shares should be reported to the Banco de Portugal for statistical purposes. If the shares are deposited with a commercial bank or financial intermediary in Portugal, such bank or financial intermediary will submit the report on my behalf. If the shares are not deposited with a commercial bank or financial intermediary in Portugal, I am responsible for submitting the report to the Banco de Portugal.

QATAR

Notifications

Securities Law Information. The options granted under the ESPP and any shares of Common Stock issued under the ESPP have not been offered, sold or delivered and will not be offered, sold or delivered, at any time, directly or indirectly in the State of Qatar in a manner that would constitute a public offering.

The Agreement, the ESPP and any other incidental communication materials distributed in connection with the ESPP have not been, and will not be, registered with or approved by the Qatar Financial Markets Authority or Qatar Central Bank and may not be publicly distributed. The Agreement, the ESPP and any other incidental communication materials distributed in connection with the ESPP are intended only for Eligible Employees and must not be provided to any other person. These materials are not for general circulation in the State of Qatar and may not be reproduced or used for any other purpose.

ROMANIA

Terms and Conditions

Language Consent. By participating in the ESPP, I acknowledge that I am proficient in reading and understanding English and fully understand the terms of the documents related to my

participation (the ESPP and the Agreement), which were provided in the English language. I accept the terms of those documents accordingly.

Consimtământ cu privire la limba. Prin participarea la planul ESPP, confirm că am un nivel adecvat de cunoaștere în ce privește citirea și înțelegerea limbii engleze, am înțeles pe deplin termenii documentelor referitoare la participarea mea (planul ESPP și Formularul de aderare/schimbare, inclusiv această Anexă), care au fost furnizate în limba engleză. Accept termenii acestor documente în mod corespunzător.

Notifications

Exchange Control Information. If I deposit the proceeds from the sale of shares of Common Stock acquired under the ESPP into a bank account in Romania, I may be required to provide the Romanian bank with appropriate documentation explaining the source of the funds. I understand that I should consult with my personal legal advisor to determine whether I will be required to submit such documentation to the Romanian bank.

SAUDI ARABIA

Terms and Conditions

Purchase of Shares. I understand that no shares of Common Stock will be purchased on my behalf under the ESPP, provided the Company, in its sole discretion, determines that such purchase does not comply with securities law requirements in Saudi Arabia.

Notifications

Securities Law Information. The Agreement and related ESPP plan document may not be distributed in Saudi Arabia except to such persons as are permitted under the Offers of Securities and Continuous Obligations issued by the Capital Market Authority.

The Capital Market Authority does not make any representation as to the accuracy or completeness of the Agreement, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of the Agreement. I should conduct my own due diligence on the accuracy of the information relating to the shares of Common Stock. If I do not understand the contents of the Agreement, I should consult an authorized financial advisor.

SINGAPORE

Terms and Conditions

Restriction on Sale and Transferability of Shares. I understand and acknowledge that my option to purchase shares of Common Stock is subject to section 257 of the Singapore Securities and Futures Act (Chapter 289, 2006 Ed.) ("SFA") and I will not be able to make any subsequent sale of shares of Common Stock in Singapore, or any offer of the shares of Common Stock acquired under the ESPP unless such sale or offer in Singapore is made (i) more than six months from the date of offer, (ii) pursuant to the exemptions under Part XIII Division (1) Subdivision (4) (other than

section 280) of the SFA, or (iii) pursuant to, and in accordance with the condition of, any other applicable provisions of the SFA.

Notifications

Securities Law Information. I understand that the option to purchase shares of Common Stock under the ESPP is being granted to me pursuant to the "Qualifying Person" exemption under section 273(1)(f) of the SFA. I further understand that the ESPP has not been lodged or registered as a prospectus with the Monetary Authority of Singapore.

Director Reporting Notice. If I am a director, associate director or shadow director of a Singapore Subsidiary or Affiliate, as such terms are used in the Singapore Companies Act (the "SCA"), I agree to comply with notification requirements under the SCA. Among these requirements is an obligation to notify the Singapore Subsidiary or Affiliate in writing when I receive an interest (e.g., shares of Common Stock) in the Company or any related companies (including when I sell shares acquired under the ESPP). In addition, I must notify the Singapore Subsidiary or Affiliate when I sell or receive shares of the Company or any related company (including when I sell or receive shares under the ESPP). These notifications must be made within two business days of acquiring or disposing of any interest in the Company or any related company. In addition, I acknowledge that a notification must be made of my interests in the Company or any related company within two business days of becoming a director.

SLOVAKIA

There are no country-specific provisions.

SLOVENIA

Terms and Conditions

Language Consent. By enrolling in the ESPP, I acknowledge that I am proficient in reading and understanding English and fully understand the terms of the documents related to the grant (the Agreement and the ESPP), which were provided in the English language. I accept the terms of those documents accordingly.

Soglasje za uporabo angleškega jezika. Z vpisom v ESPP (plan) priznavam in potrjujem, da sem sposoben brati in razumeti angleški jezik ter v celoti razumem pogoje dokumentov, povezanih z dodelitvijo (pogodba (Agreement) in ESPP (plan)), ki so bili posredovani v angleškem jeziku. Skladno s tem sprejemam pogoje teh dokumentov.

SOUTH AFRICA

Terms and Conditions

Responsibility for Taxes. The following provision supplements Section 4 of the Global Subscription Agreement:

By enrolling and participating in the ESPP, I agree that, immediately upon the purchase of shares of Common Stock, I will notify the Employer of the amount of any discount/gain realized. I understand that if I fail to advise the Employer of the gain realized upon purchase, I may be liable for a fine. I acknowledge that I am solely responsible for paying any difference between the actual tax liability and the amount withheld.

Tax Clearance Certificate for ESPP Participation. I understand that in order to participate in the ESPP, I may be required to obtain and provide to the Employer, or any third party designated by the Employer or the Company, a Tax Clearance Certificate (with respect to foreign investments – see Exchange Control Information below) bearing the official stamp and signature of the Exchange Control Department of the South African Revenue Service ("SARS") and I must renew this Tax Clearance Certificate each year or such other period as may be required by the SARS. I acknowledge that my failure to provide a valid Tax Clearance Certificate by the deadline provided by the Employer or the Company may result in my

withdrawal from participation in the ESPP.

Notifications

Securities Law Information. The documents listed below are available for my review on the Company's website at <https://investors.paloaltonetworks.com> and the Company's intranet:

1. The Company's most recent annual financial statements; and
2. The Company's most recent ESPP prospectus.

A copy of the above documents will be sent to me free of charge on written request to equity@paloaltonetworks.com.

I should carefully read the materials provided before making a decision whether to participate in the ESPP. In addition, I should contact my tax advisor for specific information concerning my personal tax situation with regard to ESPP participation.

Exchange Control Information. Under current South African exchange control policy, South African residents may invest a maximum of a certain threshold (currently ZAR 11 million) per annum in offshore investments, including in shares of Common Stock. The ZAR 11 million allowance consists of a ZAR 1 million annual discretionary allowance which may be utilized for investment and non-investment purposes and without prior authorization, and a ZAR 10 million annual allowance which may be utilized solely for investment purposes and requires a tax clearance certificate. These limits do not apply to non-resident Participants.

It is my responsibility to ensure that I do not exceed the combined limit. This limit is a cumulative allowance; therefore, my ability to remit funds for the purchase of Common Stock will be reduced if my foreign investment limit is utilized to make a transfer of funds offshore that is unrelated to the ESPP. If the ZAR 11 million limit will be exceeded as a result of a purchase under the ESPP, I may still participate in the ESPP; however, I will need to immediately sell the shares of Common Stock purchased on my behalf under the ESPP and repatriate the proceeds to South Africa in order to ensure that I do not hold assets outside South Africa with a value in excess of the permitted offshore investment allowance amount.

As the investment limit and other exchange control requirements are subject to change without notice, I should consult my personal legal advisor prior to the purchase or sale of shares of Common Stock under the ESPP to ensure compliance with current regulations. I am solely responsible for complying with exchange control requirements in South Africa and neither the Company nor any Subsidiary or Affiliate will be liable for any fines or penalties resulting from my failure to do so.

SPAIN

Terms and Conditions

Nature of Grant. This provision supplements Section 5 of the Global Subscription Agreement:

By enrolling in the ESPP, I consent to participation in the ESPP and acknowledge that I have received a copy of the ESPP.

I understand and agree that I will cease to be a Participant in the ESPP upon the termination of my status as an Eligible Employee for any reason (including for the reasons listed below) and my payroll deductions shall cease and be returned to me, without interest, as soon as administratively possible.

In particular, I understand and agree that I will no longer be able to participate in the ESPP and any right to the shares of Common Stock will be forfeited upon the termination of my status as an Eligible Employee due to, but not limited to: resignation, retirement, disciplinary dismissal adjudged to be with cause, disciplinary dismissal adjudged or recognized to be without cause, individual or collective layoff on objective grounds, whether adjudged to be with cause or adjudged or recognized to be without cause, material modification of the terms of employment under Article 41 of the Workers' Statute, relocation under Article 40 of the Workers' Statute, Article 50 of the Workers' Statute, unilateral withdrawal by the Employer, and under Article 10.3 of Royal Decree 1382/1985.

Furthermore, I understand that the Company has unilaterally, gratuitously and discretionally decided to grant options to purchase shares of Common Stock under the ESPP to individuals who may be Eligible Employees. The decision is a limited decision that is entered into upon the express assumption and condition that (i) any grant will not economically or otherwise bind the Company or any Subsidiary or Affiliate on an ongoing basis; (ii) the option and any shares of Common Stock purchased under the ESPP are not part of any employment contract either with the Company or any Subsidiary or Affiliate and shall not be considered a mandatory benefit, salary for any purposes (including severance compensation) or any other right whatsoever; and (iii) my participation in the ESPP will cease upon the termination of my status as an Eligible Employee, as detailed above. In addition, I understand that the option to purchase shares of Common Stock would not be granted to me but for the assumptions and conditions referred to herein; thus, I acknowledge and freely accept that should any or all of the assumptions be mistaken or should any of the conditions not be met for any reason, then the grant of the option to purchase shares of Common Stock shall be null and void.

Notifications

Securities Law Information. No "offer of securities to the public," as defined under Spanish law, has taken place or will

take place in the Spanish territory in connection with the ESPP or the shares of Common Stock acquired pursuant thereto. The Agreement (including this Appendix) has not been nor will it be registered with the *Comisión Nacional del Mercado de Valores*, and does not constitute a public offering prospectus.

Exchange Control Information. When receiving foreign currency payments exceeding €50,000 derived from the ownership of any shares of Common Stock (*i.e.*, dividends or sale proceeds), I acknowledge that I must inform the financial institution receiving the payment of the basis upon which such payment is made. I will need to provide the institution with the following information: (i) my name, address, and tax identification number; (ii) the name and corporate domicile of the Company; (iii) the amount of the payment and the currency used; (iv) the country of origin; (v) the reasons for the payment; and (vi) further information that may be required.

I am required to declare electronically to the Bank of Spain any securities accounts (including brokerage accounts held abroad), as well as the shares held in such accounts if the value of the transactions for all such accounts during the prior tax year or the balances in such accounts as of December 31 of the prior tax year exceed a certain threshold (currently €1,000,000). Different thresholds and deadlines to file this declaration apply. However, if neither such transactions during the immediately preceding year nor the balances / positions as of December 31 exceed a certain threshold (currently €1,000,000), no such declaration must be filed unless expressly required by the Bank of Spain. If any of such thresholds were exceeded during the current year, I may be required to file the relevant declaration corresponding to the prior year, however, a summarized form of declaration may be available. I should consult my personal tax or legal advisor for further information regarding these exchange control reporting obligations.

SWEDEN

Responsibility for Taxes. The following provisions supplement Section 4 of the Global Subscription Agreement:

Without limiting the Company and the Employer's authority to satisfy their withholding obligations for Tax-Related Items as set forth in Section 4 of the Global Subscription Agreement, by participating in the ESPP, I authorize the Company and/or the Employer to withhold or to sell shares of Common Stock otherwise deliverable to me upon purchase in order to satisfy Tax-Related Items, regardless of whether the Company and/or the Employer has an obligation to withhold such Tax-Related Items.

SWITZERLAND

Notifications

Securities Law Information. Neither this document nor any other materials relating to participation in the ESPP (i) constitutes a prospectus according to articles 35 et seq. of the Swiss Federal Act on Financial Services ("FinSA"), (ii) may be publicly distributed or otherwise made publicly available in Switzerland to any person other than an Eligible Employee, or (iii) has been or will be filed with, approved or supervised by any Swiss reviewing body according to article 51 FinSA or any Swiss regulatory authority, including the Swiss Financial Market Supervisory Authority.

TAIWAN

Terms and Conditions

Data Privacy. I hereby acknowledge that I have read and understand the terms regarding the collection, processing and transfer of Data contained in the Data Privacy Provisions above in this Appendix and, by enrolling and participating in the ESPP, I agree to such terms. In this regard, upon request of the Company or the Employer, I agree to provide any executed data privacy consent form (or any other agreements or consents that may be required by the Employer or the Company) should the Company and/or the Employer deem such agreement or consent necessary under applicable data privacy laws, either now or in the future. I understand I will not be able to participate in the ESPP if I fail to execute any such consent or agreement.

Notifications

Securities Law Information. The offer to participate in the ESPP and the shares of Common Stock to be purchased under the ESPP are available only for Eligible Employees. It is not a public offer of securities by a Taiwanese company. Therefore, it is exempt from registration in Taiwan.

Exchange Control Information. I may acquire and remit foreign currency (including proceeds from the sale of shares of Common Stock and the receipt of any dividends paid on such shares) into and out of Taiwan up to a certain threshold (currently US\$5,000,000) per year. If the transaction amount equals or exceeds a certain threshold (currently TWD500,000) in a single transaction, I must submit a Foreign Exchange Transaction Form and also provide supporting documentation to the satisfaction of the remitting bank.

THAILAND

Terms and Conditions

Authorization for Participation in the ESPP. I hereby authorize the Employer, the Company and any Subsidiary or Affiliate to remit my accumulated payroll deductions under the ESPP, on my behalf, to the United States of America, to purchase shares of Common Stock under the ESPP.

Upon request of the Company or the Employer, I agree to execute a power of attorney and any other agreements or consents that may be required to enable the Employer, the Company or any Subsidiary or Affiliate or any third party designated by the Employer or the Company to remit my accumulated payroll deductions from Thailand for the purchase of shares of Common Stock. I understand that if I fail to execute a power of attorney or any other form of agreement or consent that is required for the remittance of my payroll deductions, I will not be able to participate in the ESPP.

Notifications

Exchange Control Information. I acknowledge that I am required to immediately repatriate the proceeds from the sale of shares of Common Stock to Thailand if the funds received in a single transaction equal or exceed a certain threshold (currently US\$1,000,000), unless I can rely on an applicable exemption (e.g., where the funds will be used offshore for any permissible purposes under exchange control regulations and the relevant form and supporting documents have been submitted to a commercial bank in Thailand). Any foreign currency repatriated to Thailand must either be converted to Thai Baht or deposited into a foreign currency deposit account within 360 days of repatriation. I must specifically report the inward remittance to the Bank of Thailand on a foreign exchange transaction form. If I fail to comply with these obligations, I may be subject to penalties assessed by the Bank of Thailand. I acknowledge that I should consult my personal legal advisor prior to taking any action with respect to remittance of proceeds from the sale of shares of Common Stock into Thailand. I am responsible for ensuring compliance with all exchange control laws in Thailand.

TÜRKIYE

Notifications

Securities Law Information. By electing to participate in the ESPP, I understand and agree that I am not permitted to sell any shares of Common Stock acquired under the ESPP in Türkiye. The shares of Common Stock are currently traded on the Nasdaq Stock Market, which is located outside of Türkiye, under the ticker symbol "PANW" and the shares may be sold through this exchange.

Financial Intermediary Information. Activity by Turkish residents related to investments in foreign securities (e.g., the sale of shares of Common Stock under the ESPP) must be conducted through a bank or financial intermediary institution licensed by the Turkish Capital Markets Board and should be reported to the Turkish Capital Markets Board. I understand that I am solely responsible for complying with this requirement and I should contact my personal legal advisor for further information regarding my obligations in this respect.

UNITED ARAB EMIRATES

Terms and Conditions

Nature of Grant. The following provision supplements Section 5 of the Global Subscription Agreement:

I acknowledge that the ESPP and related benefits do not constitute a component of my "wages" for any legal purpose. Therefore, the ESPP and related benefits will not be included and/or considered for purposes of calculating any and all labor benefits, such as social insurance contributions and/or any other labor-related amounts which will be payable.

Notifications

Securities Law Information. Participation in the ESPP is being offered only to selected employees and is in the nature of providing equity incentives to Eligible Employees in the United Arab Emirates. The ESPP and the Agreement are intended for distribution only to such employees and must not be delivered to, or relied on by, any other person. Prospective purchasers of the securities offered should conduct their own due diligence on the securities. If I do not understand the contents of the ESPP or the Agreement, I understand that I should consult an authorized financial adviser. The Emirates Securities and Commodities Authority has no responsibility for reviewing or verifying any documents in connection with the ESPP, and neither the Ministry of Economy nor the Dubai Department of Economic Development have approved the ESPP or the Agreement nor taken any steps to verify the information set out therein and have no responsibility for such documents.

UNITED KINGDOM

Terms and Conditions

Joint Election. As a condition of my participation in the ESPP, I agree to accept any liability for secondary Class 1 NICs ("Employer NICs") which may be payable by the Company or the Employer with respect to the purchase of the shares of Common Stock or otherwise payable in connection with my participation in the ESPP. Without prejudice to the foregoing, I agree to enter into the joint election with the Company and/or the Employer attached hereto as Exhibit D (the "Election"), the form of such Election being formally approved by HM Revenue and Customs ("HMRC"), and any other consent or elections required to accomplish the transfer of the Employer NICs to me. I further agree to execute such other joint elections as may

be required between me and any successor to the Company and/or the Employer. I agree to enter into an Election prior to any event giving rise to Employer NICs. I further agree that the Company and/or the Employer may collect the Employer NICs by any of the means set forth in Section 4 of the Global Subscription Agreement or the Election.

If I do not enter into an Election prior to the purchase of shares of Common Stock, I will not be entitled to purchase shares unless and until I enter into an Election, without any liability to the Company, the Employer or any other Subsidiary or Affiliate.

Responsibility for Taxes. The following supplements Section 4 of the Global Subscription Agreement:

Without limitation to Section 4 of the Global Subscription Agreement, I agree that I am liable for all Tax-Related Items and hereby covenant to pay all such Tax-Related Items as and when requested by the Company or the Employer or by HMRC (or any other tax authority or any other relevant authority). I also agree to indemnify and keep indemnified the Company and the Employer against any Tax-Related Items that they are required to pay or withhold or have paid or will pay to HMRC (or any other tax authority or any other relevant authority) on my behalf.

Notwithstanding the foregoing, if I am a director or executive officer of the Company (within the meaning of Section 13(k) of the Exchange Act), I may not be able to indemnify the Company or the Employer for the amount of any income tax not collected from or paid by me, as it may be considered a loan. In this case, the amount of any income tax not collected may constitute an additional benefit to me on which additional income tax and NICs may be payable. I understand that I will be responsible for reporting and paying any income tax due on this additional benefit directly to HMRC under the self-assessment regime and for paying the Company and/or Employer for the value of any employee NICs due on this additional benefit, which may be collected from me by the Company or the Employer by any of the means referred to in Section 4 of the Global Subscription Agreement.

Notifications

Securities Law Information. The Company has prepared and made available an Information Document in reliance on an exemption from prospectus requirements that may otherwise apply to the offer of the ESPP in the United Kingdom. The Information Document is attached hereto as Exhibit C.

EXHIBIT C

2012 Employee Stock Purchase Plan

Information Document

Important Information for Eligible Employees in the European Union (EU) / European Economic Area (EEA) and the United Kingdom

Introduction

Palo Alto Networks, Inc. (the "**Company**" or the "**Issuer**") offers to its non-U.S. eligible employees (including employees in the EU/EEA and the United Kingdom) the opportunity to purchase shares of common stock, par value USD \$0.0001 (the "**Shares**"), under the 2012 Employee Stock Purchase Plan, as amended and restated (the "**Plan**"), at a discounted purchase price through contributions that are made by payroll deductions. This information document provides information about the number and nature of the securities and the reasons for and details of the offer or allotment. To that end, this information document describes the Issuer, the Plan, the grant of purchase rights under the Plan and the Shares to be purchased.

Exemption from the EU Prospectus Regulation

To the extent offers of shares under the Plan are offers of securities to the public in the EU/EEA and the United Kingdom, the Issuer can claim an exemption from the obligation to publish a prospectus which meets the requirements set forth in Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 (the "**Prospectus Regulation**") and the United Kingdom Prospectus Regulation Rules (" **PRR**"), respectively. Article 1(4)(i) of the Prospectus Regulation and Rule 1.2.3(4)(i) of the PRR exempt issuers from the obligation to publish a prospectus if the securities are offered to existing or former directors or employees by their employer or by an affiliated undertaking provided that the present document is made available to the eligible employees (the "**Exemption**"). The Exemption has been incorporated into United Kingdom domestic law in Rule 1.2.3 of the United Kingdom Prospectus Rules contained in the Financial Conduct Authority's Handbook. Accordingly, in reliance on the Exemption, for offers under the Plan made after this information document is made available to eligible employees, the Issuer has not prepared or filed a prospectus with any competent regulatory authority in the EU/EEA or the United Kingdom in relation to offers made under the Plan, and no such prospectus has been approved and/or published in the EU/EEA or the United Kingdom.

This document does not constitute a prospectus. Instead, this document contains the information that the Company must make available to employees in the EU/EEA and the United Kingdom in order to comply with the Exemption.

Information about the Issuer

The Issuer is Palo Alto Networks, Inc., a U.S. publicly-traded corporation which has listed its Shares on the Nasdaq stock exchange (" **Nasdaq**") under the ticker symbol "PANW." The International Securities Identification Number (the "**ISIN**") for the Shares is US6974351057. The U.S. security identification number (the "**CUSIP number**") for the Shares is 697435105.

The Issuer's address is 3000 Tannery Way, Santa Clara, California 95054, U.S.A.

Additional information about the Issuer, as well as the current trading price of the Shares and the total number of Shares that are issued and outstanding, can be found on its website at <https://investors.paloaltonetworks.com>. Filings made by the Company with the U.S. Securities and Exchange Commission ("**SEC**") are available on its website at www.sec.gov. You also can access these filings through the Investor Relations section of the Company's website, or you can request copies of the filings by contacting the Company's Investor Relations Department at:

Palo Alto Networks, Inc.
3000 Tannery Way, Santa Clara, California 95054, U.S.A.
<https://investors.paloaltonetworks.com>
(408) 753-4000

Reasons for the Offer

The purpose of the Plan is to provide eligible employees of the Company and subsidiaries or affiliates of the Company that have been designated by the Administrator (as defined below) as eligible to participate in the Plan ("**Designated Companies**") with an opportunity to purchase Shares through accumulated contributions. The Company intends for the Plan to have two components: a component that is intended to qualify as an "employee stock purchase plan" under Section 423 of the U.S. Internal Revenue Code of 1986 (the "**423 Component**") and a component that is not intended to qualify as such (the "**Non-423 Component**").

Details of the Offer

Administration

The Plan is offered on a wholly discretionary basis. The Plan is administered by the Company's Board of Directors (" **Board**"), or a committee appointed by the Board (the "**Administrator**"). The Administrator will have full and exclusive discretionary authority to construe, interpret and apply the terms of the Plan, to designate separate offerings under the Plan, to designate subsidiaries and affiliates of the Company as participating in the 423 Component or Non-423 Component, to determine eligibility, to adjudicate all disputed claims filed under the Plan and to establish such procedures that it deems necessary for the administration of the Plan.

Eligibility

Generally, all individuals who are common law employees of the Company or a Designated Company and are customarily employed for at least twenty hours per week and more than five months in any calendar year are eligible to participate in the Plan. However, the Administrator also may determine (subject to the terms of the Plan) that certain individuals will or will not be eligible to participate in the Plan if they have not completed at least two years of service since their last hire date (or such lesser period of time as may be determined by the Administrator in its discretion), or they customarily work no more than twenty hours per week or five months per calendar year (or such lesser period of time as may be determined by the Administrator in its discretion) as required under applicable local law .

Time Frame of the Offer and Enrollment

Each "**Offering Period**" under the Plan is approximately twenty-four months in duration, commencing on the first trading day on or after February 28 and August 31 of each year and ending on the first trading day on or after February 28 and August 31, approximately twenty-four months later. Each Offering Period consists of four six-month "**Purchase Periods**" during which your payroll deductions or other contributions are accumulated under the Plan.

If you are eligible to participate in the Plan, you may become a participant by submitting to the Company's stock administration office (or its designee), on or before a date determined by the Administrator prior to the applicable enrollment date for the Offering Period, a properly completed subscription agreement authorizing Contributions (as defined below) in the form provided by the Administrator for such purpose, or following an electronic or other enrollment procedure determined by the Administrator.

Once you become a participant in the Plan, you will automatically participate in each succeeding Offering Period unless you either withdraw from the Plan or you cease to be an eligible employee. You are not required to complete any additional subscription agreement, form or procedure in order to continue participation in the Plan, unless requested by the Administrator for legal or administrative reasons.

Minimum and Maximum Amount of Contributions

You may contribute through contributions (in the form of payroll deductions or otherwise, to the extent permitted by the Administrator) (" **Contributions**") an amount not exceeding fifteen percent (15%) of your eligible Compensation (as defined below) toward the purchase of Shares under the Plan, subject to the terms of the Plan. The payroll deductions will commence on the first payday following the first trading day of the Offering Period and will continue until the first trading day on or after February 28 and August 31 of each Purchase Period (the "**Exercise Date**") unless sooner altered or terminated as provided in the Plan. Contributions may be made in whole percentages only.

For purposes of the Plan, your "**Compensation**" includes base straight time gross earnings, payments for overtime and shift premium, but excludes payments for commissions, incentive compensation, bonuses and other similar compensation. The Administrator, in its discretion, may, on a uniform and nondiscriminatory basis, establish a different definition of Compensation for a subsequent Offering Period.

Unless otherwise determined by the Administrator, during a Purchase Period, you may not increase the rate of your Contributions and may only decrease the rate of your Contributions one time per Purchase Period. Any such decrease during a Purchase Period requires you to properly complete and submit to the Company's stock administration office (or another Company designee), on or before a date determined by the Administrator prior to an applicable Exercise Date, a new subscription agreement authorizing the change in Contribution rate or follow an electronic or other procedure prescribed by the Administrator.

Details of the Price

The purchase price is eighty-five percent (85%) of (i) the fair market value of the Shares on the first trading day of the Offering Period or (ii) the fair market value of the Shares on the applicable Exercise Date, whichever is lower. The fair market value is generally the closing price of a Share on the Nasdaq on the Exercise Date.

Nature of the Offer

On each Exercise Date, so long as the Plan remains in effect and provided that you have not withdrawn from the Offering Period in accordance with the requirements of the Plan, the Company shall apply the funds then in your account to the purchase of whole Shares. Any Contributions accumulated in your account which are not sufficient to purchase a full Share will be promptly refunded to you promptly following an Exercise Date.

Number and Nature of the Securities Offered

The maximum number of Shares initially reserved for issuance under the Plan was 1,000,000 Shares. However, the number of Shares available for issuance under the Plan is increased on an annual basis in accordance with the terms of the Plan.

Delivery

As soon as reasonably practicable after each Exercise Date, the Company will arrange the delivery to each participant of the Shares purchased upon exercise of his or her purchase right in a form determined by the Administrator (in its sole discretion) and pursuant to rules established by the Administrator. The Company may permit or require that Shares be deposited directly with a broker designated by the Company or to a designated agent of the Company, and the Company may utilize electronic or automated methods of share transfer. The Company may require that Shares be retained with such broker or agent for a designated period of time and/or may establish other procedures to permit tracking of dispositions of such Shares.

Commission

The Company has selected a broker to administer the issuance of Shares under the Plan (currently E*TRADE Corporate Financial Services, Inc.) (the “**Broker**”). At the time of enrollment, you were or will be asked to open an account with the Broker. You will not have to pay a fee for opening an account with the Broker for the management of your account or for the purchase of Shares. You are responsible for all the commissions and fees related to any sale or transfer of the Shares from the account with the Broker. In addition, the SEC applies a fee to most securities transactions at a rate determined by the SEC. Such commissions and fees are subject to change at any time.

Termination of Participation in the Plan

You may withdraw from the Plan at least one (1) business day prior to an Exercise Date by submitting to the Company's stock administration office (or its designee) a written notice of withdrawal in the form determined by the Administrator for such purpose, or following an electronic or other withdrawal procedure determined by the Administrator. Upon withdrawal from the Plan, all of your accumulated payroll deductions will be returned to you, without interest (unless otherwise required by applicable law), promptly after receipt of notice of withdrawal, and your purchase right for the Offering Period will be automatically terminated, and no further Contributions for the purchase of Shares will be made for such Offering Period..

If you voluntarily withdraw from the Plan, you may not resume participation in the Plan during the same Offering Period. However, you may participate in any Offering Period under the Plan which begins on a date after such withdrawal by completing a subscription agreement in the same manner as described in the Plan for initial participation in the Plan.

Termination of Employment

If you cease to be an eligible employee, for any reason, you will be deemed to have elected to withdraw from the Plan and the Contributions credited to your account during the Offering Period but not yet used to purchase Shares under the Plan will be returned to you without interest (unless otherwise required by applicable law), and your purchase right will be automatically terminated.

Non-transferability of Purchase Rights

Neither Contributions credited to your account nor any rights with regard to the exercise of a purchase right or to receive Shares under the Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will or the laws of descent and distribution). Any such attempt at assignment, transfer, pledge or other disposition will be without effect, except that the Company may treat such act as an election to withdraw funds from an Offering Period in accordance with the Plan.

Restriction on Shares and Transferability

The Shares in this offering under the Plan are registered on a registration statement on Form S-8 with the SEC and are generally freely transferable (subject however to any transferability restrictions resulting from applicable insider trading laws and the Company's insider trading policy).

The Plan is intended to provide Shares for investment and not for resale. The Company does not, however, intend to restrict or influence any participant in the conduct of his or her own affairs. Therefore, you may sell Shares purchased under the Plan at any time you choose, subject to compliance with any applicable securities laws. You assume the risk of any market or currency fluctuations in the price of the Shares. Moreover, you should be aware of the risks of investing in Shares as described, in particular, in the “Risk Factors” section of certain of the Company's SEC filings.

Termination, Suspension, or Amendment of the Plan

The Administrator, in its sole discretion, may amend, suspend, or terminate the Plan, or any part thereof, at any time and for any reason. If the Plan is terminated, the Administrator, in its discretion, may elect to terminate all outstanding Offering Periods either immediately or upon completion of the purchase of Shares on the next Exercise Date (which may be sooner than originally scheduled, if determined by the Administrator in its discretion), or may elect to permit Offering Periods to expire in accordance with their terms (and subject to any adjustment pursuant to the Plan).

If the Offering Periods are terminated prior to expiration, all amounts then credited to participants' accounts that have not been used to purchase Shares will be returned to participants without interest (unless otherwise required by applicable laws) as soon as administratively practicable.

Information on the Shares and Rights Attached to the Shares

The Shares acquired under the Plan are shares of the Company's common stock, which will allow a shareholder to participate in:

- *Dividends* – If and when declared payable by the Company as authorized in its bylaws.
- *Voting* – A shareholder will be entitled to vote at the Company's shareholder meetings where each of the Shares will count for one vote.
- *Information Reporting* – A shareholder will have the right to receive certain information from the Company such as the Company's annual report to shareholders and annual proxy statement. The Company can make such information available for its shareholders at its office and/or via its website.

- *Liquidation Proceeds* – In the event of liquidation, dissolution or winding up of the Company, the holders of Shares are entitled to share ratably in all assets remaining after payment of or provisions for the Company's liabilities, subject to prior rights or preferred stock, if any, then outstanding.
- *No Preemptive, Redemptive or Conversion Provisions* – The Shares are not entitled to preemptive rights and are not subject to conversion or redemption.

With respect to Shares subject to the purchase right under the Plan, you will not be deemed a shareholder with the above rights until the Shares have been purchased and delivered to you.

The Company may issue other classes of shares and/or securities which are not part of this offer and the Plan.

Note that the Company may, at any time, but subject to the passing of a shareholder vote, amend its Bylaws and/or Certificate of Incorporation in a way that impacts the rights of holders of the Shares. These documents can be found on the Company's website at <https://investors.paloaltonetworks.com>.

Additional Information about the Plan

Additional information about the Plan can be found in your participant account on the website of the Broker (or any successor to the Broker). Requests for information about the Plan also can be directed to equity@paloaltonetworks.com.

* * * * *

IMPORTANT NOTE

The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding whether or not you decide to participate in the Plan. You should consult with your personal tax, legal and financial advisors regarding whether to participate in the Plan before taking any action related to the Plan. Further, depending upon where the Shares are listed, the country of your residence and/or the country in which your broker resides, you may be subject to insider trading restrictions and/or market abuse laws that may affect your ability to accept, acquire, sell or otherwise dispose of Shares, rights to Shares (e.g., purchase rights) or rights linked to the value of Shares during such times you are considered to have "inside information" regarding the Company as defined by the laws or regulations in your country. Local insider trading laws and regulations also may prohibit the cancellation or amendment of orders you place before you possessed inside information. Furthermore, you could be prohibited from (i) disclosing the inside information to any third party (other than on a "need to know" basis) and (ii) "tipping" third parties or causing them otherwise to buy or sell securities. Third parties may include fellow employees. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Company insider trading policy. Please note that it is your personal responsibility to comply with any applicable requirements or restrictions, and you should consult with your personal legal advisor to determine your personal obligations and duties.

EXHIBIT D

PALO ALTO NETWORKS, INC.

2012 EMPLOYEE STOCK PURCHASE PLAN

<p>Important Note on the Form of Election to Transfer the Employer's Secondary Class 1 National Insurance Liability to the Participant</p>

As a condition of participation in the Palo Alto Networks, Inc. 2012 Employee Stock Purchase Plan (the **ESPP**) and the option to purchase shares of Palo Alto Networks, Inc. (the "**Company**") that may be granted to you by the Company, you are required to enter into a joint election to transfer to you any liability for the employer's secondary Class 1 National Insurance Contributions (the "**Employer's Liability**") that may arise on the occurrence of a taxable event in respect of the option to purchase shares under the ESPP (the "**Joint Election**").

By entering into the Joint Election:

- you agree that any Employer's Liability that may arise in connection with or pursuant to the option to purchase shares (and the acquisition of the Company's shares) or other taxable events in connection with the option to purchase shares will be transferred to you; and
- you authorise the Company and/or your employer to recover an amount sufficient to cover this liability by any method set forth in the Global Subscription Agreement and/or the Joint Election.

Please read the terms of the Joint Election carefully before agreeing to enroll in the ESPP.

You understand that by providing your electronic signature and thereby enrolling in the ESPP, you are agreeing to be bound by the terms of the Joint Election.

PALO ALTO NETWORKS, INC.

2012 EMPLOYEE STOCK PURCHASE PLAN

FORM OF ELECTION TO TRANSFER THE EMPLOYER'S SECONDARY

CLASS 1 NATIONAL INSURANCE LIABILITY TO THE PARTICIPANT

1. Parties

This Election is between:

- (a) The individual who has obtained authorized access to this Election (the **"Participant"**), who is employed by one of the UK companies listed on the Schedule attached hereto (the **"Employer"**) and who is eligible to receive options to purchase shares of common stock of Palo Alto Networks, Inc. pursuant to the terms and conditions of the Palo Alto Networks, Inc. 2012 Employee Stock Purchase Plan (the **"ESPP"**), and
- (b) **Palo Alto Networks, Inc.** (the **"Company"**), whose registered office is at 3000 Tannery Way, Santa Clara, CA 95054, U.S.A., which is entering into this Election on behalf of the Employer.

2. Purpose of Election

- (a) This Election relates to the Employer's secondary Class 1 National Insurance Contributions (the **"Employer's Liability"**) that may arise on the occurrence of a "Taxable Event" in respect of the options to purchase shares of the Company granted under the ESPP (**"Options"**) pursuant to section 4(4)(a) and/or paragraph 3B(1A) of Schedule 1 of the Social Security Contributions and Benefits Act 1992 (**"SCCBA"**), including, without limitation:
 - (i) the acquisition of securities pursuant to the Options (within section 477(3)(a) ITEPA); and/or
 - (ii) the assignment or release of the Options in return for consideration (within section 477(3)(b) ITEPA); and/or
 - (iii) the receipt of a benefit in connection with the Options other than a benefit within (i) or (ii) above (within section 477(3)(c) ITEPA); and/or
 - (iv) post-acquisition charges relating to the shares acquired pursuant to the ESPP (within section 427 of ITEPA); and/or
 - (v) post-acquisition charges relating to the shares acquired pursuant to the ESPP rights (within section 439 of the ITEPA).

In this Election, ITEPA means the Income Tax (Earnings and Pensions) Act 2003.

- (b) This Election is made in accordance with paragraph 3B(1) of Schedule 1 to SCCBA.
- (c) This Election applies to all Options granted under the ESPP up to the termination date of the ESPP.
- (d) This Election does not apply in relation to any liability, or any part of any liability, arising as a result of regulations being given retrospective effect by virtue of section 4B(2) of either the SCCBA, or the Social Security Contributions and Benefits (Northern Ireland) Act 1992.
- (e) This Election will not apply to the extent that it relates to relevant employment income, which is employment income of the earner by virtue of Chapter 3A of Part 7 of ITEPA (employment income: securities with artificially depressed market value).

3. The Election

The Participant and the Company jointly elect that the entire liability of the Employer to pay the Employer's Liability on the Taxable Event is hereby transferred to the Participant. The Participant understands that, by signing or electronically accepting this Election, he or she will become personally liable for the Employer's Liability covered by this Election.

4. Payment of the Employer's Liability

- (a) The Participant and the Company acknowledge that the Employer is under a duty to remit the Employer's Liability to HM Revenue & Customs on behalf of the Participant within fourteen (14) days after the end of the

U.K. tax month during which the Taxable Event occurs (or within seventeen (17) days of the end of the U.K. tax month during which the Taxable Event occurs, if payments are made electronically), or such other period of time as may be prescribed. The Participant agrees to pay to the Employer the amount of the Employer's Liability on demand, at any time on or after the Taxable Event, and hereby authorises the Employer to account for the Employer's Liability to HM Revenue & Customs.

- (b) Without limitation to Clause 4.1 above, the Participant hereby authorises the Company and/or the Employer to collect the Employer's Liability from the Participant at any time after the Taxable Event:
 - (i) by deduction from salary or any other payment payable to the Participant at any time on or after the date of the Taxable Event; and/or
 - (ii) directly from the Participant by payment in cash or cleared funds; and/or
 - (iii) by arranging, on behalf of the Participant, for the sale of some of the securities which the Participant is entitled to receive pursuant to the Options; and/or
 - (iv) where the proceeds of the gain are to be paid through a third party, the Participant will authorize that party to withhold an amount from the payment or to sell some of the securities which the Participant is entitled to receive pursuant to the Options; and/or
 - (v) through any other method as set forth in the relevant award agreement entered into between the Participant and the Company.
- (c) The Company hereby reserves for itself and the Employer the right to withhold the transfer of any securities to the Participant in respect of the ESPP until full payment of the Employer's Liability is received.

5. Duration of Election

- (a) The Participant and the Company agree to be bound by the terms of this Election regardless of whether the Participant is transferred, is abroad, or no longer renders services to the Employer on the date on which the Employer's Liability becomes due.
- (b) Any reference to the Company and/or the Employer shall include that entity's successors in title and assigns as permitted in accordance with the terms of the Plan and relevant award agreement. This Election will continue in effect in respect of any awards which replace the Options in circumstances where section 483 of ITEPA applies.
- (c) This Election will continue in effect until the earliest of the following:
 - (i) the date on which both the Participant and the Company agree in writing that it should cease to have effect;
 - (ii) the date on which the Company serves written notice on the Participant terminating its effect;
 - (iii) the date on which HM Revenue & Customs withdraws approval of this Election; or
 - (iv) the date on which, after due payment of the Employer's Liability in respect of the entirety of the Options to which this Election relates or could relate, this Election ceases to have effect according to its own terms.

Acceptance by the Participant

By providing your electronic signature and enrolling in the ESPP, the Participant agrees to be bound by the terms hereof as stated above.

Acceptance by the Company

The Company acknowledges that, by arranging for the scanned signature of an authorized representative to appear on this Election, the Company agrees to be bound by the terms hereof as stated above.

Signed for and on behalf of **Palo Alto Networks, Inc.**

Vice President & General Counsel

Schedule of Employer Companies

The employing companies to which this Election relates are:

NAME:

Palo Alto Networks (UK) Limited

Registered number: 06851390

Registered Office:	22 Bishopsgate, Level 55, London, EC2N 4BQ, England
Corporation Tax District:	District 623
Corporation Tax Reference:	14747 26068
PAYE Tax District:	120 – North East Metropolitan
PAYE Reference:	120/PH00260439

NAME:

Palo Alto Networks FS International Limited

Registered number: 13789823

Registered Office:	22 Bishopsgate, Level 55, London, EC2N 4BQ, England
Corporation Tax District:	District 623
Corporation Tax Reference:	26559 18447
PAYE Tax District:	120 – North East Metropolitan
PAYE Reference:	120/TE66757

PALO ALTO NETWORKS, INC.
CLAWBACK POLICY

(Adopted as of August 29, 2017, amended August 14, 2024)

Palo Alto Networks, Inc. (the “**Company**”) is committed to the principle of strong corporate governance. As part of its commitment, the Compensation Committee (the “**Compensation Committee**”) of the Board of Directors of the Company (the “**Board**”) has adopted the following incentive compensation recovery policy (the “**Clawback Policy**”) pursuant to which the Company may seek the recovery of performance-based incentive compensation paid by the Company. This Clawback Policy applies to the Company’s Chief Executive Officer (“**CEO**”) and to officers of the Company who report directly to the CEO (collectively, the “**Participants**”).

Under the terms of the Clawback Policy, if:

1. the Company restates its financial statements filed pursuant to the Securities Exchange Act of 1934 as a result of a material error in such financial statements; and
2. the amount of cash incentive compensation or performance-based equity compensation, in each case, that was paid or is payable based, in whole or in part, on the achievement of specific financial results of the Company (the “**Incentive Compensation**”) paid to a Participant would have been less if the financial statements had been correct at the time the Incentive Compensation was originally determined; and
3. no more than two years have elapsed from the original filing date of the financial statements upon which the Incentive Compensation was determined; and
4. the Compensation Committee unanimously concludes, in its sole discretion, that (a) fraud or intentional misconduct by such Participant caused the material error that led to the restatement of the financial statements at issue and (b) it would be in the best interests of the Company to seek from such Participant recovery of the Recoverable Compensation (as defined below);

then, to the extent permitted by law, the Compensation Committee may, in its sole discretion, seek from such Participant repayment to the Company up to the amount by which such Incentive Compensation as originally determined exceeds the Incentive Compensation that would have been paid or granted if determined in accordance with the restated financial statements (such amount, the “**Recoverable Compensation**”), and the Compensation Committee shall cancel, without payment of any consideration, the portion of such Incentive Compensation not yet paid or delivered to such Participant up to the amount of the Recoverable Compensation. The amount of Recoverable Compensation that is repayable by such Participant will be reduced by any taxes paid by such Participant on the gross amount by which such Incentive Compensation as originally determined exceeds the Incentive Compensation that would have been paid or granted if determined in accordance with the restated financial statements.

The Company’s Compensation Recovery Policy, adopted December 1, 2023 (as may be amended from time to time, the “**Compensation Recovery Policy**”), applies to each person who has served as an executive officer of the Company as defined in Rule 10D-1(d) under the Securities Exchange Act of 1934, as amended (the “**Covered Officers**”), and Erroneously Awarded Compensation (as defined in the Compensation Recovery Policy) received by them on or after October 2, 2023. This Clawback Policy shall not apply to any such Erroneously Awarded Compensation received on or after October 2, 2023 by Covered Officers under the Compensation Recovery Policy.

This Clawback Policy will be revised as necessary so that the terms and conditions of the Clawback Policy, as applied on a Participant-by-Participant basis, will comply with all applicable laws, rules and regulations applicable to the Company and or a Participant or group of Participants.

PALO ALTO NETWORKS, INC.

**INSIDER TRADING POLICY
and
Guidelines with Respect to
Certain Transactions in Securities**

(Effective as of September 6, 2012, Amended February 24, 2016, September 11, 2017, May 23, 2019, July 8, 2020, May 17, 2022
and February 27, 2023)

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SCHEDULE II Individuals Subject to Alternative Quarterly Closed Trading Periods

SCHEDULE III Individuals Subject to Pre-clearance Requirements

INTRODUCTION

Palo Alto Networks, Inc. (together with its subsidiaries, the “**Company**”) opposes the unauthorized disclosure of any nonpublic information acquired in the course of your service with the Company and the misuse of material nonpublic information in securities trading. Any such actions will be deemed violations of this Insider Trading Policy (the “**Policy**”).

Legal prohibitions on insider trading

The antifraud provisions of U.S. federal securities laws prohibit directors, officers, employees and other individuals who possess material nonpublic information from trading on the basis of that information. Transactions will be considered “*on the basis of*” material nonpublic information if the person engaged in the transaction was aware of the material nonpublic information at the time of the transaction. It is not a defense that the person did not “*use*” the information for purposes of the transaction.

Disclosing material nonpublic information directly or indirectly to others, who then trade based on that information, or making recommendations or expressing opinions as to transactions in securities while aware of material nonpublic information (which is sometimes referred to as “**tipping**”) is also illegal. Both the person who provides the information, recommendation or opinion and the person who trades based on it may be liable.

These illegal activities are commonly referred to as “**insider trading**.” State securities laws and securities laws of other jurisdictions also impose restrictions on insider trading.

In addition, a company, as well as individual directors, officers and other supervisory personnel, may be subject to liability as “controlling persons” for failure to take appropriate steps to prevent insider trading by those under their supervision, influence or control.

Detection and prosecution of insider trading

The U.S. Securities and Exchange Commission (the “**SEC**”), the Financial Industry Regulatory Authority and the Nasdaq Stock Market use sophisticated electronic surveillance techniques to investigate and detect insider trading, and the SEC and the U.S. Department of Justice pursue insider trading violations vigorously. Cases involving trading through foreign accounts, trading by family members and friends and trading involving only a small number of shares have been successfully prosecuted.

Penalties for violation of insider trading laws and this Policy

Civil and criminal penalties. As of the effective date of this Policy, potential penalties for insider trading violations under U.S. federal securities laws include:

- damages in a private lawsuit;
- disgorging any profits made or losses avoided;
- imprisonment for up to 20 years;
- criminal fines of up to \$5 million for individuals and \$25 million for entities;
- civil fines of up to three times the profit gained or loss avoided;
- a bar against serving as an officer or director of a public company; and
- an injunction against future violations.

Civil and criminal penalties also apply to tipping. The SEC has imposed large penalties in tipping cases even when the disclosing person did not trade or gain any benefit from another person's trading.

Company disciplinary actions. If the Company has a reasonable basis to conclude that you have failed to comply with this Policy, you may be subject to disciplinary action by the Company, up to and including dismissal for cause, regardless of whether or not your failure to comply with this Policy results in a violation of law, or otherwise in accordance with local law.

It is not necessary for the Company to wait for the filing or conclusion of any civil or criminal action against an alleged violator before taking disciplinary action. In addition, the Company may give stop transfer and other instructions to the Company's transfer agent to enforce compliance with this Policy, to the extent permitted by applicable law.

Insider Trading Compliance Officer

Please direct any questions, requests or reports as to any of the matters discussed in this Policy to the Company's Insider Trading Compliance Officer (the "**Compliance Officer**"), who is the Company's General Counsel. The Compliance Officer is generally responsible for the administration of this Policy. The Compliance Officer may, from time to time, select others to assist with the execution of his or her duties (including the pre-clearance of trades).

Reporting violations

It is your responsibility to help enforce this Policy. You should be alert to possible violations and promptly report violations or suspected violations of this Policy to the Compliance Officer. If your situation requires that your identity be kept secret, your anonymity will be preserved to the greatest extent reasonably possible, or otherwise permitted by law. You may report violations or suspected violations of this Policy via our website at www.paloaltonetworks.ethicspoint.com or call the anonymous ethical violation hotline at 1-855-266-7042. If you wish to remain anonymous, you may send a letter addressed to the Insider Trading Compliance Officer at Palo Alto Networks, Inc., 3000 Tannery Way, Santa Clara, CA 95054. If you make an anonymous report, please provide as much detail as possible, including any evidence that you believe may be relevant to the issue.

Personal responsibility

The ultimate responsibility for complying with this Policy and applicable laws and regulations rests with you. You should use your best judgment at all times and consult with your personal legal and financial advisors, as needed. We advise you to seek assistance if you have any questions at all. The rules relating to insider trading can be complex, and a violation of insider trading laws can carry severe consequences.

PERSONS AND TRANSACTIONS COVERED BY THIS POLICY

Persons covered by this Policy

This Policy applies to all directors, officers, employees, consultants and independent contractors of the Company. References in this Policy to “you” (as well as general references to directors, officers, employees and agents of the Company) should also be understood to include members of your immediate family (which means, for the purposes of this Policy, persons with whom you share a household and persons that are your economic dependents) and any other individuals or entities whose transactions in securities you influence, direct or control (including, for example, an investment fund, if you influence, direct or control transactions by the fund). You are responsible for making sure that these other individuals and entities comply with this Policy.

Types of transactions covered by this Policy

Except as discussed in the section entitled “**Limited Exceptions**,” this Policy applies to **all transactions involving the securities of the Company or the securities of other companies** as to which you possess material nonpublic information obtained in the course of your service with the Company. This Policy therefore applies to purchases, sales, gifts and other transfers of common stock, options, warrants, preferred stock, debt securities (such as debentures, bonds and notes) and other securities. This Policy also applies to any arrangements that affect economic exposure to changes in the prices of these securities. These arrangements may include, among other things, transactions in derivative securities (such as exchange-traded put or call options), hedging transactions, short sales and certain decisions with respect to participation in benefit plans. In addition, this Policy applies to pledging securities as collateral for loans. This Policy also applies to any offers with respect to the transactions discussed above. You should note that there are no exceptions from insider trading laws or this Policy based on the size of the transaction.

Responsibilities regarding the nonpublic information of other companies

This Policy prohibits the unauthorized disclosure or other misuse of any nonpublic information of other companies (such as the Company’s distributors, vendors, customers, collaborators, suppliers and competitors) that you learn through your service with the Company. This Policy also prohibits insider trading and tipping based on the material nonpublic information of other companies.

Applicability of this Policy after your departure

You are expected to comply with this Policy until such time as you are no longer affiliated with the Company *and* you no longer possess any material nonpublic information subject to this Policy. In addition, if you are subject to a closed trading period under this Policy at the time you cease to be affiliated with the Company, you are expected to abide by the applicable trading restrictions until at least the end of the relevant closed trading period.

No exceptions based on personal circumstances

There may be instances where you suffer financial harm or other hardship or are otherwise required to forego a planned transaction because of the restrictions imposed by this Policy. Personal financial emergency or other personal circumstances are not mitigating factors under securities laws and will not excuse a failure to comply with this Policy.

MATERIAL NONPUBLIC INFORMATION

“Material” information

Information should be regarded as material if there is a substantial likelihood that a reasonable investor would consider it important in deciding whether to buy, hold or sell securities or would view the information as significantly altering the total mix of information in the marketplace about the issuer of the security. In general, any information that could reasonably be expected to affect the market price of a security is likely to be material. Either positive or negative information may be material.

Some common examples of information that could be regarded as material, include information with respect to:

- Financial results, financial condition, earnings pre-announcements, guidance, projections or forecasts;
- Restatements of financial results, or material impairments, write-offs or restructurings;
- Changes in independent auditors, or notification that the Company may no longer rely on an audit report;
- Business plans or budgets;
- Significant business trends or Company metrics;
- Creation of significant financial obligations, or any significant default under or acceleration of any financial obligation;
- Significant developments involving business relationships, including execution, modification or termination of significant agreements or orders with customers, suppliers, distributors, manufacturers or other business partners;
- Significant cybersecurity breaches of the Company's network;
- Product introductions, modifications, defects or recalls or significant pricing changes or other product announcements of a significant nature;
- Significant developments in products or services, research and development or relating to intellectual property;
- Significant litigation, legal, regulatory developments or government investigations, whether actual or threatened;
- Major events involving the Company's securities, including calls of securities for redemption, adoption of stock repurchase programs, stock splits, public or private securities offerings, modification to the rights of security holders or notice of delisting;
- Significant corporate events, such as a pending or proposed merger, joint venture or tender offer, a significant investment, the acquisition or disposition of a significant business or asset or a change in control of the company;
- The existence of a special closed trading period; and
- Changes in our Board of Directors, or significant personnel changes, such as changes in senior management or lay-offs.

If you have any questions as to whether information should be considered “material,” you should consult with the Compliance Officer. In general, it is advisable to resolve any close questions as to the materiality of any information by assuming that the information is material.

“Nonpublic” information

Information is considered nonpublic if the information has not been broadly disseminated to the public for a sufficient period to be reflected in the price of the security. As a general rule, information should be considered nonpublic until at least one *full trading day* (see definition below) has elapsed after the information is broadly disseminated to the public in a press release, a public filing with the SEC, a pre-announced public webcast or another broad, non-exclusionary form of public communication. However, depending on the form of the announcement and the nature of the information, it is possible that information may not be fully absorbed by the marketplace until a later time. Any questions as to whether information is nonpublic should be directed to the Compliance Officer.

The term “**trading day**” means a day on which national stock exchanges are open for trading. A “**full**” trading day has elapsed when, after the public disclosure, trading in the relevant security has opened and then closed.

For example, in general, if the Company issues its earnings release on a Wednesday afternoon, then Thursday would be the next full trading day, and you would not be able to trade in the Company’s securities again until that Friday.

POLICIES REGARDING MATERIAL NONPUBLIC INFORMATION

Confidentiality of nonpublic information

The unauthorized use or disclosure of nonpublic information relating to the Company or other companies is prohibited. All nonpublic information you acquire in the course of your service with the Company may only be used for legitimate Company business purposes. In addition, nonpublic information of others should be handled in accordance with the terms of any relevant nondisclosure agreements, and the use of any such nonpublic information should be limited to the purpose for which it was disclosed.

You must use all reasonable efforts to safeguard nonpublic information in the Company's possession. You may not disclose nonpublic information about the Company or any other company, unless required by law, or unless (i) disclosure is required for legitimate Company business purposes, (ii) you are authorized to disclose the information and (iii) appropriate steps have been taken to prevent misuse of that information (*for example*, entering into an appropriate nondisclosure agreement that restricts the disclosure and use of the information, if applicable). This restriction also applies to internal communications within the Company and to communications with agents of the Company. In cases where disclosing nonpublic information to third parties is required, you should coordinate with the Legal Department.

In addition, all officers, employees and agents of the Company are required to comply with any confidential information or invention assignment agreement with the Company to which they are subject.

No trading on material nonpublic information

Except as discussed in the section entitled "**Limited Exceptions**" below, you may not, directly or indirectly through others, engage in any transaction involving the Company's securities *while aware of* material nonpublic information relating to the Company. It is not an excuse that you did not "use" the information in your transaction.

Similarly, you may not engage in transactions involving the securities of any other company if you are aware of material nonpublic information about that company (except to the extent the transactions are analogous to those presented in the section entitled "**Limited Exceptions**" below). For example, you may be involved in a proposed transaction involving a prospective business relationship or transaction with another company. If information about that transaction constitutes material nonpublic information for that other company, you would be prohibited from engaging in transactions involving the securities of that other company (as well as transactions involving Company securities, if that information is material to the Company). It is important to note that "materiality" is different for different companies. Information that is not material to the Company may be material to another company.

No disclosing material nonpublic information for the benefit of others

You may not disclose material nonpublic information concerning the Company or any other company to friends, family members or any other person or entity not authorized to receive such information where such person or entity may benefit by trading on the basis of such information. In addition, you may not make recommendations or express opinions on the basis of material nonpublic information as to trading in the securities of companies to which such information relates. You are prohibited from engaging in these actions whether or not you derive any profit or personal benefit from doing so. This prohibition against disclosure of material nonpublic information includes disclosure (even anonymous disclosure) via the internet, blogs, investor forums or chat rooms where companies and their prospects are discussed.

Responding to outside inquiries for information

In the event you receive an inquiry from someone outside of the Company, such as a stock analyst, for information, you should refer the inquiry to the Company's Chief Financial Officer or Investor Relations Department. The Company is required under Regulation FD (Fair Disclosure) of the U.S. federal securities laws to avoid the selective disclosure of material nonpublic information. In general, the regulation provides that when a public company discloses material nonpublic information, it must provide broad, non-exclusionary access to the information. Violations of this regulation can subject the company to SEC enforcement actions, which may result in injunctions and severe monetary penalties. The Company has established procedures for releasing material information in a manner that is designed to achieve broad public dissemination of the information immediately upon its release in compliance with applicable law.

CLOSED TRADING PERIODS

To limit the likelihood of trading at times when there is a significant risk of insider trading exposure, the Company has instituted traditional quarterly closed trading periods, alternate quarterly closed trading periods and may also institute special closed trading periods from time to time.

It is important to note that whether or not you are subject to special closed trading periods, you remain subject to the prohibitions on trading on the basis of material nonpublic information and any other applicable restrictions in this Policy.

Traditional quarterly closed trading periods

Except as discussed in the section entitled “**Limited Exceptions**” below, all directors, executive officers and other employees (and agents identified by the Company) identified on Schedule I must refrain from conducting transactions involving the Company’s securities during traditional quarterly closed trading periods.

Traditional quarterly closed trading periods begin at the end of the second Monday of the last month of each fiscal quarter and end at the start of the second full trading day following the date of public disclosure of the financial results for that fiscal quarter. This period is a particularly sensitive time for transactions involving the Company’s securities from the perspective of compliance with applicable securities laws due to the fact that, during this period, the individuals identified on Schedule I may often possess or have access to material nonpublic information relevant to the expected financial and operating results for the quarter.

Alternate quarterly closed trading periods

Except as discussed in the section entitled “**Limited Exceptions**” below, all directors, executive officers and other employees (and agents identified by the Company) identified on Schedule II must refrain from conducting transactions involving the Company’s securities during alternate quarterly closed trading periods.

Alternate quarterly closed trading periods begin on the last day of each fiscal quarter and end at the start of the second full trading day following the date of public disclosure of the financial results for that fiscal quarter. This period is a particularly sensitive time for transactions involving the Company’s securities from the perspective of compliance with applicable securities laws due to the fact that, during this period, the individuals identified on Schedule II may often possess or have access to material nonpublic information relevant to the expected financial and operating results for the quarter.

Special closed trading periods

From time to time, the Company may also prohibit directors, officers, employees and agents from engaging in transactions involving the Company’s securities when, in the judgment of the Compliance Officer, a closed trading period is warranted. The Company will generally impose special closed trading periods when there are material developments known to the Company that have not yet been disclosed to the public. *For example*, the Company may impose a special closed trading period in anticipation of announcing interim earnings guidance or a significant transaction or business development. However, special closed trading periods may be declared for any reason.

The Company will notify those persons subject to a special closed trading period. Each person who has been so identified and notified by the Company may not engage in any transaction involving the Company's securities until instructed otherwise by the Compliance Officer, nor may the person disclose to other persons that he or she is subject to a special closed trading period or otherwise restricted from trading in the Company's securities.

No “safe harbors”

There are no unconditional “safe harbors” for trades made at particular times, and all persons subject to this Policy should exercise good judgment at all times. Even when a traditional quarterly closed trading period or alternate quarterly closed trading period is not in effect, you may be prohibited from engaging in transactions involving the Company's securities because you possess material nonpublic information, are subject to a special closed trading period or are otherwise restricted under this Policy.

PRE-CLEARANCE OF TRADES

Except as discussed in the section entitled “**Limited Exceptions**” below, directors and executive officers should refrain from engaging in any transaction involving the Company’s securities without first obtaining pre-clearance of the transaction from the Compliance Officer. In addition, the Company has determined that certain other employees and agents of the Company that may have regular or special access to material nonpublic information should refrain from engaging in any transaction involving the Company’s securities without first obtaining pre-clearance of the transaction from the Compliance Officer. The Compliance Officer may not engage in a transaction involving the Company’s securities unless the Company’s Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer or their delegate has pre-cleared the transaction. Individuals subject to pre-clearance requirements are listed on Schedule III. From time to time, the Company may identify other persons who should be subject to the preclearance requirements set forth above, and the Compliance Officer may update and revise Schedule III as appropriate.

These pre-clearance procedures are intended to decrease insider trading risks associated with transactions by individuals who have regular or special access to material nonpublic information. In addition, requiring pre-clearance of transactions by directors and officers facilitates compliance with Rule 144 resale restrictions under the Securities Act of 1933, as amended and the liability and reporting provisions of Section 16 under the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”). Pre-clearance of a trade, however, is not a defense to a claim of insider trading and does not excuse you from otherwise complying with insider trading laws or this Policy. Further, pre-clearance of a transaction does not constitute an affirmation by the Company or the Compliance Officer that you are not in possession of material nonpublic information.

The Compliance Officer is under no obligation to approve a transaction submitted for pre-clearance, and may determine not to permit the transaction.

ADDITIONAL RESTRICTIONS AND GUIDANCE

This section addresses certain types of transactions that may expose you and the Company to significant risks. You should understand that, even though a transaction may not be expressly prohibited by this section, you are responsible for ensuring that the transaction otherwise complies with other provisions in this Policy that may apply to the transaction, such as the general prohibition against insider trading as well as pre-clearance procedures and closed trading periods, to the extent applicable.

Short sales

Short sales (*i.e.*, the sale of a security that must be borrowed to make delivery) and “selling short against the box” (*i.e.*, a sale with a delayed delivery) with respect to Company securities are prohibited under this Policy. Short sales may signal to the market possible bad news about the Company or a general lack of confidence in the Company’s prospects, and an expectation that the value of the Company’s securities will decline. In addition, short sales are effectively a bet against the Company’s success and may reduce the seller’s incentive to improve the Company’s performance. Short sales may also create a suspicion that the seller is engaged in insider trading.

Derivative securities and hedging transactions

Engaging in transactions in publicly traded options, such as puts and calls, and other derivative securities with respect to the Company’s securities is prohibited under this Policy. This prohibition extends to any hedging or similar transaction designed to decrease the risks associated with holding Company securities; provided that nothing in this Policy will prohibit actions that are expressly permitted by a compensation plan approved by the Board or a committee thereof. Stock options, stock appreciation rights and other securities issued pursuant to Company benefit plans, including exercises thereof and purchases of the underlying shares, or other compensatory arrangements with the Company are not subject to this prohibition. Transactions in derivative securities may reflect a short-term and speculative interest in the Company’s securities and may create the appearance of impropriety, even where a transaction does not involve trading on inside information. Trading in derivatives may also focus attention on short-term performance at the expense of the Company’s long-term objectives. In addition, because the application of securities laws to derivatives transactions is complex, engaging in derivatives transactions run an increased risk of violating securities laws.

Using Company securities as collateral for loans

If you are required to comply with Section 16 of the Exchange Act or the pre-clearance requirements under this Policy, you may not pledge Company securities as collateral for loans, except with the prior approval of the ESG and Nominating Committee. If you default on the loan, the lender may sell the pledged securities as collateral in a foreclosure sale. The sale, even though not initiated at your request, is still considered a sale for your benefit and, if made at a time when you are aware of material nonpublic information or otherwise are not permitted to trade in Company securities, may result in inadvertent insider trading violations and Section 16 violations (for officers and directors), violations of this Policy and unfavorable publicity for you and the Company. For these same reasons, even if you are not prohibited from pledging Company securities as collateral for loans, you should exercise caution when doing so.

Holding Company securities in margin accounts

If you are required to comply with Section 16 of the Exchange Act or the pre-clearance requirements under this Policy, you may not hold Company securities in margin accounts, except pursuant to pledging arrangements approved by the ESG and Nominating Committee. Under typical margin arrangements, if you fail to meet a margin call, the broker may be entitled to sell securities held in the margin account without your consent. The sale, even though not initiated at your request, is still considered a sale for your benefit and, if made at a time when you are aware of material nonpublic information or are otherwise not permitted to trade, may result in inadvertent insider trading violations, Section 16 violations (for officers and directors), violations of this Policy and unfavorable publicity for you and the Company. For these same reasons, even if you are not prohibited from holding Company securities in margin accounts, you should exercise caution when doing so.

Placing open orders with brokers

Except in accordance with an approved trading plan (as discussed below), you should exercise caution when placing open orders, such as limit orders or stop orders, with brokers, particularly where the order is likely to remain outstanding for an extended period of time. Open orders may result in the execution of a trade at a time when you are aware of material nonpublic information or otherwise are not permitted to trade in Company securities, which may result in inadvertent insider trading violations, Section 16 violations (for officers and directors), violations of this Policy and unfavorable publicity for you and the Company. If you are subject to closed trading periods or pre-clearance requirements, you should so inform any broker with whom you place any open order at the time it is placed.

LIMITED EXCEPTIONS

The following are certain limited exceptions to the restrictions imposed by the Company under this Policy. Please be aware that even if a transaction is subject to an exception to this Policy, you will need to separately assess whether the transaction complies with applicable law. For example, even if a transaction is indicated as exempt from this Policy, you may need to comply with the “short-swing” trading restrictions under Section 16 of the Exchange Act, to the extent applicable. You are responsible for complying with applicable law at all times.

Transactions pursuant to a trading plan that complies with SEC rules

The SEC has enacted rules that provide an affirmative defense against alleged violations of U.S. federal insider trading laws for transactions pursuant to trading plans that meet certain requirements. In general, these rules, as set forth in Rule 10b5-1 under the Exchange Act, provide for an affirmative defense if you enter into a contract, provide instructions or adopt a written plan for trading securities when you are not aware of material nonpublic information. The contract, instructions or plan must (1) specify the amount, price and date of the transaction, (2) specify an objective method for determining the amount, price and date of the transaction and/or (3) place any subsequent discretion for determining the amount, price and date of the transaction in another person who is not, at the time of the transaction, aware of material nonpublic information.

Transactions made pursuant to a written trading plan that complies with the affirmative defense set forth in Rule 10b5-1 and is approved by the Compliance Officer, are not subject to the restrictions in this Policy against trades made while aware of material nonpublic information or to the pre-clearance procedures or closed trading periods established under this Policy. In approving a trading plan, the Compliance Officer may, in furtherance of the objectives expressed in this Policy, impose criteria in addition to those set forth in Rule 10b5-1. Therefore, you must confer with the Compliance Officer prior to entering into any trading plan. If you are an officer (as defined by Rule 16a-1 of the Exchange Act) or director of the Company, under SEC rules, we are required to disclose certain personal information about you and your trading plan in SEC filings, including your name and title, whether you have adopted, modified or terminated a trading plan; the date the trading plan was adopted, modified or terminated; the duration of the trading plan; and the total amount of securities to be purchased or sold under the trading plan. By entering into a trading plan, you acknowledge that this information will be made public in SEC filings.

The SEC rules regarding trading plans are complex and must be complied with completely to be effective. The description provided above is only a summary, and the Company strongly advises that you consult with your personal legal advisor if you intend to adopt a trading plan. While trading plans are subject to review and approval by the Company, the individual adopting the trading plan is ultimately responsible for compliance with Rule 10b5-1 and ensuring that the trading plan complies with this Policy.

Trading plans must be filed with the Compliance Officer (or their designee).

Receipt and vesting of stock options, restricted stock units, restricted stock and stock appreciation rights

The trading restrictions under this Policy do not apply to the grant or award to you of stock options, restricted stock units, restricted stock or stock appreciation rights by the Company. The trading restrictions under this Policy also do not apply to the vesting, cancellation or forfeiture of stock options, restricted stock units, restricted stock or stock appreciation rights in accordance with applicable plans and agreements. However, the trading restrictions do apply to any subsequent sales of any such securities, except as specifically provided below under the heading "Sale of Shares to Cover Tax Withholdings."

Sale of Shares to Cover Tax Withholdings

The trading restrictions under this Policy do not apply to the sale of shares of common stock issued upon vesting of restricted stock units or restricted stock for the limited purpose of covering tax withholding obligations (and any associated broker or other fees) where the Company elects to sell such shares to satisfy such obligations in a manner approved by the Compliance Officer.

Exercise of stock options for cash

The trading restrictions under this Policy do not apply to the exercise of stock options for cash under the Company's stock option plans. Likewise, the trading restrictions under this Policy do not apply to the exercise of stock options in a stock-for-stock exercise with the Company or an election to have the Company withhold securities to cover tax obligations in connection with an option exercise. However, the trading restrictions under this Policy do apply to (1) the sale of any securities issued upon the exercise of a stock option, (2) a cashless exercise of a stock option through a broker, since this involves selling a portion of the underlying shares to cover the costs of exercise, and (3) any other market sale for the purpose of generating the cash needed to pay the exercise price of an option.

Purchases from the employee stock purchase plan

The trading restrictions in this Policy do not apply to elections with respect to participation in the Company's employee stock purchase plan or to purchases of securities under the plan. However, the trading restrictions do apply to any subsequent sales of any such securities.

Stock splits, stock dividends and similar transactions

The trading restrictions under this Policy do not apply to a change in the number of securities held as a result of a stock split or stock dividend applying equally to all securities of a class, or similar transactions.

Inheritance

The trading restrictions under this Policy do not apply to transfers by will or the laws of descent and distribution.

Change in form of ownership

Transactions that involve merely a change in the form in which you own securities are not subject to the trading restrictions under this Policy. For example, you may transfer shares to an *inter vivos* trust of which you are the sole beneficiary during your lifetime.

Other exceptions

Any other exception from this Policy must be approved by the Compliance Officer, in consultation with the Board of Directors or an independent committee of the Board of Directors.

DIRECTORS AND OFFICERS - COMPLIANCE WITH SECTION 16 OF THE SECURITIES EXCHANGE ACT

Obligations under Section 16

Section 16 of the Exchange Act, and the related rules and regulations, set forth (1) reporting obligations, (2) limitations on “short-swing” transactions and (3) limitations on short sales and other transactions applicable to directors, officers, large shareholders and certain other persons.

The Board of Directors of the Company has designated the persons **who** are required to comply with Section 16 of the Exchange Act, and the related rules and regulations, because of their positions with the Company. Each person has been advised of their designation.

Notification requirements to facilitate Section 16 reporting

To facilitate timely reporting of transactions pursuant to Section 16 requirements, each person subject to Section 16 reporting requirements must provide, or must ensure that his or her broker provides, the Company with detailed information (*e.g.*, trade date, number of shares, exact price, *etc.*) regarding his or her transactions involving the Company's securities, including gifts, transfers, pledges and transactions pursuant to a trading plan, both prior to (to confirm compliance with pre-clearance procedures, if applicable) and promptly following execution.

Personal responsibility

The obligation to file Section 16 reports, and to otherwise comply with Section 16, is personal. The Company is not responsible for the failure to comply with Section 16 requirements.

ADDITIONAL INFORMATION

Availability of Policy

This Policy will be made available to all directors, officers, employees and agents of the Company when they commence service with the Company. Each director, officer, employee and agent of the Company is required, if requested, to acknowledge that he or she understands, and agrees to comply with, this Policy.

Amendments

We are committed to continuously reviewing and updating our policies and procedures. The Company therefore reserves the right to amend, alter or terminate this Policy at any time and for any reason, subject to applicable law. A current copy of the Company's policies regarding insider trading may be obtained by contacting the Compliance Officer.

PALO ALTO NETWORKS, INC.
REQUIREMENTS FOR TRADING PLANS
(Adopted effective as of February 27, 2023)

These Requirements for Trading Plans ("**Requirements**") apply to all trading plans adopted or modified after the date set forth above. For transactions under a trading plan to be exempt from (i) the prohibitions in the company's insider trading policy with respect to transactions made while aware of material nonpublic information and (ii) the pre-clearance procedures and blackout periods established under the insider trading policy, the trading plan must comply with the affirmative defense set forth in Exchange Act Rule 10b5-1, and must meet the following requirements:

1. The trading plan must be in writing and signed by the person adopting the trading plan.
2. The trading plan must be adopted at a time when:
 - the person adopting the trading plan is not aware of any material nonpublic information (which the trading plan must include as a representation, as of the date of adoption); and
 - there is no quarterly, special or other trading blackout in effect with respect to the person adopting the plan.
3. The trading plan must be entered into and operated in good faith, and not as part of a plan or scheme to evade the prohibitions of Rule 10b5-1 (which the trading plan must include as representations, as of the date of adoption). The person entering into a trading plan must also act in good faith with respect to that plan.
4. The person adopting the trading plan may not have entered into, or altered, a corresponding or hedging transaction or position with respect to the securities subject to the trading plan and must agree not to enter into any such transaction while the trading plan is in effect.
5. The first trade under the trading plan may not occur until the applicable "cooling-off period" has expired, as follows:
 - a. For directors or Section 16 "officers" (as defined in Exchange Act Rule 16a-1(f) of the Securities Exchange Act of 1934), the first trade may not occur until after the later of (i) 90 calendar days after adoption of the trading plan, and (ii) two business days after the filing by the Company of its financial results in a Form 10-Q or Form 10-K for the completed fiscal quarter in which the trading plan was adopted (but, in any event, this required cooling-off period is subject to a maximum of 120 days after adoption of the trading plan).
 - b. For all other people, the first trade may not occur until after the later of (i) the termination of the next quarterly blackout period following adoption of the trading plan and (ii) 30 calendar days after adoption of the trading plan.
6. The trading plan must have a minimum term of six months with such term to be measured starting from the date of adoption.
7. All transactions during the term of the trading plan (except for the other "Limited Exceptions" identified in the company's insider trading policy and bona fide gifts) must be conducted through the trading plan. In addition, the person adopting the trading plan may not have an outstanding trading plan (and may not subsequently enter into any additional trading plans), except as permitted by Rule 10b5-1¹
8. Any modification or change to the amount, price or timing of transactions under the trading plan is deemed the termination of the trading plan, and the adoption of a new trading plan ("**Modification**"). Therefore, a Modification is subject to the same conditions as a new trading plan as set forth in Sections 1 through 7 herein.
9. Within the twelve months preceding the adoption or a Modification of a trading plan, a person may not have otherwise adopted or effected a Modification to a plan more than once.
10. A person who terminates a trading plan prior to its stated duration may not trade in the company's securities (except for the other "Limited Exceptions" identified in the company's insider trading policy and bona fide gifts) until the later of (i) the termination of the next quarterly blackout period following the date of the trading plan was terminated, and (ii) 30 calendar days after the date the trading plan was terminated, except that the termination of one plan shall not affect any trades that are scheduled to be made under another valid plan that is in place at the time of termination.
11. A trading plan that is designed to effect a single trade (a "Single-Trade Plan") may be adopted only if the person adopting the plan has not, during the prior 12-month period, adopted a Single-Trade Plan. Single-Trade Plans do not include plans that use several different stock price triggers or that give trading discretion to a broker, even if they happen to execute in one single trade, and do not include Sell-to-Cover Plans.
12. The company must be promptly notified of any Modification or termination of the trading plan, including any suspension of

trading under the plan.

13. If the trading plan grants discretion to a stockbroker or other person with respect to the execution of trades under the plan:
 - trades made under the trading plan must be executed by someone other than the stockbroker or other person that executes trades in other securities for the person adopting the trading plan;
 - the person adopting the trading plan may not confer with the person administering the trading plan regarding the company or its securities; and
 - the person administering the trading plan must provide prompt notice to the company of the execution of a transaction pursuant to the plan.
14. All transactions under the trading plan must be in accordance with applicable law.
15. The trading plan (including any modified trading plan) must be pre-approved by the Compliance Officer (or their designee) and meet such other requirements as the Compliance Officer (or their designee) may determine.
16. The trading plan must be filed with the Compliance Officer (or their designee).
17. Each trading plan must provide that the broker will provide notice of any trades under the trading plan to the individual and the company in sufficient time to allow for timely filings under the Exchange Act (*i.e.*, no later than the close of business on the day of the trade).

¹ As contemplated by Rule 10b5-1, a person may adopt a new trading plan before the scheduled termination date of an existing trading plan, so long as the first scheduled trade under the new trading plan does not occur prior to the last scheduled trade(s) under the existing trading plan, and otherwise complies with these Requirements. Termination of the existing trading plan prior to its scheduled termination date may impact the timing of the first trade or the availability of the affirmative defense for the new trading plan; therefore, persons adopting a new trading plan are advised to exercise caution and consult with the the Compliance Officer (or their designee) prior to the early termination of an existing trading plan.

**LIST OF SUBSIDIARIES
OF
PALO ALTO NETWORKS, INC.**

Name of Subsidiary	Jurisdiction of Incorporation
Palo Alto Networks (Australia) Pty Ltd	Australia
Sinefa Pty. Ltd.	Australia
Palo Alto Networks (Austria) GmbH	Austria
Palo Alto Networks Belgium B.V.B.A.	Belgium
Palo Alto Networks (Brasil) Ltda.	Brazil
Palo Alto Networks (Canada Technology), Inc.	Canada
Palo Alto Networks (Canada) Inc.	Canada
Palo Alto Networks (Shanghai) Co., Ltd.	China
PA Networks Costa Rica LLC SRL	Costa Rica
Palo Alto Networks (Czech) S.R.O.	Czechia
Palo Alto Networks Denmark ApS	Denmark
Palo Alto Networks (Finland) Oy	Finland
Palo Alto Networks (Germany) GmbH	Germany
Palo Alto Networks Greece Single Member Private Company	Greece
Palo Alto Networks (Hungary) Kft	Hungary
Palo Alto Networks (India) Private Limited	India
Palo Alto Networks (India) Technologies Private Limited	India
Palo Alto Security Limited	Ireland
Dig Security Solutions Limited	Israel
Palo Alto Networks (Israel Services) Ltd.	Israel
Palo Alto Networks (Israel) Ltd.	Israel
Talon Cyber Security Ltd.	Israel
Cider Security Ltd.	Israel
Palo Alto Networks (Italy) S.R.L.	Italy
Palo Alto Networks K.K. (Kabushiki Kaisha)	Japan
Palo Alto Networks (Mexico) S. de R.L. de C.V.	Mexico
Palo Alto Networks (New Zealand) Unlimited	New Zealand
Palo Alto Networks (Norway) AS	Norway
Palo Alto Networks (Poland) sp. z o.o.	Poland
PANW (Portugal) Unipessoal, LDA	Portugal
Palo Alto Networks (QFC) LLC	Qatar
Palo Alto Networks Korea, Ltd. - Yuhan Hoesa (YH)	S. Korea
Palo Alto Networks Regional Headquarters Company	Saudi Arabia
Palo Alto Networks Saudi Arabia LLC	Saudi Arabia
Palo Alto Networks (Singapore) Holding Company Pte. Ltd.	Singapore
Palo Alto Networks (Singapore) PTE. LTD.	Singapore
Palo Alto Networks (South Africa) (Pty) Ltd.	South Africa
Palo Alto Networks (Iberia), S.L.	Spain
Palo Alto Networks (Switzerland) GmbH	Switzerland
Palo Alto Networks (EU) B.V.	The Netherlands
Palo Alto Networks (GEO) B.V.	The Netherlands
Palo Alto Networks (Netherlands) B.V.	The Netherlands
Palo Alto Networks Holdings B.V.	The Netherlands
Palo Alto Networks Turkey Siber Guvenlik Destek Hizmetleri Limited Şirketi	Türkiye
Palo Alto Networks FZ LLC	United Arab Emirates

Palo Alto Networks FS International Limited	United Kingdom
Palo Alto Networks (UK Holding 1) Limited	United Kingdom
Palo Alto Networks (UK Holding 2) Limited	United Kingdom
Palo Alto Networks (UK) Limited	United Kingdom
3375 Scott Blvd LLC	Delaware
Aporeto LLC	Delaware
Evident.io LLC	Delaware
LightCyber, Inc.	Delaware
Palo Alto Networks (Malaysia), LLC	Delaware
Palo Alto Networks Financial Services, LLC	Delaware
Palo Alto Networks Financial Services Public Sector, LLC	Delaware
Palo Alto Networks International, Inc.	Delaware
Palo Alto Networks Management, LLC	Delaware
Palo Alto Networks Public Sector, LLC	Delaware
Palo Alto Networks Venture Fund, LLC	Delaware
PAN Demisto LLC	Delaware
PAN II LLC	Delaware
PAN LLC	Delaware
Dig Security Inc.	Delaware
PureSec, Inc.	Delaware
RedLock, LLC	Delaware
SecDo, Inc.	Delaware
Talon Cybersecurity, Inc.	Delaware
Twistlock, Inc.	Delaware
Zingbox, LLC	Delaware
CloudGenix, LLC	Delaware
BridgeCrew LLC	Delaware
Sinefa LLC	Delaware
Sinefa Group, LLC	Delaware
Expanse LLC	Delaware
Expanse Holding Company LLC	Delaware
Crypsis Digital Security, LLC	Virginia
Crypsis Group Holdings, LLC	Virginia
3408 Garrett Drive LLC	Delaware
Zycada Networks LLC	Delaware
Cider Security, Inc.	Delaware
Gamma Networks, Inc.	Delaware
PAN Mexico Holding LLC	Delaware

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-8 No. 333-182762) pertaining to the 2005 Equity Incentive Plan, 2012 Equity Incentive Plan and the 2012 Employee Stock Purchase Plan of Palo Alto Networks, Inc.,
- (2) Registration Statements (Form S-8 No. 333-191340, 333-198859, 333-207003, 333-213547, 333-220383, 333-227322, 333-233689, 333-248626 and 333-259322) pertaining to the 2012 Equity Incentive Plan and the 2012 Employee Stock Purchase Plan of Palo Alto Networks, Inc.,
- (3) Registration Statement (Form S-8 No. 333-227901) pertaining to the RedLock Inc. 2015 Stock Plan,
- (4) Registration Statement (Form S-8 No. 333-230663) pertaining to the Demisto, Inc. 2015 Stock Option Plan,
- (5) Registration Statement (Form S-8 No. 333-232672) pertaining to the Twistlock Ltd. Amended and Restated 2015 Share Option Plan,
- (6) Registration Statement (Form S-8 No. 333-234059) pertaining to the Zingbo x, Inc. Stock Incentive Plan,
- (7) Registration Statement (Form S-8 No. 333-235854) pertaining to the Aporeto, Inc. Amended and Restated 2015 Stock Option and Grant Plan,
- (8) Registration Statement (Form S-8 No. 333-238014) pertaining to the CloudGenix Inc. 2013 Equity Incentive Plan,
- (9) Registration Statement (Form S-8 No. 333-249387) pertaining to the Crypsis Group Holdings, LLC 2017 Equity Incentive Plan,
- (10) Registration Statement (Form S-8 No. 333-251423) pertaining to the Sinefa Group, Inc. 2020 Stock Plan,
- (11) Registration Statement (Form S-8 No. 333-251425) pertaining to the Expanse Holding Company, Inc. Amended and restated 2012 Stock Incentive Plan,
- (12) Registration Statement (Form S-8 No. 333-254042) pertaining to the Bridgecrew, Inc. 2019 Stock Incentive Plan,
- (13) Registration Statement (Form S-8 No. 333-259327) pertaining to the Gamma Networks, Inc. 2018 Stock Option and Grant Plan,
- (14) Registration Statement (Form S-8 No. 333-261697, 333-268930 and 333-276424) pertaining to the 2021 Equity Incentive Plan,
- (15) Registration Statement (Form S-8 No. 333-267296 and 333-274318) pertaining to the 2012 Employee Stock Purchase Plan, and
- (16) Registration Statement (Form S-8 No. 333-268931) pertaining to the Cider Security Ltd. 2020 Equity Incentive Plan

of our reports dated September 6, 2024, with respect to the consolidated financial statements of Palo Alto Networks, Inc. and the effectiveness of internal control over financial reporting of Palo Alto Networks, Inc. included in this Annual Report (Form 10-K) of Palo Alto Networks, Inc. for the year ended July 31, 2024.

/s/ Ernst & Young LLP

San Mateo, California
September 6, 2024

**CERTIFICATION PURSUANT TO SECTION 302(a)
OF THE SARBANES-OXLEY ACT OF 2002**

I, Nikesh Arora, certify that:

1. I have reviewed this Annual Report on Form 10-K of Palo Alto Networks, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ NIKESH ARORA

Nikesh Arora

Chief Executive Officer and Director

Date: September 6, 2024

**CERTIFICATION PURSUANT TO SECTION 302(a)
OF THE SARBANES-OXLEY ACT OF 2002**

I, Dipak Golechha, certify that:

1. I have reviewed this Annual Report on Form 10-K of Palo Alto Networks, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ DIPAK GOLECHHA

Dipak Golechha
Chief Financial Officer

Date: September 6, 2024

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Nikesh Arora, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report on Form 10-K of Palo Alto Networks, Inc. for the fiscal year ended July 31, 2024, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in such Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Palo Alto Networks, Inc.

/s/ NIKESH ARORA

Nikesh Arora

Chief Executive Officer and Director

Date: September 6, 2024

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Dipak Golechha, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report on Form 10-K of Palo Alto Networks, Inc. for the fiscal year ended July 31, 2024, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in such Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Palo Alto Networks, Inc.

/s/ DIPAK GOLECHHA

Dipak Golechha

Chief Financial Officer

Date: September 6, 2024

**PALO ALTO NETWORKS, INC.
COMPENSATION RECOVERY POLICY**

Adopted as of December 1, 2023

Palo Alto Networks, Inc. (the “**Company**”) is committed to strong corporate governance. As part of this commitment, the Company has adopted this Compensation Recovery Policy (this “**Policy**”). This Policy applies to each person who has served as an executive officer of the Company (each, an “**Officer**”), as defined in Rule 10D-1(d) under the Securities Exchange Act of 1934 (the “**Exchange Act**”).

The Policy will be applied based on Exchange Act Rule 10D-1(d), the Nasdaq listing rules, and interpretive guidance issued by the Securities and Exchange Commission and the Nasdaq (together, the “**Applicable Rules**”).

1. Accounting Restatements Requiring Application of the Policy

If the Company determines that it is required to prepare an accounting restatement to correct the Company’s material noncompliance with any financial reporting requirement under the securities laws (a “**Restatement**”), including an accounting restatement to correct an error in previously issued financial statements (a) that is material to the previously issued financial statements or (b) that would result in a material misstatement if the error was corrected in the current period or left uncorrected in the current period, then the Committee (as defined below) must determine if recovery is required under this Policy.

The earliest to occur of: (a) the date the Company’s Board of Directors (the “**Board**”), a committee of the Board, or one or more officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare a Restatement, and (b) the date on which a court, regulatory, or other legally authorized body directs the Company to prepare a Restatement is referred to in this Policy as the “**Restatement Determination Date**.”

2. Compensation Covered by Policy

Recovery is required under this Policy if the amount of Incentive-Based Compensation that an Officer “received” on or after October 2, 2023 (the “**Effective Date**”) was greater than what would have been received based on the restated financial statements (such excess, the “**Erroneously Awarded Compensation**”) and none of the limited exceptions apply. If an Officer did receive Erroneously Awarded Compensation, the Company must reasonably promptly recover, and the affected Officer must repay, the Erroneously Awarded Compensation. Recovery is required unless the Committee (as defined below) determines that recovery would be Impracticable (as described in Section 2) or the Erroneously Awarded Compensation was received prior to the beginning of the three fiscal years most recently completed before the Restatement Determination Date.

“**Incentive-Based Compensation**” for an Officer means any compensation that is granted, earned, or vested based wholly or in part upon the attainment of one or more Financial Reporting Measures that is received after such individual became an Officer and only if the individual served as an Officer during the performance period for that compensation.

“**Financial Reporting Measure**” means any measure determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements and any measures

derived wholly or in part from such measures, as well as stock price or share price and total equity holder return. For clarity, a Financial Reporting Measure need not be presented within the Company’s financial statements or included in a filing with the Securities and Exchange Commission.

Incentive-Based Compensation is “received” under the Applicable Rules in the Company’s fiscal period during which the relevant Financial Reporting Measure is attained or satisfied, without regard to whether the grant, vesting or payment of the Incentive-Based Compensation occurs after the end of that period.

Unless the Committee determines that recovery would be Impracticable, recovery is required under the Applicable Rules and the Policy without regard to (a) whether the applicable Officer engaged in misconduct or otherwise caused or contributed to the requirement for the Restatement, (b) whether or when restated financial statements are filed by the Company, and (c) whether the Officer is employed by the Company at the time recovery is required.

3. Implementation

This Policy will be administered, interpreted and construed in accordance with the Applicable Rules by the Compensation and People Committee of the Board or by a majority of the Board’s independent directors (with independence determined under the Applicable Rules). References to the “**Committee**” will be deemed to be referring to the entity making decisions under the Policy. All determinations and decisions made by the Committee under this Policy will be final, conclusive and binding on all persons, including the Company and its affiliates, equity holders and employees. The Committee may delegate administrative duties with respect to this

Policy to one or more directors or employees of the Company, if permitted under the Applicable Rules.

The manner of recovery of any Erroneously Awarded Compensation from each Officer shall be as follows: (a) first, to the extent permitted by applicable law, an offset of the Erroneously Awarded Compensation against other compensation payable to such person, including through reduction or cancellation of Incentive-Based Compensation or outstanding equity awards of such person; (b) second, to the extent applicable and permitted thereunder, reduction or cancellation of interests in any deferred compensation plan or arrangement maintained by the Company; and (c) third, taking any other remedial and recovery action permitted by applicable law, including direct cash reimbursement to the Company.

The Committee may determine that recovery is Impracticable if (a) the direct costs paid to third parties to assist in enforcing recovery would exceed the Erroneously Awarded Compensation; provided that the Company has (i) made reasonable attempts to recover the Erroneously Awarded Compensation, (ii) documented such attempt(s), and (iii) provided such documentation to its relevant listing exchange or association or (b) recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements to be tax-qualified.

Notwithstanding the foregoing, unless otherwise prohibited by the Applicable Rules, to the extent this Policy would require the recovery of Erroneously Awarded Compensation already recovered by the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 or any Other Recovery Arrangement (as defined below), the amount of Erroneously Awarded Compensation already recovered by the Company from the Officer who received such Erroneously Awarded Compensation may be credited against the amount of Erroneously Awarded Compensation required to be recovered pursuant to this Policy from such person.

4. Other

a. No Indemnification; Other Agreements

Notwithstanding the terms of any of the Company's organizational documents (including, but not limited to, the Company's Bylaws in effect from time to time), any Company policy or any contract (including, but not limited to, any indemnification agreement or the terms of any release or separation agreement a former Officer may have signed), the Company will not, (a) directly or indirectly indemnify or insure for any person against the loss of any Erroneously Awarded Compensation pursuant to this Policy or (b) pay or reimburse any person for any premiums for third-party insurance policies that such person may elect to purchase to fund such person's potential obligations under this Policy.

Unless specifically agreed to by the Company after the adoption of the Policy, neither the adoption of this Policy nor the recovery of Erroneously Awarded Compensation under this Policy will give rise to any person's right to voluntarily terminate employment for "good reason," or due to a "constructive termination" (or any similar term of like effect) under any plan, program or policy of or agreement with the Company or any of its affiliates.

b. Application; Enforceability

Except as otherwise determined by the Committee or the Board, the adoption of this Policy does not limit, and is intended to apply in addition to, any other clawback, recoupment, forfeiture or similar policies or provisions of the Company or its affiliates, including, without limitation, any such policies or provisions of such effect contained in any employment agreement, bonus plan, incentive plan, equity-based plan or award agreement thereunder or similar plan, program or agreement of the Company or an affiliate or required under applicable law (the "**Other Recovery Arrangements**"). The remedies specified in this Policy shall not be exclusive and shall be in addition to every other right or remedy at law or in equity that may be available to the Company or any of its affiliates, including, without limitation, the requirements of Section 304 of the Sarbanes-Oxley Act of 2002.

c. Severability

The provisions in this Policy are intended to be applied to the fullest extent of the law; provided, however, to the extent that any provision of this Policy is found to be unenforceable or invalid under any applicable law, such provision will be applied to the maximum extent permitted and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to any limitations required under applicable law.

d. Amendment and Termination

The Board or the Committee may amend, modify or terminate this Policy in whole or in part at any time and from time to time in their sole discretion. To the extent this Policy does not comply with the Applicable Rules, it shall be deemed amended to the minimum extent necessary to ensure compliance. This Policy will terminate automatically when the Company does not have a class of securities listed on a national securities exchange or association.