

Workday, Inc.

Reconciliation of GAAP to Non-GAAP Data  
For the Three Months Ended January 31, 2013  
(in thousands, except per share data)  
(unaudited)

	<u>GAAP</u>	<u>Share-Based Compensation</u>	<u>Non-GAAP as adjusted</u>
Costs and expenses:			
Costs of revenues:			
Subscription services	\$ 12,484	\$ (200)	\$ 12,284
Professional services	20,502	(612)	19,890
Total costs of revenues	32,986	(812)	32,174
Research and development	30,252	(1,301)	28,951
Sales and marketing	36,389	(879)	35,510
General and administrative	12,570	(2,456)	10,114
Operating loss	(30,678)	5,448	(25,230)
Operating margin	(37.6%)	6.7%	(30.9%)
Loss before provision for income taxes	(30,845)	5,448	(25,397)
Provision for income taxes	99	-	99
Net loss	(30,944)	5,448	(25,496)
Net loss per share attributable to common stockholders, for Class A and Class B, basic and diluted <sup>(1)</sup>	\$ (0.19)	\$ 0.03	\$ (0.16)

(1) – Calculated based upon 161,916 basic and diluted weighted-average shares of Class A and Class B common stock

Workday, Inc.

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	<u>GAAP</u>	<u>Share-Based Compensation</u>	<u>Non-GAAP as adjusted</u>
Costs and expenses:			
Costs of revenues:			
Subscription services	6,711	(81)	6,630
Professional services	13,619	(131)	13,488
Total costs of revenues	20,330	(212)	20,118
Research and development	18,287	(373)	17,914
Sales and marketing	22,582	(306)	22,276
General and administrative	5,050	(535)	4,515
Operating loss	(23,091)	1,426	(21,665)
Operating margin	(53.5%)	3.3%	(50.2%)
Loss before provision for income taxes	(23,535)	1,426	(22,109)
Provision for income taxes	51	-	51
Net loss	\$ (23,586)	\$ 1,426	\$ (22,160)
Net loss per share attributable to common stockholders, for Class A and Class B, basic and diluted <sup>(1)</sup>	\$ (0.77)	\$ 0.04	\$ (0.73)

(1) – Calculated based upon 30,818 basic and diluted weighted-average shares of Class A and Class B common stock

**Workday, Inc.**  
**Reconciliation of GAAP to Non-GAAP Data**  
For the Year Ended January 31, 2013  
(in thousands, except per share data)  
(unaudited)

	<u>GAAP</u>	<u>Share-Based Compensation</u>	<u>Equity Grant to Workday Foundation</u>	<u>Non-GAAP as adjusted</u>
Costs and expenses:				
Costs of revenues:				
Subscription services	\$ 39,251	\$ (601)	\$ -	\$ 38,650
Professional services	77,284	(1,312)	-	75,972
Total costs of revenues	116,535	(1,913)	-	114,622
Research and development	102,665	(3,528)	-	99,137
Sales and marketing	123,440	(2,717)	-	120,723
General and administrative	48,880	(7,170)	(11,250)	30,460
Operating loss	(117,863)	15,328	11,250	(91,285)
Operating margin	(43.1%)	5.6%	4.1%	(33.4%)
Loss before provision for income taxes	(119,066)	15,328	11,250	(92,488)
Provision for income taxes	124	-	-	124
Net loss	\$ (119,190)	\$ 15,328	\$ 11,250	\$ (92,612)
Net loss per share attributable to common stockholders, for Class A and Class B, basic and diluted (1)	\$ (1.62)	\$ 0.21	\$ 0.15	\$ (1.26)

(1) – Calculated based upon 74,011 basic and diluted weighted-average shares for Class and Class B common stock

**Workday, Inc.**  
**Reconciliation of GAAP to Non-GAAP Data**  
For Year Ended January 31, 2012  
(in thousands, except per share data)  
(unaudited)

	<u>GAAP</u>	<u>Share-Based Compensation</u>	<u>Non-GAAP as adjusted</u>
Costs and expenses:			
Costs of revenues:			
Subscription services	\$ 22,342	\$ (230)	\$ 22,112
Professional services	43,026	(398)	42,628
Total costs of revenues	65,368	(628)	64,740
Research and development	62,014	(1,124)	60,890
Sales and marketing	70,356	(839)	69,517
General and administrative	15,133	(1,591)	13,542
Operating loss	(78,444)	4,182	(74,262)
Operating margin	(58.3%)	3.1%	(55.2%)
Loss before provision for income taxes	(79,462)	4,182	(75,280)
Provision for income taxes	167	-	167
Net loss	\$ (79,629)	\$ 4,182	\$ (75,447)
Net loss per share attributable to common stockholders, for Class A and Class B, basic and diluted (1)	\$ (2.71)	\$ 0.14	\$ (2.57)

(1) – Calculated based upon 29,478 basic and diluted weighted-average shares for Class and Class B common stock

**Workday, Inc.**

**Revenue by Type**  
(in thousands)  
(unaudited)

	Three Months Ended January 31,		Year Ended January 31,	
	2013	2012	2013	2012
Revenues:				
Subscription services	\$ 59,622	\$ 29,031	\$ 190,320	\$ 88,634
Professional services	21,897	14,127	83,337	45,793
Total revenues	<u>\$ 81,519</u>	<u>\$ 43,158</u>	<u>\$ 273,657</u>	<u>\$ 134,427</u>
Revenues:				
Subscription services	73.1%	67.3%	69.5%	65.9%
Professional services	26.9%	32.7%	30.5%	34.1%
Total revenues	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

**Workday, Inc.**

**Reconciliation of GAAP Cash Flows from Operations to Free Cash Flows**  
(A Non-GAAP Financial Measure)  
(in thousands)  
(unaudited)

	Three Months Ended January 31,		Year Ended January 31,	
	2013	2012	2013	2012
GAAP cash flows from operating activities	\$ 5,940	\$ (6,643)	\$ 11,214	\$ (13,774)
Capital expenditures	(9,095)	(1,257)	(15,898)	(4,999)
Property and equipment acquired under capital lease	(830)	(4,841)	(18,717)	(15,983)
Free cash flows	<u>\$ (3,985)</u>	<u>\$ (12,741)</u>	<u>\$ (23,401)</u>	<u>\$ (34,756)</u>

Workday, Inc.

Supplemental financial information including non-GAAP data

	Quarter ended 1/31/12	Quarter ended 4/30/12	Quarter ended 7/31/12	Quarter ended 10/31/12	Quarter ended 1/31/13
<b>GAAP results:</b>					
Costs of subscription services	\$ 6,711	\$ 7,594	\$ 8,994	\$ 10,179	\$ 12,484
Sequential change					23%
Y/Y change					86%
Costs of professional services	13,619	17,496	19,271	20,015	20,502
Sequential change					2%
Y/Y change					51%
Total costs of revenue	20,330	25,090	28,265	30,194	32,986
Sequential change					9%
Y/Y change					62%
Subscription services gross margin	77%	79%	79%	80%	79%
Professional services gross margin	4%	12%	6%	5%	6%
Gross margin	53%	56%	55%	58%	60%
Sequential change					2%
Y/Y change					7%
Research and development	18,287	20,786	23,552	28,075	30,252
Sequential change					8%
Y/Y change					65%
Sales and marketing	22,582	24,838	29,629	32,584	36,389
Sequential change					12%
Y/Y change					61%
General and administrative	5,050	6,061	7,616	22,633	12,570
Sequential change					-44%
Y/Y change					149%
Operating loss	(23,091)	(19,957)	(26,360)	(40,868)	(30,678)
Operating margin	-54%	-35%	-42%	-56%	-38%
Sequential change					18%
Y/Y change					16%
Net loss	(23,586)	(20,055)	(26,881)	(41,310)	(30,944)
Net loss attributable to Class A and Class B common stockholders	(23,843)	(20,256)	(27,087)	(41,471)	(30,944)
Net loss per share attributable to Class A and Class B common stockholders, basic and diluted	\$ (0.77)	\$ (0.61)	\$ (0.78)	\$ (0.67)	\$ (0.19)
Weighted-average shares used to compute net loss per share attributable to Class A and Class B common stockholders	30,818	33,013	34,734	61,960	161,916

Workday, Inc.

Supplemental financial information including non-GAAP data

	Quarter ended 1/31/12	Quarter ended 4/30/12	Quarter ended 7/31/12	Quarter ended 10/31/12	Quarter ended 1/31/13
<b>Adjustments (1):</b>					
Costs of subscription services	\$ (82)	\$ (78)	\$ (99)	\$ (224)	\$ (200)
Costs of professional services	(131)	(138)	(178)	(385)	(612)
Total costs of revenue	(213)	(216)	(277)	(609)	(812)
Subscription services gross margin	0%	0%	0%	0%	0%
Professional services gross margin	1%	1%	1%	2%	3%
Gross margin	0%	0%	0%	1%	1%
Research and development	(373)	(375)	(552)	(1,300)	(1,301)
Sales and marketing	(306)	(367)	(500)	(970)	(879)
General and administrative (2)	(535)	(487)	(954)	(14,523)	(2,456)
Operating loss	1,427	1,445	2,283	17,402	5,448
Operating margin	3%	3%	4%	24%	7%
Net loss	1,427	1,445	2,283	17,402	5,448
Net loss attributable to Class A and Class B common stockholders	1,427	1,445	2,283	17,402	5,448
Net loss per share attributable to Class A and Class B common stockholders, basic and diluted	\$ 0.05	\$ 0.04	\$ 0.07	\$ 0.28	\$ 0.03
Weighted-average shares used to compute net loss per share attributable to Class A and Class B common stockholders	30,818	33,013	34,734	61,960	161,916

(1) - all adjustments relate to share-based compensation except amount noted with (2)

(2) -For the quarter ended October 31, 2012, also includes a \$11,250,000 one-time charge related to our contribution of 500,000 shares of common stock to the Workday Foundation

Workday, Inc.

Supplemental financial information including non-GAAP data

	Quarter ended 1/31/12	Quarter ended 4/30/12	Quarter ended 7/31/12	Quarter ended 10/31/12	Quarter ended 1/31/13
<b>Non-GAAP results:</b>					
Costs of subscription services	\$ 6,629	\$ 7,516	\$ 8,895	\$ 9,955	\$ 12,284
Sequential change					23%
Y/Y change					85%
Costs of professional services	13,488	17,358	19,093	19,630	19,890
Sequential change					1%
Y/Y change					47%
Total costs of revenue	20,117	24,874	27,988	29,585	32,174
Sequential change					9%
Y/Y change					60%
Subscription services gross margin	77%	80%	79%	81%	79%
Professional services gross margin	5%	13%	7%	7%	9%
Gross margin	53%	56%	55%	59%	61%
Sequential change					2%
Y/Y change					8%
Research and development	17,914	20,411	23,000	26,775	28,951
Sequential change					8%
Y/Y change					62%
Sales and marketing	22,276	24,471	29,129	31,614	35,510
Sequential change					12%
Y/Y change					59%
General and administrative	4,515	5,574	6,662	8,110	10,114
Sequential change					25%
Y/Y change					124%
Operating loss	(21,664)	(18,512)	(24,077)	(23,466)	(25,230)
Operating margin	-50%	-33%	-38%	-32%	-31%
Sequential change					1%
Y/Y change					19%
Net loss	(22,159)	(18,610)	(24,598)	(23,908)	(25,496)
Net loss attributable to Class A and Class B common stockholders	(22,416)	(18,811)	(24,804)	(24,069)	(25,496)
Net loss per share attributable to Class A and Class B common stockholders, basic and diluted	\$ (0.73)	\$ (0.57)	\$ (0.71)	\$ (0.39)	\$ (0.16)
Weighted-average shares used to compute net loss per share attributable to Class A and Class B common stockholders	30,818	33,013	34,734	61,960	161,916

## About Non-GAAP Financial Measures

To provide investors and others with additional information regarding Workday's results, we have disclosed certain non-GAAP financial measures including non-GAAP expenses, non-GAAP subscription services gross margin, non-GAAP gross margin, non-GAAP operating loss, non-GAAP operating margin, non-GAAP net loss and non-GAAP net loss per share. Workday has provided a reconciliation of each non-GAAP financial measure to the most directly comparable GAAP financial measure. These non-GAAP financial measures differ from GAAP in that they exclude share-based compensation and, for the all periods presented and a one-time charge related to the contribution of 500,000 shares of common stock to the Workday Foundation in the quarter ended October 31, 2012.

Workday's management uses these non-GAAP financial measures to understand and compare operating results across accounting periods, for internal budgeting and forecasting purposes, for short- and long-term operating plans, and to evaluate Workday's financial performance and the ability of operations to generate cash. Management believes these non-GAAP financial measures reflect Workday's ongoing business in a manner that allows for meaningful period-to-period comparisons and analysis of trends in Workday's business, as they exclude expenses that are not reflective of ongoing operating results. Management also believes that these non-GAAP financial measures provide useful information to investors and others in understanding and evaluating Workday's operating results and future prospects in the same manner as management and in comparing financial results across accounting periods and to those of peer companies. Additionally, management believes information regarding free cash flows provides investors and others with an important perspective on the cash available to make strategic acquisitions and investments, to fund ongoing operations and to fund other capital expenditures.

Management believes these non-GAAP financial measures are useful to investors and others in assessing Workday's operating performance due to the following factors:

- *Share-based compensation.* Although share-based compensation is an important aspect of the compensation of Workday's employees and executives, determining the fair value of certain of the share-based instruments we utilize involves a high degree of judgment and estimation and the expense recorded may bear little resemblance to the actual value realized upon the vesting or future exercise of the related share-based awards. Furthermore, unlike cash compensation, the value of stock options, which is an element of our ongoing share-based compensation expense, is determined using a complex formula that incorporates factors, such as market volatility, that are beyond our control. Management believes it is useful to exclude share-based compensation in order to better understand the long-term performance of our core business and to facilitate comparison of our results to those of peer companies.
- *Equity Grant to Workday Foundation.* During the third quarter of fiscal 2013, Workday granted 500,000 shares of common stock to the Workday Foundation. The Workday Foundation is a non-profit organization established to provide grants, humanitarian relief and employee matching contributions and support volunteerism and social development projects. This grant resulted in a one-time charge of \$11.3 million, which was recorded to the General and administrative expenses line of the income statement. Management does not expect to make future grants of shares to the Foundation and therefore considers this charge non-recurring. As such, Management believes it is useful to exclude this one-time charge in order to better understand the ongoing expenses of our core business and to facilitate comparison of our results across periods.

The use of non-GAAP financial measures has certain limitations as they do not reflect all items of income and expense that affect Workday's operations. Workday compensates for these limitations by reconciling the non-GAAP financial measures to the most comparable GAAP financial measures. These non-GAAP financial measures should be considered in addition to, not as a substitute for or in isolation from, measures prepared in accordance with GAAP. Further, these non-GAAP measures may differ from the non-GAAP information used by other companies, including peer companies, and therefore comparability may be limited. Management encourages investors and others to review Workday's financial information in its entirety and not rely on a single financial measure.