2013 Annual Report

WORKDAY, INC.
6230 STONERIDGE MALL ROAD
PLEASANTON, CALIFORNIA 94588

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held at 9:00 a.m. Pacific Daylight Time on Thursday, May 23, 2013

April 2, 2013

TO THE HOLDERS OF COMMON STOCK OF WORKDAY, INC.:

The Annual Meeting of Stockholders of Workday, Inc., a Delaware corporation (Workday), will be held on **Thursday, May 23, 2013, at 9:00 a.m.** Pacific Daylight Time, at the San Ramon Marriott located at 2600 Bishop Drive, San Ramon, California, for the following purposes as more fully described in the accompanying Proxy Statement:

1. To elect two Class I directors to serve until the 2016 annual meeting of stockholders and until their successors are elected and qualified, subject to earlier resignation or removal;
2. To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for our fiscal year ending January 31, 2014;
3. Reapproval of the Internal Revenue Code Section 162(m) limits of our 2012 Equity Incentive Plan to preserve our ability to receive corporate income tax deductions that may become available pursuant to Section 162(m); and
4. To transact such other business as may properly come before the meeting or any adjournments or postponements thereof.

The Board of Directors of Workday has fixed the close of business on March 25, 2013 as the record date for the meeting. Only stockholders of record of our common stock at the close of business on March 25, 2013 are entitled to notice of and to vote at the meeting. Further information regarding voting rights and the matters to be voted upon is presented in our proxy statement.

A Notice of Internet Availability of Proxy Materials (Notice) is being mailed to stockholders of record as of the record date beginning on or about April 2, 2013. The Notice contains instructions on how to access our proxy statement for our 2013 Annual Meeting of Stockholders and our fiscal 2013 annual report to stockholders on Form 10-K (together, the proxy materials). The Notice also provides instructions on how to vote online, by telephone or by mail and includes instructions on how to receive a paper copy of proxy materials by mail. The proxy materials can be accessed directly at the following Internet address: http://www.proxyvote.com by entering the control number located on your proxy card.

If you have any questions regarding this information or the proxy materials, please visit our website at www.workday.com or contact our investor relations department at 925.951.9005.

YOUR VOTE IS IMPORTANT. Whether or not you plan to attend the Annual Meeting of Stockholders, we urge you to submit your vote via the Internet, telephone or mail.

We appreciate your continued support of Workday and look forward to receiving your proxy.

By order of the Board of Directors,

Aneel Bhusri
Co-Chief Executive Officer and Chairman
Pleasanton, California

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements. All statements contained in this report other than statements of historical fact, including statements regarding our business strategy and plans and our objectives for future operations, are forward-looking statements. The words "believe," "may," "will," "continue," "anticipate," "intend," "expect," "seek", and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and trends. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in the "Risk Factors" section of our Annual Report on 10-K for the fiscal year ended January 31, 2013. Moreover, we operate in a very competitive and rapidly changing environment. 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 future events and trends discussed in this report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. You should not rely upon forward-looking statements as predictions of future events. The events and circumstances reflected in the forward-looking statements may not be achieved or occur. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results. We are under no duty to update any of these forward-looking statements after the date of this report.

As used in this report, the terms "Workday," "we," "us," and "our" mean Workday, Inc. and its subsidiaries unless the context indicates otherwise.

WORKDAY, INC.
6230 Stoneridge Mall Road
Pleasanton, California 94588

PROXY STATEMENT
FOR 2013 ANNUAL MEETING OF STOCKHOLDERS
to be held on May 23, 2013 at 9:00 a.m. PDT

This proxy statement and the enclosed form of proxy are furnished in connection with solicitation of proxies by our Board of Directors for use at the annual meeting of stockholders (the Annual Meeting) to be held at 9:00 a.m. PDT on Thursday, May 23, 2013, and any postponements or adjournments thereof. The Annual Meeting will be held at the San Ramon Marriott located at 2600 Bishop Drive, San Ramon, California. Beginning on or about April 2, 2013, we mailed to our stockholders a Notice of Internet Availability of Proxy Materials containing instructions on how to access our proxy materials.

QUESTIONS AND ANSWERS

The information provided in the "question and answer" format below is for your convenience only and is merely a summary of the information contained in this proxy statement. You should read this entire proxy statement carefully.

What matters am I voting on?

You will be voting on:

- the election of two Class I directors to hold office until the 2016 annual meeting of stockholders and until their successors are elected and qualified, subject to earlier resignation or removal;
- a proposal to ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending January 31, 2014;
- reapproval of the Internal Revenue Code Section 162(m) limits of our 2012 Equity Incentive Plan to preserve our ability to receive corporate income tax deductions that may become available pursuant to Section 162(m); and
- any other business that may properly come before the meeting.

How does the Board of Directors recommend I vote on these proposals?

The Board of Directors recommends a vote:

- FOR the election of A. George ("Skip") Battle and Michael M. McNamara, our nominees for Class I directors;
- FOR the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending January 31, 2014; and
- FOR the reapproval of the Internal Revenue Code Section 162(m) limits of our 2012 Equity Incentive Plan to preserve our ability to receive corporate income tax deductions that may become available pursuant to Section 162(m).

Who is entitled to vote?

Holders of our common stock as of the close of business on March 25, 2013, the record date, may vote at the Annual Meeting. As of the record date, we had 37,654,209 shares of Class A common stock outstanding and 128,929,690 shares of Class B common stock outstanding. In deciding all matters at the Annual Meeting, each holder of Class A common stock of Workday will be entitled to one vote for each share of Class A common stock held as of the close of business on the record date, and each holder of Class B common stock of Workday will be entitled to ten votes for each share of Class B common stock held as of the close of business on the record date. We do not have cumulative voting rights for the election of directors.

Registered Stockholders. If your shares are registered directly in your name with our transfer agent, you are considered the stockholder of record with respect to those shares, and the Notice was provided to you directly by us. As the stockholder of record, you have the right to grant your voting proxy directly to the individuals listed on the proxy card or to vote in person at the Annual Meeting.

Street Name Stockholders. If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares held in street name and the Notice was forwarded to you by your broker or nominee, who is considered the stockholder of record with respect to those shares. As the beneficial owner, you have the right to direct your broker or nominee how to vote your shares. Beneficial owners are also invited to attend the Annual Meeting. However, since beneficial owners are not stockholders of record, you may not vote your shares in person at the Annual Meeting unless you follow your broker's procedures for obtaining a legal proxy. If you request a printed copy of the proxy materials by mail, your broker or nominee will provide a voting instruction card for you to use.

Who is Workday's transfer agent, and how may I contact them?

Workday's transfer agent is American Stock Transfer Company, or AST. You may e-mail AST at info@amstock.com or you can call AST at 888-432-7410 or 718-921-8124 Monday-Friday between 5:00am-5:00pm PT. Materials may be mailed to AST at:

Workday Shareholder Services
c/o American Stock Transfer
6201 15th Avenue
Brooklyn, NY 11219

How do I vote?

There are four ways for stockholders of record to vote:

- by Internet at http://www.proxyvote.com, 24 hours a day, seven days a week, until 11:59 p.m. Eastern Time on May 22, 2013 (have your proxy card in hand when you visit the website);

We encourage you to vote this way as it is the most cost-effective method

- by toll-free telephone at 1-800-690-6903 until 11:59 p.m. Eastern Time on May 22, 2013 (have your proxy card in hand when you call);
- by completing and mailing your proxy card so that it is received prior to the Annual Meeting; or
- by written ballot at the Annual Meeting.

Street name holders may submit their voting instructions by internet or telephone using the information provided by their respective brokers or nominees and may complete and mail voting instruction forms to their respective brokers or nominees. However, street name holders may not vote by written ballot at the Annual Meeting unless they obtain a legal proxy from their respective brokers or nominees.

Can I change my vote?

Yes. If you are a stockholder of record, you can change your vote or revoke your proxy any time before the Annual Meeting by:

- entering a new vote by Internet or by telephone;
- returning a later-dated proxy card so that it is received prior to the Annual Meeting;
- notifying the Secretary of Workday, in writing, at the address listed on the front page; or
- completing a written ballot at the Annual Meeting.

Street name holders may change their voting instructions by submitting new instructions by internet or by telephone or returning a later-dated voting instruction form to their respective brokers or nominees. In addition, street name holders who obtain a legal proxy from their respective brokers or nominees may change their votes by completing a ballot at the Annual Meeting.

What is the effect of giving a proxy?

Proxies are solicited by and on behalf of our Board of Directors. The persons named in the proxy have been designated as proxies by our Board of Directors. When proxies are properly dated, executed and returned, the shares represented by such proxies will be voted at the Annual Meeting in accordance with the instructions of the stockholder. If no specific instructions are given, however, the shares will be voted in accordance with the recommendations of our Board of Directors as described above. If any matters not described in the Proxy Statement are properly presented at the Annual Meeting, the proxy holders will use their own judgment to determine how to vote your shares. If the Annual Meeting is adjourned, the proxy holders can vote your shares at the adjourned meeting date as well, unless you have properly revoked your proxy instructions, as described above.

What is a quorum?

A quorum is the minimum number of shares required to be present at the Annual Meeting for the meeting to be properly held under our Bylaws and Delaware state law. The presence, in person or by proxy, of a majority of the aggregate voting power of the issued and outstanding shares of stock entitled to vote at the meeting will constitute a quorum at the meeting. Except as otherwise expressly provided by the Certificate of Incorporation or by law, the holders of shares of Class A common stock and Class B common stock will vote together as a single class on all matters submitted to a vote or for the consent of the stockholders of Workday. Each holder of Class A common stock will have the right to one (1) vote per share of Class A common stock and each holder of Class B common stock will have the right to ten (10) votes per share of Class B common stock. A proxy submitted by a stockholder may indicate that the shares represented by the proxy are not being voted ("stockholder withholding") with respect to a particular matter. In addition, a broker may not be permitted to vote stock ("broker non-vote") held in street name on a particular matter in the absence of instructions from the beneficial owner of the stock. The shares subject to a proxy which are not being voted on a particular matter because of either stockholder withholding or broker non-votes will count for purposes of determining the presence of a quorum. Abstentions are voted neither "for" nor "against" a matter but are also counted in the determination of a quorum.

How many votes are needed for approval of each matter?

- **Proposal No. 1**: The election of directors requires a plurality vote of the shares of common stock voted at the meeting. "Plurality" means that the individuals who receive the largest number of votes cast "for" are elected as directors. As a result, any shares not voted "for" a particular nominee (whether as a result of stockholder withholding or a broker non-vote) will not be counted in such nominee's favor.

- **Proposal No. 2:** The ratification of the appointment of Ernst & Young LLP must receive the affirmative vote of a majority of the votes cast by the holders of shares represented in person or by proxy at the meeting and entitled to vote thereon to be approved. Abstentions and broker non-votes will have no effect on the outcome of this proposal.
- **Proposal No. 3:** The reapproval of the Internal Revenue Code Section 162(m) limits of our 2012 Equity Incentive Plan to preserve our ability to receive corporate income tax deductions that may become available pursuant to Section 162(m) requires the affirmative vote of a majority of the votes cast by the holders of shares represented in person or by proxy at the meeting and entitled to vote thereon to be approved. Abstentions and broker non-votes will have no effect on the outcome of this proposal.

How are proxies solicited for the Annual Meeting?

The Board of Directors is soliciting proxies for use at the Annual Meeting. All expenses associated with this solicitation will be borne by Workday. We will reimburse brokers or other nominees for reasonable expenses that they incur in sending these proxy materials to you if a broker or other nominee holds your shares.

How may my brokerage firm or other intermediary vote my shares if I fail to provide timely directions?

Brokerage firms and other intermediaries holding shares of common stock in street name for customers are generally required to vote such shares in the manner directed by their customers. In the absence of timely directions, your broker will have discretion to vote your shares on our sole routine matter—the proposal to ratify the appointment of Ernst & Young LLP. Your broker will not have discretion to vote on the following "non-routine" matters absent direction from you: the election of directors, and the reapproval of Internal Revenue Code Section 162(m) limits of our 2012 Equity Incentive Plan.

Why did I receive a notice regarding the availability of proxy materials on the Internet instead of a full set of proxy materials?

In accordance with the rules of Securities and Exchange Commission (SEC), we have elected to furnish our proxy materials, including this proxy statement and our annual report to our stockholders, primarily via the Internet. Beginning on or about April 2, 2013, we mailed to our stockholders a "Notice of Internet Availability of Proxy Materials" (the "Notice") that contains notice of the Annual Meeting and instructions on how to access our proxy materials on the Internet, how to vote at the meeting, and how to request printed copies of the proxy materials and annual report. Stockholders may request to receive all future proxy materials in printed form by mail or electronically by e-mail by following the instructions contained in the Notice. We encourage stockholders to take advantage of the availability of the proxy materials on the Internet to help reduce the environmental impact of our annual meetings.

What does it mean if multiple members of my household are stockholders but we only received one Notice or full set of proxy materials in the mail?

The SEC has adopted rules that permit companies and intermediaries, such as brokers, to satisfy the delivery requirements for notices and proxy materials with respect to two or more stockholders sharing the same address by delivering a single notice or set of proxy materials addressed to those stockholders. In accordance with a prior notice sent to certain brokers, banks, dealers or other agents, we are sending only one Notice or full set of proxy materials to those addresses with multiple stockholders unless we received contrary instructions from any stockholder at that address. This practice, known as "householding," allows us to satisfy the requirements for delivering Notices or proxy materials with respect to two or more stockholders sharing the same address by delivering a single copy of these documents. Householding helps to reduce our printing and postage costs, reduces the amount of mail you receive and helps to preserve the environment. If you currently receive multiple

copies of the Notice or proxy materials at your address and would like to request “householding” of your communications, please contact your broker. Once you have elected “householding” of your communications, “householding” will continue until you are notified otherwise or until you revoke your consent.

Is my vote confidential?

Proxy instructions, ballots, and voting tabulations that identify individual stockholders are handled in a manner that protects your voting privacy. Your vote will not be disclosed either within Workday or to third parties, except as necessary to meet applicable legal requirements, to allow for the tabulation of votes and certification of the vote, or to facilitate a successful proxy solicitation.

PROPOSAL NO. 1

ELECTION OF DIRECTORS

Our Board of Directors may establish the authorized number of directors from time to time by resolution. Our Board of Directors currently consists of seven members. Our Certificate of Incorporation and Bylaws provide for a classified Board of Directors consisting of three classes of directors, with directors serving staggered three-year terms.

Directors in a particular class will be elected for three-year terms at the annual meeting of stockholders in the year in which their terms expire. As a result, only one class of directors will be elected at each annual meeting of our stockholders, with the other classes continuing for the remainder of their respective three-year terms. Each director's term continues until the election and qualification of his or her successor, or his or her earlier death, resignation or removal. The initial class of each director is set forth in the table below.

Our Certificate of Incorporation and Bylaws provide that our Board of Directors or our stockholders may fill vacant directorships. In the event that the outstanding shares of our Class B common stock represent less than a majority of the combined voting power of common stock, our Certificate of Incorporation and Bylaws authorize only our Board of Directors to fill vacancies on our Board of Directors. Any additional directorships resulting from an increase in the authorized number of directors would be distributed among the three classes as the Board of Directors determines in its discretion.

Nominees	Class	Age	Position	Year Elected Director	Current Term Expires	Expiration of Term For Which Nominated
A. George ("Skip") Battle(1)(2)	I	69	Director	2007	2013	2016
Michael M. McNamara(1)(3)	I	56	Director	2011	2013	2016
Continuing Directors						
Christa Davies(1)	II	41	Director	2012	2014	—
Scott D. Sandell(2)(3)	II	48	Director	2009	2014	—
George J. Still, Jr.(2)(3)*	II	55	Director	2009	2014	—
Aneel Bhusri	III	47	Chairman, co-founder and co-Chief Executive Officer	2005	2015	—
David A. Duffield	III	72	Co-founder, co-Chief Executive Officer and Director	2005	2015	—

(1) Member of the Audit Committee
(2) Member of the Compensation Committee
(3) Member of the Nominating and Governance Committee
* Lead Independent Director

Nominees for Director

A. George ("Skip") Battle has served as a Director since March 2007. From 2004 to 2005, Mr. Battle served as Executive Chairman at Ask Jeeves, Inc., a provider of information search and retrieval services. From 2000 until 2004, Mr. Battle served as Chief Executive Officer at Ask Jeeves. From 1968 until his retirement in 1995, Mr. Battle was an employee and then partner at Arthur Andersen LLP and Andersen Consulting (now known as Accenture Ltd.), global accounting and consulting firms. Mr. Battle is a director of Expedia, Inc., Fair Isaac Corporation, LinkedIn Corporation, Netflix, Inc. and OpenTable, Inc. He also served as a director of the Masters Select family of funds from 1996 until December 2012, of Advent Software, Inc. from 2005 until May 2011, and of PeopleSoft, Inc. (PeopleSoft), a global enterprise software company, from 1995 to 2004. Mr. Battle received

an A.B. in Economics from Dartmouth College and an M.B.A. from Stanford University. Mr. Battle brings to our Board of Directors a diversity of distinguished experiences and seasoned business acumen. His service on a number of public and private company boards provides an important perspective on corporate governance matters, including best practices established at other companies.

Michael M. McNamara has served as a Director since December 2011. From 2006 to the present, Mr. McNamara has served as the Chief Executive Officer of Flextronics International, Ltd. (Flextronics), a global leader in design, manufacturing, distribution and aftermarket services. From 1994 until his appointment as Chief Executive Officer of Flextronics, Mr. McNamara served in a variety of other senior roles in Flextronics, including Chief Operating Officer, President, Americas Operations, and as Vice President, North American Operations. Mr. McNamara also has served as a director of Flextronics since 2005. Mr. McNamara is a director of Delphi Automotive LLP, is on the Advisory Board of Tsinghua University School of Economics and Management, and served as a director of MEMC Electronic Materials, Inc. from 2008 until May 2012. Mr. McNamara received a B.S. in Industrial Management from University of Cincinnati and an M.B.A. from Santa Clara University. Mr. McNamara brings to our Board of Directors extensive leadership and experience managing international operations. His service as Flextronics' Chief Executive Officer provides a management perspective to business and strategic decisions of the Board of Directors.

Continuing Directors

Aneel Bhusri co-founded Workday in 2005 and is our co-Chief Executive Officer and Chairman. Mr. Bhusri has served as a Director of Workday from 2005 to the present, as President from January 2007 to September 2009, as Co-Chief Executive Officer from September 2009 to the present, and as Chairman from January 2012 to the present. From 1993 to 2004, Mr. Bhusri held a number of senior management positions with PeopleSoft, including Senior Vice President, Product Strategy, Marketing and Business Development. From 1999 to 2002 and in 2004, Mr. Bhusri served as Vice Chairman of the Board of Directors at PeopleSoft. Mr. Bhusri has been a Partner at Greylock Partners, a Silicon Valley venture capital firm, since April 1999, and prior to that time, worked at Norwest Venture Partners and at Morgan Stanley. From 2002 to July 2009, Mr. Bhusri was a director of Data Domain, Inc., where he held the position of Chairman from 2007 to July 2009. He also serves as a director of various private companies. Mr. Bhusri received a B.S. in Electrical Engineering and a B.A. in Economics from Brown University and an M.B.A. from Stanford University. Mr. Bhusri brings to our Board of Directors extensive executive leadership and operational experience, including service as chairman of a public technology company and his experience and familiarity with our business as a co-founder and co-Chief Executive Officer.

Christa Davies has served as a Director since August 2012. Ms. Davies is the Chief Financial Officer and Executive Vice President of Global Finance at Aon Plc, a global risk management, insurance and human resources solutions company. Ms. Davies has served as Aon's Chief Financial Officer since March 2008 and as Executive Vice President of Global Finance since November 2007. Prior to joining Aon, Ms. Davies spent five years at Microsoft Corporation, most recently as a Corporate Vice President and the Chief Financial Officer of the Platforms & Services Division. Ms. Davies received a B.E. in Mechanical Engineering from the University of Queensland, Australia, and an M.B.A. from the Harvard Business School. Ms. Davies brings to our Board of Directors extensive experience in the software and technology industries, as well as financial expertise.

David A. Duffield co-founded Workday in 2005 and is our co-Chief Executive Officer and a Director. In addition, Mr. Duffield served as our Chairman from 2005 to January 2012, as our President from 2006 to January 2007, as our Chief Executive Officer from 2005 to September 2009, and has served as our co-Chief Executive Officer from September 2009 to the present. Prior to Workday, Mr. Duffield founded PeopleSoft, and served as its Chairman from its inception in 1987 until 2004, as President and Chief Executive Officer from 1987 to 1999 and as Chief Executive Officer in 2004. Prior to PeopleSoft, Mr. Duffield was a founder, Chief Executive Officer and Chairman of Integral Systems, Inc., co-founded Information Associates, and worked at International Business Machines Corporation. Mr. Duffield received a B.S. in Electrical Engineering and an M.B.A. from

Cornell University. Mr. Duffield brings to our Board of Directors decades of experience founding and leading high growth technology companies focused on human resources and financial applications, and his experience and familiarity with our business as a co-founder and co-Chief Executive Officer.

Scott D. Sandell has served as a Director since July 2009. Since 2000, Mr. Sandell has been a general partner at New Enterprise Associates (NEA), a global venture capital firm, where he heads NEA's technology investing practice and leads NEA's investing activities in China. Mr. Sandell started his career at the Boston Consulting Group, a business consulting firm, and later joined C-ATS Software, Inc., a company that developed software for financial risk management. Later, he worked as a product manager for Windows 95 at Microsoft Corporation, before joining New Enterprise Associates in 1996. Mr. Sandell is the lead director of Fusion-io, Inc. and Spreadtrum Communications, Inc., and is a director of various private companies. Mr. Sandell is on the Executive Committee of the Board of Directors of the National Venture Capital Association and is on the Board of Overseers of the Thayer School of Engineering at Dartmouth College. From 2001 to July 2009, Mr. Sandell served as a director of Data Domain, Inc. Mr. Sandell received an A.B. in Engineering Sciences from Dartmouth College and an M.B.A. from Stanford University. Mr. Sandell brings to our Board of Directors years of experience as an advisor to a wide range of technology companies. Mr. Sandell's experience with the growth and development of technology companies provides the Board of Directors with a unique perspective on our long-term strategy.

George J. Still, Jr. has served as a Director since October 2009 and as Lead Independent Director since August 2012. Mr. Still is currently a Partner Emeritus at Norwest Venture Partners (NVP), a global venture capital firm. From 1994 to December 2012, Mr. Still served as NVP's Managing Partner. Mr. Still led the sole venture investment in PeopleSoft, where he served as a director from 1991 to 2001. Mr. Still is currently a director of Rackspace Hosting, Inc. and various private companies. Prior to NVP, Mr. Still worked for Ernst & Young LLP, an accounting firm, and as a Partner with the Centennial Funds, a venture capital firm. Mr. Still served as a director of the National Venture Capital Association from 1995 to 2000, and on the Stanford Business School Venture Capital Trust from 1997 to 2001. In addition, he is a director of The First Tee of San Francisco, KnowledgeBeat and is a former member of the Board of Directors of the Lucile Packard Foundation for Children's Health, where he is a current member of the Audit Committee. Mr. Still received a B.S. in Accounting from the Pennsylvania State University and an M.B.A. from the Tuck School of Business at Dartmouth College, where he is a member of the Board of Advisors of Tuck's Center for Private Equity and Entrepreneurship. Mr. Still brings to the Board of Directors financial and investing acumen through his many years of experience with NVP. His service as an advisor to technology companies provides a valuable resource for our Board of Directors.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" EACH OF THE NOMINEES NAMED ABOVE.

PROPOSAL NO. 2

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The audit committee of the Board of Directors (Audit Committee) has appointed the firm of Ernst & Young LLP, independent registered public accountants, to audit our financial statements for the year ending January 31, 2014. During our year ended January 31, 2013, Ernst & Young LLP served as our independent registered public accounting firm.

Notwithstanding its selection and even if our stockholders ratify the selection, our Audit Committee, in its discretion, may appoint another independent registered public accounting firm at any time during the year if the Audit Committee believes that such a change would be in the best interests of Workday and its stockholders. At the Annual Meeting, the stockholders are being asked to ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the year ending January 31, 2014. Our Audit Committee is submitting the selection of Ernst & Young LLP to our stockholders because we value our stockholders' views on our independent registered public accounting firm and as a matter of good corporate governance. Representatives of Ernst & Young LLP will be present at the Annual Meeting and they will have an opportunity to make statements and will be available to respond to appropriate questions from stockholders.

If this proposal does not receive the affirmative approval of a majority of the votes cast on the proposal, the Audit Committee would reconsider the appointment.

Fees Paid to the Independent Registered Public Accounting Firm

The following table presents fees billed or to be billed by Ernst & Young LLP for professional services rendered with respect to the years ended January 31, 2013 and January 31, 2012. All of these services rendered since the formation of the Audit Committee were approved by the Audit Committee.

	2013	2012
Audit Fees(1)	$ 850,000	$400,000
Audit-Related Fees(2)	1,841,835	242,592
Tax Fees(3)	283,990	37,886
All Other Fees	—	—
	$2,975,825	$680,478

(1) Consists of fees billed for professional services rendered in connection with the audit of our consolidated financial statements and review of our quarterly consolidated financial statements.
(2) Includes fees for service organization control audits under Statement on Standards for Attestation Engagements No. 16. In addition, includes $1,575,000 of fees associated with our initial public offering of common stock completed in October 2012, which included review of our quarterly consolidated financial information included in our registration statement on Form S-1 filed with the SEC, as well as comfort letters, consents and review of documents filed with the SEC.
(3) Includes fees in connection with tax compliance and tax consulting services.

Auditor Independence

Under its charter, the Audit Committee pre-approves audit and non-audit services rendered by our independent registered public accounting firm, Ernst & Young LLP. The Audit Committee has determined that the rendering non-audit services for tax compliance and structure advice, privacy, and ISO 27001 attestation services by Ernst & Young LLP is compatible with maintaining the principal accountants' independence.

Pre-Approval Policies and Procedures.

Consistent with requirements of the SEC and the Public Company Oversight Board, or PCAOB, regarding auditor independence, our Audit Committee is responsible for the appointment, compensation and oversight of the work of our independent registered public accounting firm. In recognition of this responsibility, our Audit Committee (or the chair if such approval is required prior to the next Audit Committee meeting) generally pre-approves of all audit and permissible non-audit services provided by the independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP.

PROPOSAL NO. 3

REAPPROVAL OF THE SECTION 162(M) LIMITS OF THE 2012 EQUITY INCENTIVE PLAN

General

Our 2012 Equity Incentive Plan, or the Plan, was adopted by our Board of Directors in August 2012, approved by our stockholders in September 2012, and became effective in October 2012. The Plan provides for the grant of awards to eligible employees, directors, consultants, independent contractors and advisors in the form of stock options, restricted stock awards (RSAs), stock appreciation rights (SARs), restricted stock units (RSUs), performance awards and stock bonuses.

We believe that our future success and our ability to remain competitive are dependent on our continuing efforts to attract, retain and motivate highly qualified personnel. Competition for these people in our industry is intense. Traditionally, a cornerstone of our method for attracting and retaining top caliber employees has been our equity-based compensation programs, including the grant of stock options and other equity awards under the Plan. Allowing employees to participate in owning shares of our common stock helps align the objectives of our stockholders and employees and is important in attracting, motivating and retaining the highly skilled personnel that are essential to our success.

Proposal

In March 2013, our Board of Directors directed us to submit the material terms of the Plan to our stockholders for reapproval of the share grant limitations for purposes of Section 162(m) of the Internal Revenue Code, or IRC. The material terms of the Plan are described below under "Summary of the Plan." No changes are being proposed with regard to the terms of the Plan at this time.

We are asking our stockholders to approve the material terms of the Plan to preserve corporate income tax deductions that may become available to us pursuant to Section 162(m). We are asking the stockholders for this approval so that we may deduct for federal income tax purposes gains attributable to the exercise of options and the vesting of stock which when added to the compensation payable by us to certain executive officers in any single year exceeds $1.0 million. Compensation includes cash compensation, ordinary income arising from the exercise of nonqualified stock options, restricted stock awards, restricted stock units and stock appreciation rights, and ordinary income arising from disqualifying dispositions of incentive stock options.

Pursuant to Section 162(m), we generally may not deduct for federal income tax purposes compensation paid to certain executive officers to the extent that any of these persons receive more than $1.0 million in compensation in any single year. However, if the compensation qualifies as "performance-based" for Section 162(m) purposes, we may deduct it for federal income tax purposes even if it exceeds $1.0 million in a single year. Options, restricted stock units and stock appreciation rights granted under the Plan permit our Compensation Committee to design such awards to qualify as "performance-based" compensation within the meaning of Section 162(m). For these equity awards to continue to qualify as "performance-based" compensation under Section 162(m), our stockholders must approve the material terms of the Plan at the Annual Meeting. Gains from restricted stock awards generally will not be deductible.

We believe that we must retain the flexibility to respond to changes in the market for top executive talent and offer compensation packages that are competitive with those offered by others in our industry. In the event we are motivated by competitive forces to offer compensation in excess of $1.0 million to executive officers, our Board of Directors believes it would be in our best interests and those of our stockholders to be able to deduct such compensation for federal income tax purposes.

In order to comply with the stockholder approval requirements of Section 162(m), if stockholder approval of this proposal is not obtained, we will not make any further grants under the Plan to our co-Chief Executive

Officers and our other named executive officers who are "covered employees" as defined in Section 162(m), or their successors, until such time, if any, as stockholder approval of a subsequent similar proposal is obtained.

Summary of the Plan

We adopted the Plan, which became effective in October 2012, as the successor to our 2005 Stock Plan. We reserved 25,000,000 shares of our common stock to be issued under our Plan. The number of shares reserved for issuance under our Plan increases automatically on the thirty-first day of March of each of year 2013 through 2022 by the number of shares equal to 5% of the total outstanding shares of our common stock as of the immediately preceding January 31. However, our Board of Directors or Compensation Committee may reduce the amount of the increase in any particular year. In addition, the following shares are available for grant and issuance under our Plan:

- shares subject to options or stock appreciation rights granted under our Plan that cease to be subject to the option or stock appreciation right for any reason other than exercise of the option or stock appreciation right;
- shares subject to awards granted under our Plan that are subsequently forfeited or repurchased by us at the original issue price;
- shares subject to awards granted under our Plan that otherwise terminate without shares being issued;
- shares surrendered, cancelled, or exchanged for cash or a different award (or combination thereof);
- shares reserved but not issued or subject to outstanding grants under our 2005 Stock Plan;
- shares issuable upon the exercise of options or subject to other awards under our 2005 Stock Plan that cease to be subject to such options or other awards by forfeiture or otherwise;
- shares issued under our 2005 Stock Plan that are forfeited or repurchased by us; and
- shares subject to awards under our 2005 Stock Plan that are used to pay the exercise price of an option or withheld to satisfy the tax withholding obligations related to any award.

Our Plan authorizes the award of stock options, RSAs, SARs, RSUs, performance awards and stock bonuses. No person will be eligible to receive more than 2,000,000 shares in any calendar year under our Plan other than a new employee of ours, who will be eligible to receive no more than 4,000,000 shares under the plan in the calendar year in which the employee commences employment.

Our Plan is administered by our Compensation Committee, all of the members of which are outside directors as defined under applicable federal tax laws, or by our Board of Directors acting in place of our Compensation Committee. The Compensation Committee has the authority to construe and interpret our Plan, grant awards and make all other determinations necessary or advisable for the administration of the plan.

Our Plan provides for the grant of awards to our employees, directors, consultants, independent contractors and advisors, provided the consultants, independent contractors, directors and advisors render services not in connection with the offer and sale of securities in a capital-raising transaction. The exercise price of stock options must be at least equal to the fair market value of our common stock on the date of grant.

In general, options granted under our Plan will vest over a four-year period, and options for executives will vest over a five-year period. Options may vest based on time or achievement of performance conditions. Our Compensation Committee may provide for options to be exercised only as they vest or to be immediately exercisable with any shares issued on exercise being subject to our right of repurchase that lapses as the shares vest. The maximum term of options granted under our Plan is ten years.

An RSA is an offer by us to sell shares of our common stock subject to restrictions, which may vest based on time or achievement of performance conditions. The price (if any) of an RSA will be determined by the Compensation Committee. Unless otherwise determined by the Compensation Committee at the time of award, vesting will cease on the date the participant no longer provides services to us and unvested shares will be forfeited to or repurchased by us.

Stock appreciation rights provide for a payment, or payments, in cash or shares of our common stock, to the holder based upon the difference between the fair market value of our common stock on the date of exercise and the stated exercise price up to a maximum amount of cash or number of shares. SARs may vest based on time or achievement of performance conditions.

Restricted stock units represent the right to receive shares of our common stock at a specified date in the future, subject to forfeiture of that right because of termination of employment or failure to achieve certain performance conditions. If an RSU has not been forfeited, then on the date specified in the RSU agreement, we will deliver to the holder of the restricted stock unit whole shares of our common stock (which may be subject to additional restrictions), cash or a combination of our common stock and cash.

Performance shares are performance awards that cover a number of shares of our common stock that may be settled upon achievement of the pre-established performance conditions in cash or by issuance of the underlying shares. These awards are subject to forfeiture prior to settlement because of termination of employment or failure to achieve the performance conditions.

Performance conditions which may be used under the plan include:

- Attainment of objective operating goals and employee metrics
- Attainment of research and development milestones
- Billings
- Bookings
- Cash conversion cycle
- Cash flow (including free cash flow or operating cash flow)
- Contract awards or backlog
- Controllable operating profit, or net operating profit
- Credit rating
- Customer indicators
- Earnings (which may include earnings before interest and taxes, earnings before taxes, and net earnings)
- Earnings per share
- Economic value added
- Gross margin
- Growth in stockholder value relative to a pre-determined index
- Improvements in workforce diversity
- Improvements in productivity
- Individual confidential business objectives
- Market share

- Net income
- Net profit
- Net revenue
- New product invention or innovation
- Operating expenses or operating expenses as a percentage of revenue
- Operating income
- Operating margin
- Operating profit
- Overhead or other expense reduction
- Profit before tax
- Return on assets or net assets
- Return on equity
- Return on invested capital
- Revenue
- Stock price
- Strategic plan development and implementation
- Succession plan development and implementation
- Total stockholder return

Stock bonuses may be granted as additional compensation for service or performance, and therefore, not be issued in exchange for cash.

In the event there is a specified type of change in our capital structure without our receipt of consideration, such as a stock split, appropriate adjustments will be made to the number of shares reserved under our Plan, the maximum number of shares that can be granted in a calendar year, and the number of shares and exercise price, if applicable, of all outstanding awards under our Plan.

Unvested awards and unexercised stock options granted under our Plan may not be transferred in any manner other than by will or by the laws of descent and distribution or as determined by our Compensation Committee. Unless otherwise permitted by our Compensation Committee, stock options may be exercised during the lifetime of the optionee only by the optionee or the optionee's guardian or legal representative. Options granted under our Plan generally may be exercised for a period of six months after the termination of the optionee's service to us, for a period of 12 months in the case of death or for a period of six months in the case of disability, or such longer period as our Compensation Committee may provide. Options generally terminate immediately upon termination of employment for cause.

If we are party to a merger or consolidation, outstanding awards, including any vesting provisions, may be assumed or substituted by the successor company. In the alternative, outstanding awards may be cancelled in connection with a cash payment. Outstanding awards that are not assumed, substituted or cashed out will accelerate in full and expire upon the merger or consolidation. In the event of specified change in control transactions, our Compensation Committee may accelerate the vesting of awards (a) immediately upon the occurrence of the transaction, whether or not the award is continued, assumed or substituted by a surviving corporation or its parent in the transaction, or (b) in connection with a termination of a participant's service following such a transaction.

Our Plan will terminate ten years from the date our Board of Directors approved the plan, unless it is terminated earlier by our Board of Directors. Our Board of Directors may amend or terminate our Plan at any time. If our Board of Directors amends our Plan, it does not need to ask for stockholder approval of the amendment unless required by applicable law.

As of March 15, 2013, options to purchase 393,750 shares had been granted under our Plan, of which zero shares had been exercised, 407,080 shares of restricted stock were granted, and 799,830 shares remained outstanding. The options outstanding as of March 15, 2013 had a weighted-average exercise price of $50.28 per share.

History of Grants Under the Plan

Our co-Chief Executive Officers, our other named executive officers, our current executive officers as a group and our current non-employee directors as a group have not been granted awards under the Plan, over the life of the Plan through March 15, 2013. Our current employees (excluding executive officers and directors) as a group have been granted awards under the Plan, over the life of the Plan through March 15, 2013, as follows:

Name and Position	Number of Securities Underlying Awards
Aneel Bhusri Co-Chief Executive Officer	—
David A. Duffield Co-Chief Executive Officer	—
Mark S. Peek Chief Financial Officer	—
Michael A. Stankey President and Chief Operating Officer	—
All current executive officers (5 persons)	—
All current non-employee directors (5 persons)	
All current employees (excluding executive officers)	804,730

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" REAPPROVAL OF THE SECTION 162(M) LIMITS OF OUR 2012 EQUITY INCENTIVE PLAN.

DIRECTORS AND CORPORATE GOVERNANCE

Director Independence

Our Class A common stock is listed on the New York Stock Exchange. The listing rules of this stock exchange generally require that a majority of the members of a listed company's board of directors be independent within specified periods following the closing of an initial public offering. Our Board of Directors has determined that none of our non-employee directors has a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is "independent" as that term is defined under the rules of the New York Stock Exchange.

Audit Committee members must also satisfy the independence criteria set forth in Rule 10A-3 under the Securities and Exchange Act of 1934, as amended (Exchange Act). In order to be considered independent for purposes of Rule 10A-3, a member of an audit committee of a listed company may not, other than in his or her capacity as a member of the audit committee, the board of directors, or any other board committee: accept, directly or indirectly, any consulting, advisory, or other compensatory fee from the listed company or any of its subsidiaries; or be an affiliated person of the listed company or any of its subsidiaries. Ms. Davies, one of our directors and a member of our Audit Committee, is the Chief Financial Officer of Aon Plc. Workday made payments to Aon for consulting and other professional services the fiscal year ended January 31, 2013. We have discontinued our engagement of Aon for these types of services and intend to satisfy the audit committee independence requirements of Rule 10A-3 within the one-year transition period provided by Rule 10A-3 and the rules of the New York Stock Exchange. Therefore, the Board determined that it was appropriate for Ms. Davies to continue her service on the Audit Committee. In addition, Mr. Battle sits on a number of other public company boards of directors. The Board of Directors has determined that such simultaneous service will not impair Mr. Battle's ability to effectively serve on the Audit Committee.

Leadership Structure

The positions of Chairman of the Board and co-Chief Executive Officer are filled by the same person, Mr. Aneel Bhusri. Our Board of Directors believes that the current Board leadership structure, coupled with a strong emphasis on Board independence, provides effective independent oversight of management while allowing the Board and management to benefit from Mr. Bhusri's extensive executive leadership and operational experience, including service as chairman of a public technology company and his experience and familiarity with our business as a co-founder and co-Chief Executive Officer. Independent directors and management sometimes have different perspectives and roles in strategy development. Our independent directors bring experience, oversight and expertise from outside of our company, while the co-Chief Executive Officers bring company-specific experience and expertise. The Board of Directors believes that Mr. Bhusri's combined role enables strong leadership, creates clear accountability, and enhances our ability to communicate our message and strategy clearly and consistently to stockholders.

Lead Independent Director

Our Board of Directors has established corporate governance guidelines which state that when the chairperson of the Board and chief executive officer positions are held by the same person, a lead independent director may be designated. Because Mr. Bhusri is our co-Chief Executive Officer and Chairman, our Board of Directors appointed Mr. Still to serve as our lead independent director. As lead independent director, among other responsibilities, Mr. Still presides over regularly scheduled meetings at which only our independent directors are present, serves as a liaison between the co-Chief Executive Officers and the independent directors, and performs such additional duties as our Board of Directors may otherwise determine and delegate.

Executive Sessions of Independent Directors

In order to promote open discussion among independent directors, our Board of Directors has a policy of conducting executive sessions of independent directors during each regularly scheduled Board meeting and at

such other times if requested by an independent director. These executive sessions are chaired by our lead independent director. The lead independent director provides feedback to Workday's Co-Chief Executive Officer, as needed, promptly after the executive session. Neither Mr. Duffield nor Mr. Bhusri participates in such sessions.

Code of Conduct

We have adopted a Code of Conduct that applies to all of our directors, officers, and employees. The full text of our Code of Conduct is posted under the "Investor Relations" section on our website at http://www.workday.com/company/investor_relations/corporate_governance.php.

Meetings of the Board of Directors

The full Board met six times during fiscal 2013. No director attended fewer than 75% of the total number of meetings of the Board and of any Board committees of which he or she was a member during fiscal 2013.

It is our policy that directors are invited and encouraged to attend our annual meetings of stockholders. We have scheduled our 2013 Annual Meeting on the same day as a regularly scheduled Board meeting in order to facilitate attendance by our Board members.

Committees of the Board of Directors

Our Board of Directors has established an Audit Committee, a Compensation Committee, and a Nominating and Governance Committee. The current composition and functions of each committee are described below. Members serve on these committees until their resignation or until otherwise determined by our Board. The following table provides membership information for fiscal year 2013 for each of our Board committees:

	Audit Committee	Compensation Committee	Nominating & Governance Committee
Aneel Bhusri ★			
David A. Duffield			
A. George ("Skip") Battle	Chair	Member	
Christa Davies	Member		
Michael M. McNamara	Member		Chair
Scott D. Sandell		Member	Member
George J. Still, Jr. ★★		Chair	Member

★ = Chairman of the Board ★★ = Lead Independent Director [C] = Chair [■] = Member

Audit Committee

Our Audit Committee is composed of Messrs. Battle and McNamara and Ms. Davies. Mr. Battle is the chairman of our Audit Committee. Each of Messrs. Battle and McNamara satisfy the independence requirements of Rule 10A-3, and we expect that Ms. Davies will satisfy such independence requirements within the applicable transition period permitted under the rule. Mr. Battle and Ms. Davies are each an Audit Committee financial expert, as that term is defined under SEC rules, and possess financial sophistication as defined under the rules of

the New York Stock Exchange. The designation does not impose on either of them any duties, obligations or liabilities that are greater than are generally imposed on members of our Audit Committee and our Board of Directors. The Audit Committee met twice during fiscal 2013. Our Audit Committee is directly responsible for, among other things:

- selecting a firm to serve as the independent registered public accounting firm to audit our financial statements;
- ensuring the independence of the independent registered public accounting firm;
- discussing the scope and results of the audit with the independent registered public accounting firm, and reviewing, with management and that firm, our interim and year-end operating results;
- establishing procedures for employees to submit anonymously concerns about questionable accounting or audit matters;
- considering the adequacy of our internal controls and internal audit function;
- reviewing material related party transactions or those that require disclosure; and
- approving or, as permitted, pre-approving all audit and non-audit services to be performed by the independent registered public accounting firm.

The Audit Committee operates under a written charter that was adopted by our Board of Directors and satisfies the applicable standards of the SEC and the New York Stock Exchange. A copy of the Audit Committee charter is posted under the "Investor Relations" section on our website at http://www.workday.com/company/investor_relations/corporate_governance.php.

Compensation Committee

Our Compensation Committee is composed of Messrs. Battle, Still and Sandell. Mr. Still is the chairman of our Compensation Committee. Each member of the Compensation Committee is an outside director, as defined pursuant to Section 162(m) of the Internal Revenue Code of 1984, as amended (the Code), is a "non-employee director" under Rule 16b-3(b)(3)(i) of the Exchange Act, and is independent within the meaning of New York Stock Exchange rules. The Compensation Committee met three times during fiscal 2013. Our Compensation Committee is responsible for, among other things:

- reviewing and approving, or recommending that our Board of Directors approve, the compensation of our executive officers;
- reviewing and recommending to our Board of Directors the compensation of our directors;
- reviewing and approving, or recommending that our Board of Directors approve, the terms of any employment arrangements with our executive officers;
- administering our stock and equity incentive plans;
- reviewing and approving, or making recommendations to our Board of Directors with respect to, incentive compensation and equity plans; and
- reviewing our overall compensation philosophy.

The Compensation Committee operates under a written charter that was adopted by our Board of Directors and satisfies the applicable standards of the SEC and the New York Stock Exchange. A copy of the Compensation Committee charter is posted under the "Investor Relations" section on our website at http://www.workday.com/company/investor_relations/corporate_governance.php.

Nominating and Governance Committee

Our Nominating and Governance Committee is composed of Messrs. McNamara, Sandell and Still, each of whom is independent within the meaning of the New York Stock Exchange rules. Mr. McNamara is the chairman of our Nominating and Governance Committee. The Nominating and Governance Committee was newly formed and did not meet during fiscal 2013. Our Nominating and Governance Committee is responsible for, among other things:

- identifying and recommending candidates for membership on our Board of Directors;
- reviewing and recommending our corporate governance guidelines and policies;
- reviewing proposed waivers of the Code of Conduct for directors and executive officers;
- overseeing the process of evaluating the performance of our Board of Directors; and
- assisting our Board of Directors on corporate governance matters.

The Nominating and Governance Committee operates under a written charter that was adopted by our Board of Directors and satisfies the applicable standards of the SEC and the New York Stock Exchange. A copy of the Nominating and Governance Committee charter is posted under the "Investor Relations" section on our website at http://www.workday.com/company/investor_relations/corporate_governance.php.

Compensation Committee Interlocks and Insider Participation

None of the members of our Compensation Committee is, or has at any time during the past year been, an officer or employee of ours. None of our executive officers currently serve, or in the past year has served, as a member of the board of directors or compensation committee of any other entity that has one or more executive officers serving on our Board of Directors or Compensation Committee.

Considerations in Evaluating Director Nominees

The Nominating and Governance Committee is responsible for identifying, evaluating and recommending candidates to the Board for Board membership, or the Board may conduct the process of identifying and evaluating Board candidates directly. A variety of methods are used to identify and evaluate director nominees, with the goal of maintaining and further developing an experienced and highly qualified Board. Candidates may come to our attention through current members of our Board, professional search firms, stockholders or other persons.

The Nominating and Governance Committee will recommend to the Board for selection all nominees to be proposed by the Board for election by the stockholders, including approval or recommendation of a slate of director nominees to be proposed by the Board for election at each annual meeting of stockholders, and, if requested by the Board, will recommend all director nominees to be appointed by the Board to fill interim director vacancies.

The Board will be responsible for nominating members for election to the Board and for filling vacancies on the Board that may occur between annual meetings of stockholders. The Board may, either directly or upon the recommendation of the Nominating and Governance Committee, consider the minimum qualifications set forth below, any specific qualities or skills that it believes are necessary for one or more of the Board members to possess, and the desired qualifications, expertise and characteristics of Board members.

Director Qualifications

The Nominating and Governance Committee and the Board believe that candidates for director should have certain minimum qualifications, including, without limitation:

- demonstrated business acumen and leadership, and high levels of accomplishment

- experience with high-growth companies
- ability to exercise sound business judgment and to provide insight and practical wisdom based on experience
- commitment to understand Workday and its business, industry and strategic objectives
- integrity and adherence to high personal ethics and values, consistent with our Code of Conduct
- ability to read and understand financial statements and other financial information pertaining to Workday
- commitment to enhancing stockholder value
- willingness to act in the interest of all stockholders
- for non-employee directors, independence under New York Stock Exchange listing standards and other applicable rules and regulations

In the context of the Board's existing composition, other requirements that are expected to contribute to the Board's overall effectiveness and meet the needs of the Board and its committees may be considered.

In addition, under Workday's Corporate Governance Guidelines (Guidelines), a director is expected to spend the time and effort necessary to properly discharge such director's responsibilities. Accordingly, a director is expected to regularly attend meetings of the Board and committees on which such director sits, and to review prior to meetings material distributed in advance for such meetings. Thus, the number of other public company boards and other boards (or comparable governing bodies) on which a prospective nominee is a member, as well as his or her other professional responsibilities, will be considered. Also under the Guidelines, there are no limits on the number of three-year terms that may be served by a director. However, in connection with evaluating recommendations for nomination for re-election, director tenure is considered. Workday values diversity on a company-wide basis, but has not adopted a specific policy regarding Board diversity.

Stockholder Recommendations for Nominations to the Board of Directors

The Nominating and Governance Committee will consider properly submitted stockholder recommendations for candidates for our Board who meet the minimum qualifications as described above. The Nominating and Governance Committee does not intend to alter the manner in which it evaluates candidates, including the minimum criteria set forth above, based on whether or not the candidate was recommended by a stockholder. A stockholder of record can nominate a candidate for election to the Board of Directors by complying with the procedures in Article I, Section 1.12 of our Bylaws. Any eligible stockholder who wishes to submit a nomination should review the requirements in the Bylaws on nominations by stockholders. Any nomination should be sent in writing to the Secretary, Workday, Inc., 6230 Stoneridge Mall Road, Pleasanton, California 94588. Submissions must include the full name of the proposed nominee, complete biographical information, a description of the proposed nominee's qualifications as a director, other information specified in our Bylaws, and a representation that the nominating stockholder is a beneficial or record holder of our stock and has been a holder for at least one year. Any such submission must be accompanied by the written consent of the proposed nominee to be named as a nominee and to serve as a director if elected. These candidates are evaluated at meetings of the Nominating and Governance Committee, and may be considered at any point during the year. If any materials are provided by a stockholder in connection with the recommendation of a director candidate, such materials are forwarded to the Nominating and Governance Committee.

All proposals of stockholders that are intended to be presented by such stockholder at an annual meeting of Stockholders must be in writing and notice must be delivered to the Secretary at the principal executive offices of Workday not later than the close of business on the seventy-fifth (75th) day nor earlier than the close of business on the one hundred and fifth (105th) day prior to the first anniversary of the preceding year's annual meeting (except in the case of the calendar year 2013 Annual Meeting, for which such notice will be timely if delivered in

the same time period as if such meeting were a special meeting governed by Section 1.12.2 of our Bylaws). Stockholders are also advised to review our Bylaws, which contain additional requirements with respect to advance notice of stockholder proposals and director nominations.

Non-Employee Director Compensation

Our non-employee directors are entitled to receive both equity and cash compensation for their service as directors. Our Board of Directors has determined that the non-employee directors will receive an annual stock option grant to purchase 30,000 shares of Class A common stock. In addition, non-employee directors are entitled to receive annual cash compensation of $30,000 for service on our Board, $15,000 for the chair of the Audit Committee, $10,000 for the chair of the Compensation Committee and $7,000 for the chair of the Nominating and Governance Committee. In addition, directors will receive $2,000 for each board meeting attended in excess of 10 per year, and $1,000 for each committee meeting attended in excess of 10 per year for the Audit and Compensation Committees and five per year for the Nominating and Governance Committee. Our non-employee directors have determined to waive the cash compensation for their Board and Committee service through the fiscal year ending January 31, 2014.

The following table presents the total compensation for each person who served as a non-employee member of our Board of Directors in the fiscal year ended January 31, 2013. Other than as set forth in the table and described more fully below, in the fiscal year ended January 31, 2013 we did not pay any fees to, reimburse any expenses of, make any equity awards or non-equity awards to, or pay any other compensation to, the non-employee members of our Board of Directors.

The following table sets forth information regarding compensation earned by our non-employee directors for the fiscal year ended January 31, 2013:

Name	Grant Date	Option Awards[4]
A. George ("Skip") Battle	8/28/2012	$ 483,753[1]
Christa Davies	8/28/2012	2,418,765[2]
	9/28/2012	173,246[3]
George J. Still, Jr.	8/28/2012	483,753[1]
Michael M. McNamara	8/28/2012	483,753[1]
Scott D. Sandell	—	—

(1) In August 2012, Messrs. Battle, McNamara and Still received a stock option to purchase up to 30,000 shares of Class B common stock with an exercise price of $9.20 per share, which will vest in full on January 1, 2014.

(2) In August 2012, in connection with commencing her service as a director, Ms. Davies received a stock option to purchase 150,000 shares of Class B common stock with an exercise price of $9.20 per share. This option vests over a five-year period as follows: 20% of the common stock underlying the option vests on the first anniversary of the vesting start date and thereafter 5% of the common stock underlying the options vests each quarter.

(3) In September 2012, Ms. Davies received an additional stock option to purchase 15,000 shares of Class B common stock with an exercise price of $22.50 per share. This option will vest in full on January 1, 2014.

(4) Amount reported represents the grant date fair value of the stock option granted to the independent members of our Board of Directors during the fiscal year ended January 31, 2013 under our 2005 Stock Plan, as computed in accordance with FASB ASC 718. The fair value of each option grant is estimated based on the fair market value on the date of grant using the Black-Scholes option pricing model. For a more detailed discussion on the valuation model and assumptions used to calculate the fair value of our options, refer to Note 9 of the Notes to our Consolidated Financial Statements included in our 2013 Annual Report on Form 10-K filed on March 22, 2013. Notwithstanding the vesting schedule, these stock options were immediately exercisable in full as of the date of grant, with the underlying option shares subject to a lapsing right of repurchase in favor of us at the exercise price.

Stockholder Communications with the Board of Directors

Stockholders wishing to communicate with the Board of Directors or with an individual member of the Board of Directors may do so by writing to the Board of Directors or to the particular member of the Board of Directors, care of the Secretary at generalcounsel@workday.com or by mail to Secretary, Workday, Inc., 6230 Stoneridge Mall Road, Pleasanton, California 94588. The envelope should indicate that it contains a stockholder communication. All such stockholder communications will be forwarded to the director or directors to whom the communications are addressed.

REPORT OF THE AUDIT COMMITTEE

With respect to Workday's financial reporting process, the management of Workday is responsible for (1) establishing and maintaining internal controls and (2) preparing Workday's consolidated financial statements. Workday's independent registered public accounting firm, Ernst & Young LLP ("EY"), is responsible for auditing these financial statements. It is the responsibility of the Audit Committee to oversee these activities. The Audit Committee does not itself prepare financial statements or perform audits, and its members are not auditors or certifiers of Workday's financial statements.

The Audit Committee has reviewed and discussed the audited financial statements for the year ended January 31, 2013 with Workday's management and with EY, including the results of the independent registered public accounting firm's audit of Workday's financial statements. The Audit Committee has also discussed with EY all matters that the independent registered public accounting firm was required to communicate and discuss with the Audit Committee, including the matters required to be discussed by the Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1, AU Section 380), as adopted by the Public Company Accounting Oversight Board (United States) in Rule 3200T regarding "Communication with Audit Committees."

The Audit Committee also has received and reviewed the written disclosures and the letter from EY required by applicable requirements of the Public Company Accounting Oversight Board regarding EY's communications with the Audit Committee concerning independence, and has discussed with EY its independence from Workday, as well as any relationships that may impact EY's objectivity and independence.

On our review and discussions with Workday's management and independent registered public accountants, we recommended to the Board of Directors that the audited financial statements be included in Workday's Annual Report on Form 10-K for the fiscal year ended January 31, 2013, for filing with the Securities and Exchange Commission.

Submitted by the Audit Committee of the Board of Directors:
A. George ("Skip") Battle (Chair)
Christa Davies
Michael M. McNamara

RELATED PERSON TRANSACTIONS

In addition to the executive officer and director compensation arrangements discussed under "Executive Compensation," we describe below transactions since February 1, 2012 to which we have been a participant, in which the amount involved in the transaction exceeds or will exceed $120,000 and in which any of our directors, executive officers, or holders of more than 5% of our Class A common stock, or any immediate family member of, or person sharing the same household with, any of these individuals, had or will have a direct or indirect material interest.

Amended and Restated Investors' Rights Agreement

We have entered into an investors' rights agreement with certain holders of our convertible preferred stock, including entities with which certain of our directors are affiliated. These stockholders are entitled to rights with respect to the registration of their shares.

After our initial public offering, certain holders of shares of our Class B common stock outstanding as of April 30, 2012 became entitled to certain rights with respect to registration of such shares under the Securities Act of 1933, as amended (Securities Act). These shares are referred to as registrable securities. The holders of these registrable securities possess registration rights pursuant to the terms of our Amended and Restated Investors' Rights Agreement dated as of October 13, 2011 (IRA), and are described in additional detail below. We, along with Messrs. Duffield, Bhusri, Battle, McNamara, Peek and Still or their affiliated entities, as well as certain other parties, are parties to the IRA. We originally entered into the IRA in connection with our Series A financing in April 2005 and it was amended in each of our future preferred stock financing rounds. The IRA was most recently amended in October 2011.

Demand Registration Rights

Under our IRA, upon the written request of certain of the holders of the registrable securities then outstanding that we file a registration statement under the Securities Act with an anticipated aggregate price to the public of at least $15 million, we will be obligated to use our commercially reasonable efforts to register the sale of all registrable securities that holders may request in writing to be registered within 20 days of the mailing of a notice by us to all holders of such registration. The demand registration rights may not be exercised until April 11, 2013. We are required to effect no more than two registration statements which are declared or ordered effective, subject to certain exceptions. We may postpone the filing of a registration statement for up to 90 days once in a 12-month period if in the good faith judgment of our Board of Directors such registration would be detrimental to us, and we are not required to effect the filing of a registration statement during the period beginning 60 days prior to our good faith estimate of the date of the filing of, and ending on a date 180 days following the effective date of, a registration initiated by us.

Piggyback Registration Rights

If we register any of our securities for public sale, we will have to use all commercially reasonable efforts to register all registrable securities that the holders of such securities request in writing be registered within 20 days of mailing of notice by us to all holders of the proposed registration. However, this right does not apply to a registration relating to any of our stock plans, the offer and sale of debt securities, a corporate reorganization or other transaction under Rule 145 of the Securities Act, or a registration on any registration form that does not include substantially the same information as would be required to be included in a registration statement covering the sale of the registrable securities. The managing underwriter of any underwritten offering will have the right to limit, due to marketing reasons, the number of shares registered by these holders to 10% of the total shares covered by the registration statement.

Form S-3 Registration Rights

The holders of the registrable securities can request that we register all or a portion of their shares on Form S-3 if we are eligible to file a registration statement on Form S-3 and the aggregate price to the public of the shares offered is

at least $5 million. We are required to file no more than one registration statement on Form S-3 upon exercise of these rights per six-month period, subject to certain exceptions. We may postpone the filing of a registration statement for up to 90 days once in a 12-month period if in the good faith judgment of our Board of Directors such registration would be detrimental to us.

Registration Expenses

We will pay all expenses incurred in connection with each of the registrations described above, except for underwriting discounts and commissions. However, we will not pay for any expenses of any demand or Form S-3 registration if the request is subsequently withdrawn at the request of a majority of the holders of the registrable securities to be registered, subject to limited exceptions.

Expiration of Registration Rights

The registration rights described above will terminate as to any stockholder at such time as all of such stockholders' securities (together with any affiliate of the stockholder with whom such stockholder must aggregate its sales) could be sold without compliance with the registration requirements of the Securities Act pursuant to Rule 144 or following a deemed liquidation event under our Certificate of Incorporation, but in any event no later than October 12, 2014.

Stock Restriction Agreement

Mr. Duffield and Mr. Bhusri, our co-founders, have entered into a stock restriction agreement with each other and us. This agreement applies to all Class B common stock owned from time to time by our co-founders and each of their permitted transferees, which represents approximately 66% of the outstanding voting power of our capital stock.

Right of First Refusal

Pursuant to stock option exercise agreements used for grants under our 2005 Stock Plan, stockholders wishing to sell shares acquired under our 2005 Stock Plan to a third party grant us or our assignees the right to purchase those shares on the same terms proposed with the third party. These rights are customary for venture capital-backed companies in our industry and terminated after the completion of our initial public offering in October 2012. In September 2012, in connection with a proposed sale by a stockholder to a third party, we assigned our right to purchase 36,000 shares of our common stock to the Still Family Partners, of which Mr. Still, a member of our Board of Directors, is general partner.

Employment Arrangements with Immediate Family Members of Our Executive Officers and Directors

Michael Duffield, a son of David Duffield, our co-founder, co-CEO and a member of our Board of Directors, has been employed by us since May 2005. As General Manager of Education & Government, Michael Duffield is responsible for the strategy, development, service delivery, sales and marketing of Workday solutions for education and government organizations. During the year ended January 31, 2013, Michael Duffield had total cash compensation, including base salary, bonus and other compensation, of $315,343.

Amy Zeifang, a daughter of David Duffield, has been employed by us on a part-time basis since February 2006. Amy Zeifang serves as Co-Director of Corporate Giving, responsible for community engagement and corporate philanthropy programs for Workday. Her salary and bonus did not exceed the disclosure threshold for the fiscal year ended January 31, 2013.

The compensation levels of Michael Duffield and Amy Zeifang were based on reference to internal pay equity when compared to the compensation paid to employees in similar positions that were not related to our executive officers and directors. They were also eligible for equity awards on the same general terms and conditions as applicable to other employees in similar positions who were not related to our executive officers and directors.

Equipment Lease

In June 2010, we entered into a capital lease agreement with Lake Tahoe Land Company, LLC, an affiliate of David Duffield. The lease agreement provides for an equipment lease financing facility to be drawn upon for purchases of information technology and related equipment for use in our business operations. The amount paid under this agreement in the fiscal year ended January 31, 2013 was $4,186,630. As of January 31, 2013, the principal balance due under the lease agreement was $2,047,449.

Real Estate Leases

In November 2012, we entered into three five-year facility operating lease agreements with Metropolitan Life Insurance Company and MetLIFE Insurance Company of Connecticut, which were assumed by NPC Holdings, LLC, an affiliate of David Duffield, in December 2012. The lease agreements provide for the lease of 10,684 square feet, 17,240 square feet and 41,535 square feet, respectively, of office space in Pleasanton, California, commencing on various dates in 2013. The costs of the foregoing leases are $250,006, and $403,416 and $971,919, respectively, for the first year of such leases, and will increase by $0.60/square foot per year thereafter. In addition, in January 2013 we entered into a lease amendment with NPC Holdings, LLC which provides for the lease of 18,597 additional square feet of office space in Pleasanton, California, commencing in 2013 and ending in March 2015. The cost of the lease amendment is approximately $435,168 per year, and will increase by $0.60/square foot per year thereafter. There were no amounts paid under these agreements to entities affiliated with David Duffield in the fiscal year ended January 31, 2013.

Aircraft Lease

In May 2012, we entered into a one-year agreement with David Duffield for the lease of aircraft at a rate of twice the applicable fuel costs plus crew travel expenses. Prior to this agreement, we had an arrangement to pay Nevada Pacific Consulting, LLC and TDMC, LLC, affiliates of Mr. Duffield, for aircraft usage and crew expenses at an hourly rate. The amount paid under this agreement and the prior arrangement in the fiscal year ended January 31, 2013 was $234,567.

Relationship with Aon, plc

Ms. Davies, one of our directors, is the Chief Financial Officer and Executive Vice President of Global Finance of Aon, plc. Workday is a customer of Aon and made payments for consulting and other services provided by Aon of $161,737 in the fiscal year ended January 31, 2013.

Relationship with Flextronics International, Ltd.

Mr. McNamara, one of our directors, is the Chief Executive Officer of Flextronics. Flextronics has been a customer of Workday since 2008 and made payments to Workday of $572,190 in the fiscal year ended January 31, 2013.

Indemnification Agreements

We have entered into indemnification agreements with each of our directors and executive officers. The indemnification agreements and our Bylaws require us to indemnify our directors to the fullest extent not prohibited by Delaware law. Subject to certain limitations, our Bylaws also require us to advance expenses incurred by our directors and officers.

Statement of Policy Regarding Related Person Transactions

We have adopted a written related-party transactions policy that our executive officers, directors, nominees for election as a director, beneficial owners of more than 5% of our common stock, and any members of the

immediate family member of the foregoing "related persons," are not permitted to enter into a material related person transaction with us without the review, consideration and approval or ratification of the disinterested members of the Audit Committee. Any request for us to enter into a transaction with a related person, in which the amount involved exceeds $120,000, or contributions to affiliated charities above $50,000, will be presented to our disinterested members of the Audit Committee for review, consideration and approval or ratification. In approving or rejecting any such proposal, we expect that our Audit Committee will consider the relevant facts and circumstances available and deemed relevant to the Audit Committee, including, but not limited to, whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances; the extent of the related person's interest in the transaction; the benefits that the transaction provides to us; and whether the transaction was undertaken in the ordinary course of business.

Prior to the adoption a written policy for the review and approval of transactions with related persons, our Board of Directors had historically reviewed and approved any transactions where a director or officer had a financial interest, including the transactions described above. Prior to approving such a transaction, the material facts as to a director's or officer's relationship or interested as to the agreement or transactions were disclosed to our Board of Directors. Our Board of Directors would take information into account when evaluation the transaction and in determining whether such transaction was fair to Workday and in the best interest of all of our stockholders.

EXECUTIVE COMPENSATION

Overview

We formed the Compensation Committee of our Board of Directors in May 2012, and it held its first meeting in August 2012. Prior to our becoming a public company, all significant decisions relating to the compensation of our executive officers were reviewed and approved by the disinterested members of our Board of Directors. Since becoming a public company, our Compensation Committee reviews, evaluates and makes decisions on executive compensation and our overall compensation philosophy, as required by New York Stock Exchange Rules.

This section provides an overview of the material components of our executive compensation program for our co-Chief Executive Officers and each of our two other most highly compensated executive officers (our named executive officers, or NEOs) during fiscal 2013. The compensation provided to our NEOs for fiscal 2013 is set forth in detail in the Summary Compensation Table and other tables that follow this section, as well as the accompanying footnotes and narratives relating to those tables. This section also discusses our executive compensation philosophy, objectives and design; compensation decisions for our NEOs in fiscal 2013; the role of compensation consultants; and the peer group used in evaluating executive officer compensation.

Our NEOs for fiscal 2013 were:

- Aneel Bhusri, our Chairman of the Board of Directors and co-Chief Executive Officer;
- David A. Duffield, our co-Chief Executive Officer;
- Mark S. Peek, our Chief Financial Officer; and
- Michael A. Stankey, our President and Chief Operating Officer

Executive Summary

Fiscal 2013 Financial and Business Highlights

We provide enterprise cloud applications for human capital management (HCM), payroll, financial management, grants management, time tracking, procurement, employee expense management and analytics. We offer Workday applications to our customers on an enterprise-wide subscription basis, typically with three-year terms and with subscription fees based on the size and nature of the customer's workforce. As of January 31, 2013, we had over 400 customers.

In fiscal 2013, we achieved significant financial and business results:

- We increased our revenues 103.6%, from $134.4 million to $273.7 million;
- We signed our largest contract to date with a global customer with more than 300,000 employees worldwide;
- We issued three new updates with hundreds of new features;
- We maintained stellar customer satisfaction ratings;
- We were named the "#1 Top Workplace in the Bay Area" and the "#1 Best Place to Work in the Bay Area" for large companies in two different media surveys; and
- In October 2012, we completed an initial public offering of our common stock resulting in net proceeds of approximately $684.6 million.

Executive Compensation Philosophy, Objectives and Design

Philosophy

We operate in a highly competitive and rapidly evolving market, and we expect competition between companies in our market to continue to increase. Our ability to compete and succeed in this environment is directly correlated to our ability to recruit, incentivize and retain talented individuals in the areas of research and development, sales, marketing, services and general and administrative functions. The market for skilled personnel in the software industry is very competitive. Our compensation philosophy is designed to establish and maintain a compensation program that attracts and rewards talented individuals who possess the skills necessary to create long-term value for our stockholders, expand our business and assist in the achievement of our strategic goals.

In fiscal 2013, our Compensation Committee reviewed and assessed our compensation philosophy, which is intended to reflect Workday's values. The Compensation Committee believes that a great work environment, substantial company ownership and solid pay and benefits support a winning team, company and workplace. Further, Workday's compensation is designed to be focused on ownership, focused on innovation and results and fair and flexible. Accordingly, key elements of Workday's total rewards philosophy include the following:

Focus on ownership: All employees are owners, and equity compensation is a larger part of total rewards than the market norm.

Focus on innovation and results: Workday rewards results based on performance, while recognizing differences between functions. The development of great products is the life-blood of the company, and the compensation structure for product developers is weighted toward long-term compensation in support of longer-term objectives. In contrast, sales compensation is weighted toward variable short-term compensation in accordance with market practices and to promote revenue growth.

Fair and flexible: The Committee recognizes the importance of providing fair rewards for employee contributions. Workday seeks to provide total targeted direct compensation (salary, bonus and equity) that is at or above market norms, and to provide parity and consistency within functions. Workday also believes in making tough decisions in order to adhere to budgets, ensuring transparency and promoting understanding of our compensation philosophy and practices.

Objectives for our Executive Compensation Programs

Consistent with our compensation philosophy, the primary goals of our executive compensation programs are to:

- Provide competitive compensation to recruit, retain and motivate top talent;
- Align the interests of our executive officers and stockholders through the use of equity awards; and
- Motivate and reward behavior consistent with Workday goals and performance objectives.

The Compensation Committee retains flexibility to review our compensation structure periodically as needed to focus on different business objectives, and reviews our compensation program at least annually.

Design

Our executive compensation program, which was developed and implemented primarily while we were privately held, has been heavily weighted towards equity in the form of stock option grants. Our Board of Directors determined that compensation in the form of equity helped to align our executives with the long-term interests of our stockholders by driving achievement of our strategic and financial goals. Our Board continues to believe that making equity awards a key component of executive compensation aligns the executive team with

the long-term interests of the stockholders. To maintain a competitive compensation program, we have also offered cash compensation in the form of base salaries and, to a lesser extent, annual cash bonuses. Historically, our cash compensation has been low relative to public companies, and bonus opportunities have not been uniformly applied to all executives, resulting in cash compensation for executives that is typically below companies in our peer group (as described below).

As we transition from being a privately-held company to a publicly-traded company, we are evaluating our compensation philosophy and programs. We have reviewed, and expect to review, executive compensation annually including base salary, incentive compensation and equity-based grants to ensure that it promotes stockholder interests and provides for appropriate rewards and incentives for Workday's management and employees.

If desirable or required under any rules or regulations of the SEC, the Committee will review whether Workday's compensation structure encourages undue or inappropriate risk taking by Workday personnel.

Our Compensation-Setting Process

Our co-founders and co-Chief Executive Officers received a base salary of $33,280 upon the commencement of their employment, which has not changed since that time. Messrs. Duffield and Bhusri have not participated in a bonus plan, other than the company-wide bonus plan that is available to all employees. In May 2012, the disinterested members of our Board of Directors reviewed a study by Compensia of equity positions for CEOs of pre-public companies, and determined to grant options to Mr. Duffield and restricted stock to Mr. Bhusri, as described below, in recognition of the importance of their roles.

The initial compensation arrangements with our executive officers other than our co-CEOs have been the result of arm's-length negotiations between us and each individual executive at the time of their hire. Prior to the formation of our Compensation Committee in May 2012, our co-Chief Executive Officers were primarily responsible for overseeing and approving the negotiation of these arrangements. Except with respect to their own compensation, our co-Chief Executive Officers made recommendations to our Board of Directors regarding, and our Board of Directors approved, equity compensation for executive officers. In May 2012, our Board of Directors reviewed and approved the terms of the offer letter for Mr. Peek in connection with the commencement of his employment.

Pursuant to its charter and in accordance with New York Stock Exchange rules, the Compensation Committee of our Board of Directors is responsible for reviewing, evaluating, and approving the compensation arrangements of our executive officers and for establishing and maintaining our executive compensation policies and practices. Our Compensation Committee seeks input and receives recommendations from our co-Chief Executive Officers and other members of our executive team when discussing the performance and compensation of other executive officers. The Compensation Committee also coordinates with our Chief Financial Officer in determining the financial and accounting implications of our compensation programs and hiring decisions. For additional information on the Compensation Committee, see "Committees of the Board of Directors—Compensation Committee" elsewhere in this proxy statement.

Role of Compensation Consultant

In May 2012, the Compensation Committee retained Compensia to assess the competitiveness of our compensation programs and aid in the transition of our compensation programs from a private company to a public company structure. Specifically, Compensia was engaged to:

- provide data for the establishment of a peer group of companies to serve as a basis for assessing competitive compensation practices;
- review and assess our current director, CEO and other executive officer compensation practices and equity profile relative to market practices;

- review and assess our current compensation programs relative to market to determine any changes that may need to be implemented in order to remain competitive with our peer group; and
- review market practices on employee stock purchase plans and option programs

The total fees paid to Compensia for the fiscal year ended January 31, 2013 were $67,667. The Compensation Committee does not believe that the advice provided by Compensia to Workday and the Committee resulted or results in a conflict of interest because the Committee and Workday had complete access to Compensia throughout the review process.

Peer Group

In November 2012, our Board of Directors, based upon the recommendation of the Compensation Committee, approved the following peer group, based on companies that are in applications software, systems software, or internet software and services, with revenues and market capitalization of between .5x to 2x those of Workday's and annual revenue growth of greater than 25%:

Ariba, Inc.
Aruba Networks, Inc.
athenahealth, Inc.
Aspen Technology, Inc.
CommVault Systems, Inc.
Concur Technologies, Inc.
CoStar Group, Inc.
Fortinet, Inc.
Fusion-io, Inc.
Guidewire Software, Inc.
NetSuite, Inc.
Palo Alto Networks, Inc.
Qlik Technologies Inc.
RealPage, Inc.
ServiceNow, Inc.
SolarWinds, Inc.
Sourcefire, Inc.
Splunk Inc.
The Ultimate Software Group, Inc.

While Workday considers the compensation levels of the companies in its peer group, it has not specifically benchmarked its compensation levels to the peer group. Rather, Workday uses the peer group as a general guide to overall compensation levels among similar companies.

Elements of Our Executive Compensation Program

The key elements of our compensation package for named executive officers are base salary, bonuses, equity-based awards, and our benefits programs. As stated above, historically, Workday has not benchmarked to any specific percentile of its peer group. Except with respect to bonuses, which typically are set as a pre-defined percentage of an individual's salary, Workday has not used specific formulas or weightings in determining the allocation of the various pay elements; rather, each NEO's compensation has been designed to provide a combination of compensation that is tied to achievement of our short- and long-term objectives.

Base Salary

We offer base salaries that are intended to provide a level of stable fixed compensation to named executive officers for performance of day-to-day services. Other than our co-founders, each named executive officer's base salary was established as the result of arm's-length negotiation with the individual at the time of hiring. Base salaries for our executive officers are generally reviewed annually to determine whether an adjustment is warranted or required. In fiscal 2013, the Compensation Committee reviewed the base salaries of our executive officers taking into consideration a compensation analysis performed by Compensia. The base salaries paid to our named executive officers for fiscal 2013 are set forth in the Summary Compensation Table below.

Bonuses

Under Workday's company-wide bonus plan for fiscal 2013 (Company-Wide Bonus Plan), each full time employee of Workday hired prior to October 31, 2012, including our named executive officers, was entitled to receive a cash bonus of $1,500 plus one week's additional vacation time if we achieved certain business objectives. In addition, pursuant to the terms of their respective offer letters, Mr. Stankey and Mr. Peek were eligible to receive a targeted discretionary bonus of $125,000 and $100,000, respectively, based on their performance, and Mr. Peek received a hiring bonus of $50,000. Our co-Chief Executive Officers and most other executives have not participated in an annual cash bonus plan, other than the Company-Wide Bonus Plan that is available to all employees.

In March 2013, our Compensation Committee determined that Mr. Stankey and Mr. Peek were entitled to receive their respective target annual bonuses of $125,000 and $100,000 (in Mr. Peek's case, $75,000 was paid for the three quarters in which he was employed by Workday during fiscal 2013), for their performance. In addition, the Compensation Committee determined that executive officers would be entitled to receive the standard bonus under the Company-Wide Bonus Plan. In making this determination, the Committee considered Mr. Stankey's demonstrated leadership within the sales organization and the substantial revenue growth of Workday. The Committee also considered Mr. Peek's contributions to Workday's successful initial public offering and leadership in preparing Workday for public company requirements.

Equity-Based Awards

Our practice as a private and rapidly-growing company was to grant equity awards to our newly-hired executive officers, and other executive officers as needed, in order to effectively align the interests of the executive with our long-term growth objectives. Historically, we have not made regular equity awards to our named executive officers, although we anticipate that annual equity awards may form a component of our compensation structure for executives going forward in order to more effectively align the interests of executive officers and our stockholders and ensure appropriate long-term incentives remain in place.

The sizes and types of awards that have historically been granted to executive officers have not been determined based on a specific formula, but rather on a combination of the Board of Directors' discretionary judgment regarding the appropriate level of compensation for the position, the need to fill or retain an individual in a particular position, and, as applicable, the value of equity being forfeited by the individual in leaving their prior employer. In May 2012, the disinterested members of our Board of Directors reviewed a study by Compensia of equity positions for CEOs of pre-public companies in determining the appropriate equity compensation for Mr. Duffield and Mr. Bhusri, and determined to grant Mr. Duffield an option to purchase 300,000 shares of common stock at an exercise price of $7.05, and to grant Mr. Bhusri 1,000,000 restricted shares. Also in May 2012, in connection with Mr. Peek's commencement of employment, the Board of Directors determined to grant Mr. Peek an option to purchase 500,000 shares of our common stock, and further determined to grant an option to purchase 150,000 shares of our common stock to Mr. Stankey, in each case at an exercise price of $7.05 per share. Mr. Peek also received a restricted stock award of 150,000 shares in May 2012. The size of these awards was made in accordance with the general criteria discussed above and were not otherwise based on any specific benchmarking to a particular percentile of a peer group. See the "Summary Compensation Table" below for information regarding stock-based award grants to the named executive officers during fiscal 2013.

Benefits Programs

Our employee benefit programs, including our 401(k) plan and health, dental, vision and disability programs, are designed to provide a competitive level of benefits to our employees generally, including our named executive officers and their families. We adjust our employee benefit programs as needed based upon regular monitoring of applicable laws and practices and the competitive market. Our named executive officers are entitled to participate in the same employee benefit plans, and on the same terms and conditions, as all other United States full-time employees.

Post-Employment Compensation

The terms and conditions of employment for Mr. Stankey and Mr. Peek are set forth in their respective offer letter agreements. See "Employment Arrangements and Indemnification Agreements" below for more information on these agreements. Mr. Duffield and Mr. Bhusri do not have employment agreements with Workday. In May 2012, we adopted a change in control policy applicable to our executive officers and certain other employees which provides for severance benefits in the event of a termination of employment following a change in control. The material terms of these post-employment arrangements are set forth in "Potential Payments Upon Termination or Change in Control" below.

Tax and Accounting Considerations

Deductibility of Executive Compensation

Section 162(m) of the Internal Revenue Code, or the Code, limits the amount that we may deduct from our federal income taxes for remuneration paid to our executive officers to one million dollars per executive officer per year, unless certain requirements are met. Section 162(m) provides an exception from this deduction limitation for certain forms of "performance-based compensation," as well as for the gain recognized by executive officers upon the exercise of qualifying compensatory stock options. While our Compensation Committee is mindful of the benefit to us of the full deductibility of compensation and will consider deductibility when analyzing potential compensation alternatives, our Compensation Committee believes that it should not be constrained by the requirements of Section 162(m) where those requirements would impair flexibility in compensating our executive officers in a manner that can best promote our corporate objectives. Therefore, our Compensation Committee has not adopted a policy that requires that all compensation be deductible.

No Gross-ups of Parachute Payments and Deferred Compensation

We did not provide any executive officer, including any named executive officer, with a "gross-up" or other reimbursement payment for any tax liability that he or she might owe as a result of the application of Sections 280G, 4999, or 409A of the Code during fiscal 2013, and we have not agreed and are not otherwise obligated to provide any named executive officers with such a "gross-up" or other reimbursement.

Accounting Treatment

We account for stock compensation in accordance with the authoritative guidance set forth in ASC Topic 718, which requires companies to measure the compensation expense for all share-based payment awards made to employees and directors, including stock options, over the period during which the award recipient is required to perform services in exchange for the award (for executive officers, generally the five-year vesting period of the award). We estimate the fair value of stock options granted using the Black-Scholes option-valuation model "fair value" of these awards. This calculation is performed for accounting purposes and reported in the compensation tables below. Authoritative accounting guidance also requires companies to recognize the compensation cost of their stock-based compensation awards in their income statements over the period that an award recipient is required to render service in exchange for the option or other award.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the Executive Compensation discussion included in this proxy statement with management and, based on such review and discussions, the Compensation Committee recommended to the Board of Directors that the Executive Compensation discussion be incorporated by reference in our annual report on Form 10-K for the fiscal year ended January 31, 2013 and included in this proxy statement. Submitted by the Compensation Committee of the Board of Directors:

George J. Still, Jr. (Chair)
A. George ("Skip") Battle
Scott D. Sandell

Executive Officers and Key Employees

The following table identifies certain information about our executive officers and key employees as of March 25, 2013. Officers are elected by the Board of Directors to hold office until their successors are elected and qualified.

Name	Age	Current Position(s) with Workday
Executive Officers:		
David A. Duffield	72	Co-founder, co-Chief Executive Officer and Director
Aneel Bhusri	47	Chairman, co-founder and co-Chief Executive Officer
Mark S. Peek	55	Chief Financial Officer
Michael A. Stankey	54	President and Chief Operating Officer
James P. Shaughnessy	58	Vice President and General Counsel
Key Employees:		
James J. Bozzini	46	Senior Vice President of Operations and Services
Petros Dermetzis	51	Vice President of Development
Michael L. Frandsen	51	Vice President of Products
Stanley A. Swete	52	Chief Technology Officer

Executive Officers

For information on the business background of Messrs. Duffield and Bhusri, see "Proposal No. 1—Election of Directors" above.

Mark S. Peek has served as our Chief Financial Officer since June 2012, and served as a Director from December 2011 to June 2012. From January 2011 to May 2012, Mr. Peek served as the Chief Financial Officer and Co-President, Business Operations of VMware, Inc., a provider of business infrastructure virtualization solutions. From April 2007 to January 2011, Mr. Peek served as Chief Financial Officer of VMware. From 2000 to 2007, Mr. Peek was Senior Vice President and Chief Accounting Officer at Amazon.com, Inc., an online retail company. Prior to joining Amazon.com, Mr. Peek spent 19 years at Deloitte & Touche LLP, the last 10 years as a partner. Mr. Peek is a director of Trimble Navigation Limited, an advanced positioning systems company. Mr. Peek received a B.S. in Accounting and Business Administration from Minnesota State University.

Michael A. Stankey has served as our President and Chief Operating Officer since September 2009. From October 2007 to September 2009, Mr. Stankey was a Partner with Greylock Partners. From December 2001 until its acquisition by Hewlett-Packard Company in April 2007, Mr. Stankey served as Chairman and Chief Executive Officer of PolyServe Inc., a storage virtualization software company. From 1993 to 2001, Mr. Stankey held a number of senior management positions with PeopleSoft, including Senior Vice President of North American Sales. Mr. Stankey received a Bachelor of Business Administration from the University of Wisconsin, Eau Claire.

James P. Shaughnessy has served as our Vice President and General Counsel since August 2011. From June 2007 to August 2011, Mr. Shaughnessy was Senior Vice President, Chief Administrative Officer and General Counsel of Orbitz Worldwide, Inc., a global online travel company. Mr. Shaughnessy served as Senior Vice President, General Counsel and Secretary of PeopleSoft in 2004. Prior to 2007, Mr. Shaughnessy also served as Senior Vice President and General Counsel of Lenovo Group Ltd. and in senior legal positions with Hewlett-Packard Company, Compaq Computer Company and Digital Equipment Corporation. Mr. Shaughnessy received a B.S. in Political Science from Northern Michigan University and a J.D. and a Masters of Public Policy from the University of Michigan.

Other Executive Management

James J. Bozzini has served as our Senior Vice President of Operations and Services since January 2007. Between 1991 and 1999, Mr. Bozzini held a number of senior management positions at PeopleSoft, including Senior Vice President of Services Operations. Prior to joining Workday, Mr. Bozzini also worked for Evolve Software, Inc. and Andersen Consulting (now known as Accenture Ltd.). Mr. Bozzini received a B.S. in Business Administration from California State University, Chico.

Petros Dermetzis has served as our Vice President of Development since February 2005. From 1993 to 2005, Mr. Dermetzis held a number of key development and international sales operations positions at PeopleSoft, most recently as General Manager and Group Vice President of Tools & Technology. Mr. Dermetzis received a B.A. in Marketing Engineering from Huddersfield University and an M.S. in Information Management from Lancaster University.

Michael L. Frandsen has served as our Vice President of Products since January 2010. From January 2008 to December 2008, Mr. Frandsen served as Chief Executive Officer at Potenco, Inc. a developer of hand-held micro-generators. From November 2006 to July 2007, Mr. Frandsen served as Senior Vice President, Product Management and Strategy at DemandTec, Inc., a SaaS marketing and merchandising optimization solutions company. From 1995 to 2002, Mr. Frandsen held a number of key leadership roles at PeopleSoft, including general manager of supply chain management. Mr. Frandsen received a B.S. in Business from the University of Colorado at Boulder.

Stanley A. Swete has served as our Chief Technology Officer since February 2007. From April 2005 to February 2007, Mr. Swete served as our Vice President of Products and Technology. From 1992 to 2002 and in 2004, Mr. Swete held a number of key leadership roles at PeopleSoft, including head of the products and technology organization. He was also manager of tools development, general manager of financial applications, general manager of CRM, and was responsible for the initial release of PeopleSoft’s Internet architecture. Mr. Swete received a B.S. and M.S. in Industrial Engineering from Stanford University.

SUMMARY COMPENSATION TABLE

The following table provides information concerning all plan and non-plan compensation earned by each of our named executive officers during the fiscal year ended January 31, 2013 and the fiscal year ended January 31, 2012.

Name and Principal Position	Year	Salary	Bonus[1]	Option Awards[2]	Stock Awards[2]	All Other Compensation[3]	Total
Aneel Bhusri	2013	$ 33,280	$ 1,500	$ —	$12,800,000	$ —	$12,834,780
Co-Chief Executive Officer	2012	33,280	1,500	—	—	—	34,780
David A. Duffield	2013	33,280	1,500	2,408,160	—	2,164	2,445,104
Co-Chief Executive Officer	2012	33,280	1,500	—	—	—	34,780
Mark S. Peek	2013	145,833	126,500	4,013,600	1,920,000	24,751	6,230,684
Chief Financial Officer	2012	—	—	382,410[4]	—	—	382,410
Michael A. Stankey	2013	275,000	126,500	1,204,080	—	—	1,605,580
President and Chief Operating Officer	2012	275,000	126,500	812,093	—	—	1,213,593

(1) Includes discretionary bonuses earned pursuant to our company-wide bonus plan for the year ended January 31, 2013. Under the terms of the bonus plan, each full-time employee of Workday as of October 31, 2012 was entitled to receive a cash bonus of $1,500 and one week's additional vacation time if we achieved certain business objectives. In addition, pursuant to the terms of their respective offer letters, Mr. Peek earned a bonus of $75,000 (representing payment at target of Mr. Peek's $100,000 annual bonus for the three quarters of fiscal 2013 when he was employed by Workday) and Mr. Stankey earned a bonus of $125,000 for the achievement of mutually agreed-upon objectives. Mr. Peek also received a hiring bonus of $50,000.

(2) The amounts reported reflect the grant date fair value of the stock options and restricted stock awards granted to the named executive officers during the fiscal year ended January 31, 2013 as computed in accordance with FASB ASC 718. The fair value of each option grant is estimated based on the fair market value on the date of grant using the Black-Scholes option pricing model. The fair value of each restricted stock award is measured based on the value of our common stock on the date of grant, as determined by our Board of Directors. For a more detailed discussion on the valuation model and assumptions used to calculate the fair value of our options, refer to Note 9 of the Notes to our Consolidated Financial Statements included in our 2013 Annual Report on Form 10-K filed on March 22, 2013.

(3) All other compensation consists of incremental cost to Workday of the personal use of company-leased aircraft.

(4) Earned while serving as a director of Workday. Mr. Peek resigned from the Board of Directors on June 12, 2012 in connection with his commencement of employment as our Chief Financial Officer.

2013 Outstanding Equity Awards at Fiscal Year-End Table

The following table provides information regarding each unexercised stock option and restricted shares held by our named executive officers as of January 31, 2013.

		Option Awards			Stock Awards	
Name	Grant Date	Number of Securities Underlying Unexercised Options Exercisable (1)(2)	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested(3)
Aneel Bhusri	5/22/2012	—	—	—	1,000,000	$53,420,000
	11/4/2010	3,200,000	$1.30	11/3/2020		
Mark S. Peek	5/22/2012	—	—	—	150,000	8,013,000
Michael A. Stankey	5/4/2012	150,000	7.05	5/3/2022	—	—
	2/18/2011	675,000	2.30	2/17/2021	—	—
	10/27/2009	1,859,346	0.65	10/26/2019	—	—

(1) Options vest over a five-year period as follows: 20% of the Class B common stock underlying the options vest on the first anniversary of the vesting start date and thereafter 5% of the Class B common stock underlying the options vest each quarter. Notwithstanding the vesting schedule, these stock options were immediately exercisable in full as of the date of grant, with the underlying option shares subject to a lapsing right of repurchase in favor of us at the exercise price.

(2) In addition, certain of our named executive officers have exercised options, some of which had not yet vested and were therefore subject to a right of repurchase as of January 31, 2013 in the event that their employment with Workday terminates, as follows: Mr. Duffield, 1,598,000 shares subject to a right of repurchase; Mr. Bhusri, 390,000 shares subject to a right of repurchase; and Mr. Peek, 620,000 shares subject to a right of repurchase.

(3) The market value of unvested shares is calculated by multiplying the number of unvested shares held by the applicable named executive officer by the closing price of our Class A common stock on January 31, 2013, which was $53.42.

EQUITY COMPENSATION PLAN INFORMATION

Securities Authorized for Issuance Under Equity Compensation Plans

The following table includes information as of January 31, 2013 for equity compensation plans:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders[1]	28,105,442	$3.25	38,685,700
Equity compensation plans not approved by security holders	3,254,000	1.29	0

(1) Included in this amount are 2,000,000 shares available for future issuance under the 2012 Employee Stock Purchase Plan.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of March 15, 2013, certain information regarding beneficial ownership of our common stock (a) by each person known by us to be the beneficial owner of more than five percent of the outstanding shares of Class A common stock or Class B common stock, (b) by each director and nominee for director, (c) by the named executive officers (as defined in "Executive Compensation" above) and (d) by all of our current executive officers and directors as a group.

We have determined beneficial ownership in accordance with the rules of the SEC. Except as indicated by the footnotes below, we believe, based on the information furnished to us, that the persons and entities named in the table below have sole voting and investment power with respect to all shares of Class A common stock or Class B common stock that they beneficially own, subject to applicable community property laws.

Applicable percentage ownership is based on 30,000,578 shares of Class A common stock and 136,575,609 shares of Class B common stock outstanding at March 15, 2013. In computing the number of shares of common stock beneficially owned by a person and the percentage ownership of that person, we deemed to be outstanding all shares of common stock subject to options held by that person or entity that are currently exercisable or that will become exercisable within 60 days of March 15, 2013. We did not deem these shares outstanding, however, for the purpose of computing the percentage ownership of any other person. Unless otherwise indicated, the address of each beneficial owner listed in the table below is c/o Workday, Inc., 6230 Stoneridge Mall Road, Pleasanton, California 94588.

	Shares Beneficially Owned				% Total Voting Power(1)
	Class A		Class B		
Name of Beneficial Owner	Shares	%	Shares	%	
Named Executive Officers and Directors:					
David A. Duffield[(2)]	—	—	82,291,206	60%	59%
Aneel Bhusri[(3)]	—	—	96,017,365	70%	69%
Mark S. Peek[(4)]	—	—	913,123	*	*
Michael A. Stankey[(5)]	—	—	3,104,673	2%	2%
A. George ("Skip") Battle[(6)]	84,000	*	617,247	*	*
Christa Davies[(7)]	70,000	*	165,000	*	*
Michael M. McNamara[(8)]	202,000	*	210,165	*	*
Scott D. Sandell[(9)]	—	—	13,927,273	10%	10%
George J. Still, Jr.[(10)]	263,000	*	501,784	*	*
All executive officers and directors as a group (10 persons)[(11)]	619,000	2%	115,716,630	85%	83%
5% Stockholders:					
Blue Ridge Capital and affiliates[(12)]	1,798,000	6%	—	—	*
FMR LLC and affiliates[(13)]	3,749,101	12%	1,508,295	1%	1%
Greylock Partners and affiliates[(14)]	—	—	15,190,578	11%	11%
Jennison Associates LLC[(15)]	2,652,274	9%	—	—	*
New Enterprise Associates and affiliates[(16)]	—	—	13,939,394	10%	10%
Prudential Financials Inc. and affiliates[(17)]	2,649,184	9%	—	—	*
T. Rowe Price Associates, Inc. and affiliates[(18)]	2,317,300	8%	1,905,589	1%	2%

* Less than 1%

(1) Percentage of total voting power represents voting power with respect to all shares of our Class A and Class B common stock, as a single class. The holders of our Class B common stock are entitled to 10 votes per share, and holders of our Class A common stock are entitled to one vote per share.

(2) Includes (i) 70,111,206 shares of Class B common stock held by The David A. Duffield Trust (the Duffield Trust) dated April 2, 1997, including 1,451,250 shares of Class B common stock which may be repurchased by us at the original exercise price within 60 days of March 15, 2013, and (ii) 12,180,000 shares of Class B

common stock subject to a voting agreement entered into by Messrs. Duffield and Bhusri. Mr. Duffield has sole voting and dispositive power with regard to the shares held by the Duffield Trust. The Duffield Trust is a limited partner in Greylock XI Limited Partnership (Greylock XI) as reflected in footnote 14 below.

(3) Includes (i) 7,126,443 shares of Class B common stock held directly by Mr. Bhusri, of which 100,000 shares may be repurchased by us at the original exercise price within 60 days of March 15, 2013, (ii) 1,000,000 shares of restricted Class B common stock held directly by Mr. Bhusri, which may be subject to forfeiture within 60 days of March 15, 2013, (iii) 3,200,000 shares of Class B common stock issuable to Mr. Bhusri pursuant to options exercisable within 60 days of March 15, 2013, (iv) 848,557 shares of Class B common stock held by the Aneel Bhusri Grantor Retained Annuity Trust DTD September 13, 2011, (v) 5,000 shares of Class B common stock held by Mr. Bhusri's minor child, (vi) 13,300,967 shares of Class B common stock held by Greylock XI, as reflected in footnote 14 below, (vii) 370,554 shares of Class B common stock held as a nominee only by Greylock XI-A Limited Partnership (Greylock XI-A), as reflected in footnote 14 below, (viii) 54,638 shares of Class B common stock held by Greylock XI Principals LLC (Greylock XI Principals) in nominee form only for the benefit of Mr. Bhusri, and (ix) 70,111,206 shares of Class B common stock subject to a voting agreement entered into by Messrs. Duffield and Bhusri. Mr. Bhusri has voting and dispositive power with regard to the shares held by the Aneel Bhusri Grantor Retained Annuity Trust DTD September 13, 2011 and shares held by Mr. Bhusri's minor child. Mr. Bhusri is a managing partner of Greylock XI GP Limited Partnership (Greylock XI GP), which has voting and dispositive power with regard to the shares held by Greylock XI and Greylock XI-A. Mr. Bhusri has voting and dispositive power only with respect to the 54,638 shares that are held by Greylock XI Principals in nominee form, and does not have voting or dispositive power over the remaining shares held by Greylock XI Principals in nominee form. Mr. Bhusri disclaims beneficial ownership with respect to the remaining shares held by Greylock XI Principals in nominee form.

(4) Includes (i) 613,123 shares of Class B common stock held directly by Mr. Peek, of which 500,000 shares may be repurchased by us at the original exercise price within 60 days of March 15, 2013, (ii) 150,000 shares of Class B common stock held by Mr. Peek and Theresa M. Peek, 112,500 of which may be repurchased by us at the original exercise price within 60 days of March 15, 2013, and (iii) 150,000 shares of restricted Class B common stock held directly by Mr. Peek, which may be subject to forfeiture within 60 days of March 15, 2013.

(5) Includes (i) 420,327 shares of Class B common stock held by The Michael Alan Stankey Grantor Retained Annuity Trust, and (ii) 2,684,346 shares of Class B common stock issuable to Mr. Stankey pursuant to options exercisable within 60 days of March 15, 2013. Mr. Stankey is a limited partner in Greylock XI-A and a venture partner in Greylock XI GP, as reflected in footnote 14 below.

(6) Includes (i) 594,623 shares of Class B common stock held directly by Mr. Battle, of which 128,000 shares of Class B common stock may be repurchased by us at the original exercise price within 60 days of March 15, 2013, (ii) 22,624 shares of Class B common stock held by Catherine McNelley, (iii) 30,000 shares of Class A common stock held by the Perkins Battle 2011 Trust, (iv) 30,000 shares of Class A common stock held by the A. George Battle 2011 Separate Property Trust, (v) 15,000 shares of Class A common stock held by the Battle Family Foundation, and (vi) 9,000 shares of Class A common stock held by Catherine McNelley. Mr. Battle has voting and dispositive power with regard to the shares held by the Perkins Battle 2011 Trust, the A. George Battle 2011 Separate Property Trust, the Battle Family Foundation and Catherine McNelley. Mr. Battle is a limited partner in Greylock XI, as reflected in footnote 14 below.

(7) Includes (i) 165,000 shares of Class B common stock issuable to Ms. Davies pursuant to options exercisable within 60 days of March 15, 2013, and (ii) 70,000 shares of Class A common stock held directly by Ms. Davies.

(8) Includes (i) 28,165 shares of Class B common stock held directly by Mr. McNamara, (ii) 180,000 shares of Class B common stock issuable to Mr. McNamara pursuant to options exercisable within 60 days of March 15, 2013, (iii) 2,000 shares of Class B common stock held by Mr. McNamara's minor child, (iv) 135,000 shares of Class A common stock held directly by Mr. McNamara, (v) 2,000 shares of Class A common stock held by Mr. McNamara's minor child, and (vi) 65,000 shares of Class A common stock held by Flextronics International USA, Inc. 2005 Senior Executive Deferred Compensation Plan dated June 30, 2005 (Flextronics Trust). Mr. McNamara has voting and dispositive power with regard to the shares held by

his minor child. Flextronics International, Ltd. (Flextronics) holds a warrant to purchase 1,350,000 shares of Class B common stock. Mr. McNamara does not have voting and dispositive power with regard to the warrant shares held by Flextronics or the shares held by the Flextronics Trust.

(9) Includes (i) 6,963,637 shares of Class B common stock held by New Enterprise Associates 13, L.P., and (ii) 6,963,636 shares of Class B common stock held by New Enterprise Associates 12, Limited Partnership. See footnote 16 below.

(10) Includes (i) 281,784 shares of Class B common stock held by Still Family Partners, a California Limited Partnership Formed 3-26-1996 (Still Family Partners), (ii) 220,000 shares of Class B common stock issuable to Mr. Still pursuant to options exercisable within 60 days of March 15, 2013, (iii) 250,000 shares of Class A common stock held directly by Mr. Still, and (iv) 13,000 shares of Class A common stock held by Still Family Partners. Mr. Still has voting and dispositive power with regard to the shares held by Still Family Partners.

(11) Includes (i) 115,716,630 shares of Class B common stock as reflected in footnotes 2 through 10 above, (ii) 38,000 shares of Class B common stock held directly by an officer who is not a named executive officer, and (ii) 222,000 shares of restricted Class B common stock issuable to an officer who is not a named executive officer pursuant to options exercisable within 60 days of March 15, 2013. The total number of shares of Class A common stock includes the shares described in footnotes 6 through 10.

(12) Based on information in a Schedule 13G filed by Blue Ridge Capital, L.L.C. on October 29, 2012, Blue Ridge Capital, L.L.C. and its affiliates and subsidiaries and John A. Griffin have sole voting and dispositive power over the shares. Blue Ridge Capital, L.L.C. and Mr. Griffin are each located at 660 Madison Avenue, 20th Floor, New York, NY 10065-8405.

(13) Based on information contained in a Schedule 13G filed by FMR LLC and Edward C. Johnson 3d on October 29, 2012, FMR LLC and its affiliates have sole voting and dispositive power over the shares. The filing states that FMR LLC's wholly-owned subsidiary, Fidelity Management & Research Company (Fidelity) acts as investment adviser to various investment companies and beneficially owns 5,021,096 shares, and one such investment company, Fidelity Contrafund, beneficially owns 2,261,583 shares. The business office of each FMR LLC, Edward C. Johnson 3d, and Fidelity are located at 82 Devonshire Street, Boston, Massachusetts 02109.

(14) Includes (i) 13,300,967 shares of Class B common stock held by Greylock XI, (ii) 370,554 shares of Class B common stock held by Greylock XI-A, and (iii) 1,519,057 shares of Class B common stock held as nominee only by Greylock XI Principals, of which 54,638 shares are held in nominee form only for the benefit of Aneel Bhusri, 179,836 shares of Class B common stock held by Greylock XI Principals in nominee form only for the benefit of William W. Helman, a managing general partner of Greylock XI GP, and the remaining shares are held by Greylock XI Principals in nominee form only for the benefit of other persons. Greylock XI GP is the sole general partner of each of Greylock XI and Greylock XI-A. The shares held by Greylock XI Principals are held in nominee form only and as a result, Greylock XI Principals does not have voting or dispositive power over these shares. Greylock XI, Greylock XI-A and Greylock XI Principals disclaim beneficial ownership with respect to all the shares Greylock XI Principals holds in nominee form. The address for these entities and Mr. Helman is 2550 Sand Hill Road, Menlo Park, CA 94025. The Duffield Trust and Mr. Battle are limited partners in Greylock XI, and Mr. Stankey is a limited partner in Greylock XI-A and a venture partner in Greylock XI GP.

(15) Based on information contained in a Schedule 13G filed by Jennison Associates LLC (Jennison) on January 10, 2013, Jennison has sole voting power over 1,358,523 shares and shared dispositive power over 2,652,274 shares. The filing states that Prudential Financial may be deemed the beneficial owner of securities beneficially owned by Jennison and the shares reported by Jennison may also be reported on the 13G filed by Prudential on January 10, 2013, as described below. Jennison is located at 466 Lexington Ave, New York, New York, 10017.

(16) Consists of (i) 6,963,637 shares of Class B common stock held by New Enterprise Associates 13, L.P, (NEA 13), (ii) 6,963,636 shares of Class B common stock held by New Enterprise Associates 12, Limited Partnership (NEA 12), and (iii) 12,121 shares of Class B common stock held by NEA Ventures 2009, L.P. (Ven 2009). NEA Partners 13, L.P. (NEA Partners 13) is the sole general partner of NEA 13, and NEA 13 GP LTD (NEA 13 LTD) is the sole general partner of NEA Partners 13. The individual Directors

(collectively, the Directors) of NEA 13 LTD are M. James Barrett, Peter J. Barris, Forest Baskett, Ryan D. Drant, Patrick J. Kerins, Krishna S. Kolluri, David M. Mott, Scott D, Sandell (a member of our Board of Directors), Ravi Viswanathan and Harry R. Weller. The Directors share voting and dispositive power with regard to the shares directly held by NEA 13. NEA Partners 12, Limited Partnership (NEA Partners 12) is the sole general partner of NEA 12, and NEA 12 GP, LLC (NEA 12 LLC) is the sole general partner of NEA Partners 12. The individual Managers (collectively, the Managers) of NEA 12 LLC are M. James Barrett, Peter J. Barris, Forest Baskett, Ryan D. Drant, Patrick J. Kerins, Krishna S. Kolluri, and Scott D. Sandell. The Managers share voting and dispositive power with regard to the shares directly held by NEA 12. Karen P, Welsh, the general partner of Ven 2009, shares voting and dispositive power with regard to the shares directly held by Ven 2009. The address for these partnerships is 1954 Greenspring Drive, Suite 600, Timonium, MD 21093.

(17) Based on information contained in a Schedule 13G filed by Prudential on January 10, 2013, Prudential has sole voting power over 42,826 shares, shared voting power over 1,312,607 shares, sole dispositive power over 42,826 shares and shared dispositive power over 2,606,358 shares. The filing states Prudential may be deemed the beneficial owner of securities beneficially owned by The Prudential Insurance Company of America, Jennison Associates LLC Stanley, Prudential Investment Management, Inc. and Quantitative Management Associates LLC. Prudential is located at 751 Broad Street Newark, New Jersey 07102.

(18) Based on information contained in Amendment No. 1 to a Schedule 13G filed by T. Rowe Price Associates, Inc. (Price Associates) on February 6, 2013, Price Associates has sole voting power over 808,325 shares and sole dispositive power over 4,222,889 shares. These securities are owned by various individual and institutional investors including T. Rowe Price Mid-Cap Growth Fund, Inc. (which owns 1,738,585 shares), for which Price Associates serves as an investment advisor with power to direct investments and/or sole power to vote the securities. For the purposes of the reporting requirements of the Securities Exchange Act of 1934, Price Associates is deemed to be a beneficial owner of such securities; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such securities. Price Associates is located at 100 E. Pratt Street, Baltimore, Maryland 21202.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended (Exchange Act), requires that our executive officers and directors, and persons who own more than 10% of our common stock, file reports of ownership and changes of ownership with the SEC. Such directors, executive officers and 10% stockholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file.

SEC regulations require us to identify in this proxy statement anyone who filed a required report late during the most recent fiscal year. Based on our review of forms we received, or written representations from reporting persons stating that they were not required to file these forms, we believe that during fiscal 2013, all Section 16(a) filing requirements were satisfied on a timely basis.

EMPLOYMENT ARRANGEMENTS AND INDEMNIFICATION AGREEMENTS

Mark S. Peek

We entered into an offer letter agreement with Mr. Peek, our Chief Financial Officer, in April 2012, which was amended in May 2012. Pursuant to the offer letter, Mr. Peek's initial base salary was established at $250,000 per year. In addition, he received a hiring bonus of $50,000 and is entitled an annual target bonus of $100,000 based upon performance against agreed-upon goals. On May 22, 2012, in accordance with the terms of his offer letter, Mr. Peek was granted a stock option to purchase 500,000 shares of our common stock at an exercise price of $7.05 per share, which was equal to the fair market value of our common stock on the date the option was granted as determined by our Board of Directors, and 150,000 shares of restricted stock. This option and restricted stock vests as to 20% of the shares after 12 months of continuous service, with the balance vesting in equal quarterly installments over the next 16 quarters. Mr. Peek's employment is at will and may be terminated at any time, with or without cause. However, Mr. Peek will be entitled to participate in our change in control policy that we have adopted. Under this policy, if Mr. Peek's employment is terminated for other than "cause" or his voluntary resignation, he will be entitled to receive a severance payment equal to his then current annual base salary and the vesting of 50% of his then unvested equity awards will be accelerated.

James P. Shaughnessy

We entered into an offer letter agreement with Mr. Shaughnessy, our Vice President, General Counsel and Secretary, on July 7, 2011. Pursuant to the offer letter, Mr. Shaughnessy's initial base salary was established at $200,000 per year. In addition, Mr. Shaughnessy is eligible to receive an annual target bonus of 25% of his base salary based on the achievement of mutually agreed-upon objectives, with a guaranteed payment at target on the one-year anniversary of his employment. Mr. Shaughnessy also received a one-time hiring bonus of $100,000, which is subject to repayment if Mr. Shaughnessy resigns within two years of commencing employment. In connection with his relocation, Mr. Shaughnessy was granted a one-time relocation allowance of $100,000, as well as reimbursement of specified relocation-related expenses. On August 30, 2011, in accordance with the terms of his offer letter, Mr. Shaughnessy was granted a stock option to purchase 240,000 shares of our common stock at an exercise price of $3.70 per share, which was equal to the fair market value of our common stock on the date the option was granted as determined by our Board of Directors. This option vests according to the 2005 Stock Plan and his related stock option agreement. Mr. Shaughnessy's employment is at will and may be terminated at any time, with or without cause. However, Mr. Shaughnessy will be entitled to participate in our change in control policy that we have adopted. Under this policy, if Mr. Shaughnessy's employment is terminated for other than "cause" or his voluntary resignation, he will be entitled to receive a severance payment equal to his then current annual base salary and the vesting of 50% of his then unvested equity awards will be accelerated.

Michael A. Stankey

We entered into an offer letter agreement with Mr. Stankey, our President and Chief Operating Officer, on September 4, 2009. Pursuant to the offer letter, Mr. Stankey's initial base salary was established at $33,280 per year, with an increase to $275,000 per year commencing January 1, 2010. In addition, Mr. Stankey is eligible to receive an annual target bonus of $125,000 based on the achievement of mutually agreed-upon objectives. On October 27, 2009, in accordance with the terms of his offer letter, Mr. Stankey was granted a stock option to purchase 2,700,000 shares of our common stock at an exercise price of $0.65 per share, which was equal to the fair market value of our common stock on the date the option was granted as determined by our Board of Directors. This option vests according to the 2005 Stock Plan and the related stock option agreement. On February 18, 2011, also in accordance with the terms of his offer letter and based on his performance, Mr. Stankey was granted an additional stock option to purchase 675,000 shares of our common stock at an exercise price of $2.30, which was equal to the fair market value of our common stock on the date the option was granted as determined by our Board of Directors. This option vests according to the 2005 Stock Plan and related

stock option agreement. Mr. Stankey's employment is at will and may be terminated at any time, with or without cause. However, Mr. Stankey will be entitled to participate in our change in control policy that we have adopted. Under this policy, if Mr. Stankey's employment is terminated for other than "cause" or his voluntary resignation, he will be entitled to receive a severance payment equal to his then current annual base salary and the vesting of 50% of his then unvested equity awards will be accelerated.

Potential Payments upon Termination or Change in Control

In May 2012, we adopted a change in control policy applicable to our executive officers and certain other employees. Under the policy, if any executive officer is terminated for any reason other than cause, death or disability within 12 months after a change in control or the officer voluntarily resigns for good reason within 12 months following a change in control, such officer would be entitled to receive severance benefits. Upon the occurrence of such an event, we have agreed to pay to such officer an amount equal to (i) his then-current annual base salary, and (ii) an estimate of the aggregate monthly benefits premium under COBRA for 12 months. In addition, 50% of the shares underlying all unvested equity awards held by such officer immediately prior to such termination will become vested and exercisable in full.

Indemnification arrangements

Our Certificate of Incorporation contains provisions that limit the liability of our directors for monetary damages to the fullest extent permitted by the Delaware General Corporation Law. Consequently, our directors will not be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duties as directors, except liability for:

- any breach of the director's duty of loyalty to us or our stockholders;
- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the Delaware General Corporation Law; or
- any transaction from which the director derived an improper personal benefit.

Our Certificate of Incorporation and our Bylaws require us to indemnify our directors and officers to the maximum extent not prohibited by the Delaware General Corporation Law and allow us to indemnify other employees and agents as set forth in the Delaware General Corporation Law. Subject to certain limitations, our Bylaws also require us to advance expenses incurred by our directors and officers for the defense of any action for which indemnification is required or permitted.

We have entered, and intend to continue to enter, into separate indemnification agreements with our directors, officers and certain of our key employees, in addition to the indemnification provided for in our Bylaws. These agreements, among other things, require us to indemnify our directors, officers and key employees for certain expenses, including attorneys' fees, judgments, penalties fines and settlement amounts actually and reasonably incurred by such director, officer or key employee in any action or proceeding arising out of their service to us or any of our subsidiaries or any other company or enterprise to which the person provides services at our request. Subject to certain limitations, our indemnification agreements also require us to advance expenses incurred by our directors, officers and key employees for the defense of any action for which indemnification is required or permitted.

We believe that these charter provisions and indemnification agreements are necessary to attract and retain qualified persons such as directors, officers and key employees. We also maintain directors' and officers' liability insurance.

The limitation of liability and indemnification provisions in our Certificate of Incorporation and Bylaws may discourage stockholders from bringing a lawsuit against our directors and officers for breach of their fiduciary duty. They may also reduce the likelihood of derivative litigation against our directors and officers, even though an action, if successful, might benefit us and other stockholders. Further, a stockholder's investment may be adversely affected to the extent that we pay the costs of settlement and damage awards against directors and officers as required by these indemnification provisions.

At present, there is no pending litigation or proceeding involving any of our directors or executive officers as to which indemnification is required or permitted, and we are not aware of any threatened litigation or proceeding that may result in a claim for indemnification.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, executive officers or persons controlling us, we have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

ADDITIONAL INFORMATION

Stockholder Proposals for 2014 Annual Meeting

Any stockholder who wishes to submit a proposal for inclusion in our proxy materials must comply with Rule 14a-8 promulgated under the Exchange Act. For such proposals to be included in our proxy materials relating to our 2014 Annual Meeting of Stockholders, all applicable requirements of Rule 14a-8 must be satisfied and we must receive such proposals no later than January 2, 2014. Such proposals must be delivered to the Secretary of Workday at the address listed on the front page.

Proposals of stockholders that are not eligible for inclusion in the Proxy Statement and proxy for our 2014 Annual Meeting of Stockholders, or that concern one or more nominations for Directors at the meeting, must comply with the procedures, including minimum notice provisions, contained in our Bylaws. Notice must be received by the Secretary of Workday at the address listed on the front page, no earlier than February 7, 2014 and no later than March 9, 2014.

However, if the date of our 2014 Annual Meeting of Stockholders is advanced by more than 30 days prior to, or delayed by more than 60 days after, the one-year anniversary of the date of the previous year's annual meeting, then, for notice to the stockholder to be timely, it must be so received by the Secretary at the address listed on the front page not earlier than the close of business on the 105th day prior to such annual meeting and not later than the close of business on the later of (1) the 75th day prior to such annual meeting, or (2) the tenth day following the day on which public announcement of the date of such annual meeting is first made.

A copy of the pertinent provisions of the Bylaws is available upon request to the Secretary of Workday at the address listed on the front page.

Solicitation of Proxies

We will bear the expense of preparing, printing and distributing proxy materials to our stockholders. In addition to solicitations by mail, there may be incidental personal solicitation at nominal cost by directors, officers, employees or our agents. We will also reimburse brokerage firms and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses in forwarding proxy materials to beneficial owners of our common stock for which they are record holders.

2013 Annual Report

A copy of our 2013 Annual Report, which includes our Annual Report on Form 10-K for the year ended January 31, 2013 and our 2013 proxy statement, each as filed with the SEC, is available, without charge, by mailing a request to Investor Relations, Workday, Inc., 6230 Stoneridge Mall Road, Pleasanton, California 94588. The Annual Report on Form 10-K and proxy statement are also available at the web address shown on the Notice of Annual Meeting of Stockholders and under the "Investor Relations" section on our website at http://www.workday.com/company/investor_relations/corporate_governance.php.

OTHER MATTERS

We know of no other matters that are likely to be brought before the meeting. If, however, other matters that are not now known or determined come before the meeting, the persons named in the enclosed proxy or their substitutes will vote such proxy in accordance with their discretion.

WORKDAY, INC.

April 2, 2013
Pleasanton, California

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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 January 31, 2013

OR

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

For transition period from to

Commission File Number 001-35680

Workday, Inc.
(Exact name of Registrant as specified in its charter)

Delaware	**20-2480422**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
6230 Stoneridge Mall Road Pleasanton, California	**94588**
(Address of principal executive offices)	**(Zip Code)**

(925) 951-9000
(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Class A Common Stock, par value $0.01	New York Stock Exchange

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

None

Indicate by a 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☒ (Do not check if a smaller reporting company)	Smaller reporting company ☐

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

The aggregate market value of voting stock held by non-affiliates of the Registrant on October 12, 2012, based on the closing price of $48.69 for shares of the Registrant's common stock as reported by the New York Stock Exchange, was approximately $2.3 billion. The Registrant has elected to use October 12, 2012 as the calculation date, which was the initial trading date of the Registrant's common stock on the New York Stock Exchange, because on July 31, 2012 (the last business day of the Registrant's second fiscal quarter), the Registrant was a privately-held company. Shares of common stock held by each executive officer, director, and their affiliated holders 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.

As of February 28, 2013, there were approximately 166 million shares of the Registrant's Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Information required in response to Part III of Form 10-K (Items 10, 11, 12, 13 and 14) is hereby incorporated by reference to portions of the Registrant's Proxy Statement for the Annual Meeting of Stockholders to be held in 2013. The Proxy Statement will be filed by the Registrant with the Securities and Exchange Commission no later than 120 days after the end of the registrant's fiscal year ended January 31, 2013.

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PART I.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements. All statements contained in this report other than statements of historical fact, including statements regarding our future results of operations and financial position, our business strategy and plans, and our objectives for future operations, are forward-looking statements. The words “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “expect,” “seek”, and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in the “Risk Factors” section. Moreover, we operate in a very competitive and rapidly changing environment. 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 future events and trends discussed in this report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. The events and circumstances reflected in the forward-looking statements may not be achieved or occur. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. We are under no duty to update any of these forward-looking statements after the date of this report or to conform these statements to actual results or revised expectations.

As used in this report, the terms “Workday,” “Registrant,” “we,” “us,” and “our” mean Workday, Inc. and its subsidiaries unless the context indicates otherwise.

ITEM 1. BUSINESS

Overview

Workday is a leading provider of enterprise cloud applications for human capital management (HCM), payroll, financial management, grants management, time tracking, procurement, employee expense management and analytics. We achieved this leadership position through our innovative and adaptable technology, focus on the consumer Internet experience and cloud delivery model. Further, we believe we are the only company to provide this complete set of unified cloud applications to enterprises. Our applications are designed for global enterprises to manage complex and dynamic operating environments. We provide our customers highly adaptable, accessible and reliable applications to manage critical business functions that enable them to optimize their financial and human capital resources.

Organizations today operate in environments that are highly complex and that are changing at an increasing rate. Managers and employees must quickly synthesize vast amounts of information and react to rapid changes in global business and regulatory environments. To be successful, they need highly functional and flexible software that enables informed decision-making about the enterprise-wide allocation of their resources. Additionally, given the increasing prominence of consumer-oriented Internet applications, managers and employees expect to interact with enterprise systems in an open, intuitive and collaborative way, including real-time access through a wide range of mobile and computing devices. We believe that legacy, on-premise enterprise systems make these interactions difficult, as their user interfaces are not intuitive and were not originally designed for mobility. Furthermore, legacy applications are often expensive to implement, maintain and upgrade. In the last few years, new technologies and approaches to deliver software have emerged to address these issues.

In response to these changes, Workday is leading the way in helping organizations to better manage their core enterprise resources, specifically their financial and human capital resources. We enable organizations to embrace changes in their operating environments through our rapid innovation cycle of frequent updates, which generally contain new functionality, support for new regulatory requirements, increased performance and enhancement of the user experience. Our latest update is Workday 18, and we currently provide a new update three times per year. By delivering our software as a cloud-based service, our customers operate on our latest version without the burden of large upgrade costs, while having the flexibility to configure our applications to meet their own requirements.

Our customers include large, global companies, and our largest deployment to date is an organization with a global workforce of over 200,000 people. Our customers can operate with a more complete picture of their organization because our applications and embedded analytics capture the content and context of everyday business events, facilitating fast and informed decision-making from wherever they are working. Our applications are designed for the way people work today, in collaboration with each other from a wide variety of devices, empowering workers to make business decisions using real-time data. By providing an intuitive user experience similar to those of leading consumer Internet sites, we enable effective management of resources by all members of an organization, minimizing reliance on specialist information technology (IT), human resources (HR) or finance employees. These professionals are therefore freed to focus on other strategic activities.

We deliver our cloud applications using an innovative technology foundation that leverages the most recent advances in cloud computing and data management and allows us to deliver applications that are highly functional, flexible and fast. Our customers benefit from moving beyond the limitations associated with traditional on-premise software to highly configurable applications delivered over the Internet. Our use of a multi-tenant architecture in which customers are on the same version of our software enables innovations to be deployed quickly. In addition, we use objects to represent real-world entities such as employees, benefits, budgets, charts of accounts and organizations, combining business logic and data in one place and creating actionable analytics that are part of our core transactional systems of record. Our use of in memory data management eliminates database inputs and outputs, allowing rapid and efficient delivery of embedded business intelligence. We also provide open, standards-based web-services application programming interfaces and pre-built packaged integrations and connectors called Cloud Connect. This shift in approach substantially reduces the need for our customers to buy and support a broad range of IT infrastructure, and significantly reduces the cost and complexity relative to implementations and upgrades of on-premise software.

Our Strategy

Our strategy reflects our mission to build the next generation of business enterprise software delivered as a service. Key elements of our strategy include:

Expand our Customer Base. We believe that our application suite and enterprise cloud business model can provide significant value to tens of thousands of enterprises globally. We also believe that there is a substantial opportunity for us to continue to increase the size of our enterprise customer base across a broad range of industries, given the relatively high level of business process commonality for the applications we provide. Due to the age and inherent limitations of legacy software applications, as well as continuous changes in regulatory and compliance requirements, we expect there to be a wave of pending upgrade cycles of legacy HCM, payroll, financial management, time tracking, procurement, and employee expense management applications over the next few years. We will continue to invest aggressively in our direct and indirect sales and marketing capabilities to continue to acquire new customers.

Maintain our Innovation Leadership by Strengthening and Extending our Suite of Applications. Our customers' ability to deploy new applications and new application functionality rapidly and cost-effectively has been central to the results we have achieved to date. We intend to continue extending the functionality and range of our applications in the future. We expect that our research and development investments will continue to be

highly focused on our financial management and analytics applications, as well as other applications designed for specific industries. By collaborating with our customers and implementation partners in these efforts, we intend to enable our customers to increase their performance capabilities through rapid and cost-effective deployments of our applications.

Expand Internationally. We believe that there is a significant opportunity for our cloud applications outside of the United States. Given our modern cloud-based architecture, our knowledge of global requirements, and the highly scalable nature of our applications, we believe our applications are particularly well suited to large, dynamic enterprises with complex, global operations. Given the cost-effectiveness of our applications, they are also well suited to organizations with operations in emerging markets that have not previously been able to justify significant investments in ERP software. We plan to expand our sales capability internationally by expanding our direct sales force and by collaborating with strategic partners around the world.

Deepen our Relationship with our Existing Customer Base. Our focus on customer success is an integral part of our core values. Very simply, we believe that our customers will increase their usage of existing applications and increase the number of applications they choose to buy if they are satisfied with our applications and services. As we extend and strengthen the functionality of our applications, we will continue to invest in initiatives to increase the depth of application adoption and maintain our high levels of customer satisfaction.

Further Develop our Partner Ecosystem. We have established a strong set of relationships with other organizations in our partner ecosystem to deliver best-in-class applications to our customers. These technology and services partners enable us to increase the speed of deployment of our cloud applications and offer a wider range of integrated services to our customers. We intend to support our partners in the growth of their Workday practices, as well as increase the number of partners who work with our customers. We will also continue to invest in and support the growth of Workday's integration platform that allows third parties and customers to integrate their Workday applications, technology partner applications and their own custom applications.

Leverage our Unique Culture. We believe that building and maintaining a remarkable culture benefits our customers and employees, who together form the Workday Community. Engaged and loyal employees provide high levels of customer satisfaction, leading to greater adoption of our applications and recommendations to potential customers. We believe that culture is the foundation for the successful execution of our strategy and, as a result, is a critical requirement for our growth agenda.

Our Solutions

Workday is a leading provider of enterprise cloud applications for human capital management, payroll, financial management, grants management, time tracking, procurement, employee expense management and analytics, as described below.

Workday HCM

Workday Human Capital Management (Workday HCM) is a leading enterprise-ready, unified human resources (HR) and talent management application, designed to help organize, staff, compensate and develop a globally distributed workforce. Workday HCM provides insight and analytics into workforce capabilities, capacities, cost and performance.

Workday HR Management functionality includes:

- ***Workday Workforce Lifecycle Management*** enables customers to strategically establish hiring, staffing, performance and compensation plans as well as manage their entire workforce (contingent and full-time) in one place.
- ***Workday Organization Management*** enables customers to analyze and model organizational structures, assign employees to multiple organizational types, and restructure organizations and reporting relationships as business needs evolve. Worker trending analytics enable monitoring of key workforce metrics such as headcount, activity data, attrition and turnover.

- ***Workday Compensation Management*** enables customers to design, manage and administer compensation programs to meet complex global rewards objectives and make better compensation decisions with contextual decision support.
- ***Workday Absence Management*** enables customers to create and manage both accrued time off and leave-of-absence plans.
- ***Workday Benefits Administration*** gives customers the tools to define, manage and adjust benefits plans, costs, eligibility rules, elections through open enrollment and concurrent changes in life events to meet their unique business requirements.
- ***Cloud Connect for Benefits*** provides a catalog of pre-built integrations that connect to third party benefits providers so that HR organizations can evaluate, select, and offer the most appropriate plans for their workforces.

Workday Talent Management functionality includes:

- ***Workday Onboarding*** enables customers to welcome new and pre-hires, increase first day productivity and streamline administration process by eliminating paperwork to collect worker information.
- ***Team profile for iPad®*** lets managers see key team information and composition, including a team calendar, team members, compensation, and performance summaries, all from a tablet.
- ***Workday Goal Management*** enables customers to establish goals for teams and individuals, cascade company goals and assess and track goal completion and performance.
- ***Workday Performance Management*** enables customers to gain insight into the performance, skills, and development needs of their workforce. Customers can also configure the performance process by role or talent pool, identify and develop top talent, assess and act on development needs, engage multiple reviewers in the review process and solicit and provide feedback. With performance and talent calibration, managers can collaborate and ensure consistency on the performance and talent ratings of their teams.
- ***Workday Succession Planning*** enables customers to anticipate and avoid gaps in the leadership pipeline, identify, compare and develop qualified successors across teams, organizations and borders, and monitor successor readiness and flight risk and the overall health of the succession pipeline.
- ***Workday Career and Development Planning*** equips employees with engaging tools to build their talent profile and professional information in a unified view, and collaboratively create competency-based development plans with their managers. Managers can access tools to ensure that high-potential employees are meeting their development plans, initiate corrective actions and request feedback on employees.

Workday Payroll

Workday Payroll is a modern payroll application designed to address the full spectrum of enterprise payroll needs in the U.S. and Canada, and includes the control, accuracy and flexibility to support the unique needs of organizations. Workday Payroll allows customers to group employees, manage calculation rules and pay employees according to their organizational, policy and reporting needs. Workday Payroll is unified with Workday's other applications using the same business process framework and core worker data including benefits, compensation, absences and other employee records. In this unified self-service application, employees can request time off, check online pay slips and make payment elections from the same system, using the same user interface.

Workday Payroll's flexible and intuitive configuration capabilities permit users to define earnings and deductions using compensation elements and benefit plan costs captured by Workday HCM, create identifying

eligibility criteria, secure worker data, and group employees into pay groups based on organizational needs and configure accumulations, balance periods and balances. Workday Payroll also includes built-in analytics to run reports and audits on payroll data.

In addition to Workday Payroll, Workday provides Cloud Connect for Third Party Payroll to enable customers to integrate Workday HCM to an existing third party payroll provider more easily.

Workday Financial Management

Workday Financial Management is a comprehensive, unified application built on a single, global core with a full range of financial capabilities, relevant analytics and metrics, and fully auditable process management built to help manage financial processes for global organizations. Workday Financial Management was introduced in 2007 and is designed to meet the demands of the rapidly changing business and regulatory landscape.

Workday's accounting tools provide the core accounting functions of general ledger, accounts payable, and accounts receivable, along with tools to help organizations address their global accounting and reporting needs. It also provides management reporting and analysis in real time without the use of complex and expensive bolt-on data warehouses and business intelligence systems.

In addition, Workday Financial Management provides embedded Governance, Risk, and Compliance (GRC) capabilities that include controls at the transaction level to ensure proper security and controls, separation of duties, transparent business processes, and comprehensive auditing throughout the system. The application also includes accounting and management tools such as Workday Cash Management to help streamline inbound and outbound payment and receipt processes, while giving businesses greater control and visibility into their cash flow.

Workday Revenue Management helps organizations manage the entire contract-to-cash process, with automated and configurable processes for contract management, billing processes, revenue recognition and the ability to integrate with external Customer Relationship Management systems, enabling a cross-functional view of customers. Workday Business Assets combines the traditionally separate domains of fixed assets and inventory with the ability to track and account for high-value, low-cost items that businesses now rely on such as laptops, mobile phones and security badges.

Workday Project and Work Management allows customers to plan work, staff work, track work, monitor costs and progress, and analyze work results. Utilizing the same core worker and talent profile data, users can model work areas such as application development, projects, campaigns and client service delivery, establish budgets, track progress using phases, tasks and milestones, and roll up multiple work areas under larger initiatives. Users can also search for talent based on specific criteria, view and compare worker experience and qualifications, and leverage worker profile data from Workday HCM to effectively staff projects. Workday Project and Work Management integrates with Microsoft Project, as well as other external project management tools.

Workday's Financial Management tools also include global tax and payment support for varying tax regimes and international payment formats for different regions.

Workday Grants Management

Workday Grants Management and fund accounting for education and government organizations provides visibility into grant activity, facilitates compliance with grantor reporting requirements and enables monitoring of the use of funds and appropriate segregation.

Workday Time Tracking

Workday Time Tracking is unified with Workday Human Capital Management (HCM), Workday Payroll and Workday Financial Management and built on a global core. It is designed for organizations to collect,

process, and distribute time data to manage time and labor for their global workforce, eliminating manual processes and streamlining time-consuming tasks. With a consumer-like user interface, Workday Time Tracking promotes user engagement with the workforce and approvers, enabling more accurate payroll and improved productivity. Using Workday Time Tracking, workers can check in and out from any mobile device or web-browser.

Workday Procurement

Workday Procurement allows users to configure procurement business processes, effectively collaborate with and manage suppliers, create, submit and approve requisitions and purchase orders, manage contracts, and gain real-time visibility into spending with multi-dimensional reporting and analytics. From the requisition process all the way through to invoicing and payment, Workday Procurement supports and manages the information, policies and processes relating to the acquisition of goods, services and contingent labor for global organizations. In conjunction with Workday Employee Expense Management, Workday Procurement enables customers to gain unified workforce visibility including full-time and contingent workers, track costs by job profile, ensure alignment between the contingent workforce and strategic initiatives, and optimize tradeoffs between full-time and contingent workers globally.

Workday Employee Expense Management

Workday Employee Expense Management is a unified expense management system that automates configurable expense management business processes and leverages workers, roles, organizations and security policies from Workday HCM. Using Workday Employee Expense Management, customers can generate and approve expense reports, set spending authorizations and freezes, capture receipts with mobile devices, enable credit card transactions and obtain support for multi-currency transactions and VAT calculations. With Workday Employee Expense Management, customers can ensure proper spend controls and gain real-time visibility into employee spend with multi-dimensional reporting and analytics.

Customers

Currently, we have more than 400 customers of varying sizes, with a focus on larger, global organizations. We define a customer as a separate and distinct buying entity, such as a company, an educational or government institution, or a distinct business unit of a large corporation, which has entered into a master subscription agreement with us to access our cloud applications, including customers that are in the process of deploying our applications. While a single customer may have multiple organizations, operating segments or locations, we only include the customer once for this metric. We exclude from our customer count small- to medium-sized business customers who have contracted for our subscription services through our reseller partner.

Our current customer base spans numerous industry categories, including technology, financial services, business services, healthcare and life sciences, manufacturing, consumer and retail and education and government. No individual customer represented more than 10% of our revenues in the year ended January 31, 2013.

We have built a company culture centered around our customers' success and satisfaction. We have developed several programs designed to provide customers with service options to enhance their experience with our applications. These services include 24x7 support; classroom training, virtual classroom training and on-demand training; a professional services ecosystem that consists of our Workday consulting teams, boutique professional services firms, and large system integrators that are trained on our applications; a Customer Success Management group to assist customers in production; and an online community to facilitate collaboration among customers and the Workday application development teams.

Employees

As of January 31, 2013, we had more than 1,750 employees. We also engage contractors and consultants. None of our employees are represented by a labor union. We have not experienced any work stoppages, and we

consider our relations with our employees to be very good. Our future success will depend upon our ability to attract and retain qualified personnel. Competition for qualified personnel remains intense, and we may not be successful in retaining our key employees or attracting skilled personnel.

Sales and Marketing

We sell substantially all of our software applications through our direct sales organization. Our direct sales team is composed of inside sales and field sales personnel who are organized by geography, account size, and application type.

We generate customer leads, accelerate sales opportunities and build brand awareness through our marketing programs and through our strategic relationships. Our marketing programs target finance and HR executives, technology professionals and senior business leaders. Our principal marketing programs include:

- use of our website to provide application and company information, as well as learning opportunities for potential customers;
- field marketing events for customers and prospects;
- territory development representatives who respond to incoming leads to convert them into new sales opportunities;
- participation in, and sponsorship of, user conferences (including our annual conference, Workday Rising), executive events, trade shows and industry events;
- customer programs, including regional user group meetings and our online customer community;
- integrated marketing campaigns, including direct e-mail, online web advertising, blogs and webinars;
- public relations, analyst relations and social media initiatives;
- cooperative marketing efforts with partners, including joint press announcements, joint trade show activities, channel marketing campaigns and joint seminars; and
- sponsorships and participation in marketing programs.

As a core part of our strategy, we have developed an ecosystem of partners to both broaden and complement our application offerings and to provide a broad array of services that lie outside of Workday's areas of focus. These relationships include software and technology partners, consulting and implementation services providers, and business process outsourcing (BPO) partners, and enable Workday to address a broader set of problems for our customers while maintaining focus on executing against our strategy.

Research and Development

Our ability to compete depends in large part on our continuous commitment to research and development and our ability to rapidly introduce new applications, technologies, features and functionality. Our research and development organization is responsible for the design, development, testing and certification of our applications. We focus our efforts on developing new applications and core technologies and further enhancing the usability, functionality, reliability, performance and flexibility of existing applications.

Research and development expenses were $102.7 million, $62.0 million and $39.2 million for the years ended January 31, 2013, January 31, 2012 and December 31, 2010, respectively.

Technology Infrastructure and Operations

As an enterprise cloud company, we provide hardware and middleware, installation and maintenance, and ensure uptime for our customers. We host our applications and serve all of our customers from data centers

located in Ashburn, Virginia; Lithia Springs, Georgia; Portland, Oregon; Dublin, Ireland; and Amsterdam, the Netherlands. Our data centers are designed to host mission-critical computer systems with fully redundant subsystems and compartmentalized security zones. While we procure and operate all infrastructure equipment delivering our applications, the data centers that we use are operated by third parties. We maintain a formal and comprehensive security program designed to ensure the security and integrity of customer data, protect against security threats or data breaches, and prevent unauthorized access to the data of our customers. We strictly regulate and limit all access to on-demand servers and networks at our production and remote backup facilities.

We apply a wide variety of strategies to achieve better than 99% uptime, excluding scheduled maintenance. Servers are diskless and boot from network storage, so we can quickly configure a new server to take any role. Systems are continually monitored for any signs of problems, and preemptive action is taken when necessary. Encrypted backup files are transmitted over secure connections to a redundant server storage device in a secondary data center. Our data center facilities employ advanced measures to ensure physical integrity, including redundant power and cooling systems, and advanced fire and flood prevention.

Our technology is based on a multi-tenant operating model that applies common, consistent management practices for all customers using the service. We utilize the Workday Object Management Server™ (OMS) to enable multiple customer tenants to share one version of our system while isolating each customer's application data. We built our OMS on an open-source technology stack, using service-oriented architecture (SOA) principles. The technologies include the Linux operating system, MySQL database, Java and Apache Tomcat for the application server. We utilize commercially available hardware for its data center servers.

All users are authenticated, authorized and validated before they can access our system. Users must have a valid user ID and associated password to log on to our business services. Our configurable security model allows different groups of users to have different levels of access to the system. Security groups and policies are delivered or can be created based on a company's unique access requirements. For Web services, we use WS-Security, an industry standard that addresses security when data is exchanged as part of a Web service. We require Secure Socket Layer version 3 (SSL 3) or Transport Layer Security (TLS), the successor to SSL, between the user's browser and our servers to protect data during transfer.

Our applications are able to encrypt every attribute value of customer data before it is stored in the database, and each customer has a distinct encryption key. Data encryption is accomplished with a Data Encryption Key (DEK), which is itself encrypted. Because our applications are built on an object model, there are only a handful of tables and only one security model to maintain. All of the supporting database artifacts (the physical file on disk, transaction logs and backups) have only encrypted values in them. We rely on the Advanced Encryption Standard (AES) algorithm with a key size of 256 bits. The U.S. National Security Agency has authorized the use of AES with at least 192 bits for U.S. Government top secret information. An ancillary benefit to our approach is that data backups are automatically encrypted as well.

Competition

The overall market for enterprise application software is rapidly evolving and highly competitive, and subject to changing technology, shifting customer needs and frequent introductions of new applications. We currently compete with large, well-established, enterprise application software vendors, such as Oracle Corporation and SAP AG. These two companies are expanding their traditional on-premise enterprise applications with cloud applications, either through acquisition or in-house development. Oracle Corporation and SAP AG are established enterprise software companies that have greater name recognition, larger customer bases, much longer operating histories and significantly greater financial, technical, sales, marketing and other resources than we have and are able to provide comprehensive business applications that are broader in scope than our current suite of applications. We also face competition from other enterprise software vendors and from vendors of specific applications, some of which offer cloud-based solutions. These vendors include The Ultimate Software Group, Inc., Automated Data Processing, Inc. and Lawson Software Inc., which was acquired by an

affiliate of Infor Global Solutions. We also face competition from cloud-based vendors including: providers of applications for HCM and payroll services, such as Ceridian, Inc.; providers of cloud-based expense management applications such as Concur Technologies, Inc.; and providers of financial management applications such as NetSuite, Inc. We may also face competition from a variety of vendors of cloud-based and on-premise software applications that address only a portion of one of our applications. In addition, other cloud companies that provide services in different markets may develop solutions in our target markets, and some potential customers may elect to develop their own internal solutions. However, the domain expertise that is required for a successful solution in the areas of HCM, payroll and financial management may inhibit new entrants that are unable to invest the necessary capital to accurately reflect global requirements and regulations. We expect continued consolidation in our industry that could lead to significantly increased competition.

We believe the principal competitive factors in our market include the following:

- level of customer satisfaction;
- ease of deployment and use of applications;
- breadth and depth of application functionality;
- total cost of ownership;
- brand awareness and reputation;
- modern and adaptive technology platform;
- capability for customization, configurability, integration, security, scalability and reliability of applications;
- ability to innovate and respond to customer needs rapidly;
- domain expertise on HR, payroll and financial regulations;
- size of customer base and level of user adoption; and
- ability to integrate with legacy enterprise infrastructures and third-party applications.

We believe that we compete favorably on the basis of these factors. Our ability to remain competitive will largely depend on our ongoing performance in the areas of application development and customer support.

Intellectual Property

We rely on a combination of trade secrets, patents, copyrights and trademarks, as well as contractual protections, to establish and protect our intellectual property rights. As of January 31, 2013, we had 9 patents and 17 patent applications. We also have a number of registered and unregistered trademarks. We require our employees, contractors, consultants and other third parties to enter into confidentiality and proprietary rights agreements and control access to software, documentation and other proprietary information. Although we rely on intellectual property rights, including trade secrets, patents, copyrights and trademarks, as well as contractual protections to establish and protect our proprietary rights, we believe that factors such as the technological and creative skills of our personnel, creation of new modules, features and functionality, and frequent enhancements to our applications are more essential to establishing and maintaining our technology leadership position.

Despite our efforts to protect our proprietary technology and our intellectual property rights, unauthorized parties may attempt to copy or obtain and use our technology to develop applications with the same functionality as our application. Policing unauthorized use of our technology and intellectual property rights is difficult.

We expect that software and other applications in our industry may be subject to third-party infringement claims as the number of competitors grows and the functionality of applications in different industry segments overlaps. Any of these third parties might make a claim of infringement against us at any time.

Corporate Information

We were incorporated in March 2005 as North Tahoe Power Tools, Inc., a Nevada corporation. In July 2005, we changed our name to Workday, Inc. and in June 2012 we reincorporated in Delaware. Our principal executive offices are located at 6230 Stoneridge Mall Road, Pleasanton, California 94588, and our telephone number is (877) WORKDAY. Our website address is www.workday.com. The information on, or that can be accessed through, our website is not part of this report. Workday is our registered trademark in the United States, the European Community and Canada, and the Workday logo, Workday Object Management Server and all of our product names are our trademarks. Other trademarks, service marks, or trade names appearing in this report are the property of their respective owners.

Available Information

We file annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy and information statements and amendments to reports filed or furnished pursuant to Sections 13(a), 14 and 15(d) of the Securities Exchange Act of 1934, as amended. The public may obtain these filings at the Securities and Exchange Commission (SEC)'s Public Reference Room at 100 F Street, NE, Washington, DC 20549 or by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website at http://www.sec.gov that contains reports, proxy and information statements and other information regarding Workday and other companies that file materials with the SEC electronically. Copies of Workday's reports on Form 10-K, Forms 10-Q and Forms 8-K, may be obtained, free of charge, electronically through our internet website, http://www.workday.com/company/investor_relations/sec_filings.php.

ITEM 1A. RISK FACTORS

Investing in our Class A common stock involves a high degree of risk. You should consider carefully the risks and uncertainties described below, together with all of the other information in this report, including the consolidated financial statements and the related notes included elsewhere in this report, before deciding whether to invest in shares of our Class A common stock. 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, may also become important factors that adversely affect our business. If any of the following risks actually occurs, our business, financial condition, results of operations, and future prospects could be materially and adversely affected. In that event, the market price of our Class A common stock could decline, and you could lose part or all of your investment.

Risks Related to Our Business and Industry

We have a history of cumulative losses and we do not expect to be profitable for the foreseeable future.

We have incurred significant losses in each period since our inception in 2005. These losses and our accumulated deficit reflect the substantial investments we made to acquire new customers and develop our applications. We expect our operating expenses to increase in the future due to anticipated increases in sales and marketing expenses, research and development expenses, operations costs and general and administrative costs, and therefore we expect our losses to continue for the foreseeable future. Furthermore, to the extent we are successful in increasing our customer base, we will also incur increased losses because costs associated with acquiring customers are generally incurred up front, while subscription revenues are generally recognized ratably over the terms of the agreements, which are typically three years. You should not consider our recent growth in revenues as indicative of our future performance. Accordingly, we cannot assure you that we will achieve profitability in the future, nor that, if we do become profitable, we will sustain profitability.

We have a limited operating history, which makes it difficult to predict our future operating results.

We were incorporated in 2005 and introduced our first application in 2006. As a result of our limited operating history, our ability to forecast our future operating results is limited and subject to a number of uncertainties, including our ability to plan for and model future growth. We have encountered and will encounter risks and uncertainties frequently experienced by growing companies in rapidly changing industries, such as the risks and uncertainties described herein. If our assumptions regarding these risks and uncertainties (which we use to plan our business) are incorrect or change due to changes in our markets, or if we do not address these risks successfully, our operating and financial results could differ materially from our expectations and our business could suffer.

If our security measures are breached or unauthorized access to customer data is otherwise obtained, our applications may be perceived as not being secure, customers may reduce the use of or stop using our applications and we may incur significant liabilities.

Our applications involve the storage and transmission of our customers' proprietary information, including personal or identifying information regarding their employees, customers and suppliers, as well as their finance and payroll data. As a result, unauthorized access or security breaches could result in the loss of information, litigation, indemnity obligations and other liabilities. While we have security measures in place to protect customer information and prevent data loss and other security breaches, if these measures are breached as a result of third-party action, employee error, malfeasance or otherwise, and someone obtains unauthorized access to our customers' data, our reputation could be damaged, our business may suffer and we could incur significant liabilities. Because the techniques used to obtain unauthorized access or sabotage systems change frequently and generally are not identified until they are launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. Any or all of these issues could negatively affect our ability to attract new customers, cause existing customers to elect to terminate or not renew their subscriptions,

result in reputational damage, cause us to issue credits or refunds to our customers, or results in lawsuits, regulatory fines or other action or liabilities, which could adversely affect our operating results.

The markets in which we participate are intensely competitive, and if we do not compete effectively, our operating results could be adversely affected.

The markets for HCM and financial management applications are highly competitive, with relatively low barriers to entry for some applications or services. Our primary competitors are Oracle and SAP, well-established providers of HCM and financial management applications, which have long-standing relationships with many customers. Some customers may be hesitant to adopt cloud applications such as ours and prefer to upgrade the more familiar applications offered by these vendors that are deployed on-premise. Oracle and SAP are larger and have greater name recognition, much longer operating histories, larger marketing budgets and significantly greater resources than we do. These vendors, as well as other competitors, could offer HCM and financial management applications on a standalone basis at a low price or bundled as part of a larger product sale. In order to take advantage of customer demand for cloud applications, legacy vendors are expanding their cloud applications through acquisitions and organic development. For example, Oracle acquired Taleo Corporation, and SAP acquired SuccessFactors and Ariba, Inc. Legacy vendors may also seek to partner with other leading cloud providers. We also face competition from custom-built software vendors and from vendors of specific applications, some of which offer cloud-based solutions. These vendors include, without limitation: The Ultimate Software Group, Inc., Automatic Data Processing and Lawson, Inc, which was acquired by an affiliate of Infor Global Solutions. We also face competition from cloud-based vendors including providers of applications for HCM and payroll services such as Ceridian; providers of cloud-based expense management applications such as Concur Technologies, Inc.; and providers of financial management applications such as NetSuite, Inc. We may also face competition from a variety of vendors of cloud-based and on-premise software applications that address only a portion of one of our applications. In addition, other companies that provide cloud applications in different target markets, such as Salesforce.com and NetSuite, may develop applications or acquire companies that operate in our target markets, and some potential customers may elect to develop their own internal applications. With the introduction of new technologies and market entrants, we expect this competition to intensify in the future.

Many of our competitors are able to devote greater resources to the development, promotion and sale of their products and services. Furthermore, our current or potential competitors may be acquired by third parties with greater available resources and the ability to initiate or withstand substantial price competition. In addition, many of our competitors have established marketing relationships, access to larger customer bases and major distribution agreements with consultants, system integrators and resellers. Our competitors may also establish cooperative relationships among themselves or with third parties that may further enhance their product offerings or resources. If our competitors' products, services or technologies become more accepted than our applications, if they are successful in bringing their products or services to market earlier than ours, or if their products or services are more technologically capable than ours, then our revenues could be adversely affected. In addition, some of our competitors may offer their products and services at a lower price. If we are unable to achieve our target pricing levels, our operating results would be negatively affected. Pricing pressures and increased competition could result in reduced sales, reduced margins, losses or a failure to maintain or improve our competitive market position, any of which could adversely affect our business.

We have experienced rapid growth in recent periods. If we fail to manage our growth effectively, we may be unable to execute our business plan, maintain high levels of service or adequately address competitive challenges.

We have recently experienced a period of rapid growth in our headcount and operations. In particular, we grew from approximately 300 employees as of December 31, 2008 to more than 1,750 employees as of January 31, 2013, and have also significantly increased the size of our customer base. We anticipate that we will significantly expand our operations and headcount in the near term. This growth has placed, and future growth will place, a significant strain on our management, administrative, operational and financial infrastructure. Our

success will depend in part on our ability to manage this growth effectively. To manage the expected growth of our operations and personnel, we will need to continue to improve our operational, financial and management controls and our reporting systems and procedures. Failure to effectively manage growth could result in difficulty or delays in deploying customers, declines in quality or customer satisfaction, increases in costs, difficulties in introducing new features or other operational difficulties, and any of these difficulties could adversely impact our business performance and results of operations.

If the market for enterprise cloud computing develops more slowly than we expect or declines, our business could be adversely affected.

The enterprise cloud computing market is not as mature as the market for on-premise enterprise software, and it is uncertain whether cloud computing will achieve and sustain high levels of customer demand and market acceptance. Our success will depend to a substantial extent on the widespread adoption of cloud computing in general, and of HCM and financial management services in particular. Many enterprises have invested substantial personnel and financial resources to integrate traditional enterprise software into their businesses, and therefore may be reluctant or unwilling to migrate to cloud computing. It is difficult to predict customer adoption rates and demand for our applications, the future growth rate and size of the cloud computing market or the entry of competitive applications. The expansion of the cloud computing market depends on a number of factors, including the cost, performance, and perceived value associated with cloud computing, as well as the ability of cloud computing companies to address security and privacy concerns. If other cloud computing providers experience security incidents, loss of customer data, disruptions in delivery or other problems, the market for cloud computing applications as a whole, including our applications, may be negatively affected. If cloud computing does not achieve widespread adoption, or there is a reduction in demand for cloud computing caused by a lack of customer acceptance, technological challenges, weakening economic conditions, security or privacy concerns, competing technologies and products, decreases in corporate spending or otherwise, it could result in decreased revenues and our business could be adversely affected.

To date, we have derived a substantial majority of our subscription revenues from our HCM application. Our efforts to increase use of our HCM application and our other applications may not succeed, and may reduce our revenue growth rate.

To date we have derived a substantial majority of our subscription revenues from our HCM application. Any factor adversely affecting sales of this application, including application release cycles, market acceptance, product competition, performance and reliability, reputation, price competition, and economic and market conditions, could adversely affect our business and operating results. Our participation in the markets for our payroll, financial management, time tracking, procurement and employee expense management applications is relatively new, and it is uncertain whether these areas will ever result in significant revenues for us. Further, the introduction of new applications beyond these markets may not be successful.

If we are not able to provide successful enhancements, new features and modifications, our business could be adversely affected.

If we are unable to provide enhancements and new features for our existing applications or new applications that achieve market acceptance or that keep pace with rapid technological developments, our business could be adversely affected. For example, we are focused on enhancing the features and functionality of our non-HCM applications to enhance their utility to larger customers with complex, dynamic and global operations. The success of enhancements, new features and applications depends on several factors, including the timely completion, introduction and market acceptance of the enhancements or new features or applications. Failure in this regard may significantly impair our revenue growth. In addition, because our applications are designed to operate on a variety of systems, we will need to continuously modify and enhance our applications to keep pace with changes in Internet-related hardware, iOS and other software, communication, browser and database technologies. We may not be successful in either developing these modifications and enhancements or in

bringing them to market in a timely fashion. Furthermore, uncertainties about the timing and nature of new network platforms or technologies, or modifications to existing platforms or technologies, could increase our research and development expenses. Any failure of our applications to operate effectively with future network platforms and technologies could reduce the demand for our applications, result in customer dissatisfaction and adversely affect our business.

Large customers often demand more configuration and integration services, or customized features and functions that we do not offer, which could adversely affect our business and operating results.

Large customers may demand more configuration and integration services, which increase our upfront investment in sales and deployment efforts, with no guarantee that these customers will increase the scope of their subscription. As a result of these factors, we must devote a significant amount of sales support and professional services resources to individual customers, increasing the cost and time required to complete sales. Additionally, our applications do not currently permit customers to add new data fields and functions or to modify our code. If prospective customers require customized features or functions that we do not offer, and that would be difficult for them to deploy themselves, then the market for our applications will be more limited and our business could suffer.

Because we recognize subscription revenues over the term of the contract, downturns or upturns in new sales will not be immediately reflected in our operating results and may be difficult to discern.

We generally recognize subscription revenues from customers ratably over the terms of their contracts, which are typically three years. As a result, most of the subscription revenues we report in each quarter is derived from the recognition of unearned revenue relating to subscriptions entered into during previous quarters. Consequently, a decline in new or renewed subscriptions in any single quarter will likely have a minor impact on our revenue results for that quarter. However, such a decline will negatively affect our revenues in future quarters. Accordingly, the effect of significant downturns in sales and market acceptance of our applications, and potential changes in our pricing policies or rate of renewals, may not be fully reflected in our results of operations until future periods. We may be unable to adjust our cost structure to reflect the changes in revenues. In addition, a significant majority of our costs are expensed as incurred, while revenues are recognized over the life of the customer agreement. As a result, increased growth in the number of our customers could result in our recognition of more costs than revenues in the earlier periods of the terms of our agreements. Our subscription model also makes it difficult for us to rapidly increase our revenues through additional sales in any period, as revenues from new customers must be recognized over the applicable subscription term.

Our quarterly results may fluctuate significantly and may not fully reflect the underlying performance of our business.

Our quarterly results of operations, including the levels of our revenues, gross margin, profitability, cash flow and unearned revenue, may vary significantly in the future and period-to-period comparisons of our operating results may not be meaningful. Accordingly, the results of any one quarter should not be relied upon as an indication of future performance. Our quarterly financial results may fluctuate as a result of a variety of factors, many of which are outside of our control, and as a result, may not fully reflect the underlying performance of our business. Fluctuation in quarterly results may negatively impact the value of our common stock. Factors that may cause fluctuations in our quarterly financial results include, without limitation, those listed below:

- our ability to attract new customers;
- the addition or loss of large customers, including through acquisitions or consolidations;
- the timing of recognition of revenues;

- the amount and timing of operating expenses related to the maintenance and expansion of our business, operations and infrastructure;
- network outages or security breaches;
- general economic, industry and market conditions;
- customer renewal rates;
- increases or decreases in the number of elements of our services or pricing changes upon any renewals of customer agreements;
- changes in our pricing policies or those of our competitors;
- the mix of applications sold during a period;
- seasonal variations in sales of our applications, which has historically been highest in the fourth quarter of a calendar year;
- the timing and success of new application and service introductions by us or our competitors or any other change in the competitive dynamics of our industry, including consolidation among competitors, customers or strategic partners; and
- the timing of expenses related to the development or acquisition of technologies or businesses and potential future charges for impairment of goodwill from acquired companies.

We depend on data centers operated by third parties and any disruption in the operation of these facilities could adversely affect our business.

We host our applications and serve all of our customers from data centers located in Ashburn, Virginia; Lithia Springs, Georgia; Portland, Oregon; Dublin, Ireland; and Amsterdam, the Netherlands. While we control and have access to our servers and all of the components of our network that are located in our external data centers, we do not control the operation of these facilities. The owners of our data center facilities have no obligation to renew their agreements with us on commercially reasonable terms, or at all. If we are unable to renew these agreements on commercially reasonable terms, or if one of our data center operators is acquired, we may be required to transfer our servers and other infrastructure to new data center facilities, and we may incur significant costs and possible service interruption in connection with doing so.

Problems faced by our third-party data center locations, with the telecommunications network providers with whom we or they contract, or with the systems by which our telecommunications providers allocate capacity among their customers, including us, could adversely affect the experience of our customers. Our third-party data centers operators could decide to close their facilities without adequate notice. In addition, any financial difficulties, such as bankruptcy, faced by our third-party data centers operators or any of the service providers with whom we or they contract may have negative effects on our business, the nature and extent of which are difficult to predict. Additionally, if our data centers are unable to keep up with our growing needs for capacity, this could have an adverse effect on our business. Any changes in third-party service levels at our data centers or any errors, defects, disruptions, or other performance problems with our applications could adversely affect our reputation and may damage our customers' stored files or result in lengthy interruptions in our services. Interruptions in our services might reduce our revenues, cause us to issue refunds to customers for prepaid and unused subscription services, subject us to potential liability, or adversely affect our renewal rates.

Furthermore, our financial management application is essential to our customers' financial projections, reporting and compliance programs. Any interruption in our service may affect the availability, accuracy or timeliness of these programs and could damage our reputation, cause our customers to terminate their use of our application, require us to indemnify our customers against certain losses and prevent us from gaining additional business from current or future customers.

Privacy concerns and laws or other domestic or foreign regulations may reduce the effectiveness of our applications and adversely affect our business.

Our customers can use our applications to collect, use and store personal or identifying information regarding their employees, customers and suppliers. Federal, state and foreign government bodies and agencies have adopted, are considering adopting, or may adopt laws and regulations regarding the collection, use, storage and disclosure of personal information obtained from consumers and individuals. The costs of compliance with, and other burdens imposed by, such laws and regulations that are applicable to the businesses of our customers may limit the use and adoption of our applications and reduce overall demand, or lead to significant fines, penalties or liabilities for any noncompliance with such privacy laws. Furthermore, privacy concerns may cause our customers' workers to resist providing the personal data necessary to allow our customers to use our applications effectively. Even the perception of privacy concerns, whether or not valid, may inhibit market adoption of our applications in certain industries.

All of these domestic and international legislative and regulatory initiatives may adversely affect our customers' ability to process, handle, store, use and transmit demographic and personal information from their employees, customers and suppliers, which could reduce demand for our applications. The European Union and many countries in Europe have stringent privacy laws and regulations, which may impact our ability to profitably operate in certain European countries.

In addition to government activity, privacy advocacy groups and the technology and other industries are considering various new, additional or different self-regulatory standards that may place additional burdens on us. If the processing of personal information were to be curtailed in this manner, our software applications would be less effective, which may reduce demand for our applications and adversely affect our business.

Because we sell applications to manage complex operating environments of large customers, we encounter long sales cycles, which could adversely affect our operating results in a given period.

Our ability to increase revenues and maintain profitability depends, in large part, on widespread acceptance of our applications by large businesses and other organizations. As we target our sales efforts at these customers, we face greater costs, longer sales cycles and less predictability in completing some of our sales. In the large enterprise market, the customer's decision to use our applications may be an enterprise-wide decision and, therefore, these types of sales require us to provide greater levels of education regarding the use and benefits of our applications. In addition, because we are a relatively new company with a limited operating history, our target customers may prefer to purchase applications that are critical to their business from one of our larger, more established competitors. Our typical sales cycles are six to nine months, and we expect that this lengthy sales cycle may continue or increase as customers adopt our applications beyond HCM. Longer sales cycles could cause our operating and financial results to suffer in a given period.

Our customers' deployment timeframes vary based on many factors including the number and type of applications being deployed, the complexity and scale of the customers' businesses, the configuration requirements, the number of integrations with other systems and other factors, many of which are beyond our control. Many Workday customers are in production with our applications within nine months of project initiation. Although our contracts are generally non-cancelable by the customer, at any given time, a significant percentage of our customers may be still in the process of deploying our applications, particularly during periods of rapid growth.

Our business could be adversely affected if our customers are not satisfied with the deployment services provided by us or our partners.

Our business depends on our ability to satisfy our customers, both with respect to our application offerings and the professional services that are performed to help our customers use features and functions that address

their business needs. Professional services may be performed by our own staff, by a third party, or by a combination of the two. Our strategy is to work with third parties to increase the breadth of capability and depth of capacity for delivery of these services to our customers, and third parties provide a majority of our deployment services. If a customer is not satisfied with the quality of work performed by us or a third party or with the type of professional services or applications delivered, then we could incur additional costs to address the situation, the profitability of that work might be impaired, and the customer's dissatisfaction with our services could damage our ability to expand the number of applications subscribed to by that customer. In addition, negative publicity related to our customer relationships, regardless of its accuracy, may further damage our business by affecting our ability to compete for new business with current and prospective customers.

We do not have an adequate history with our subscription or pricing models to accurately predict the long-term rate of customer subscription renewals or adoption, or the impact these renewals and adoption will have on our revenues or operating results.

We have limited experience with respect to determining the optimal prices for our applications. As the markets for our applications mature, or as new competitors introduce new products or services that compete with ours, we may be unable to attract new customers at the same price or based on the same pricing model as we have used historically. Moreover, large customers, which are the focus of our sales efforts, may demand greater price concessions. As a result, in the future we may be required to reduce our prices, which could adversely affect our revenues, gross margin, profitability, financial position and cash flow.

In addition, our customers have no obligation to renew their subscriptions for our applications after the expiration of the initial subscription period. Our customers may renew for fewer elements of our applications or on different pricing terms. We have limited historical data with respect to rates of customer subscription renewals, so we cannot accurately predict customer renewal rates. Our customers' renewal rates may decline or fluctuate as a result of a number of factors, including their dissatisfaction with our pricing or our applications and their ability to continue their operations and spending levels. If our customers do not renew their subscriptions for our applications on similar pricing terms, our revenues may decline and our business could suffer. In addition, over time the average term of our contracts could change based on renewal rates or for other reasons.

Our future success also depends in part on our ability to sell additional features or enhanced elements of our applications to our current customers. This may require increasingly costly sales efforts that are targeted at senior management. If these efforts are not successful, our business may suffer.

The loss of one or more of our key customers, or a failure to renew our subscription agreements with one or more of our key customers, could negatively affect our ability to market our applications.

We rely on our reputation and recommendations from key customers in order to promote subscriptions to our applications. The loss of any of our key customers, or a failure of some of them to renew, could have a significant impact on our revenues, reputation and our ability to obtain new customers. In addition, acquisitions of our customers could lead to cancellation of our contracts with those customers or by the acquiring companies, thereby reducing the number of our existing and potential customers. Acquisitions of our partners could also result in a decrease in the number of our current and potential customers, as our partners may no longer facilitate the adoption of our applications.

We typically provide service level commitments under our customer contracts. If we fail to meet these contractual commitments, we could be obligated to provide credits or refunds for prepaid amounts related to unused subscription services or face contract terminations, which could adversely affect our revenues.

Our customer agreements typically provide service level commitments on a monthly basis. If we are unable to meet the stated service level commitments or suffer extended periods of unavailability for our applications, we may be contractually obligated to provide these customers with service credits, refunds for prepaid amounts

related to unused subscription services, or we could face contract terminations. Our revenues could be significantly affected if we suffer unscheduled downtime that exceeds the allowed downtimes under our agreements with our customers. Any extended service outages could adversely affect our reputation, revenues and operating results.

Any failure to offer high-quality technical support services may adversely affect our relationships with our customers and our financial results.

Once our applications are deployed, our customers depend on our support organization to resolve technical issues relating to our applications. We may be unable to respond quickly enough to accommodate short-term increases in customer demand for support services. We also may be unable to modify the format of our support services to compete with changes in support services provided by our competitors. Increased customer demand for these services, without corresponding revenues, could increase costs and adversely affect our operating results. In addition, our sales process is highly dependent on our applications and business reputation and on positive recommendations from our existing customers. Any failure to maintain high-quality technical support, or a market perception that we do not maintain high-quality support, could adversely affect our reputation, our ability to sell our applications to existing and prospective customers, and our business, operating results and financial position.

Sales to customers outside the United States or with international operations expose us to risks inherent in international sales.

A key element of our growth strategy is to expand our international operations and develop a worldwide customer base. To date, we have not realized a substantial portion of our revenues from customers headquartered outside the United States. Operating in international markets requires significant resources and management attention and will subject us to regulatory, economic and political risks that are different from those in the United States. Because of our limited experience with international operations, our international expansion efforts may not be successful in creating demand for our applications outside of the United States or in effectively selling subscriptions to our applications in all of the international markets we enter. In addition, we will face risks in doing business internationally that could adversely affect our business, including:

- the need to localize and adapt our application for specific countries, including translation into foreign languages and associated expenses;
- data privacy laws which require that customer data be stored and processed in a designated territory;
- difficulties in staffing and managing foreign operations;
- different pricing environments, longer sales cycles and longer accounts receivable payment cycles and collections issues;
- new and different sources of competition;
- weaker protection for intellectual property and other legal rights than in the United States and practical difficulties in enforcing intellectual property and other rights outside of the United States;
- laws and business practices favoring local competitors;
- compliance challenges related to the complexity of multiple, conflicting and changing governmental laws and regulations, including employment, tax, privacy and data protection laws and regulations;
- increased financial accounting and reporting burdens and complexities;
- restrictions on the transfer of funds;
- adverse tax consequences; and
- unstable regional and economic political conditions.

Today, our international contracts are only occasionally denominated in local currencies. However, the majority of our local costs are denominated in local currencies. We anticipate that over time, an increasing portion of our international contracts may be denominated in local currencies. Therefore, fluctuations in the value of the U.S. dollar and foreign currencies may impact our operating results when translated into U.S. dollars. We do not currently engage in currency hedging activities to limit the risk of exchange rate fluctuations.

If we fail to manage our technical operations infrastructure, our existing customers may experience service outages and our new customers may experience delays in the deployment of our applications.

We have experienced significant growth in the number of users, transactions and data that our operations infrastructure supports. We seek to maintain sufficient excess capacity in our operations infrastructure to meet the needs of all of our customers. We also seek to maintain excess capacity to facilitate the rapid provision of new customer deployments and the expansion of existing customer deployments. In addition, we need to properly manage our technological operations infrastructure in order to support version control, changes in hardware and software parameters and the evolution of our applications. However, the provision of new hosting infrastructure requires significant lead time. We have experienced, and may in the future experience, website disruptions, outages and other performance problems. These problems may be caused by a variety of factors, including infrastructure changes, human or software errors, viruses, security attacks, fraud, spikes in customer usage and denial of service issues. In some instances, we may not be able to identify the cause or causes of these performance problems within an acceptable period of time. If we do not accurately predict our infrastructure requirements, our existing customers may experience service outages that may subject us to financial penalties, financial liabilities and customer losses. If our operations infrastructure fails to keep pace with increased sales, customers may experience delays as we seek to obtain additional capacity, which could adversely affect our reputation and adversely affect our revenues.

Failure to adequately expand our direct sales force will impede our growth.

We will need to continue to expand and optimize our sales infrastructure in order to grow our customer base and our business. We plan to continue to expand our direct sales force, both domestically and internationally. Identifying and recruiting qualified personnel and training them in the use of our software requires significant time, expense and attention. It can take six months or longer before our sales representatives are fully-trained and productive. Our business may be adversely affected if our efforts to expand and train our direct sales force do not generate a corresponding increase in revenues. In particular, if we are unable to hire, develop and retain talented sales personnel or if new direct sales personnel are unable to achieve desired productivity levels in a reasonable period of time, we may not be able to realize the expected benefits of this investment or increase our revenues.

If we fail to develop widespread brand awareness cost-effectively, our business may suffer.

We believe that developing and maintaining widespread awareness of our brand in a cost-effective manner is critical to achieving widespread acceptance of our applications and attracting new customers. Brand promotion activities may not generate customer awareness or increase revenues, and even if they do, any increase in revenues may not offset the expenses we incur in building our brand. If we fail to successfully promote and maintain our brand, or incur substantial expenses, we may fail to attract or retain customers necessary to realize a sufficient return on our brand-building efforts, or to achieve the widespread brand awareness that is critical for broad customer adoption of our applications.

Our growth depends in part on the success of our strategic relationships with third parties.

In order to grow our business, we anticipate that we will continue to depend on relationships with third parties, such as deployment partners, and technology and content providers. Identifying partners, and negotiating and documenting relationships with them, requires significant time and resources. Our competitors may be effective in providing incentives to third parties to favor their products or services or to prevent or reduce

subscriptions to our services. In addition, acquisitions of our partners by our competitors could result in a decrease in the number of our current and potential customers, as our partners may no longer facilitate the adoption of our applications by potential customers.

If we are unsuccessful in establishing or maintaining our relationships with third parties, our ability to compete in the marketplace or to grow our revenues could be impaired and our operating results may suffer. Even if we are successful, we cannot assure you that these relationships will result in increased customer usage of our applications or increased revenues.

If our applications fail to perform properly, our reputation could be adversely affected, our market share could decline and we could be subject to liability claims.

Our applications are inherently complex and may contain material defects or errors. Any defects in functionality or that cause interruptions in the availability of our applications could result in:

- loss or delayed market acceptance and sales;
- breach of warranty claims;
- sales credits or refunds for prepaid amounts related to unused subscription services;
- loss of customers;
- diversion of development and customer service resources; and
- injury to our reputation.

The costs incurred in correcting any material defects or errors might be substantial and could adversely affect our operating results.

Because of the large amount of data that we collect and manage, it is possible that hardware failures or errors in our systems could result in data loss or corruption, or cause the information that we collect to be incomplete or contain inaccuracies that our customers regard as significant. Furthermore, the availability or performance of our applications could be adversely affected by a number of factors, including customers' inability to access the Internet, the failure of our network or software systems, security breaches or variability in user traffic for our services. We may be required to issue credits or refunds for prepaid amounts related to unused services or otherwise be liable to our customers for damages they may incur resulting from certain of these events. For example, our customers access our applications through their Internet service providers. If a service provider fails to provide sufficient capacity to support our applications or otherwise experiences service outages, such failure could interrupt our customers' access to our applications, adversely affect their perception of our applications' reliability and reduce our revenues. In addition to potential liability, if we experience interruptions in the availability of our applications, our reputation could be adversely affected and we could lose customers.

Our errors and omissions insurance may be inadequate or may not be available in the future on acceptable terms, or at all. In addition, our policy may not cover all claims made against us and defending a suit, regardless of its merit, could be costly and divert management's attention.

We depend on our senior management team and the loss of one or more key employees or an inability to attract and retain highly skilled employees could adversely affect our business.

Our success depends largely upon the continued services of our key executive officers. We also rely on our leadership team in the areas of research and development, marketing, sales, services and general and administrative functions, and on mission-critical individual contributors in research and development. From time to time, there may be changes in our executive management team resulting from the hiring or departure of executives, which could disrupt our business. We do not have employment agreements with our executive

officers or other key personnel that require them to continue to work for us for any specified period and, therefore, they could terminate their employment with us at any time. The loss of one or more of our executive officers or key employees could have a serious adverse effect on our business.

To execute our growth plan, we must attract and retain highly qualified personnel. Competition for these personnel is intense, especially for engineers with high levels of experience in designing and developing software and Internet-related services and senior sales executives. We have, from time to time, experienced, and we expect to continue to experience, difficulty in hiring and retaining employees with appropriate qualifications. Many of the companies with which we compete for experienced personnel have greater resources than we have. If we hire employees from competitors or other companies, their former employers may attempt to assert that these employees or Workday have breached their legal obligations, resulting in a diversion of our time and resources. In addition, job candidates and existing employees in the San Francisco Bay Area often consider the value of the stock awards they receive in connection with their employment. If the perceived value of our stock awards declines, it may adversely affect our ability to recruit and retain highly skilled employees. If we fail to attract new personnel or fail to retain and motivate our current personnel, our business and future growth prospects could be adversely affected.

We may acquire other companies or technologies, which could divert our management's attention, result in additional dilution to our stockholders and otherwise disrupt our operations and adversely affect our operating results.

We may in the future seek to acquire or invest in businesses, applications or technologies that we believe could complement or expand our applications, enhance our technical capabilities or otherwise offer growth opportunities. The pursuit of potential acquisitions may divert the attention of management and cause us to incur various expenses in identifying, investigating and pursuing suitable acquisitions, whether or not they are consummated.

We have limited experience in acquiring other businesses. If we acquire additional businesses, we may not be able to integrate the acquired personnel, operations and technologies successfully or effectively manage the combined business following the acquisition. We also may not achieve the anticipated benefits from the acquired business due to a number of factors, including:

- inability to integrate or benefit from acquired technologies or services in a profitable manner;
- unanticipated costs or liabilities associated with the acquisition;
- incurrence of acquisition-related costs;
- difficulty integrating the accounting systems, operations and personnel of the acquired business;
- difficulties and additional expenses associated with supporting legacy products and hosting infrastructure of the acquired business;
- difficulty converting the customers of the acquired business onto our applications and contract terms, including disparities in the revenues, licensing, support or professional services model of the acquired company;
- diversion of management's attention from other business concerns;
- adverse effects to our existing business relationships with business partners and customers as a result of the acquisition;
- the potential loss of key employees;
- use of resources that are needed in other parts of our business; and
- use of substantial portions of our available cash to consummate the acquisition.

In addition, a significant portion of the purchase price of companies we acquire may be allocated to acquired goodwill and other intangible assets, which must be assessed for impairment at least annually. In the future, if our acquisitions do not yield expected returns, we may be required to take charges to our operating results based on this impairment assessment process, which could adversely affect our results of operations.

Acquisitions could also result in dilutive issuances of equity securities or the incurrence of debt, which could adversely affect our operating results. In addition, if an acquired business fails to meet our expectations, our operating results, business and financial position may suffer.

We may not be able to secure additional financing on favorable terms, or at all, to meet our future capital needs.

We have funded our operations since inception primarily through equity financings, capital lease arrangements, and prepayments by customers. In the future, we may require additional capital to respond to business opportunities, challenges, acquisitions, or unforeseen circumstances and may determine to engage in equity or debt financings or enter into credit facilities for other reasons, and we may not be able to timely secure additional debt or equity financing on favorable terms, or at all. Any debt financing obtained by us in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. If we raise additional funds through further issuances of equity, convertible debt securities or other securities convertible into equity, our existing stockholders could suffer significant dilution in their percentage ownership of our company. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to grow or support our business and to respond to business challenges could be significantly limited.

Adverse economic conditions may negatively impact our business.

Our business depends on the overall demand for enterprise software and on the economic health of our current and prospective customers. The recent financial recession resulted in a significant weakening of the economy in the United States and Europe and of the global economy, more limited availability of credit, a reduction in business confidence and activity, and other difficulties that may affect one or more of the industries to which we sell our applications. In addition, there has been pressure to reduce government spending in the United States, and tax increases and spending cuts at the Federal level (the sequester) have gone into effect. This might reduce demand for our applications from organizations that receive funding from the U.S. government and could negatively affect the U.S. economy, which could further reduce demand for our applications. Further, the economies of countries in Europe have been experiencing weakness associated with high sovereign debt levels, weakness in the banking sector and uncertainty over the future of the Euro zone. We have operations in Ireland and current and potential new customers in Europe. If economic conditions in Europe and other key markets for our applications continue to remain uncertain or deteriorate further, many customers may delay or reduce their information technology spending. This could result in reductions in sales of our applications, longer sales cycles, reductions in subscription duration and value, slower adoption of new technologies and increased price competition. Any of these events would likely have an adverse effect on our business, operating results and financial position. In addition, there can be no assurance that enterprise software spending levels will increase following any recovery.

Our customers may fail to pay us in accordance with the terms of their agreements, necessitating action by us to compel payment.

We typically enter into multiple year, non-cancelable arrangements with customers of our services. If customers fail to pay us under the terms of our agreements, we may be adversely affected both from the inability to collect amounts due and the cost of enforcing the terms of our contracts, including litigation. The risk of such negative effects increases with the term length of our customer arrangements. Furthermore, some of our

customers may seek bankruptcy protection or other similar relief and fail to pay amounts due to us, or pay those amounts more slowly, either of which could adversely affect our operating results, financial position and cash flow.

Catastrophic events may disrupt our business.

Our corporate headquarters are located in Pleasanton, California and our data centers are located in Ashburn, Virginia; Lithia Springs, Georgia; Sacramento, California; Portland, Oregon; Dublin, Ireland; and Amsterdam, the Netherlands. The west coast of the United States contains active earthquake zones and the southeast is subject to seasonal hurricanes. Additionally, we rely on our network and third-party infrastructure and enterprise applications, internal technology systems and our website for our development, marketing, operational support, hosted services and sales activities. In the event of a major earthquake, hurricane or catastrophic event such as fire, power loss, telecommunications failure, cyber-attack, war or terrorist attack, we may be unable to continue our operations and may endure system interruptions, reputational harm, delays in our application development, lengthy interruptions in our services, breaches of data security and loss of critical data, all of which could have an adverse effect on our future operating results.

Any failure to protect our intellectual property rights could impair our ability to protect our proprietary technology and our brand.

Our success and ability to compete depend in part upon our intellectual property. We currently have nine issued patents. We primarily rely on copyright, trade secret and trademark laws, trade secret protection and confidentiality or license agreements with our employees, customers, partners and others to protect our intellectual property rights. However, the steps we take to protect our intellectual property rights may be inadequate.

In order to protect our intellectual property rights, we may be required to spend significant resources to monitor and protect these rights. Litigation brought to protect and enforce our intellectual property rights could be costly, time-consuming and distracting to management and could result in the impairment or loss of portions of our intellectual property. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights. Our failure to secure, protect and enforce our intellectual property rights could seriously adversely affect our brand and adversely impact our business.

We may be sued by third parties for alleged infringement of their proprietary rights.

There is considerable patent and other intellectual property development activity in our industry. Our success depends upon our not infringing upon the intellectual property rights of others. Our competitors, as well as a number of other entities and individuals, may own or claim to own intellectual property relating to our industry. From time to time, third parties may claim that we are infringing upon their intellectual property rights, and we may be found to be infringing upon such rights. In the future, others may claim that our applications and underlying technology infringe or violate their intellectual property rights. However, we may be unaware of the intellectual property rights that others may claim cover some or all of our technology or services. Any claims or litigation could cause us to incur significant expenses and, if successfully asserted against us, could require that we pay substantial damages or ongoing royalty payments, prevent us from offering our services, or require that we comply with other unfavorable terms. We may also be obligated to indemnify our customers or business partners or pay substantial settlement costs, including royalty payments, in connection with any such claim or litigation and to obtain licenses, modify applications, or refund fees, which could be costly. Even if we were to prevail in such a dispute, any litigation regarding our intellectual property could be costly and time-consuming and divert the attention of our management and key personnel from our business operations.

Some of our applications utilize open source software, and any failure to comply with the terms of one or more of these open source licenses could negatively affect our business.

Some of our applications include software covered by open source licenses, which may include, by way of example, GNU General Public License and the Apache License. The terms of various open source licenses have not been interpreted by United States courts, and there is a risk that such licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to market our applications. By the terms of certain open source licenses, we could be required to release the source code of our proprietary software, and to make our proprietary software available under open source licenses, if we combine our proprietary software with open source software in a certain manner. In the event that portions of our proprietary software are determined to be subject to an open source license, we could be required to publicly release the affected portions of our source code, re-engineer all or a portion of our technologies, or otherwise be limited in the licensing of our technologies, each of which could reduce or eliminate the value of our technologies and services. 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 controls on the origin of the software. Many of the risks associated with usage of open source software cannot be eliminated, and could negatively affect our business.

We employ third-party licensed software for use in or with our applications, and the inability to maintain these licenses or errors in the software we license could result in increased costs, or reduced service levels, which would adversely affect our business.

Our applications incorporate certain third-party software obtained under licenses from other companies. We anticipate that we will continue to rely on such third-party software and development tools from third parties in the future. Although we believe that there are commercially reasonable alternatives to the third-party software we currently license, this may not always be the case, or it may be difficult or costly to replace. In addition, integration of the software used in our applications with new third-party software may require significant work and require substantial investment of our time and resources. Also, to the extent that our applications depend upon the successful operation of third-party software in conjunction with our software, any undetected errors or defects in this third-party software could prevent the deployment or impair the functionality of our applications, delay new application introductions, result in a failure of our applications and injure our reputation. Our use of additional or alternative third-party software would require us to enter into license agreements with third parties.

Changes in laws and regulations related to the Internet or changes in the Internet infrastructure itself may diminish the demand for our applications, and could have a negative impact on our business.

The future success of our business depends upon the continued use of the Internet as a primary medium for commerce, communication and business applications. Federal, state or foreign government bodies or agencies have in the past adopted, and may in the future adopt, laws or regulations affecting the use of the Internet as a commercial medium. Changes in these laws or regulations could require us to modify our applications in order to comply with these changes. In addition, government agencies or private organizations may begin to impose taxes, fees or other charges for accessing the Internet or commerce conducted via the Internet. These laws or charges could limit the growth of Internet-related commerce or communications or generally, result in reductions in the demand for Internet-based applications such as ours.

In addition, the use of the Internet as a business tool could be adversely affected due to delays in the development or adoption of new standards and protocols to handle increased demands of Internet activity, security, reliability, cost, ease of use, accessibility, and quality of service. The performance of the Internet and its acceptance as a business tool has been adversely affected by “viruses,” “worms” and similar malicious programs and the Internet has experienced a variety of outages and other delays as a result of damage to portions of its infrastructure. If the use of the Internet is adversely affected by these issues, demand for our applications could suffer.

We are obligated to develop and maintain proper and effective internal controls over financial reporting. We may not complete our analysis of our internal controls over financial reporting in a timely manner, or these internal controls may not be determined to be effective, which may adversely affect investor confidence in the accuracy and completeness of our financial reports and the market price of our Class A common stock may be negatively affected.

As a public company, we are required to maintain internal controls over financial reporting and to report any material weaknesses in such internal controls. Section 404 of the Sarbanes-Oxley Act of 2002 (the Sarbanes-Oxley Act) requires that we evaluate and determine the effectiveness of our internal controls over financial reporting and, beginning with our annual report for the fiscal year ending January 31, 2014, provide a management report on the internal controls over financial reporting, which must be attested to by our independent registered public accounting firm to the extent we are no longer an "emerging growth company," as defined by the Jumpstart Our Businesses Act of 2012 (the JOBS Act). If we have a material weakness in our internal controls over financial reporting, we may not detect errors on a timely basis and our financial statements may be materially misstated.

We are in the early stages of the costly and challenging process of compiling the system and processing documentation necessary to perform the evaluation needed to comply with Section 404. We may not be able to complete our evaluation, testing and any required remediation in a timely fashion. If we identify material weaknesses in our internal controls over financial reporting, if we are unable to comply with the requirements of Section 404 in a timely manner, if we are unable to assert that our internal controls over financial reporting are effective, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal controls over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our Class A common stock could be negatively affected, and we could become subject to investigations by the New York Stock Exchange (NYSE), the SEC, or other regulatory authorities, which could require additional financial and management resources.

The requirements of being a public company may strain our resources, divert management's attention and affect our ability to attract and retain qualified board members.

We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, (the Exchange Act), the Sarbanes-Oxley Act, the Dodd-Frank Act, the listing requirements of the NYSE and other applicable securities rules and regulations. Compliance with these rules and regulations has increased and will continue to increase our legal and financial compliance costs, make some activities more difficult, time-consuming or costly, and increase demand on our systems and resources. In particular, we expect to incur significant expenses and devote substantial management effort toward ensuring compliance with the requirements of Section 404 of the Sarbanes-Oxley Act, which will increase when we are no longer an emerging growth company, as defined by the JOBS Act. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. In order to maintain and, if required, improve our disclosure controls and procedures and internal control over financial reporting to meet this standard, significant resources and management oversight may be required. As a result, management's attention may be diverted from other business concerns, which could harm our business and operating results. Although we have hired additional employees to comply with these requirements, we may need to hire more employees in the future, in particular accounting, financial and internal audit staff, which will increase our costs and expenses.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance

practices. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, regulatory authorities may initiate legal proceedings against us and our business may be harmed.

In addition, our co-chief executive officers (co-CEOs) currently each receive a base salary of approximately $33,000. We could incur additional compensation costs in the event that we decide to pay them cash compensation closer to that of CEOs of other public software companies, which would increase our general and administrative expenses and could adversely affect our profitability. Additionally, in May 2012, we granted Mr. Duffield a stock option to purchase up to 300,000 shares of Class B common stock and Mr. Bhusri 1,000,000 restricted shares of Class B common stock. These awards and any future equity awards will also increase our compensation expenses.

We may face increased costs for director and officer liability insurance, or be required to accept reduced coverage, in the future. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors and qualified executive officers.

We are an emerging growth company and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our Class A common stock less attractive to investors.

We are an emerging growth company. For as long as we continue to be an emerging growth company, we intend to take advantage of certain other exemptions from various reporting requirements that are applicable to other public companies including, but not limited to, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We cannot predict if investors will find our Class A common stock less attractive because we rely on these exemptions. If some investors find our Class A common stock less attractive as a result, there may be a less active trading market for our Class A common stock and our stock price may be more volatile.

We will remain an emerging growth company until the earliest of (i) the end of the fiscal year in which the market value of our common stock that is held by non-affiliates exceeds $700 million as of July 31, (ii) the end of the fiscal year in which we have total annual gross revenues of $1 billion or more during such fiscal year, (iii) the date on which we issue more than $1 billion in non-convertible debt in a three-year period, or (iv) January 31, 2018.

We may not be able to utilize a significant portion of our net operating loss or research tax credit carryforwards, which could adversely affect our profitability.

As of January 31, 2013, we had federal and state net operating loss carryforwards due to prior period losses, which if not utilized will begin to expire in 2025 and 2015 for federal and state purposes, respectively. We also have federal research tax credit carryforwards, which if not utilized will begin to expire in 2025. These net operating loss and research tax credit carryforwards could expire unused and be unavailable to offset future income tax liabilities, which could adversely affect our profitability.

In addition, under Section 382 of the Internal Revenue Code of 1986, as amended (the Code), our ability to utilize net operating loss carryforwards or other tax attributes, such as research tax credits, in any taxable year may be limited if we experience an "ownership change." A Section 382 "ownership change" generally occurs if one or more stockholders or groups of stockholders who own at least 5% of our stock increase their ownership by

more than 50 percentage points over their lowest ownership percentage within a rolling three-year period. Similar rules may apply under state tax laws. It is possible that an ownership change, or any future ownership change, could have a material effect on the use of our net operating loss carryforwards or other tax attributes, which could adversely affect our profitability.

Adverse tax laws or regulations could be enacted or existing laws could be applied to us or our customers, which could increase the costs of our services and adversely impact our business.

The application of federal, state, local and international tax laws to services provided electronically is evolving. New income, sales, use or other tax laws, statutes, rules, regulations or ordinances could be enacted at any time (possibly with retroactive effect), and could be applied solely or disproportionately to services provided over the Internet. These enactments could adversely affect our sales activity due to the inherent cost increase the taxes would represent and ultimately result in a negative impact on our operating results and cash flows.

In addition, existing tax laws, statutes, rules, regulations or ordinances could be interpreted, changed, modified or applied adversely to us (possibly with retroactive effect), which could require us or our customers to pay additional tax amounts, as well as require us or our customers to pay fines or penalties and interest for past amounts. If we are unsuccessful in collecting such taxes from our customers, we could be held liable for such costs, thereby adversely impacting our operating results and cash flows.

Our reported financial results may be adversely affected by changes in accounting principles generally accepted in the United States.

Generally accepted accounting principles in the United States are subject to interpretation by the Financial Accounting Standards Board (FASB), the SEC, and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results, and could affect the reporting of transactions completed before the announcement of a change.

Risks Related to Ownership of Our Class A Common Stock

Our stock price has been volatile in the past and may be subject to volatility in the future.

The trading price of our Class A common stock has been volatile historically, and could be subject to wide fluctuations in response to various factors, some of which are beyond our control, such as:

- overall performance of the equity markets;
- fluctuations in the valuation of companies perceived by investors to be comparable to us or in valuation metrics, such as our price to revenues ratio;
- changes in the estimates of our operating results that we provide to the public, our failure to meet these projections or changes in recommendations by securities analysts that follow our Class A common stock;
- announcements of technological innovations, new applications or enhancements to services, acquisitions, strategic alliances or significant agreements by us or by our competitors;
- disruptions in our services due to computer hardware, software or network problems;
- announcements of customer additions and customer cancellations or delays in customer purchases;
- recruitment or departure of key personnel;
- the economy as a whole, market conditions in our industry, and the industries of our customers;

- trading activity by a limited number of stockholders who together beneficially own a majority of our outstanding common stock;
- the expiration of market standoff or contractual lock-up agreements, including the April 10, 2013 expiration of lock-up in connection with our initial public offering, subject to extension in certain circumstances (Lock-Up Expiration);
- the size of our market float; and
- our operating performance and the performance of other similar companies.

Additionally, the stock markets have at times experienced extreme price and volume fluctuations that have affected and might in the future affect the market prices of equity securities of many companies. These fluctuations have, in some cases, been unrelated or disproportionate to the operating performance of these companies. Further, the trading prices of publicly traded shares of companies in our industry have been particularly volatile and may be very volatile in the future.

In the past, companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management's attention from other business concerns, which could harm our business.

There may be a limited market for investors in our industry.

There are few publicly traded companies that provide cloud applications at this time. Investors may have limited funds to invest in the cloud applications sector, and as publicly traded securities in these industries become more available, investors who have purchased or may in the future purchase securities in this sector may choose to sell Workday securities that they have already purchased in favor of other companies, or choose to invest in other companies, including our competitors. As a result, demand for our Class A common stock could decline, which would result in a corresponding decline in our stock price.

Substantial blocks of our total outstanding shares may be sold into the market when "lock-up" or "market standoff" periods end. If there are substantial sales of shares of our common stock, the price of our Class A common stock could decline.

The price of our publicly-traded Class A common stock could decline if there are substantial sales of our common stock, particularly sales by our directors, executive officers, and significant stockholders, or if there is a large number of shares of our common stock available for sale. As of January 31, 2013, we had outstanding 26.2 million shares of our Class A common stock and 140.2 million shares of Class B common stock. All of our outstanding shares of Class B common stock, as well as 0.6 million shares purchased by our directors in our initial public offering, are currently restricted from resale as a result of market standoff and "lock-up" agreements. These shares may be converted to Class A shares and will become available to be sold upon Lock-Up Expiration. In addition, approximately 21.0 million options, including approximately 14.4 million options held by non-affiliates, will be exercisable upon the Lock-Up Expiration. Shares held by directors, executive officers and other affiliates (approximately 112.1 million shares) will be subject to volume limitations under Rule 144 under the Securities Act and various vesting agreements.

Certain of our stockholders have rights, subject to some conditions, to require us to file registration statements covering their shares to include their shares in registration statements that we may file for ourselves or our stockholders. All of these shares are subject to market standoff or lock-up agreements restricting their sale until the Lock-Up Expiration. We have registered shares of common stock that we have issued and may issue under our employee equity incentive plans. All of these shares are subject to market standoff or lock-up agreements restricting their sale until the Lock-Up Expiration. Following the expiration of the foregoing market standoff and lock-up agreements, these shares may be sold freely in the public market upon issuance.

The market price of the shares of our common stock could decline as a result of the sale of a substantial number of our shares of common stock in the public market or the perception in the market that the holders of a large number of shares intend to sell their shares.

We have broad discretion in the use of the net proceeds from our initial public offering and may not use them effectively.

We have broad discretion in the application of the net proceeds that we received from our initial public offering, including working capital, possible acquisitions, and other general corporate purposes, and we may spend or invest these proceeds in a way with which our stockholders disagree. The failure by our management to apply these funds effectively could adversely affect our business and financial condition. Pending their use, we may invest the net proceeds from our initial public offering in a manner that does not produce income or that loses value. These investments may not yield a favorable return to our investors.

Our co-founders and co-CEOs have control over key decision making as a result of their control of a majority of our voting stock.

Our co-founder and co-CEO David Duffield, together with his affiliates, holds voting rights with respect to 70.1 million shares of Class B common stock. Our co-founder and co-CEO Aneel Bhusri, together with his affiliates, holds voting rights with respect to 21.7 million shares of Class B common stock. In addition, Mr. Bhusri holds exercisable options to acquire 3.2 million shares of Class B common stock and 1.0 million shares of Class B restricted stock. Further, Messrs. Duffield and Bhusri have entered into a voting agreement under which each has granted a voting proxy with respect to certain Class B common stock beneficially owned by him effective upon his death or incapacity as described in our registration statement on Form S-1 filed in connection with our initial public offering. Messrs. Duffield and Bhusri have each initially designated the other as their respective proxies. Accordingly, upon the death or incapacity of either Mr. Duffield or Mr. Bhusri, the other would individually continue to control the voting of shares subject to the voting proxy. Collectively, the shares described above represent a substantial majority of the voting power of our outstanding capital stock. As a result, Messrs. Duffield and Bhusri have the ability to control the outcome of matters submitted to our stockholders for approval, including the election of directors and any merger, consolidation, or sale of all or substantially all of our assets. In addition, they have the ability to control the management and affairs of our company as a result of their positions as our co-CEOs and their ability to control the election of our directors. As board members and officers, Messrs. Duffield and Bhusri owe a fiduciary duty to our stockholders and must act in good faith in a manner they reasonably believe to be in the best interests of our stockholders. As stockholders, even as controlling stockholders, they are entitled to vote their shares in their own interests, which may not always be in the interests of our stockholders generally.

The dual class structure of our common stock has the effect of concentrating voting control with our co-CEOs, and also with executive officers, directors and other affiliates; this will limit or preclude the ability of non-affiliates to influence corporate matters.

Our Class B common stock has ten votes per share and our Class A common stock, which is the stock we offered in our initial public offering, has one vote per share. Stockholders who hold shares of Class B common stock, including our executive officers, directors and other affiliates, together hold above 95% of the voting power of our outstanding capital stock as of January 31, 2013. Because of the ten-to-one voting ratio between our Class B and Class A common stock, the holders of our Class B common stock collectively will continue to control a majority of the combined voting power of our common stock and therefore be able to control all matters submitted to our stockholders for approval until October 11, 2032 or such earlier time as the shares of Class B common stock represent less than 9% of all outstanding shares of our Class A and Class B common stock, at any time if agreed by the holders of the majority of the Class B common stock or nine months following the death of both Mr. Duffield and Mr. Bhusri. This concentrated control will limit or preclude the ability of non-affiliates to influence corporate matters for the foreseeable future.

Future transfers by holders of Class B common stock will generally result in those shares converting to Class A common stock, subject to limited exceptions, such as certain transfers effected for estate planning purposes. The conversion of Class B common stock to Class A common stock will have the effect, over time, of increasing the relative voting power of those holders of Class B common stock who retain their shares in the long term. If, for example, our co-CEOs retain a significant portion of their holdings of Class B common stock for an extended period of time, they could, in the future, continue to control a majority of the combined voting power of our Class A common stock and Class B common stock.

If securities or industry analysts publish inaccurate or unfavorable research about our business, or discontinue publishing research about our business, our stock price and trading volume could decline.

The trading market for our Class A common stock will depend in part on the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts who cover us downgrade our Class A common stock or publish inaccurate or unfavorable research about our business, our Class A common stock price would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our Class A common stock could decrease, which might cause our Class A common stock price and trading volume to decline.

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

We have never declared nor paid cash dividends on our capital stock. We currently intend to retain any future earnings to finance the operation and expansion of our business, and we do not expect to declare or pay any dividends in the foreseeable future. Consequently, stockholders must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment.

Delaware law and provisions in our restated certificate of incorporation and restated bylaws could make a merger, tender offer, or proxy contest difficult, thereby depressing the trading price of our Class A common stock.

Our status as a Delaware corporation and the anti-takeover provisions of the Delaware General Corporation Law may discourage, delay, or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the person becomes an interested stockholder, even if a change of control would be beneficial to our existing stockholders. In addition, our restated certificate of incorporation and restated bylaws contain provisions that may make the acquisition of our company more difficult, including the following:

- any transaction that would result in a change in control of our company requires the approval of a majority of our outstanding Class B common stock voting as a separate class;
- we have a dual class common stock structure, which provides our co-CEOs with the ability to control the outcome of matters requiring stockholder approval, even if they own significantly less than a majority of the shares of our outstanding Class A and Class B common stock;
- our board of directors is classified into three classes of directors with staggered three-year terms and directors are only able to be removed from office for cause;
- when the outstanding shares of our Class B common stock represent less than a majority of the combined voting power of common stock:
  - certain amendments to our restated certificate of incorporation or restated bylaws will require the approval of two-thirds of the combined vote of our then-outstanding shares of Class A and Class B common stock;
  - our stockholders will only be able to take action at a meeting of stockholders and not by written consent; and

  - vacancies on our board of directors will be able to be filled only by our board of directors and not by stockholders;

- only our chairman of the board, our co-chief executive officers, our president, or a majority of our board of directors are authorized to call a special meeting of stockholders;
- certain litigation against us can only be brought in Delaware;
- we will have two classes of common stock until the date that is the first to occur of (i) October 11, 2032, (ii) such time as the shares of Class B common stock represent less than 9% of the outstanding Class A and Class B common stock, (iii) nine months following the death of both Mr. Duffield and Mr. Bhusri, or (iv) the date on which the holders of a majority of the shares of Class B common stock elect to convert all shares of Class A common stock and Class B common stock into a single class of common stock;
- our restated certificate of incorporation authorizes undesignated preferred stock, the terms of which may be established, and shares of which may be issued, without the approval of the holders of Class A common stock; and
- advance notice procedures apply for stockholders to nominate candidates for election as directors or to bring matters before an annual meeting of stockholders.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate headquarters, which includes our operations and research and development facilities, is located in Pleasanton, California, and consists of approximately 180,000 square feet of space under a lease that expires in 2015. We have an option to extend the lease for five years.

We also lease offices in Atlanta, Georgia; Boston, Massachusetts; Chicago, Illinois; Dallas, Texas; Dublin, Ireland; London, England; Minneapolis, Minnesota; New York, New York; Paris, France; Philadelphia, Pennsylvania; Portland, Oregon; Salt Lake City, Utah; and San Francisco, California. We expect to expand our facilities capacity, including at our corporate headquarters and in certain field locations, during the year ended January 31, 2014. One of our co-CEOs, Mr. Duffield, recently acquired commercial real estate in close proximity to our corporate headquarters. At the time of this acquisition, we had existing leases in the buildings acquired by Mr. Duffield and we expect to lease additional space at that site in the coming year and beyond. We will seek independent evaluations of current market rates at the time we sign new leases with the goal of leasing at the then fair value. We believe that we will be able to obtain additional space at other locations at commercially reasonable terms to support our continuing expansion.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we are involved in various legal proceedings arising from the normal course of business activities. We are not presently a party to any litigation the outcome of which we believe, if determined adversely to us, would individually or taken together have a material adverse effect on our business, operating results, cash flows or financial condition. Defending such proceedings is costly and can impose a significant burden on management and employees, we may receive unfavorable preliminary or interim rulings in the course of litigation, and there can be no assurances that favorable final outcomes will be obtained.

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 for Common Stock

Our Class A common stock has been listed on the New York Stock Exchange under the symbol "WDAY" since October 12, 2012, the date of our initial public offering.

The following table sets forth for the indicated periods the high and low closing sales prices of our common stock as reported by the New York Stock Exchange.

	High	Low
Year ended January 31, 2013		
Third quarter (from October 12, 2012)	$57.21	$45.05
Fourth quarter	$57.10	$46.00

Our Class B common stock is not listed or traded on any stock exchange.

Dividend Policy

We have never declared or paid cash dividends on our capital stock. We currently intend to retain any future earnings for use in the operation of our business and do not intend to declare or pay any cash dividends in the foreseeable future. Any further determination to pay dividends on our capital stock will be at the discretion of our board of directors, subject to applicable laws, and will depend on our financial condition, results of operations, capital requirements, general business conditions and other factors that our board of directors considers relevant.

Stockholders

As of January 31, 2013, there were three stockholders of record of our Class A common stock, including The Depository Trust Company, which holds shares of our common stock on behalf of an indeterminate number of beneficial owners, as well as 821 stockholders of record of our Class B common stock.

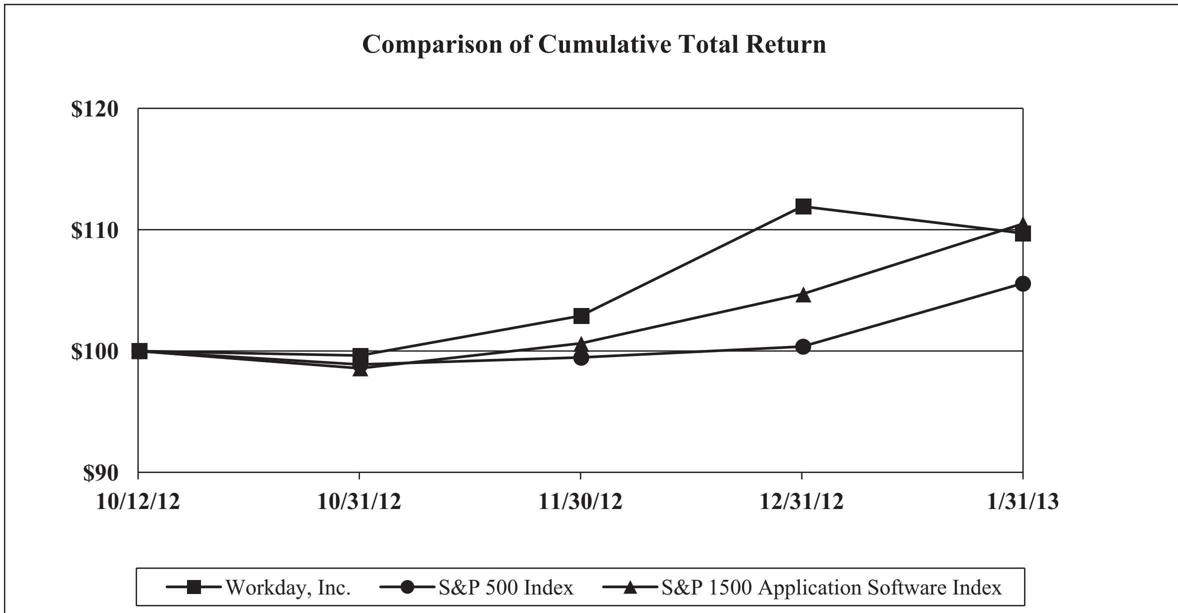
Securities Authorized for Issuance under Equity Compensation Plans

The information concerning our equity compensation plans is incorporated by reference herein to the section of the Proxy Statement entitled "Equity Compensation Plan Information."

Stock Performance Graph

The following shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, or incorporated by reference into any of our other filings under the Exchange Act or the Securities Act of 1933, as amended, except to the extent we specifically incorporate it by reference into such filing.

This chart compares the cumulative total return on our common stock with that of the S&P 500 Index and the S&P 1500 Application Software Index. The chart assumes $100 was invested at the close of market on October 12, 2012, in the Class A common stock of Workday, Inc., the S&P 500 Index and the S&P 1500 Application Software Index, and assumes the reinvestment of any dividends. The stock price performance on the following graph is not necessarily indicative of future stock price performance.



Company / Index	Base Period 10/12/12	10/31/12	11/30/12	12/31/12	1/31/13
Workday, Inc.	**100**	99.61	102.90	111.93	109.71
S&P 500 Index	**100**	98.89	99.46	100.37	105.57
S&P 1500 Application Software Index	**100**	98.58	100.61	104.68	110.49

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

We changed the end of our fiscal year from December 31 to January 31, effective for our fiscal year ended January 31, 2012. The consolidated statements of operations data and the consolidated balance sheets data are derived from our audited consolidated financial statements and should be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations", our consolidated financial statements and the related notes included elsewhere in this filing. Our historical results are not necessarily indicative of our results in any future period.

Consolidated Statements of Operations Data:	Year Ended January 31, 2013	Year Ended January 31, 2012	One Month Ended January 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009	Year Ended December 31, 2008
	(in thousands, except per share data)					
Revenues	$ 273,657	$134,427	$ 7,282	$ 68,055	$ 25,245	$ 6,398
Costs and expenses[1]:						
Costs of revenues	116,535	65,368	3,904	39,864	20,505	11,309
Research and development	102,665	62,014	3,962	39,175	30,045	25,823
Sales and marketing	123,440	70,356	3,771	36,524	20,875	16,569
General and administrative	48,880	15,133	1,077	8,553	5,215	4,150
Total costs and expenses	391,520	212,871	12,714	124,116	76,640	57,851
Operating loss	(117,863)	(78,444)	(5,432)	(56,061)	(51,395)	(51,453)
Other income (expense), net	(1,203)	(1,018)	(8)	(57)	1,544	(2)
Loss before provision for income taxes	(119,066)	(79,462)	(5,440)	(56,118)	(49,851)	(51,455)
Provision for income taxes	124	167	10	97	91	32
Net loss	(119,190)	(79,629)	(5,450)	(56,215)	(49,942)	(51,487)
Accretion of redeemable convertible preferred stock	(568)	(342)	—	—	—	—
Net loss attributable to common stockholders	$(119,758)	$ (79,971)	$ (5,450)	$ (56,215)	$(49,942)	$(51,487)
Net loss per share attributable to Class A and Class B common stockholders, basic and diluted	$ (1.62)	$ (2.71)	$ (0.20)	$ (2.22)	$ (2.28)	$ (2.63)
Weighted-average shares used to compute net loss per share attributable to Class A and Class B common stockholders	74,011	29,478	27,642	25,367	21,922	19,552

(1) Costs and expenses include share-based compensation expense as follows (in thousands):

	Year Ended January 31, 2013	Year Ended January 31, 2012	One Month Ended January 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009	Year Ended December 31, 2008
Costs of revenues	$1,913	$ 628	$ 16	$173	$ 79	$ 92
Research and development	3,528	1,124	47	556	272	226
Sales and marketing	2,717	839	28	310	187	88
General and administrative	7,170	1,591	102	663	358	114

	As of January 31, 2013	As of January 31, 2012	As of December 31, 2010	As of December 31, 2009	As of December 31, 2008
	(in thousands)				
Consolidated Balance Sheet Data					
Cash and cash equivalents	$ 84,158	$ 57,529	$ 30,887	$ 34,372	$ 2,327
Marketable securities	706,181	53,634	4,498	20,557	8,928
Working capital (deficit)	629,528	37,934	(4,065)	36,222	(988)
Property and equipment, net	44,585	25,861	12,896	8,821	5,631
Total assets	959,080	232,638	100,605	97,829	42,765
Total unearned revenue	285,260	188,097	97,404	53,633	29,318
Total liabilities	366,797	237,293	122,689	66,447	38,567
Redeemable convertible preferred stock	—	170,906	75,555	75,555	—
Total stockholders' equity (deficit)	592,283	(175,561)	(97,639)	(44,173)	4,198

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our financial condition and results of operations in conjunction with the consolidated financial statements and notes thereto included elsewhere in this report. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this report, particularly in "Risk Factors."

Overview

Workday provides enterprise cloud applications for human capital management (HCM), payroll, financial management, grants management, time tracking, procurement, employee expense management and analytics. We offer innovative and adaptable technology focused on the consumer Internet experience and cloud delivery model. Our applications are designed for global enterprises to manage complex and dynamic operating environments. We provide our customers highly adaptable, accessible and reliable applications to manage critical business functions that enable them to optimize their financial and human capital resources.

We were founded in 2005 to deliver cloud applications to global enterprises. Our applications are designed around the way people work today – in an environment that is global, collaborative, fast-paced and mobile. Our cycle of frequent updates, which we currently provide three times per year, has facilitated rapid innovation and the introduction of new applications throughout our history. We began offering our Human Capital Management (HCM) application in 2006. Since then we have continued to invest in innovation and have consistently introduced new services to our customers, including our Financial Management application in 2007, our Procurement and Employee Expense Management applications in 2008, our Payroll and mobile applications in 2009, our Talent Management application in 2010, and our native iPad application and Workday integration platform in 2011.

We offer Workday applications to our customers on an enterprise-wide subscription basis, typically with three year terms and with subscription fees based on the size of the customer's workforce. We generally recognize revenues from subscription fees ratably over the term of the contract. We currently derive a substantial majority of our subscription revenues from subscriptions to our HCM application. We market our applications to enterprise customers primarily through our direct sales force.

We have achieved significant growth in a relatively short period of time. Our diverse customer base includes large, global companies and our direct sales force targets organizations with more than 1,000 workers. As of January 31, 2013, we had more than 400 customers. A substantial majority of our growth comes from new customers choosing to use our services and entering into contracts with us. Our current financial focus is on growing our revenues and expanding our customer base. While we are incurring losses today, we strive to invest in a disciplined manner across all of our functional areas to sustain continued near-term revenue growth and support our long-term initiatives. Our operating expenses have increased significantly in absolute dollars in recent periods, primarily due to our significant growth in employees. We had more than 1,750 and more than 1,050 employees as of January 31, 2013, and January 31, 2012, respectively.

We intend to continue investing for long-term growth. We have invested, and expect to continue to invest, heavily in our application development efforts to deliver additional compelling applications and to address customers' evolving needs. In addition, we plan to continue to expand our sales and marketing organizations to sell our applications globally. We expect to continue to make significant upfront investments in our data center infrastructure and personnel to service our growth in customers. The level of these upfront infrastructure investments will vary based on the rate at which new customers are added and the scale of such deployments. These investments will increase our costs on an absolute basis in the near-term. Many of these investments will occur in advance of experiencing any direct benefit from them and will make it difficult to determine if we are

allocating our resources efficiently. As a result of these investments, we do not expect to be profitable in the near future. We expect our research and development, sales and marketing, and general and administrative expenses as a percentage of revenues to decrease over time as we grow our revenues, and we anticipate that we will gain economies of scale by increasing our customer base without direct incremental development costs and by utilizing more of the capacity of our data centers.

Since inception, we have invested heavily in our professional services organization to help ensure that customers successfully deploy and adopt our applications. More recently, we have expanded our professional services partner ecosystem to further support our customers. We believe our investment in professional services, including partners building their practices around Workday, will drive additional customer subscriptions and continued growth in revenues. In addition, over time we expect professional services revenues and the cost of professional services as a percentage of total revenues to decline as we increasingly rely on third parties to deploy our applications and as the number of our existing customers continues to grow.

Fiscal Year End

We changed our fiscal year end from December 31 to January 31 effective for our fiscal year ended January 31, 2012. For the year-over-year discussions below, the year ended January 31, 2013 is compared to the year ended January 31, 2012, and the year ended January 31, 2012 is compared to the year ended December 31, 2010.

Components of Results of Operations

Revenues

We primarily derive our revenues from subscription fees and professional services fees. Subscription revenues primarily consist of fees that give our customers access to our cloud applications, which include routine customer support at no additional cost. Professional service fees include deployment services, optimization services, and training.

Subscription revenues accounted for 70% of our revenues during the year ended January 31, 2013 and represented 92% of our total unearned revenue as of January 31, 2013. Subscription revenues are driven primarily by the number of customers, the number of workers at each customer, the number of applications subscribed to by each customer, the price of our applications, and to a lesser extent, renewal rates. To date, revenues from renewals have not been a substantial component of revenues.

The mix of the applications to which a customer subscribes can affect our financial performance due to price differentials in our applications. Compared to our other offerings, our HCM application has been available for a longer period of time, is more established in the marketplace and has benefited from continued enhancements of the functionality over a longer period of time, all of which help us to improve our pricing for that application. However, new products or services offerings by competitors in the future could impact the mix and pricing of our offerings.

Subscription fees are recognized ratably as revenues over the contract term beginning on the date the application is made available to the customer, which is generally within one week of contract signing. Our subscription contracts typically have a term of three years and are non-cancelable. We generally invoice our customers in advance, in annual installments. Amounts that have been invoiced are initially recorded as unearned revenue and are recognized as revenue ratably over the subscription period. Amounts that have not been invoiced represent backlog and are not reflected in our consolidated financial statements.

Our consulting engagements are typically billed on a time and materials basis, and revenues are typically recognized as the services are performed. We offer a number of training options intended to support our customers in configuring, using and administering our services. Our typical professional services and training

payment terms provide that our customers pay us within 30 days of invoice. In some cases, we supplement our consulting teams by subcontracting resources from our service partners and deploying them on customer engagements. As Workday's professional services organization and the Workday-related consulting practices of our partner firms continue to develop, we expect the partners to increasingly contract directly with our subscription customers. As a result of this trend, and the increase of our subscription revenues, we expect professional services revenues as a percentage of total revenues to decline over time.

Approximately 9% of our revenues for the year ended January 31, 2013 were derived from multiple-deliverable arrangements that were accounted for as a single unit of accounting, because some of our professional services offerings did not have standalone value when the related contracts were executed. In these situations, all revenue is recognized ratably over the term of the contracts. Additionally, in these situations, we defer the direct costs of the related professional services contract and those direct costs are amortized over the same period as the professional services revenues are recognized. As of January 31, 2013, 8% of our total unearned revenue balance represented multiple-deliverable arrangements accounted for as a single unit of accounting. For contracts executed during the current fiscal year, there was standalone value for all deliverables.

Costs and Expenses

Costs of Revenues. Costs of subscription revenues consist primarily of employee-related expenses (including salaries, benefits and share-based compensation) related to hosting our applications and providing support, the costs of data center capacity, and depreciation of owned and leased computer equipment and software.

Costs of professional services revenues consist primarily of employee-related expenses associated with these services, the cost of subcontractors and travel costs. The percentage of revenues derived from professional services was 30% in the year ended January 31, 2013. The cost of providing professional services is significantly higher as a percentage of the related revenues than for our subscriptions.

Research and Development. Research and development expenses consist primarily of employee-related expenses. We continue to focus our research and development efforts on adding new features and applications, increasing the functionality and enhancing the ease of use of our cloud applications.

Sales and Marketing. Sales and marketing expenses consist primarily of employee-related expenses, sales commissions, marketing programs and travel related expenses. Marketing programs consist of advertising, events, corporate communications, brand building and product marketing activities. Commissions earned by our sales force that can be associated specifically with a non-cancelable subscription contract are deferred and amortized over the same period that revenues are recognized for the related non-cancelable contract.

General and Administrative. General and administrative expenses consist of employee-related expenses for finance and accounting, legal, human resources and management information systems personnel, legal costs, professional fees and other corporate expenses.

Results of Operations

The following tables set forth selected consolidated statement of operations data and such data as a percentage of total revenues for each of the periods indicated:

	Year Ended		
	January 31, 2013	January 31, 2012	December 31, 2010
		(in thousands)	
Revenues:			
Subscription services	$ 190,320	$ 88,634	$ 36,594
Professional services	83,337	45,793	31,461
Total revenues	273,657	134,427	68,055
Costs and expenses:			
Costs of revenues:			
Costs of subscription services	39,251	22,342	11,419
Costs of professional services	77,284	43,026	28,445
Total costs of revenues	116,535	65,368	39,864
Research and development	102,665	62,014	39,175
Sales and marketing	123,440	70,356	36,524
General and administrative	48,880	15,133	8,553
Total costs and expenses	391,520	212,871	124,116
Operating loss	(117,863)	(78,444)	(56,061)
Other expense, net	(1,203)	(1,018)	(57)
Loss before provision for income taxes	(119,066)	(79,462)	(56,118)
Provision for income taxes	124	167	97
Net loss	$(119,190)	$ (79,629)	$ (56,215)

	Year Ended		
	January 31, 2013	January 31, 2012	December 31, 2010
Revenues:			
Subscription services	69.5%	65.9%	53.8%
Professional services	30.5	34.1	46.2
Total revenues	100.0	100.0	100.0
Costs and expenses:			
Costs of revenues:			
Costs of subscription services	14.3	16.6	16.8
Costs of professional services	28.3	32.0	41.8
Total costs of revenues	42.6	48.6	58.6
Research and development	37.5	46.1	57.6
Sales and marketing	45.1	52.3	53.7
General and administrative	17.9	11.3	12.6
Total costs and expenses	143.1	158.4	182.4
Operating loss	(43.1)	(58.4)	(82.4)
Other expense, net	(0.4)	(0.8)	(0.1)
Loss before provision for income taxes	(43.6)	(59.1)	(82.5)
Provision for income taxes	0.0	0.1	0.1
Net loss	(43.6%)	(59.2%)	(82.6%)

Revenues

	Year Ended				
	January 31, 2013	**January 31, 2012**	**December 31, 2010**	**2012 to 2013 % Change**	**2010 to 2012 % Change**
		(in thousands)			
Subscription services	$190,320	$ 88,634	$36,594	115%	142%
Professional services	83,337	45,793	31,461	82	46
Total revenues	$273,657	$134,427	$68,055	104	98

Year ended January 31, 2013 compared to Year ended January 31, 2012. Total revenues were $273.7 million for the year ended January 31, 2013, compared to $134.4 million for the year ended January 31, 2012, an increase of $139.2 million, or 104%. Subscription services revenues were $190.3 million, or 70% of total revenues, for the year ended January 31, 2013, compared to $88.6 million, or 66% of total revenues, for the year ended January 31, 2012. The increase in subscription revenues was due primarily to the addition of new and larger customer contracts as compared to the prior year. We had more than 400 customers as of January 31, 2013 compared to more than 250 customers as of January 31, 2012. Professional services revenues were $83.3 million, or 30% of total revenues, for the year ended January 31, 2013, compared to $45.8 million, or 34% of total revenues, for the year ended January 31, 2012. The increase in professional services revenues was due primarily to a larger customer base requesting deployment and integration services.

Year ended January 31, 2012 compared to Year ended December 31, 2010. Total revenues were $134.4 million for the year ended January 31, 2012, compared to $68.1 million for the year ended December 31, 2010, an increase of $66.3 million, or 98%. Subscription services revenues were $88.6 million, or 66% of total revenues, for the year ended January 31, 2012, compared to $36.6 million, or 54% of total revenues, for the year ended December 31, 2010. The increase in subscription revenues was due primarily to the addition of new and larger customers as compared to the prior year. We had more than 250 customers as of January 31, 2012 and more than 150 customers as of December 31, 2010. Professional services revenues were $45.8 million, or 34% of total revenues, for the year ended January 31, 2012, compared to $31.5 million, or 46% of total revenues, for the year ended December 31, 2010. The increase in professional services revenues was due primarily to a larger customer base requesting deployment, integration and training services.

Costs and Expenses

Costs of Revenues

	Year Ended				
	January 31, 2013	**January 31, 2012**	**December 31, 2010**	**2012 to 2013 % Change**	**2010 to 2012 % Change**
		(in thousands)			
Subscription services	$ 39,251	$22,342	$11,419	76%	96%
Professional services	77,284	43,026	28,445	80	51
Total costs of revenues	$116,535	$65,368	$39,864	78	64

Year ended January 31, 2013 compared to Year ended January 31, 2012. Costs of revenues were $116.5 million for the year ended January 31, 2013, compared to $65.4 million for the year ended January 31, 2012, an increase of $51.2 million or 78%. The increase in costs of subscription services was primarily due to an increase of $6.2 million in employee related costs driven by higher headcount and an increase of $4.8 million in depreciation and amortization expenses for additional data center equipment. In addition, we had an increase of $2.9 million in service delivery costs and $1.5 million in facilities costs due to our efforts to increase data center capacity.

The increase in the costs of professional services revenues for the year ended January 31, 2013 as compared to the year ended January 31, 2012 was primarily due to additional costs of $31.6 million to staff our deployment

and integration engagements. Due to the large increase in demand for our professional services versus the year ended January 31, 2012, we have increased both our internal professional service staff as well as third party supplemental staff. We expect costs of professional services as a percentage of total revenues to decline as we increasingly rely on third parties to deploy our applications and as the number of our customers continues to grow.

Year ended January 31, 2012 compared to Year ended December 31, 2010. Costs of revenues were $65.4 million for the year ended January 31, 2012, compared to $39.9 million for the year ended December 31, 2010, an increase of $25.5 million or 64%. The increase in costs of subscription services was primarily due to an increase of $4.7 million in employee related costs driven by higher headcount, an increase of $2.5 million in depreciation and amortization expenses and an increase of $2.4 million in service delivery costs, primarily due to our efforts to increase data center capacity. The increase in the cost of professional services revenues for the year ended January 31, 2012 as compared to the year ended December 31, 2010 was primarily due to an $11.2 million increase in higher employee related costs driven by higher headcount.

Research and Development

	Year Ended				
	January 31, 2013	**January 31, 2012**	**December 31, 2010**	**2012 to 2013 % Change**	**2010 to 2012 % Change**
		(in thousands)			
Research and development	$102,665	$62,014	$39,175	66%	58%

Year ended January 31, 2013 compared to Year ended January 31, 2012. Research and development expenses were $102.7 million, or 38% of total revenues, for the year ended January 31, 2013, compared to $62.0 million, or 46% of total revenues, for the year ended January 31, 2012, an increase of $40.7 million. The increase was primarily due to an increase of $30.4 million in employee related costs due to higher headcount and a $2.6 million increase in contractor costs as we supplemented our internal development professionals. We expect that in the future, research and development expenses will continue to increase in absolute dollars as we improve and extend our applications and develop new technologies.

Year ended January 31, 2012 compared to Year ended December 31, 2010. Research and development expenses were $62.0 million, or 46% of total revenues, for the year ended January 31, 2012, compared to $39.2 million, or 58% of total revenues, for the year ended December 31, 2010, an increase of $22.8 million. The increase was primarily due to an increase of $18.0 million in employee related costs due to higher headcount and an increase of $1.4 million in contractor costs.

Sales and Marketing

	Year Ended				
	January 31, 2013	**January 31, 2012**	**December 31, 2010**	**2012 to 2013 % Change**	**2010 to 2012 % Change**
		(in thousands)			
Sales and marketing	$123,440	$70,356	$36,524	75%	93%

Year ended January 31, 2013 compared to Year ended January 31, 2012. Sales and marketing expenses were $123.4 million, or 45% of total revenues, for the year ended January 31, 2013, compared to $70.4 million, or 52% of total revenues, for the year ended January 31, 2012, an increase of $53.1 million. The increase was primarily due to increases of $37.8 million in employee related costs driven by higher headcount, $5.0 million in advertising, marketing and event costs, and $3.2 million in travel expenses. We expect that sales and marketing expenses will continue to increase in absolute dollars in the future as we continue to invest in sales and marketing by expanding our domestic and international selling and marketing activities, building brand awareness and attracting new customers.

Year ended January 31, 2012 compared to Year ended December 31, 2010. Sales and marketing expenses were $70.4 million, or 52% of total revenues, for the year ended January 31, 2012, compared to $36.5 million, or 54% of total revenues, for the year ended December 31, 2010, an increase of $33.9 million. The increase was primarily due to increases of $24.7 million in employee related costs driven by increased headcount, $3.6 million in advertising, marketing and event costs, and $2.5 million in travel expenses.

General and Administrative

	Year Ended				
	January 31, 2013	January 31, 2012	December 31, 2010	2012 to 2013 % Change	2010 to 2012 % Change
		(in thousands)			
General and administrative	$48,880	$15,133	$8,553	223%	77%

Year ended January 31, 2013 compared to Year ended January 31, 2012. General and administrative expenses were $48.9 million, or 18% of total revenues, for the year ended January 31, 2013, compared to $15.1 million, or 11% of total revenues, for the year ended January 31, 2012, an increase of $33.7 million. The increase was primarily due to $15.6 million in higher employee related costs driven by higher headcount, of which $5.6 million is related to share-based compensation charges, and a one-time $11.3 million non-cash charge related to the donation of 500,000 shares of common stock to the Workday Foundation in the third quarter. Also contributing to the change was a $4.9 million increase in professional services costs as we transitioned to being a public company. Excluding the charge related to the Workday Foundation stock grant, we expect general and administrative expenses will increase in absolute dollars as we invest in our infrastructure and incur additional employee related costs, professional fees and insurance costs related to the growth of our business and international expansion.

Year ended January 31, 2012 compared to Year ended December 31, 2010. General and administrative expenses were $15.1 million, or 11% of total revenues, for the year ended January 31, 2012, compared to $8.6 million, or 13% of total revenues, for the year ended December 31, 2010, an increase of $6.6 million. The increase was primarily due to increases of $2.5 million in employee related costs driven by higher headcount and $2.2 million in professional and outside service costs. The growth in general and administrative expenses during the year ended January 31, 2012 was to support the overall growth of our company.

Liquidity and Capital Resources

As of January 31, 2013, our principal sources of liquidity were cash, cash equivalents and marketable securities totaling $790.3 million, which were held for working capital purposes. Our cash, cash equivalents and marketable securities are comprised primarily of U.S. agency obligations, U.S. treasury securities, commercial paper, money market funds, corporate securities, and certificates of deposit.

Since our inception, we financed our operations primarily through sales of equity securities, customer prepayments and capital lease obligations. Our future capital requirements will depend on many factors including our growth rate, subscription renewal activity, the timing and extent of development efforts, the expansion of sales and marketing activities, the introduction of new and enhanced services offerings, and the continuing market acceptance of our services. We may in the future enter into arrangements to acquire or invest in complementary businesses, services and technologies, and intellectual property rights. We may be required 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 would be adversely affected.

Our cash flows for the years ended January 31, 2013, January 31, 2012 and December 31, 2010 were as follows (in thousands):

	Year Ended January 31, 2013	Year Ended January 31, 2012	Year Ended December 31, 2010
Net cash flows provided by (used in):			
Operating activities	$ 11,214	$(13,774)	$(15,335)
Investing activities	(670,118)	(56,195)	12,167
Financing activities	685,537	96,978	(326)
Effect of exchange rate changes	(4)	8	9
Net increase (decrease) in cash and cash equivalents	$ 26,629	$ 27,017	$ (3,485)

Operating Activities

For the year ended January 31, 2013, cash flows provided by operating activities was $11.2 million. The positive cash flows resulted primarily from increased cash collections driven by growth in sales to our customers. This increase in collections was largely offset by increases in our operating expenses, which was primarily driven by increased headcount.

For the year ended January 31, 2012, cash flows used in operating activities was $13.8 million. The cash used was primarily attributable to increases in our operating expenses, partially offset by the increase in cash collections driven by growth in sales to our customers.

For the year ended December 31, 2010, cash flows used in operating activities was $15.3 million. The cash used was primarily attributable to increases in our operating expenses, partially offset by the increase in cash collections driven by growth in sales to our customers.

Investing Activities

Cash provided by (used in) investing activities for the years ended January 31, 2013, January 31, 2012 and December 31, 2010 was $(670.1) million, $(56.2) million, and $12.2 million respectively, and was primarily the result of the timing of purchases and maturities of marketable securities and of capital expenditures of $15.9 million, $5.0 million and $3.7 million respectively. Following the initial public offering of our common stock in October 2012, we purchased a significant amount of marketable securities. We expect capital expenditures, some of which may be financed through capital leases, will be approximately $80 million for the year ended January 31, 2014. We expect that these capital outlays will largely be used to expand the infrastructure of our data centers and to build out additional office space to support our growth.

Financing Activities

For the year ended January 31, 2013, financing activities provided $685.5 million, primarily as a result of $684.6 million net proceeds from our initial public offering of common stock in October 2012 and $10.4 million in proceeds from the exercise of stock options, partially offset by $9.5 million in principal payments on our capital lease obligations.

For the year ended January 31, 2012, financing activities provided $97.0 million primarily as a result of $95.0 million net proceeds from issuance of the Series F redeemable convertible preferred stock and $6.3 million in proceeds from the exercise of stock options, partially offset by $4.3 million in principal payments on our capital lease obligations.

For the year ended December 31, 2010, cash flows used in financing activities was $0.3 million, primarily as a result $1.0 million in principal payments on our capital lease obligations, partially offset by $0.6 million in proceeds from the exercise of stock options.

Backlog

We have generally signed multiple year subscription contracts for our applications. The timing of our invoices to the customer is a negotiated term and thus varies among our subscription contracts. For multiple-year agreements, it is common to invoice an initial amount at contract signing followed by subsequent annual invoices. At any point in the contract term, there can be amounts that we have not yet been contractually able to invoice. Until such time as these amounts are invoiced, they are not recorded in revenues, unearned revenue or elsewhere in our consolidated financial statements. To the extent they are non-cancelable, they are considered by us to be backlog. The amount of subscription contract backlog was $434 million as of January 31, 2013.

We expect that the amount of backlog relative to the total value of our contracts will change from year to year for several reasons, including the amount of cash collected early in the contract term, the specific timing and duration of large customer subscription agreements, varying invoicing cycles of subscription agreements, the specific timing of customer renewal, changes in customer financial circumstances and foreign currency fluctuations.

Backlog may also vary based on changes in the average non-cancelable term of our subscription agreements. During the year ended January 31, 2013, the quarterly average non-cancelable contract term of our subscription agreements trended down from nearly four years to just over three years in the fiscal fourth quarter. The change in backlog that results from changes in the average non-cancelable term of our subscription arrangements may not be an indicator of the likelihood of renewal or expected future revenues. Accordingly, we believe that fluctuations in backlog are not a reliable indicator of future revenues and we do not utilize backlog as a key management metric internally.

Commitments

Our principal commitments primarily consist of obligations under leases for office space and co-location facilities for data center capacity and our development and test data center, and computer equipment. As of January 31, 2013, the future non-cancelable minimum payments under these commitments were as follows (in thousands):

	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Capital lease obligations[1]	$26,840	$13,202	$13,638	$ —	$ —
Operating lease obligations:					
Facilities space	31,760	8,198	15,232	6,684	1,646
Contractual commitments	2,063	2,063	—	—	—
Total	$60,663	$23,463	$28,870	$6,684	$1,646

(1) Includes principal and imputed interest.

During the year ended January 31, 2014, we anticipate leasing additional office space near our headquarters and in various other locations around the world to support our growth. In addition, our existing lease agreements often provide us with an option to renew. Our future operating lease obligations will change as we enter into additional lease agreements as we expand our operations and renew existing lease agreements.

Purchase orders are not included in the table above. Our purchase orders represent authorizations to purchase rather than binding agreements. The contractual commitment amounts in the table above are associated

with agreements that are enforceable and legally binding and that specify all significant terms, including fixed or minimum services to be used, fixed, minimum or variable price provisions, and the approximate timing of the transaction. Obligations under contracts that we can cancel without a significant penalty are not included in the table above.

Off-Balance Sheet Arrangements

Through January 31, 2013, we did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities that would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses, and related disclosures. On an ongoing basis, we evaluate our estimates and assumptions. Our actual results may differ from these estimates under different assumptions or conditions.

We believe that of our significant accounting policies, which are described in Note 2 to our consolidated financial statements, the following accounting policies involve a greater degree of judgment and complexity. Accordingly, these are the policies we believe are the most critical to aid in fully understanding and evaluating our consolidated financial condition and results of operations.

Revenue Recognition

We derive our revenues primarily from subscription fees and from professional services fees, including training. We sell subscriptions to our cloud applications through contracts that are generally three years in length. Our arrangements do not contain general rights of return. Our subscription contracts do not provide customers with the right to take possession of the software supporting the applications and, as a result, are accounted for as service contracts.

We commence revenue recognition for our cloud applications and professional services when all of the following criteria are met:

- There is persuasive evidence of an arrangement;
- The service has been or is being provided to the customer;
- Collection of the fees is reasonably assured; and
- The amount of fees to be paid by the customer is fixed or determinable.

Subscription Revenues

Subscription revenues are recognized on a straight-line basis over the contractual term of the arrangement beginning on the date that our service is made available to the customer, assuming all revenue recognition criteria have been met.

Professional Services Revenues

Professional services revenues are generally recognized as the services are rendered for time and material contracts, or when any milestones are achieved and accepted by the customer for fixed price contracts. The

majority of our professional services contracts are on a time and materials basis. Training revenues are recognized as the services are performed.

Multiple Deliverable Arrangements

For arrangements with multiple deliverables, we evaluate whether the individual deliverables qualify as separate units of accounting. In order to treat deliverables in a multiple deliverable arrangement as separate units of accounting, the deliverables must have standalone value upon delivery. If the deliverables have standalone value upon delivery, we account for each deliverable separately and revenue is recognized for the respective deliverables as they are delivered. If one or more of the deliverables does not have standalone value upon delivery, the deliverables that do not have standalone value are generally combined with the final deliverable within the arrangement and treated as a single unit of accounting. Revenue for arrangements treated as a single unit of accounting is generally recognized over the period commencing upon delivery of the final deliverable and over the remaining term of the subscription contract.

Subscription contracts have standalone value as we sell the subscriptions separately. In determining whether professional services can be accounted for separately from subscription services, we consider the availability of the professional services from other vendors, the nature of our professional services and whether we sell our applications to new customers without professional services. As of January 31, 2012, we did not have standalone value for the professional services related to the deployment of our financial management application. This was due to the fact that we had historically performed the majority of these services to support our customers' deployments of this application. In the year ended January 31, 2013, we determined that we had established standalone value for the deployment services related to our financial management application. This was primarily due to the growing number of partners that were trained and certified to perform these deployment services, the successful completion of a significant deployment engagement by a firm in our professional services ecosystem and the sale of several financial management cloud application subscription arrangements to customers without our deployment services. Because we established standalone value for our deployment services related to our financial management application in the year ended January 31, 2013, such service arrangements entered into after February 1, 2012 are being accounted for separately from subscription services.

When multiple deliverables included in an arrangement are separable into different units of accounting, the arrangement consideration is allocated to the identified separate units of accounting based on their relative selling price. Multiple deliverable arrangement accounting guidance provides a hierarchy to use when determining the relative selling price for each unit of accounting. Vendor-specific objective evidence (VSOE) of selling price, based on the price at which the item is regularly sold by the vendor on a standalone basis, should be used if it exists. If VSOE of selling price is not available, third-party evidence (TPE) of selling price is used to establish the selling price if it exists. VSOE and TPE do not currently exist for any of our deliverables. Accordingly, for arrangements with multiple deliverables that can be separated into different units of accounting, we allocate the arrangement fee to the separate units of accounting based on our best estimate of selling price. The amount of arrangement fee allocated is limited by contingent revenues, if any.

We determine our best estimate of selling price for our deliverables based on our overall pricing objectives, taking into consideration market conditions and entity-specific factors. We evaluate our best estimate of selling price by reviewing historical data related to sales of our deliverables, including comparing the percentages of our contract prices to our list prices. We also consider several other data points in our evaluation, including the size of our arrangements, the cloud applications sold, customer demographics and the numbers and types of users within our arrangements.

Deferred Costs

Deferred costs include commissions earned by our sales force that can be associated specifically with a non-cancelable cloud application services contract and direct costs related to professional services contracts accounted for together with a related cloud application services contract as a single unit of accounting.

Direct sales commissions are deferred when earned and amortized over the same period that revenues are recognized for the related non-cancelable cloud application services contract. The commission payments are paid in full after the customer has paid for its first year of service. Direct professional services costs are deferred up until the commencement of revenue recognition of the single unit and then recognized when the related professional services revenues are recognized. We have a limited number of deferred professional services contracts which were consummated prior to the establishment of standalone value for our professional services.

Amortization of deferred commissions and deferred professional services costs are included in sales and marketing and costs of professional services, respectively, in the accompanying consolidated statements of operations.

During the year ended January 31, 2013, we deferred $12.8 million of commission expenditures and we amortized $6.5 million to sales and marketing expense. During the year ended January 31, 2012, we deferred $10.1 million of commission expenditures and we amortized $3.2 million to sales and marketing expense. Deferred commissions on our consolidated balance sheets totaled $19.9 million at January 31, 2013, and $13.6 million at January 31, 2012.

During the year ended January 31, 2013, we deferred $4.3 million of professional services costs and we amortized $4.8 million to costs of professional services. During the year ended January 31, 2012, we deferred $2.2 million of professional services costs and we amortized $4.1 million to costs of professional services. Deferred professional services costs on our consolidated balance sheets totaled $8.5 million at January 31, 2013 and $9.0 million at January 31, 2012.

Share-Based Compensation

Compensation expense related to share-based transactions, including employee, consultant, and non-employee director stock awards, is measured and recognized in the financial statements based on fair value. The fair value of each option award is estimated on the grant date using the Black-Scholes option-pricing model. The share-based compensation expense, net of forfeitures, is recognized using a straight-line basis over the requisite service periods of the awards, which is generally five years. For restricted stock awards, fair value is based on the closing price of our common stock on the grant date.

Our option-pricing model requires the input of highly subjective assumptions, including the fair value of the underlying common stock, the expected term of the option, the expected volatility of the price of our common stock, risk-free interest rates, and the expected dividend yield of our common stock. The assumptions used in our option-pricing model represent management's best estimates. These estimates involve inherent uncertainties and the application of management's judgment. If factors change and different assumptions are used, our share-based compensation expense could be materially different in the future.

These assumptions are estimated as follows:

- *Fair Value of Common Stock.* Prior to our initial public offering in October 2012, our board of directors considered numerous objective and subjective factors to determine the fair value of our common stock at each meeting at which awards were approved. The factors included, but were not limited to: (i) contemporaneous third-party valuations of our common stock; (ii) the prices, rights, preferences and privileges of our Preferred Stock relative to those of our common stock; (iii) the lack of marketability of our common stock; (iv) our actual operating and financial results; (v) current business conditions and projections; and (vi) the likelihood of achieving a liquidity event, such as an initial public offering or sale of our company, given prevailing market conditions.

Since our initial public offering, we have used the market closing price for our Class A common stock as reported on the New York Stock Exchange.

- *Risk-Free Interest Rate.* We base the risk-free interest rate used in the Black-Scholes valuation model on the implied yield available on U.S. Treasury zero-coupon issues with an equivalent remaining term of the options for each option group.
- *Expected Term.* The expected term represents the period that our share-based awards are expected to be outstanding. We determined the expected term assumption based on the vesting terms, exercise terms and contractual terms of the options.
- *Volatility.* We determine the price volatility factor based on the historical volatilities of our peer group as we do not have a sufficient trading history for our common stock. To determine our peer group of companies, we consider public enterprise cloud application providers and select those that are similar to us in size, stage of life cycle, and financial leverage. For valuations prior to May 2012, we used the same group of peer companies. As a result of acquisitions of certain peer group companies, we removed those companies and added additional peer group companies for valuations beginning May 2012. We did not rely on implied volatilities of traded options in our industry peers' common stock because the volume of activity was relatively low. We intend to continue to consistently apply this process using the same or similar public companies until a sufficient amount of historical information regarding the volatility of our own common stock share price becomes available, or unless circumstances change such that the identified companies are no longer similar to us, in which case, more suitable companies whose share prices are publicly available would be utilized in the calculation.
- *Dividend Yield.* We have not paid and do not expect to pay dividends.

The following table summarizes the assumptions relating to our stock options as follows:

	Year Ended		
	January 31, 2013	**January 31, 2012**	**December 31, 2010**
Expected volatility	54.3% – 61.1%	58.1% – 59.1%	60.6% – 61.2%
Expected term (in years)	5 – 6.4	5 – 6.4	5 – 6.4
Risk-free interest rate	0.8% – 1.0%	0.9% – 2.7%	1.0% – 2.9%
Dividend yield	0%	0%	0%
Weighted-average grant date fair value per share	$10.88	$1.78	$0.61

In addition to assumptions used in the Black-Scholes option-pricing model, we must also estimate a forfeiture rate to calculate the share-based compensation for our option awards. Our forfeiture rate is based on an analysis of our actual forfeitures. We will continue to evaluate the appropriateness of the forfeiture rate based on actual forfeiture experience, analysis of employee turnover, and other factors. Quarterly changes in the estimated forfeiture rate can have a significant impact on our share-based compensation expense as the cumulative effect of adjusting the rate is recognized in the period the forfeiture estimate is changed. If a revised forfeiture rate is higher than the previously estimated forfeiture rate, an adjustment is made that will result in a decrease to the share-based compensation expense recognized in the financial statements. If a revised forfeiture rate is lower than the previously estimated forfeiture rate, an adjustment is made that will result in an increase to the share-based compensation expense recognized in the financial statements.

We will continue to use judgment in evaluating the assumptions related to our share-based compensation on a prospective basis. As we continue to accumulate additional data related to our common stock, we may have refinements to our estimates, which could materially impact our future share-based compensation expense.

Recent Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board (FASB) issued ASU 2011-05, *Comprehensive Income*. The standard requires entities to have more detailed reporting of comprehensive income. The guidance is

effective for fiscal years and interim periods within those years beginning after December 15, 2011. Early adoption is permitted. The guidance should be applied retrospectively. We adopted this new guidance on February 1, 2012.

In May 2011, the FASB issued ASU 2011-04, *Fair Value Measurement*. The standard requires entities to change certain measurements and disclosures about fair value measurements. The amendments are effective during interim and annual periods beginning after December 15, 2011. We adopted this new guidance on February 1, 2012.

ITEM 7A. Quantitative and Qualitative Disclosures about Market Risk

Foreign currency exchange risk

Our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the Euro and British Pound Sterling. Due to the relative size of our international operations to date, our foreign currency exposure has been fairly limited and thus we have not instituted a hedging program. We expect our international operations to continue to grow in the near term and we are continually monitoring the foreign currency exposure to determine when we should begin a hedging program. The substantial majority of our agreements have been, and we expect will continue to be, denominated in U.S. dollars.

Interest rate sensitivity

We had cash, cash equivalents and marketable securities totaling $790.3 million as of January 31, 2013. This amount was invested primarily in U.S. agency obligations, U.S. treasury securities, commercial paper, money market funds, corporate securities, and certificates of deposit. The cash, cash equivalents and short-term marketable securities are held for working capital purposes. Our investments are made for capital preservation purposes. We do not enter into investments for trading or speculative purposes.

Our cash equivalents and our portfolio of marketable securities are subject to market risk due to changes in interest rates. Fixed rate securities may have their market value adversely affected due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. Due in part to these factors, our future investment income may fall short of expectation due to changes in interest rates or we may suffer losses in principal if we are forced to sell securities that decline in market value due to changes in interest rates. However because we classify our debt securities as “available for sale,” no gains or losses are recognized due to changes in interest rates unless such securities are sold prior to maturity or declines in fair value are determined to be other-than-temporary. Our fixed-income portfolio is subject to interest rate risk.

An immediate increase of 100-basis points in interest rates would have resulted in a $2.2 million market value reduction as of January 31, 2013. Certain of our investments earn less than 100-basis points and as a result, an immediate decrease of 100-basis points in interest rates would have increased the market value by less than $0.4 million as of January 31, 2013. This estimate is based on a sensitivity model that measures market value changes when changes in interest rates occur. Fluctuations in the value of our investment securities caused by a change in interest rates (gains or losses on the carrying value) are recorded in other comprehensive income, and are realized only if we sell the underlying securities.

At January 31, 2012, we had cash, cash equivalents and marketable securities totaling $111.2 million. The fixed-income portfolio was also subject to interest rate risk; however, the risk was not material.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

WORKDAY, INC.

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Report of Ernst & Young LLP, Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Workday, Inc.

We have audited the accompanying consolidated balance sheets of Workday, Inc. as of January 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive loss, cash flows and redeemable convertible preferred stock and stockholders' equity (deficit) for each of the two years in the period ended January 31, 2013, the one month period ended January 31, 2011 and the year ended December 31, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Workday, Inc. at January 31, 2013 and 2012, and the consolidated results of its operations and its cash flows for each of the two years in the period ended January 31, 2013, the one month period ended January 31, 2011 and the year ended December 31, 2010, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

San Francisco, California
March 22, 2013

WORKDAY, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share data)

	January 31, 2013	January 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	$ 84,158	$ 57,529
Marketable securities	706,181	53,634
Accounts receivable, net of allowance for doubtful accounts of $613 and $261 at January 31, 2013 and 2012, respectively	67,437	54,467
Deferred costs	9,816	9,450
Prepaid expenses and other current assets	16,710	8,092
Total current assets	884,302	183,172
Property and equipment, net	44,585	25,861
Deferred costs, noncurrent	18,575	13,156
Goodwill and intangible assets, net	8,488	8,578
Other assets	3,130	1,871
Total assets	$ 959,080	$ 232,638
Liabilities, redeemable convertible preferred stock and stockholders' equity (deficit)		
Current liabilities:		
Accounts payable	$ 2,665	$ 2,730
Accrued expenses and other current liabilities	13,558	6,808
Accrued compensation	27,203	13,891
Capital leases	12,008	7,075
Unearned revenue	199,340	114,734
Total current liabilities	254,774	145,238
Capital leases, noncurrent	12,972	8,641
Unearned revenue, noncurrent	85,920	73,363
Other liabilities	13,131	10,051
Total liabilities	366,797	237,293
Commitments and contingencies (Note 8)		
Redeemable convertible preferred stock, $0.001 par value; no shares and 31 million shares authorized as of January 31, 2013 and January 31, 2012; no shares and 30 million shares issued and outstanding as of January 31, 2013 and January 31, 2012	—	170,906
Stockholders' equity (deficit):		
Convertible preferred stock, $0.001 par value; no shares and 68 million shares authorized as of January 31, 2013 and January 31, 2012; no shares and 68 million shares issued and outstanding as of January 31, 2013 and January 31, 2012	—	68
Preferred stock, $0.001 par value; 10 million shares and no shares authorized as of January 31, 2013 and January 31, 2012; no shares issued and outstanding as of January 31, 2013	—	—
Class A common stock, $0.001 par value; 750 million shares authorized as of January 31, 2013 and 26 million shares issued and outstanding as of January 31, 2013	26	—
Class B common stock $0.001 par value; 240 million shares authorized as of January 31, 2013 and 140 million shares issued and outstanding as of January 31, 2013 (including 3 million shares subject to repurchase, legally issued and outstanding as of January 31, 2013)	136	—
Common stock, $0.001 par value; no shares and 200 million shares authorized as of January 31, 2013 and January 31, 2012; no shares and 36 million shares issued and outstanding as of January 31, 2013 and January 31, 2012 (including 3 million shares, subject to repurchase, legally issued and outstanding as of January 31, 2012)	—	33
Additional paid-in capital	993,933	106,457
Accumulated other comprehensive income	68	3
Accumulated deficit	(401,880)	(282,122)
Total stockholders' equity (deficit)	592,283	(175,561)
Total liabilities, redeemable convertible preferred stock and stockholders' equity (deficit)	$ 959,080	$ 232,638

See Notes to Consolidated Financial Statements

WORKDAY, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

	Year Ended January 31, 2013	Year Ended January 31, 2012	One Month Ended January 31, 2011	Year Ended December 31, 2010
Revenues	$ 273,657	$134,427	$ 7,282	$ 68,055
Costs and expenses[(1)]:				
Costs of revenues	116,535	65,368	3,904	39,864
Research and development	102,665	62,014	3,962	39,175
Sales and marketing	123,440	70,356	3,771	36,524
General and administrative	48,880	15,133	1,077	8,553
Total costs and expenses	391,520	212,871	12,714	124,116
Operating loss	(117,863)	(78,444)	(5,432)	(56,061)
Other expense, net	(1,203)	(1,018)	(8)	(57)
Loss before provision for income taxes	(119,066)	(79,462)	(5,440)	(56,118)
Provision for income taxes	124	167	10	97
Net loss	(119,190)	(79,629)	(5,450)	(56,215)
Accretion of redeemable convertible preferred stock	(568)	(342)	—	—
Net loss attributable to Class A and Class B common stockholders	$(119,758)	$ (79,971)	$ (5,450)	$ (56,215)
Net loss per share attributable to Class A and Class B common stockholders, basic and diluted	$ (1.62)	$ (2.71)	$ (0.20)	$ (2.22)
Weighted-average shares used to compute net loss per share attributable to Class A and Class B common stockholders	74,011	29,478	27,642	25,367

(1) Costs and expenses include share-based compensation expense as follows:

	Year Ended January 31, 2013	Year Ended January 31, 2012	One Month Ended January 31, 2011	Year Ended December 31, 2010
Costs of revenues	$1,913	$ 628	$ 16	$173
Research and development	3,528	1,124	47	556
Sales and marketing	2,717	839	28	310
General and administrative	7,170	1,591	102	663

See Notes to Consolidated Financial Statements

WORKDAY, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(in thousands)

	Year Ended January 31, 2013	Year Ended January 31, 2012	One Month Ended January 31, 2011	Year Ended December 31, 2010
Net loss	$(119,190)	$(79,629)	$(5,450)	$(56,215)
Other comprehensive income (loss), net of tax:				
Changes in foreign currency translation adjustment	(4)	9	1	9
Net change in unrealized gains (losses) on available-for-sale investments	69	(11)	1	6
Other comprehensive income (loss), net of tax:	65	(2)	2	15
Comprehensive loss	$(119,125)	$(79,631)	$(5,448)	$(56,200)

See Notes to Consolidated Financial Statements

WORKDAY, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended January 31, 2013	Year Ended January 31, 2012	One Month Ended January 31, 2011	Year Ended December 31, 2010
Cash flows from operating activities:				
Net loss	$(119,190)	$(79,629)	$ (5,450)	$(56,215)
Adjustments to reconcile net loss to cash provided by (used in) operating activities:				
Depreciation and amortization	17,722	9,319	532	5,313
Share-based compensation	15,328	4,182	193	1,702
Donation of common stock to Workday Foundation	11,250	—	—	—
Amortization of deferred costs	11,368	7,099	558	4,909
Other	56	60	5	636
Changes in operating assets and liabilities:				
Accounts receivable	(12,970)	(39,025)	5,922	(14,520)
Deferred costs	(17,153)	(12,036)	(171)	(5,757)
Prepaid expenses and other assets	(9,877)	(4,909)	174	(1,540)
Accounts payable	(65)	2,195	(610)	274
Accrued and other liabilities	17,582	9,260	(3,205)	5,845
Unearned revenue	97,163	89,710	983	44,018
Net cash provided by (used in) operating activities	11,214	(13,774)	(1,069)	(15,335)
Cash flows from investing activities:				
Purchases of marketable securities	(765,797)	(63,282)	—	(20,862)
Maturities of marketable securities	111,577	13,086	750	31,885
Sales of marketable securities	—	—	—	4,806
Purchase of cost method investment	—	(1,000)	—	—
Purchases of property and equipment	(15,898)	(4,999)	(65)	(3,662)
Net cash provided by (used in) investing activities	(670,118)	(56,195)	685	12,167
Cash flows from financing activities:				
Proceeds from initial public offering, net of issuance costs	684,620	—	—	—
Proceeds from exercise of stock options	10,370	6,265	139	626
Proceeds from issuance of redeemable convertible preferred stock, net of issuance costs	—	95,009	—	—
Principal payments on capital lease obligations	(9,453)	(4,296)	(132)	(952)
Net cash provided by (used in) financing activities	685,537	96,978	7	(326)
Effect of exchange rate changes	(4)	8	2	9
Net increase (decrease) in cash and cash equivalents	26,629	27,017	(375)	(3,485)
Cash and cash equivalents at the beginning of period	57,529	30,512	30,887	34,372
Cash and cash equivalents at the end of period	$ 84,158	$ 57,529	$30,512	$ 30,887
Supplemental cash flow data:				
Cash paid for interest	$ 1,315	$ 898	$ 41	$ 221
Non-cash investing and financing activities:				
Property and equipment acquired under capital leases	$ 18,717	$ 15,983	$ —	$ 5,112
Accretion of redeemable convertible preferred stock	$ 568	$ 342	$ —	$ —
Vesting of early exercised stock options	$ 2,447	$ 395	$ 48	$ 334

See Notes to Consolidated Financial Statements

WORKDAY, INC.

CONSOLIDATED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)

(in thousands, except share data)

	Redeemable Convertible Preferred Stock Shares	Amounts	Convertible Preferred Stock Shares	Amount	Common Stock Shares	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity (Deficit)
Balances as of December 31, 2009	22,954,545	$ 75,555	67,586,395	$ 68	25,439,831	$ 23	$ 96,234	$ (12)	$(140,486)	$ (44,173)
Issuance of common stock upon exercise of stock options	—	—	—	—	2,115,800	3	489	—	—	492
Vesting of early exercised stock options	—	—	—	—	—	—	334	—	—	334
Fair value of common stock warrants issued to customer	—	—	—	—	—	—	247	—	—	247
Share-based compensation	—	—	—	—	—	—	1,702	—	—	1,702
Adjustment for uncertain tax positions	—	—	—	—	—	—	(41)	—	—	(41)
Other comprehensive income	—	—	—	—	—	—	—	15	—	15
Net loss	—	—	—	—	—	—	—	—	(56,215)	(56,215)
Balances as of December 31, 2010	22,954,545	$ 75,555	67,586,395	$ 68	27,555,631	$ 26	$ 98,965	$ 3	$(196,701)	$ (97,639)
Issuance of common stock upon exercise of stock options	—	—	—	—	509,850	1	138	—	—	139
Vesting of early exercised stock options	—	—	—	—	—	—	48	—	—	48
Share-based compensation	—	—	—	—	—	—	193	—	—	193
Other comprehensive income	—	—	—	—	—	—	—	2	—	2
Net loss	—	—	—	—	—	—	—	—	(5,450)	(5,450)
Balances as of January 31, 2011	22,954,545	$ 75,555	67,586,395	$ 68	28,065,481	$ 27	$ 99,344	$ 5	$(202,151)	$(102,707)
Issuance of Series F redeemable convertible preferred stock, net of issuance costs	7,435,149	95,009	—	—	—	—	—	—	—	—
Issuance of common stock upon exercise of stock options	—	—	—	—	7,758,894	6	2,536	—	—	2,542
Vesting of early exercised stock options	—	—	—	—	—	—	395	—	—	395
Grant of restricted stock award	—	—	—	—	100,000	—	—	—	—	—
Share-based compensation	—	—	—	—	—	—	4,182	—	—	4,182
Accretion of redeemable convertible preferred stock issuance costs	—	342	—	—	—	—	—	—	(342)	(342)
Other comprehensive loss	—	—	—	—	—	—	—	(2)	—	(2)
Net loss	—	—	—	—	—	—	—	—	(79,629)	(79,629)
Balances as of January 31, 2012	30,389,694	$ 170,906	67,586,395	$ 68	35,924,375	$ 33	$106,457	$ 3	$(282,122)	$(175,561)
Issuance of common stock upon exercise of stock options	—	—	—	—	4,621,908	3	2,416	—	—	2,419
Vesting of early exercised stock options	—	—	—	—	—	2	2,445	—	—	2,447
Grant of restricted stock awards	—	—	—	—	1,240,000	—		—	—	—
Share-based compensation	—	—	—	—	—	—	15,328	—	—	15,328
Conversion of preferred stock to common stock	(30,389,694)	(171,474)	(67,586,395)	(68)	97,976,089	98	171,443			171,473
Initial public offering, net of issuance costs					26,162,500	26	684,594			684,620
Donation of shares to Workday Foundation					500,000	—	11,250			11,250
Accretion of redeemable convertible preferred stock issuance costs	—	568	—	—	—	—	—	—	(568)	(568)
Other comprehensive income	—	—	—	—	—	—	—	65	—	65
Net loss	—	—	—	—	—	—	—	—	(119,190)	(119,190)
Balances as of January 31, 2013	—	—	—	—	166,424,872	$162	$993,933	$ 68	$(401,880)	$ 592,283

See Notes to Consolidated Financial Statements

Note 1. Overview and Basis of Presentation

Company and Background

Workday provides enterprise cloud applications for human capital management (HCM), payroll, financial management, grants management, time tracking, procurement, employee expense management and analytics. We offer innovative and adaptable technology focused on the consumer Internet experience and cloud delivery model. Our applications are designed for global enterprises to manage complex and dynamic operating environments. We provide our customers highly adaptable, accessible and reliable applications to manage critical business functions that enable them to optimize their financial and human capital resources. We were originally incorporated in March 2005 in Nevada and in June 2012, we reincorporated in Delaware.

Basis of Presentation

These consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP). The consolidated financial statements include the results of Workday, Inc. and its wholly-owned subsidiaries. We changed our fiscal year end from December 31 to January 31, effective for our fiscal year ended January 31, 2012. As a result of the change, we have presented a one month transition period beginning January 1, 2011 and ending January 31, 2011 in the consolidated financial statements.

For the January 31, 2012 balance sheet and the statement of cash flows for the years ended January 31, 2012 and December 31, 2010 and the one month period ended January 31, 2011, Capital leases with related party, current and noncurrent, has been grouped with Capital leases, current and noncurrent, respectively, to conform to the current year presentation.

Initial Public Offering

In October 2012, we completed our initial public offering (IPO) in which we issued and sold 26.2 million shares of Class A common stock at a public offering price of $28.00 per share. We received net proceeds of $684.6 million after deducting underwriting discounts and commissions of $44.0 million and other offering expenses of $4.0 million. Upon the closing of the IPO, all shares of our then-outstanding redeemable convertible preferred stock and convertible preferred stock automatically converted into an aggregate of 98.0 million shares of Class B common stock and an aggregate of 42.1 million shares of our then-outstanding common stock converted into an equal number of Class B common stock shares.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires us to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. These estimates include, but are not limited to, the determination of the relative selling prices for our services, the recoverability of deferred costs and certain assumptions used in the valuation of equity awards. Actual results could differ from those estimates and such differences could be material to our consolidated financial position and results of operations.

Segment information

We operate in one operating segment, cloud applications. Operating segments are defined as components of an enterprise about which separate financial information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and assessing performance. Our chief operating decision maker allocates resources and assesses performance based upon discrete financial information at the consolidated level. Since we operate in one operating segment, all required financial segment information can be found in the consolidated financial statements.

Note 2. Summary of Significant Accounting Policies

Revenue Recognition

We derive our revenues primarily from subscription fees and from professional services fees, including training. We sell subscriptions to our cloud applications through contracts that are generally three years in length. Our arrangements do not contain general rights of return. Our subscription contracts do not provide customers with the right to take possession of the software supporting the applications and, as a result, are accounted for as service contracts.

We commence revenue recognition for our cloud applications and professional services when all of the following criteria are met:

- There is persuasive evidence of an arrangement;
- The service has been or is being provided to the customer;
- Collection of the fees is reasonably assured; and
- The amount of fees to be paid by the customer is fixed or determinable.

Subscription Revenues

Subscription revenues are recognized on a straight-line basis over the contractual term of the arrangement beginning on the date that our service is made available to the customer, assuming all revenue recognition criteria have been met.

Professional Services Revenues

Professional services revenues are generally recognized as the services are rendered for time and material contracts, or when any milestones are achieved and accepted by the customer for fixed price contracts. The majority of our professional services contracts are on a time and materials basis. Training revenues are recognized as the services are performed.

Multiple Deliverable Arrangements

For arrangements with multiple deliverables, we evaluate whether the individual deliverables qualify as separate units of accounting. In order to treat deliverables in a multiple deliverable arrangement as separate units of accounting, the deliverables must have standalone value upon delivery. If the deliverables have standalone value upon delivery, we account for each deliverable separately and revenue is recognized for the respective deliverables as they are delivered. If one or more of the deliverables does not have standalone value upon delivery, the deliverables that do not have standalone value are generally combined with the final deliverable within the arrangement and treated as a single unit of accounting. Revenue for arrangements treated as a single unit of accounting is generally recognized over the period commencing upon delivery of the final deliverable and over the remaining term of the subscription contract.

Subscription contracts have standalone value as we sell the subscriptions separately. In determining whether professional services can be accounted for separately from subscription services, we consider the availability of the professional services from other vendors, the nature of our professional services and whether we sell our applications to new customers without professional services. As of January 31, 2012, we did not have standalone value for the professional services related to the deployment of our financial management application. This was due to the fact that we had historically performed the majority of these services to support our customers' deployments of this application. In the year ended January 31, 2013, we determined that we had established standalone value for the deployment services related to our financial management application. This was primarily due to the growing number of partners that were trained and certified to perform these deployment services, the

successful completion of a significant deployment engagement by a firm in our professional services ecosystem and the sale of several financial management cloud application subscription arrangements to customers without our deployment services. Because we established standalone value for our deployment services related to our financial management application in the year ended January 31, 2013, such service arrangements entered into after February 1, 2012 are being accounted for separately from subscription services.

When multiple deliverables included in an arrangement are separable into different units of accounting, the arrangement consideration is allocated to the identified separate units of accounting based on their relative selling price. Multiple deliverable arrangements accounting guidance provides a hierarchy to use when determining the relative selling price for each unit of accounting. Vendor-specific objective evidence (VSOE) of selling price, based on the price at which the item is regularly sold by the vendor on a standalone basis, should be used if it exists. If VSOE of selling price is not available, third-party evidence (TPE) of selling price is used to establish the selling price if it exists. VSOE and TPE do not currently exist for any of our deliverables. Accordingly, for arrangements with multiple deliverables that can be separated into different units of accounting, we allocate the arrangement fee to the separate units of accounting based on our best estimate of selling price. The amount of arrangement fee allocated is limited by contingent revenues, if any.

We determine our best estimate of selling price for our deliverables based on our overall pricing objectives, taking into consideration market conditions and entity-specific factors. We evaluate our best estimate of selling price by reviewing historical data related to sales of our deliverables, including comparing the percentages of our contract prices to our list prices. We also consider several other data points in our evaluation, including the size of our arrangements, the cloud applications sold, customer demographics and the numbers and types of users within our arrangements.

Costs of Revenues

Costs of revenues primarily consist of costs related to providing our cloud applications, compensation and other employee related expenses for data center and professional services staff, payments to outside service providers, data center and networking expenses and depreciation expenses.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less. Our cash and cash equivalents generally consist of investments in U.S. agency obligations, money market funds and commercial paper. Cash and cash equivalents are stated at fair value.

Marketable Securities

Our marketable securities consist of U.S. agency obligations, U.S. treasury securities, commercial paper, corporate securities, municipal securities and certificates of deposit. We classify our marketable securities as available-for-sale at the time of purchase and reevaluate such classification as of each balance sheet date. We may sell these securities at any time for use in current operations or for other purposes, such as consideration for acquisitions, even if they have not yet reached maturity. As a result, we classify our investments, including securities with maturities beyond twelve months as current assets in the accompanying consolidated balance sheets. All marketable securities are recorded at their estimated fair value. Unrealized gains and losses for available-for-sale securities are recorded in other comprehensive income (loss). We evaluate our investments to assess whether those with unrealized loss positions are other than temporarily impaired. We consider impairments to be other than temporary if they are related to deterioration in credit risk or if it is likely we will sell the securities before the recovery of their cost basis. Realized gains and losses and declines in value judged to be other than temporary are determined based on the specific identification method and are reported in other expense, net in the consolidated statements of operations.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded at the invoiced amount, net of allowances for doubtful accounts. The allowance for doubtful accounts is based on our assessment of the collectability of accounts. We regularly review the adequacy of the allowance for doubtful accounts by considering the age of each outstanding invoice and the collection history of each customer to determine the appropriate amount of our allowance. Accounts receivable deemed uncollectable are charged against the allowance for doubtful accounts when identified. For all periods presented, the allowance for doubtful accounts activity was not significant.

Deferred Costs

Deferred costs include commissions earned by our sales force that can be associated specifically with a non-cancelable cloud application services contract and direct costs related to professional services contracts accounted for together with a related cloud application services contract as a single unit of accounting.

Direct sales commissions are deferred when earned and amortized over the same period that revenues are recognized for the related non-cancelable cloud application services contract. The commission payments are paid in full after the customer has paid for its first year of service. Direct professional services costs are deferred up until the commencement of revenue recognition of the single unit and then recognized when the related professional services revenues are recognized. We have a limited number of deferred professional services contracts which were consummated prior to the establishment of standalone value for our professional services.

Amortization of deferred commissions and deferred professional services costs are included in sales and marketing and costs of revenues, respectively, in the accompanying consolidated statements of operations.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is recorded using the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements are depreciated over the shorter of the estimated useful lives of the assets or the lease term.

Goodwill and Intangible Assets

We determine and allocate the purchase price of an acquired company to the tangible and intangible assets acquired and liabilities assumed as of the business combination date. Intangible assets with a finite life are amortized over their estimated useful lives. Goodwill is tested for impairment at least annually, and more frequently upon the occurrence of certain events. We completed our annual impairment test in our fourth quarter, which did not result in any impairment of the goodwill balance.

Unearned Revenue

Unearned revenue primarily consists of customer billings in advance of revenues being recognized from our cloud applications contracts. We invoice our customers for our cloud applications contracts in annual or multi-year installments. Our typical payment terms provide that customers pay a portion of the total arrangement fee within 30 days of the contract date. Unearned revenue also includes certain deferred professional services fees that are accounted for as a single unit of accounting with cloud applications fees and are recognized as revenues over the same period as the related cloud applications contract. Unearned revenue that is anticipated to be recognized during the succeeding 12-month period is recorded as current unearned revenue and the remaining portion is recorded as noncurrent.

Advertising Expenses

Advertising is expensed as incurred. Advertising expense was $6.5 million, $3.9 million, and $2.6 million for the years ended January 31, 2013, January 31, 2012 and December 31, 2010, respectively, and $0.1 million for the one month period ended January 31, 2011.

Share-Based Compensation

All share-based compensation to employees is measured based on the grant-date fair value of the awards and recognized in our consolidated statements of operations over the period during which the employee is required to perform services in exchange for the award (generally the vesting period of the award). We estimate the fair value of stock options granted using the Black-Scholes option valuation model. For restricted stock awards and units, fair value is based on the closing price of our common stock on the grant date. Compensation expense is recognized over the vesting period of the applicable award using the straight-line method.

Compensation expense for non-employee stock options is calculated using the Black-Scholes option-pricing model and is recorded as the options vest. Non-employee options subject to vesting are required to be periodically revalued over their service period, which is generally the same as the vesting period.

Income Taxes

We record a provision for income taxes for the anticipated tax consequences of the reported results of operations using the asset and liability method. Under this method, we recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial reporting and tax basis of assets and liabilities, as well as for operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to taxable income for the years in which those tax assets and liabilities are expected to be realized or settled. We record a valuation allowance to reduce our deferred tax assets to the net amount that we believe is more likely than not to be realized.

We recognize tax benefits from uncertain tax positions only if we believe that it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. Although we believe that we have adequately reserved for our uncertain tax positions, we can provide no assurance that the final tax outcome of these matters will not be materially different. As we expand internationally, we will face increased complexity in determining the appropriate tax jurisdictions for revenue and expense items, our unrecognized tax benefits will likely increase in the future. We make adjustments to these reserves when facts and circumstances change, 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 will affect the provision for income taxes in the period in which such determination is made and could have a material impact on our financial condition and operating results. The provision for income taxes includes the effects of any accruals that we believe are appropriate, as well as the related net interest and penalties.

Warranties and Indemnification

Our cloud applications are generally warranted to perform materially in accordance with our online help documentation under normal use and circumstances. Additionally, our contracts generally include provisions for indemnifying customers against liabilities if our cloud applications contracts infringe a third party’s intellectual property rights, and we may also incur liabilities if we breach the security and/or confidentiality obligations in our contracts. To date, we have not incurred any material costs, and we have not accrued any liabilities in the accompanying consolidated financial statements, as a result of these obligations. We have entered into service-level agreements with a majority of our customers warranting defined levels of uptime reliability and performance and permitting those customers to receive credits or refunds for prepaid amounts related to unused subscription services or to terminate their agreements in the event that we fail to meet those levels. To date, we

have not experienced any significant failures to meet defined levels of reliability and performance as a result of those agreements and, as a result, we have not accrued any liabilities related to these agreements in the consolidated financial statements.

Foreign Currency Exchange

The functional currency for certain of our foreign subsidiaries is the U.S. dollar, while others use local currencies as their functional currency. Adjustments resulting from translating foreign functional currency financial statements into U.S. dollars for those entities that do not have U.S. dollars as their functional currency are recorded as part of a separate component of the consolidated statements of comprehensive loss. Foreign currency transaction gains and losses are included in the consolidated statements of operations for the period. All assets and liabilities denominated in a foreign currency are translated into U.S. dollars at the exchange rate on the balance sheet date. Revenues and expenses are translated at the average exchange rate during the period. Equity transactions are translated using historical exchange rates.

Concentrations of Risk and Significant Customers

Our financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, marketable securities and accounts receivable. Although we deposit our cash with multiple financial institutions, our deposits, at times, may exceed federally insured limits.

No single customer represented over 10% of accounts receivable in the consolidated financial statements as of January 31, 2013. Accounts receivable from our top customer accounted for approximately 14% of the total consolidated accounts receivable balance as of January 31, 2012. No single customer represented over 10% of total revenues for any of the periods in the consolidated financial statements.

In order to reduce the risk of down time of our enterprise cloud applications, we have established data centers in various geographic regions. We have internal procedures to restore services in the event of disaster at one of our current data center facilities. We serve our customers and users from data center facilities operated by third parties, located in Ashburn, Virginia; Lithia Springs, Georgia; Portland, Oregon; Dublin, Ireland; and Amsterdam, The Netherlands. Even with these procedures for disaster recovery in place, our cloud applications could be significantly interrupted during the implementation of the procedures to restore services.

Recently Issued and Adopted Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board (FASB) issued ASU 2011-05, *Comprehensive Income*. The standard requires entities to have more detailed reporting of comprehensive income. The guidance is effective for fiscal years and interim periods within those years beginning after December 15, 2011. We adopted this new guidance retrospectively on February 1, 2012.

In May 2011, the FASB issued ASU 2011-04, *Fair Value Measurement*. The standard requires entities to change certain measurements and disclosures about fair value measurements. The amendments are effective during interim and annual periods beginning after December 15, 2011. We adopted this new guidance on February 1, 2012 and it did not have an impact on our consolidated financial statements.

Note 3. Marketable Securities

At January 31, 2013, marketable securities consisted of the following (in thousands):

	Amortized Cost	Unrealized Gains	Unrealized Losses	Aggregate Fair Value
U.S. agency obligations	$614,171	$ 64	$ (11)	$614,224
U.S. treasury securities	65,174	5	—	65,179
Commercial paper	64,538	1	—	64,539
Certificates of deposit	250	—	—	250
U.S. corporate securities	8,128	—	(1)	8,127
Money market funds	17,395	—	—	17,395
	$769,656	$ 70	$ (12)	$769,714
Included in cash and cash equivalents	$ 63,533	$—	$—	$ 63,533
Included in marketable securities	$706,123	$ 70	$ (12)	$706,181

At January 31, 2012, marketable securities consisted of the following (in thousands):

	Amortized Cost	Unrealized Gains	Unrealized Losses	Aggregate Fair Value
U.S. agency obligations	$ 14,316	$ —	$ —	$ 14,316
Commercial paper	23,785	1	(1)	23,785
U.S. corporate securities	20,391	—	(11)	20,380
Municipal securities	15,125	1	(1)	15,125
Money market funds	27,152	—	—	27,152
	$100,769	$ 2	$ (13)	$100,758
Included in cash and cash equivalents	$ 47,125	$ —	$ (1)	$ 47,124
Included in marketable securities	$ 53,644	$ 2	$ (12)	$ 53,634

We do not believe the unrealized losses represent other-than-temporary impairments based on our evaluation of available evidence as of January 31, 2013. All marketable securities held as of January 31, 2013 have not been in a continuous unrealized loss position for more than 12 months. Sales of available-for-sale securities resulted in no gains or losses during any of the periods presented. The majority of our marketable securities as of January 31, 2013 and January 31, 2012 mature within one year. Marketable securities on the consolidated balance sheets consist of securities with original or remaining maturities at the time of purchase of greater than three months and the remainder of the securities is reflected in cash and cash equivalents.

Note 4. Deferred Costs

Deferred costs consisted of the following (in thousands):

	January 31, 2013	January 31, 2012
Current:		
Deferred professional service costs	$ 1,654	$ 4,314
Deferred sales commissions	8,162	5,136
Total	$ 9,816	$ 9,450
Noncurrent:		
Deferred professional service costs	$ 6,843	$ 4,712
Deferred sales commissions	11,732	8,444
Total	$18,575	$13,156

Note 5. Property and Equipment

Property and equipment consisted of the following (in thousands):

	January 31, 2013	January 31, 2012
Computers, equipment and software	$ 28,770	$ 15,738
Computers, equipment and software acquired under capital leases	39,300	20,856
Furniture and fixtures	4,689	3,574
Leasehold improvements	6,581	4,560
	79,340	44,728
Less accumulated depreciation and amortization	(34,755)	(18,867)
Property and equipment, net	$ 44,585	$ 25,861

Depreciation expense was $15.9 million, $8.9 million, and $4.9 million for the years ended January 31, 2013, January 31, 2012 and December 31, 2010, respectively, and $0.5 million for the one month period ended January 31, 2011. These amounts include depreciation of assets recorded under capital leases of $10.2 million, $4.3 million, and $0.6 million for the years ended January 31, 2013, January 31, 2012 and December 31, 2010, respectively, and $0.1 million for the one month period ended January 31, 2011.

Note 6. Goodwill and Intangible Assets

In February 2008, we acquired Cape Clear, an enterprise software company. Our goodwill and a portion of our intangible assets are attributed to this acquisition. Our intangible assets are fully amortized as of January 31, 2013.

Goodwill and intangible assets consisted of the following (in thousands):

	January 31, 2013	January 31, 2012
Acquired purchased technology	$ 600	$ 600
Customer relationship assets	338	338
	938	938
Less accumulated amortization	(938)	(848)
Intangible assets, net	—	90
Goodwill	8,488	8,488
Goodwill and intangible assets, net	$8,488	$8,578

Note 7. Fair Value Measurements

We value our marketable securities using quoted prices for identical instruments in active markets when available. If we are unable to value our marketable securities using quoted prices for identical instruments in active markets, we value our investments using broker reports that utilize quoted market prices for identical or comparable instruments. We validate, on a sample basis, the derived prices provided by the brokers by comparing their assessment of the fair values of our investments against the fair values of the portfolio balances of another third-party professional's pricing service. To date, all of our marketable securities can be valued using one of these two methodologies.

We measure our financial assets and liabilities at fair value at each reporting period using a fair value hierarchy that requires that we maximize the use of observable inputs and minimize the use of unobservable

inputs when measuring fair value. A financial instrument's classification within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Three levels of inputs may be used to measure fair value:

Level 1 — Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 — Include other inputs that are directly or indirectly observable in the marketplace.

Level 3 — Unobservable inputs that are supported by little or no market activity.

Based on our valuation of our marketable securities, we concluded that they are classified in either Level 1 or Level 2 and we have no financial assets or liabilities measured using Level 3 inputs. The following tables present information about our assets that are measured at fair value on a recurring basis using the above input categories (in thousands):

	Fair Value Measurements as of January 31, 2013		
Description	**Level 1**	**Level 2**	**Total**
U.S. agency obligations	$ —	$614,224	$614,224
U.S. treasury securities	65,179	—	65,179
Commercial paper	—	64,539	64,539
Certificates of deposit	—	250	250
U.S. corporate securities	—	8,127	8,127
Money market funds	17,395	—	17,395
	$82,574	$687,140	$769,714
Included in cash and cash equivalents			$ 63,533
Included in marketable securities			$706,181

	Fair Value Measurements as of January 31, 2012		
Description	**Level 1**	**Level 2**	**Total**
U.S. agency obligations	$ —	$14,316	$ 14,316
Commercial paper	—	23,785	23,785
U.S. corporate securities	—	20,380	20,380
Municipal securities	—	15,125	15,125
Money market funds	27,152	—	27,152
	$27,152	$73,606	$100,758
Included in cash and cash equivalents			$ 47,124
Included in marketable securities			$ 53,634

Note 8. Commitments and Contingencies

Leases

We lease office space under non-cancelable operating leases in the U.S. and Europe with various expiration dates. In addition, we lease certain equipment from an affiliate of one of our co-CEOs (see Note 14) and from various third parties. The equipment lease terms contain a bargain purchase option, therefore, the leases are

classified as capital leases. As of January 31, 2013, the future minimum lease payments by year under non-cancelable leases are as follows (in thousands):

	Capital Leases	Operating Leases
2014	$13,202	$ 8,198
2015	9,932	9,282
2016	3,706	5,950
2017	—	3,365
2018	—	3,319
Thereafter	—	1,646
	26,840	31,760
Less amount representing interest and taxes	(1,860)	—
	24,980	$31,760
Less current portion	12,008	
Noncurrent	$12,972	

The facility lease agreements generally provide for rental payments on a graduated basis and for options to renew, which could increase future minimum lease payments if exercised. We recognize rent expense on the straight-line basis over the lease period and have accrued for rent expense incurred but not paid. Rent expense was $5.5 million, $3.4 million, and $2.1 million for the years ended January 31, 2013, January 31, 2012 and December 31, 2010, respectively, and $0.2 million for the one month period ended January 31, 2011.

Legal Matters

We are a party to various legal proceedings and claims which arise in the ordinary course of business. In our opinion, as of January 31, 2013, there was not at least a reasonable possibility that we had incurred a material loss, or a material loss in excess of a recorded accrual, with respect to such loss contingencies.

Note 9. Common Stock and Stockholders' Equity (Deficit)

Common Stock

In connection with our IPO, we amended our certificate of incorporation to provide for Class A common stock, Class B common stock and preferred stock. Upon the closing of the IPO, all shares of our then-outstanding redeemable convertible preferred stock and convertible preferred stock automatically converted into an aggregate of 98.0 million shares of Class B common stock and an aggregate of 42.1 million shares of our then-outstanding common stock converted into an equal number of Class B common stock.

Employee Equity Plans

Our board of directors adopted the 2012 Employee Stock Purchase Plan (ESPP) in August 2012 which became effective on October 10, 2012. The ESPP was approved with a reserve of 2.0 million shares of Class A common stock for future issuance under various terms provided for in the ESPP. We expect that the start date of the initial six-month purchasing period under the ESPP will commence on June 1, 2013.

Our board of directors adopted the 2012 Equity Incentive Plan (EIP) in August 2012 which became effective on October 10, 2012 and serves as the successor to our 2005 Stock Plan. The EIP was approved with a reserve of 25.0 million shares of Class A common stock for future issuance under various terms provided in the EIP. Additionally, shares not issued or subject to outstanding grants under the 2005 Stock Plan were rolled into the EIP resulting in a total of 39.2 million available shares under the EIP upon adoption. Shares issued under the

2005 Stock Plan were Class B common stock and shares issued under the EIP are Class A common stock. As of January 31, 2013 we had approximately 38.8 million shares of Class A common stock available for future grants.

Common Stock Subject to Repurchase

The 2005 Stock Plan and Stock Option Agreements allow for the early exercise of stock options for certain individuals as determined by the board of directors. We have the right to purchase at the original exercise price any unvested (but issued) common shares during the repurchase period following termination of services of an employee. The consideration received for an exercise of an option is considered to be a deposit of the exercise price and the related dollar amount is recorded as a liability. The shares and liabilities are reclassified into equity as the awards vest. As of January 31, 2013 and 2012, we had $9.4 million and $3.9 million recorded in liabilities related to early exercises of stock options.

As of January 31, 2013, there were 7.2 million exercisable but unvested options outstanding with early exercise provisions. These options had a weighted-average exercise price of $2.67 per share and a weighted-average remaining contractual life of 8.0 years. The total intrinsic value of these exercisable but unvested options as of January 31, 2013 was $366.4 million.

Stock Options

The 2005 Stock Plan provided, and the EIP provides, for the issuance of incentive and nonstatutory options to employees and non-employees. We have also issued nonstatutory options outside of these plans. Options issued under and outside of the 2005 Stock Plan generally are exercisable for periods not to exceed 10 years and generally vest over five years. Options issued under the EIP generally are exercisable for periods not to exceed 10 years and generally vest over four to five years.

Stock option activity is as follows:

	Outstanding Stock Options	Weighted-Average Exercise Price	Aggregate Intrinsic Value
Balance as of January 31, 2012	29,211,475	$ 1.55	$ 98,241,048
Stock option grants	5,685,700	10.97	
Stock options exercised	(4,621,908)	2.24	
Stock options canceled	(419,225)	4.62	
Balance as of January 31, 2013	29,856,042	$ 3.19	$1,499,463,289
Vested and expected to vest as of January 31, 2013	27,642,370	$ 3.02	$1,393,045,535
Exercisable as of January 31, 2013	18,916,803	$ 1.62	$ 979,923,721

The total grant-date fair value of stock options vested during the year ended January 31, 2013, January 31, 2012, December 31, 2010 and the one month period ended January 31, 2011 was $6.6 million, $2.5 million, $1.2 million, and $0.5 million, respectively. The total intrinsic value of the options exercised during the year ended January 31, 2013, January 31, 2012, December 31, 2010 and the one month period ended January 31, 2011 was $69.8 million, $19.6 million, $0.5 million and $0.5 million, respectively. The intrinsic value is the difference between the current fair value of the stock and the exercise price of the stock option. The weighted-average remaining contractual life of vested and expected to vest options as of January 31, 2013 is approximately 7.1 years.

As of January 31, 2013, there was a total of $60.9 million in unrecognized compensation cost related to unvested stock options, which is expected to be recognized over a weighted-average period of approximately 4.0 years.

The options that are exercisable as of January 31, 2013 have a weighted-average remaining contractual life of approximately 6.5 years. The weighted-average remaining contractual life of outstanding options at January 31, 2013 is approximately 7.2 years.

Restricted Stock Awards

The 2005 Stock Plan provided, and the EIP provides, for the issuance of restricted stock awards to employees. Restricted stock awards issued under the 2005 Stock Plan generally vest over five years and restricted stock awards issued under the EIP generally vest over four years. Under these plans, 1.3 million restricted awards of Class B common stock were issued and outstanding, all of which are subject to forfeiture as of January 31, 2013. During the year ended January 31, 2013, we granted 1.2 million shares of restricted stock awards with a weighted average grant date fair value of $13.37.

As of January 31, 2013, there was a total of $14.8 million in unrecognized compensation cost related to restricted stock awards, which are expected to be recognized over a weighted-average period of approximately 4.8 years.

Restricted Stock Units

The 2005 Stock Plan provided, and the EIP provides, for the issuance of restricted stock units to employees. Restricted stock units issued under the 2005 Stock Plan generally vest over five years and restricted stock units issued under the EIP generally vest over four years. During the year ended January 31, 2013, we issued 163,400 restricted stock units of Class B common stock under the EIP with a weighted average grant date fair value of $48.82.

As of January 31, 2013, there was a total of $6.6 million in unrecognized compensation cost related to restricted stock units, which are expected to be recognized over a weighted-average period of approximately 3.8 years.

Donation to the Workday Foundation

In August 2012, with approval of the board of directors, we donated 500,000 shares of Class B common stock to the Workday Foundation. We incurred a share-based charge of $11.3 million for the value of the donated shares, which was recorded in general and administrative expense in the year ended January 31, 2013.

Share-Based Compensation to Employees

All share-based payments to employees are measured based on the grant date fair value of the awards and recognized in the consolidated statements of operations over the period during which the employee is required to perform services in exchange for the award (generally the vesting period of the award). We estimate the fair value of equity awards using the Black-Scholes option-pricing model. We determine the assumptions for the option-pricing model as follows:

Fair Value of Common Stock

Prior to our initial public offering in October 2012, our board of directors considered numerous objective and subjective factors to determine the fair value of our common stock at each meeting at which awards were approved. The factors included, but were not limited to: (i) contemporaneous third-party valuations of our common stock; (ii) the prices, rights, preferences and privileges of our Preferred Stock relative to those of our common stock; (iii) the lack of marketability of our common stock; (iv) our actual operating and financial results; (v) current business conditions and projections; and (vi) the likelihood of achieving a liquidity event, such as an initial public offering or sale of our company, given prevailing market conditions.

Since our initial public offering, we have used the market closing price for our Class A common stock as reported on the New York Stock Exchange.

Risk-Free Interest Rate

The weighted-average, risk-free interest rate is based on the rate for a U.S. Treasury zero-coupon issue with a term that approximates the expected life of the option grant at the date closest to the option grant date.

Expected Term

The expected term represents the period that our share-based awards are expected to be outstanding. The expected term assumptions were determined based on the vesting terms, exercise terms and contractual lives of the options.

Volatility

We determine the price volatility factor based on the historical volatility data of our peer group as we currently do not have a sufficient trading history for our common stock.

Dividend Yield

We have not paid and do not expect to pay dividends.

The estimation of stock awards that will ultimately vest requires judgment, and to the extent actual results or updated estimates differ from our current estimates, such amounts will be recorded as a cumulative adjustment in the period the estimates are revised. We consider many factors when estimating expected forfeitures, including the types of awards and employee class. Actual results, and future changes in estimates, may differ substantially from our current estimates.

The assumptions used for the periods presented were as follows:

	Year Ended		
	January 31, 2013	January 31, 2012	December 31, 2010
Expected volatility	54.3% – 61.1%	58.1% – 59.1%	60.6% – 61.2%
Expected term (in years)	5 – 6.4	5 – 6.4	5 – 6.4
Risk-free interest rate	0.8% – 1.0%	0.9% – 2.7%	1.0% – 2.9%
Dividend yield	0%	0%	0%
Weighted-average grant date fair value per share	$10.88	$1.78	$0.61

Stock Options Issued to Non-employees

During the years ended January 31, 2013, January 31, 2012 and December 31, 2010, we granted options to purchase approximately 113,000, 63,500 and 50,000 shares, respectively, of common stock to individual consultants at weighted-average exercise prices of $8.86, $4.25 and $1.00 per share, respectively. The options granted in exchange for consulting services vest over periods up to five years. These options were granted under the 2005 Stock Plan and are included in the option table above. Additional consultant options were granted in prior years. The unvested options issued to consultants are remeasured to fair value at the end of each accounting period. We recorded expense related to the issuance of options to consultants of $1.9 million, $0.4 million, and $0.1 million for the years ended January 31, 2013, January 31, 2012 and December 31, 2010, respectively.

Note 10. Other Expense, net

Other expense, net consisted of the following (in thousands):

	Year Ended January 31, 2013	Year Ended January 31, 2012	One Month Ended January 31, 2011	Year Ended December 31, 2010
Interest income	$ 560	$ 68	$ 4	$ 88
Interest expense	(1,363)	(976)	(41)	(221)
Other income (expense)	(400)	(110)	29	76
Other expense, net	$(1,203)	$(1,018)	$ (8)	$ (57)

Note 11. Income Taxes

The components of loss before provision for income taxes were as follows (in thousands):

	Year Ended January 31, 2013	Year Ended January 31, 2012	One Month Ended January 31, 2011	Year Ended December 31, 2010
Domestic	$(119,793)	$(78,721)	$(4,864)	$(51,388)
Foreign	727	(741)	(576)	(4,730)
Total	$(119,066)	$(79,462)	$(5,440)	$(56,118)

We did not record an income tax provision for deferred taxes for any of the periods presented because we provided a full valuation allowance against our deferred tax assets. The provision for income taxes consisted of the following (in thousands):

	Year Ended January 31, 2013	Year Ended January 31, 2012	One Month Ended January 31, 2011	Year Ended December 31, 2010
Federal	$(160)	$ 60	$ 5	$80
State	42	38	3	10
Foreign	242	69	2	7
Total	$ 124	$167	$10	$97

The items accounting for the difference between income taxes computed at the federal statutory income tax rate and the provision for income taxes consisted of the following:

	Year Ended January 31, 2013	Year Ended January 31, 2012	One Month Ended January 31, 2011	Year Ended December 31, 2010
Federal statutory rate	35.0%	35.0%	35.0%	35.0%
Effect of:				
Foreign income at other than U.S. rates	0.3	(0.3)	(2.3)	(1.9)
State taxes, net of federal benefit	5.0	5.2	5.0	5.3
Changes in valuation allowance	(37.8)	(38.7)	(36.9)	(37.6)
Other	(2.6)	(1.4)	(1.0)	(1.0)
	(0.1)%	(0.2)%	(0.2)%	(0.2)%

As a result of our history of net operating losses, the current federal and current state provision for income taxes relates to accruals and adjustments to the interest and penalties for uncertain tax positions and state minimum and capital based income taxes. Current foreign income taxes are associated with our non-U.S. operations.

We had unrecorded excess stock option tax benefits of $7.7 million as of January 31, 2013. These amounts will be credited to additional paid-in capital when such amounts reduce cash taxes payable.

Significant components of our deferred tax assets and liabilities were as follows (in thousands):

	January 31, 2013	January 31, 2012
Deferred tax assets:		
Unearned revenue	$ 28,346	$ 10,826
Other reserves and accruals	11,960	9,583
Federal net operating loss carryforwards	87,222	72,804
State and foreign net operating loss carryforwards	22,888	20,976
Property and equipment	6,196	2,304
Other	3,935	1,098
	160,547	117,591
Valuation allowance	(158,003)	(116,621)
Deferred tax assets, net of valuation allowance	2,544	970
Deferred tax liabilities:		
Acquired intangible assets	–	(11)
Other prepaid assets	(2,544)	(959)
	(2,544)	(970)
Net deferred tax assets	$ —	$ —

As a result of continuing losses, we have determined that it is more likely than not that we will not realize the benefits of the deferred tax assets and therefore we have recorded a valuation allowance to reduce the carrying value of the deferred tax assets to zero. As a result, the valuation allowance on our net deferred tax assets increased by $41.4 million and $30.8 million during the years ended January 31, 2013 and 2012, respectively.

As of January 31, 2013, we had approximately $272.1 million of federal, $254.0 million of state and $77.7 million of foreign net operating loss carryforwards available to offset future taxable income. If not utilized, the federal and state net operating loss carryforwards expire in varying amounts between the years 2015 and 2033. The foreign net operating losses do not expire and may be carried forward indefinitely.

The net operating losses include no amounts relating to the excess tax benefit of stock option exercises which when realized will be recorded as a credit to additional paid-in capital. We also had approximately $6.6 million of federal and $7.1 million of California research and development tax credit carryforwards as of January 31, 2013. The federal credits expire in varying amounts between the years 2025 and 2033. The California research credits do not expire and may be carried forward indefinitely.

Our ability to utilize the net operating loss and tax credit carryforwards in the future may be subject to substantial restrictions in the event of past or future ownership changes as defined in Section 382 of the Internal Revenue Code of 1986, as amended and similar state tax law.

We consider all undistributed earnings of our foreign subsidiaries to be permanently invested in foreign operations unless such earnings are subject to federal income taxes. Undistributed earnings of our foreign subsidiaries amounted to approximately $1.9 million at January 31, 2013. Accordingly, no deferred tax liabilities have been recorded with respect to undistributed earnings of the foreign subsidiaries. Upon repatriation of those earnings, in the form of dividends or otherwise, we would be subject to both U.S. income taxes (subject to an adjustment for foreign tax credits) and potentially withholding taxes payable to the various foreign countries. Determination of the amount of unrecognized deferred U.S. income tax liability is not practicable due to the complexities associated with its hypothetical calculation.

A reconciliation of the gross unrecognized tax benefit is as follows (in thousands):

	Year Ended January 31, 2013	Year Ended January 31, 2012	One Month Ended January 31, 2011	Year Ended December 31, 2010
Unrecognized tax benefits at the beginning of the period	$10,705	$ 8,598	$7,489	$5,513
Additions for tax positions taken in prior years	1,392	—	926	692
Additions for tax provisions related to the current year	3,480	2,107	183	1,284
Unrecognized tax benefits at the end of the period	$15,577	$10,705	$8,598	$7,489

Our policy is to include interest and penalties related to unrecognized tax benefits within our provision for income taxes. As of January 31, 2013, 2012, 2011 and December 31, 2010 we had accrued interest of $0.4 million, $0.4 million, $0.5 million and $0.5 million, respectively. As of January 31, 2013 we had accrued penalties of $0.8 million. As of January 31, 2012, 2011 and December 2010, we had accrued penalties of $1.0 million.

Included in the balance of unrecognized tax benefits at January 31, 2013, 2012, 2011 and December 31, 2010 are potential benefits of $1.7 million that if recognized, would affect the tax rate on earnings. We do not expect any unrecognized tax benefits to be recognized within the next 12 months.

We file federal, state and foreign income tax returns in jurisdictions with varying statutes of limitations. Due to our net operating loss carryforwards, our income tax returns generally remain subject to examination by federal and most state and foreign tax authorities. We are not currently under examination in any federal, state or foreign jurisdiction.

Note 12. Net loss per share

Basic net loss per share attributable to common stockholders is computed by dividing the net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period. Diluted net loss per share is computed by giving effect to all potential shares of common stock, including our redeemable convertible preferred stock, our convertible preferred stock, outstanding stock options, outstanding warrants, stock related to unvested early exercised stock options and stock related to unvested restricted stock awards to the extent dilutive. Basic and diluted net loss per share was the same for each period presented as the inclusion of all potential common shares outstanding would have been anti-dilutive.

The net loss per share attributable to common stockholders is allocated based on the contractual participation rights of the Class A and Class B common shares as if the loss for the year has been distributed. As the liquidation and dividend rights are identical, the net loss attributable to common stockholders is allocated on a proportionate basis.

We consider shares issued upon the early exercise of options subject to repurchase and unvested restricted stock awards and units to be participating securities because holders of such shares have non-forfeitable dividend rights in the event of our declaration of a dividend for common shares. In future periods to the extent we are profitable, we will subtract earnings allocated to these participating securities from net income to determine net income attributable to common stockholders.

The following table presents the calculation of basic and diluted net loss attributable to common stockholders per share (in thousands, except per share data):

	Year Ended January 31,		Year Ended January 31,		One Month Ended January 31,		Year Ended December 31,	
	2013		2012		2011		2010	
	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B
Basic and diluted net loss attributable to Class A and Class B common stockholders per share:								
Numerator:								
Allocation of distributed net loss attributable to common stockholders	$(12,955)	$(106,803)	$—	$(79,971)	$—	$ (5,450)	$—	$(56,215)
Denominator:								
Weighted-average common shares outstanding	8,006	66,005	—	29,478	—	27,642	—	25,367
Basic and diluted net loss per share	$ (1.62)	$ (1.62)	$—	$ (2.71)	$—	$ (0.20)	$—	$ (2.22)

The anti-dilutive securities excluded from the weighted-average shares used to calculate the diluted net loss per common share were as follows (in thousands):

	As of			
	January 31, 2013	January 31, 2012	January 31, 2011	December 31, 2010
Shares subject to outstanding common stock options and warrants	31,206	30,561	28,146	28,674
Shares subject to repurchase	2,916	2,927	1,160	1,275
Shares subject to unvested restricted stock awards and units	1,503	100	—	—
Redeemable convertible preferred stock	—	30,390	22,955	22,955
Convertible preferred stock	—	67,586	67,586	67,586
	35,625	131,564	119,847	120,490

Note 13. Geographic Information

Revenue by geography is based on the billing address of the customer. The following tables set forth revenue by geographic area (in thousands):

	Year Ended January 31, 2013	Year Ended January 31, 2012	One Month Ended January 31, 2011	Year Ended December 31, 2010
United States	$226,006	$111,574	$6,044	$59,208
International	47,651	22,853	1,238	8,847
Total	$273,657	$134,427	$7,282	$68,055

Note 14. Related-Party Transactions

In June 2010, we entered into a capital lease agreement with an affiliate of one of our co-CEOs, Mr. Duffield, who is also a director and significant stockholder. The lease agreement provides for an equipment lease financing facility to be drawn upon for purchases of certain equipment for use in our business operations. The amounts paid under this agreement in the years ended January 31, 2013, January 31, 2012 and December 31, 2010 were $4.2 million, $4.6 million and $1.5 million, respectively. As of January 31, 2013, the principal balance due under the lease agreement was $2.0 million and was included in Capital leases and Capital leases, noncurrent on the consolidated balance sheets.

In November 2012, we entered into three facility operating lease agreements with a third party landlord for office space adjacent to our corporate headquarters in Pleasanton, California. The term of the agreements is five years and the total rent due under the three agreements is $1.6 million for the first year of such leases, and the rent will increase by $0.60/square foot per year thereafter. In December 2012, an affiliate of Mr. Duffield assumed those leases. In addition, we signed a lease amendment in January 2013 with the same affiliate of Mr. Duffield for additional space in Pleasanton, California. The total rent due under the amendment is $0.4 million for the first year of such lease and will increase by $0.60/square foot per year thereafter. All leases are expected to commence in the year ended January 31, 2014. There were no amounts paid under these agreements in the year ended January 31, 2013.

Note 15. 401(k) Plan

We have a qualified defined contribution plan under Section 401(k) of the Internal Revenue Code covering eligible employees. To date, we have not made any matching contributions to this plan.

Note 16. Selected Quarterly Financial Data (unaudited)

The following tables set forth selected unaudited quarterly consolidated statements of operations data for each of the eight quarters in the years ended January 31, 2013 and January 31, 2012 (in thousands except per share data):

	Quarter ended							
	January 31, 2013	October 31, 2012	July 31, 2012	April 30, 2012	January 31, 2012	October 31, 2011	July 31, 2011	April 30, 2011
Consolidated Statements of Operations Data:								
Revenues	$ 81,519	$ 72,618	$ 62,702	$ 56,818	$ 43,158	$ 36,450	$ 30,126	$ 24,693
Operating loss	(30,678)	(40,868)	(26,360)	(19,957)	(23,091)	(19,442)	(20,093)	(15,818)
Net loss	(30,944)	(41,310)	(26,881)	(20,055)	(23,586)	(19,731)	(20,531)	(15,781)
Net loss attributable to Class A and Class B common stockholders	(30,944)	(41,471)	(27,087)	(20,256)	(23,843)	(19,803)	(20,537)	(15,788)
Net loss per share attributable to Class A and Class B common stockholders, basic and diluted	(0.19)	(0.67)	(0.78)	(0.61)	(0.77)	(0.66)	(0.71)	(0.56)

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officers and principal financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the period covered by this report (the Evaluation Date).

In designing and evaluating our disclosure controls and procedures, management recognizes that any disclosure 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 management's evaluation, our principal executive officers and principal financial officer concluded that our disclosure controls and procedures are designed to, and are effective to, provide assurance at a reasonable level that the 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 rules and forms, and that such information is accumulated and communicated to our management, including our co-CEOs and chief financial officer, as appropriate, to allow timely decisions regarding required disclosures.

(b) Management's Annual Report on Internal Controls Over Financial Reporting

This Annual Report on Form 10-K does not include a report of management's assessment regarding internal control over financial reporting or an attestation report of our registered public accounting firm due to a transition period established by the rules of the SEC for newly public companies.

(c) Changes in Internal Control Over Financial Reporting

Under the supervision and with the participation of our management, including our principal executive officers and principal financial officer, we conducted an evaluation of any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during our most recently completed fiscal quarter. Based on that evaluation, our principal executive officers and principal financial officer concluded that there has not been any material change in our internal control over financial reporting during the quarter covered by this report that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information concerning our directors, compliance with Section 16(a) of the Exchange Act, our Audit Committee and any changes to the process by which stockholders may recommend nominees to the Board required by this Item are incorporated herein by reference to information contained in the Proxy Statement, including "Proposal No 1. — Election of Directors", "Directors and Corporate Governance" and "Section 16(a) Beneficial Ownership Reporting Compliance."

The information concerning our executive officers required by this Item is incorporated herein by reference to information contained in the Proxy Statement including "Executive Officers and Key Employees."

We have adopted a code of ethics, our Code of Conduct, which applies to all employees, including our principal executive officers, our principal financial officer, and all other executive officers. The Code of Conduct is available on our Web site at *http://www.workday.comcompany//investor_relations/corporate_governance*. A copy may also be obtained without charge by contacting Investor Relations, Workday, Inc., 6230 Stoneridge Mall Road, Pleasanton, California 94588 or by calling (925) 951-9000.

We plan to post on our Web site at the address described above any future amendments or waivers of our Code of Conduct.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated herein by reference to information contained in the Proxy Statement, including "Directors and Corporate Governance" and "Executive Compensation."

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item is incorporated herein by reference to information contained in the Proxy Statement, including "Security Ownership of Certain Beneficial Owners and Management".

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by this Item is incorporated herein by reference to information contained in the Proxy Statement, including "Directors and Corporate Governance" "Related Persons Transactions" and "Employment Arrangements and Indemnification Agreements."

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is incorporated herein by reference to information contained in the Proxy Statement, including "Proposal No. 2 — Ratification of Appointment of Independent Registered Public Accounting Firm."

PART IV.

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) *Exhibits.* The following exhibits are included herein or incorporated herein by reference:

Exhibit No.	Exhibit	Incorporated by Reference				Filed Herewith
		Form	File No.	Filing Date	Exhibit No.	
3.1	Restated Certificate of Incorporation of the Registrant.	10-Q	001-35680	October 31, 2012	3.1	
3.2	Restated Bylaws of the Registrant.	8-K	001-35680	March 13, 2013	3.1	
4.1	Form of Registrant's Class A common stock certificate.	S-1/A	333-183640	October 1, 2012	4.1	
4.2	Form of Registrant's Class B common stock certificate.	S-8	333-184395	October 12, 2012	4.9	
4.3	Amended and Restated Investors' Rights Agreement dated October 13, 2011, by and among the Registrant certain security holders of the Registrant.	S-1	333-183640	August 30, 2012	4.2	
10.1	Form of Indemnification Agreement.	S-1	333-183640	August 30, 2012	10.1	
10.2†	2005 Stock Plan, as amended and form of stock option and stock option exercise agreement.	S-1	333-183640	August 30, 2012	10.2	
10.3†	2012 Equity Incentive Plan and form of form of stock option award agreement, restricted stock agreement, stock appreciation right award agreement, restricted stock unit award agreement, performance shares award agreement and stock bonus award agreement.	S-1	333-183640	August 30, 2012	10.3	
10.4†	2012 Employee Stock Purchase Plan.	S-1	333-183640	August 30, 2012	10.4	
10.5†	Offer Letter between Michael A. Stankey and the Registrant, dated September 4, 2009.	S-1	333-183640	August 30, 2012	10.5	
10.6†	Offer Letter between James P. Shaughnessy and the Registrant, dated July 7, 2011.	S-1	333-183640	August 30, 2012	10.6	
10.7†	Offer Letter between Mark S. Peek and the Registrant, dated April 9, 2012, as amended May 22, 2012.	S-1	333-183640	August 30, 2012	10.7	
10.8	Office Lease Agreement, dated September 18, 2008, between Registrant and 6200 Stoneridge Mall Road Investors, LLC	S-1	333-183640	August 30, 2012	10.8	

Exhibit No.	Exhibit	Incorporated by Reference				Filed Herewith
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10.9	Sub-Sublease, dated September 22, 2008, between Registrant and E-Loan, Inc.	S-1	333-183640	August 30, 2012	10.9	
10.10	Form of Warrant to Purchase Class B Common Stock, dated May 19, 2008, issued by the Registrant to Flextronics International Management Services Ltd., as amended.	S-1	333-183640	August 30, 2012	10.10	
10.11	Stock Restriction Agreement, by and among the Registrant, David A. Duffield and Aneel Bhusri.	S-1/A	333-183640	October 1, 2012	10.11	
21.1	List of Subsidiaries of Registrant.					X
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.					X
24.1	Power of Attorney (see page 81 to this Report)					X
31.1	Certification of Periodic Report by Principal Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002					X
31.2	Certification of Periodic Report by Principal Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002					X
31.3	Certification of Periodic Report by Principal Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002					X
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					X
32.2*	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					X
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Exhibit No.	Exhibit	Incorporated by Reference				Filed Herewith
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101.INS	XBRL Instance Document.					X
101.SCH	XBRL Taxonomy Extension Schema Document.					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.					X

† Indicates a management contract or compensatory plan.

* As contemplated by SEC Release No. 33-8212, these exhibits are furnished with this Annual Report on Form 10-K and are not deemed filed with the Securities and Exchange Commission and are not incorporated by reference in any filing of Workday, Inc. under the Securities Act of 1933 or the Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language in such filings.

(b) *Financial Statement Schedules.* All financial statement schedules are omitted because they are not applicable or the information is included in the Registrant's consolidated financial statements or related notes.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Pleasanton, State of California, on this 22nd day of March, 2013.

WORKDAY, INC.

/s/ Mark S. Peek

Mark S. Peek
Chief Financial Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Mark S. Peek or James P. Shaughnessy, or any of them, his attorneys-in-fact, for such person in any and all capacities, to sign any amendments to this report and to file the same, with exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that either of said attorneys-in-fact, or substitute or substitutes, may do or cause to be done by virtue hereof.

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
/s/ David A. Duffield **David A. Duffield**	Co-Chief Executive Officer and Director *(Principal Executive Officer)*	March 22, 2013
/s/ Aneel Bhusri **Aneel Bhusri**	Chairman and Co-Chief Executive Officer *(Principal Executive Officer)*	March 22, 2013
/s/ Mark S. Peek **Mark S. Peek**	Chief Financial Officer *(Principal Financial and Accounting Officer)*	March 22, 2013
/s/ A. George Battle **A. George Battle**	Director	March 22, 2013
/s/ Christa Davies **Christa Davies**	Director	March 22, 2013
/s/ Michael M. McNamara **Michael M. McNamara**	Director	March 22, 2013
/s/ Scott D. Sandell **Scott D. Sandell**	Director	March 22, 2013
/s/ George J. Still, Jr. **George J. Still, Jr.**	Director	March 22, 2013

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