Workday, Inc.
Reconciliation of GAAP to Non-GAAP Data
Three Months Ended April 30, 2014
(in thousands, except per share data)
(unaudited)

	GAAP	Share-Based Compensation	Other Operating Expenses(2)	Amortization of Debt Discount and Issuance Costs	Non-GAAP
Costs and expenses:					
Costs of subscription services	$ 21,459	$ (1,055)	$ (46)	$ -	$ 20,358
Costs of professional services	35,960	(2,198)	(89)	-	33,673
Product development	65,171	(10,868)	(682)	-	53,621
Sales and marketing	68,167	(6,752)	(273)	-	61,142
General and administrative	21,063	(8,001)	409	-	13,471
Operating loss	(52,083)	28,874	681	-	(22,528)
Operating margin	*-32.6%*	*18.1%*	*0.4%*	-	*-14.1%*
Other expense, net	(6,999)	-	-	5,920	(1,079)
Loss before provision for income taxes	(59,082)	28,874	681	5,920	(23,607)
Provision for income taxes	307	-	-	-	307
Net loss	$ (59,389)	$ 28,874	$ 681	$ 5,920	$(23,914)
Net loss per share, basic and diluted (1)	$ (0.32)	$ 0.16	$ -	$ 0.03	$ (0.13)

(1) Calculated based upon 183,084 basic and diluted weighted-average shares of common stock.
(2) Other operating expenses include employer payroll taxes on employee stock transactions and amortization of acquisition-related intangible assets.

Workday, Inc.
Reconciliation of GAAP to Non-GAAP Data
Three Months Ended April 30, 2013
(in thousands, except per share data)
(unaudited)

	GAAP	Share-Based Compensation	Other Operating Expenses(2)	Non-GAAP
Costs and expenses:				
Costs of subscription services	$ 14,930	$ (262)	$ (8)	$ 14,660
Costs of professional services	21,769	(475)	(293)	21,001
Product development	36,282	(1,907)	(232)	34,143
Sales and marketing	38,364	(1,043)	(91)	37,230
General and administrative	12,924	(3,729)	(53)	9,142
Operating loss	(32,624)	7,416	677	(24,531)
Operating margin	*-35.6%*	*8.1%*	*0.7%*	*-26.8%*
Loss before provision for income taxes	(32,880)	7,416	677	(24,787)
Provision for income taxes	135	-	-	135
Net loss	$ (33,015)	$ 7,416	$ 677	$ (24,922)
Net loss per share, basic and diluted (1)	$ (0.20)	$ 0.05	$ -	$ (0.15)

(1) Calculated based upon 168,074 basic and diluted weighted-average shares of common stock.
(2) Other operating expenses include employer payroll taxes on employee stock transactions.

Workday, Inc.

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

	Three Months Ended April 30,		Trailing Twelve Months Ended April 30,	
	2014	**2013**	**2014**	**2013**
GAAP cash flows from operating activities	$ 21,697	$ 17,310	$ 50,650	$ 15,816
Capital expenditures	(9,873)	(1,895)	(68,703)	(15,596)
Property and equipment acquired under capital lease	-	(115)	-	(18,598)
Purchase of other intangible assets	-	-	(15,000)	-
Free cash flows	$ 11,824	$ 15,300	$ (33,053)	$ (18,378)

Workday, Inc.

Reconciliation of GAAP Total Revenues and Unearned Revenue to Billings
(A Non-GAAP Financial Measure)
(in thousands)
(unaudited)

	Three Months Ended April 30,	
	2014	**2013**
Total revenues	$ 159,737	$ 91,645
Beginning balance - unearned revenue	(413,565)	(285,260)
Ending balance - unearned revenue	461,943	300,938
Billings	$ 208,115	$ 107,323

Workday, Inc.
Supplemental financial information including non-GAAP data

	Quarter ended 4/30/13	Quarter ended 1/31/14	Quarter ended 4/30/14
GAAP results:			
Costs of subscription services	$ 14,930	$ 19,862	$ 21,459
Sequential change %		*9.9%*	*8.0%*
Y/Y change %		*59.1%*	*43.7%*
Costs of professional services	21,769	30,904	35,960
Sequential change %		*1.3%*	*16.4%*
Y/Y change %		*50.7%*	*65.2%*
Total costs of revenue	36,699	50,766	57,419
Sequential change %		*4.5%*	*13.1%*
Y/Y change %		*53.9%*	*56.5%*
Subscription services gross margin	*78.2%*	*82.1%*	*82.6%*
Professional services gross margin	*6.3%*	*0.8%*	*1.0%*
Gross margin	*60.0%*	*64.2%*	*64.1%*
Product development	36,282	55,317	65,171
Sequential change %		*12.1%*	*17.8%*
Y/Y change %		*82.9%*	*79.6%*
Sales and marketing	38,364	60,808	68,167
Sequential change %		*12.5%*	*12.1%*
Y/Y change %		*67.1%*	*77.7%*
General and administrative	12,924	22,951	21,063
Sequential change %		*41.0%*	*-8.2%*
Y/Y change %		*82.6%*	*63.0%*
Operating loss	(32,624)	(47,976)	(52,083)
Operating margin	*-35.6%*	*-33.8%*	*-32.6%*
Sequential change %		*-2.2%*	*1.2%*
Y/Y change %		*3.8%*	*3.0%*
Other expense, net	(256)	(6,921)	(6,999)
Net loss	(33,015)	(55,982)	(59,389)
Net loss per share	$ (0.20)	$ (0.32)	$ (0.32)
Weighted-average shares used to compute net loss per share	168,074	175,194	183,084

Workday, Inc.
Supplemental financial information including non-GAAP data

	Quarter ended 4/30/13	Quarter ended 1/31/14	Quarter ended 4/30/14
Adjustments (1):	**(2)**		
Costs of subscription services	$ (270)	$ (971)	$ (1,101)
Costs of professional services	(768)	(2,128)	(2,287)
Total costs of revenue	(1,038)	(3,099)	(3,388)
Subscription services gross margin	*0.4%*	*0.9%*	*0.9%*
Professional services gross margin	*3.3%*	*6.8%*	*6.3%*
Gross margin	*1.1%*	*2.2%*	*2.1%*
Product development (4)	(2,139)	(9,844)	(11,550)
Sales and marketing	(1,134)	(5,113)	(7,025)
General and administrative	(3,782)	(8,969)	(7,592)
Operating loss	8,093	27,025	29,555
Operating margin	*8.8%*	*19.0%*	*18.5%*
Other expense, net (3)	-	5,841	5,920
Net loss	8,093	32,866	35,475
Net loss per share	$ 0.05	$ 0.19	$ 0.19
Weighted-average shares used to compute net loss per share	168,074	175,194	183,084

(1) Adjustments relate to share-based compensation.
(2) Beginning in the quarter ended 4/30/2013, there are adjustments to subtract employer payroll taxes on employee stock transactions.
(3) Beginning in the quarter ended 7/31/2013, there are adjusments to subtract the amortization of debt discount and issuance costs related to the 2018 Notes and 2020 Notes.
(4) Beginning in the quarter ended 4/30/2014, there is an adjustment to subtract amortization of acquisition-related intangible assets.

Workday, Inc.
Supplemental financial information including non-GAAP data

		Quarter ended 4/30/13		Quarter ended 1/31/14		Quarter ended 4/30/14
Non-GAAP results:						
Costs of subscription services	$	14,660	$	18,891	$	20,358
Sequential change %				*9.2%*		*7.8%*
Y/Y change %				*53.8%*		*38.9%*
Costs of professional services		21,001		28,776		33,673
Sequential change %				*-0.1%*		*17.0%*
Y/Y change %				*44.7%*		*60.3%*
Total costs of revenue		35,661		47,667		54,031
Sequential change %				*3.4%*		*13.4%*
Y/Y change %				*48.2%*		*51.5%*
Subscription services gross margin		78.6%		82.9%		83.5%
Sequential change %				*1.3%*		*0.6%*
Sequential change (bps)				*135 bps*		*57 bps*
Y/Y change %				*3.5%*		*4.9%*
Y/Y change (bps)				*354 bps*		*493 bps*
Professional services gross margin		9.6%		7.6%		7.3%
Sequential change %				*-7.6%*		*-0.3%*
Sequential change (bps)				*(756) bps*		*(31) bps*
Y/Y change %				*-1.5%*		*-2.3%*
Y/Y change (bps)				*(154) bps*		*(227) bps*
Gross margin		61.1%		66.4%		66.2%
Sequential change %				*2.4%*		*-0.2%*
Sequential change (bps)				*244 bps*		*(22) bps*
Y/Y change %				*5.9%*		*5.1%*
Y/Y change(bps)				*587 bps*		*509 bps*
Product development		34,143		45,473		53,621
Sequential change %				*8.5%*		*17.9%*
Y/Y change %				*57.1%*		*57.0%*
Sales and marketing		37,230		55,695		61,142
Sequential change %				*12.8%*		*9.8%*
Y/Y change %				*56.8%*		*64.2%*
General and administrative		9,142		13,982		13,471
Sequential change %				*34.9%*		*-3.7%*
Y/Y change %				*38.2%*		*47.4%*
Operating loss		(24,531)		(20,951)		(22,528)
Operating margin		*-26.8%*		*-14.8%*		*-14.1%*
Sequential change %				*0.8%*		*0.7%*
Sequential change (bps)				*78 bps*		*66 bps*
Y/Y change %				*16.2%*		*12.7%*
Y/Y change (bps)				*1,618 bps*		*1,266 bps*
Other expense, net		(256)		(1,080)		(1,079)
Net loss		(24,922)		(23,116)		(23,914)
Net loss per share	$	(0.15)	$	(0.13)	$	(0.13)
Weighted-average shares used to compute net loss per share		168,074		175,194		183,084

About Non-GAAP Financial Measures

To provide investors and others with additional information regarding Workday's results, we have disclosed the following non-GAAP financial measures: non-GAAP operating loss, non-GAAP net loss per share, free cash flows, and billings. Workday has provided a reconciliation of each non-GAAP financial measure used in this earnings release to the most directly comparable GAAP financial measure. The non-GAAP financial measures non-GAAP operating loss and non-GAAP net loss per share differ from GAAP in that they exclude share-based compensation, employer payroll taxes on employee stock transactions, amortization of acquisition-related intangible assets and non-cash interest expense related to our convertible senior notes, as applicable. Free cash flows differ from GAAP cash flows from operating activities in that it treats capital expenditures, assets acquired under a capital lease and purchased other (non-acquisition related) intangible assets as a reduction to cash flows. Billings differ from GAAP total revenues in that it adds the sequential quarterly change in total GAAP unearned revenue, both current and non-current, to total GAAP revenues.

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

Management believes excluding the following items from the GAAP Condensed Consolidated Statement of Operations is useful to investors and others in assessing Workday's operating performance due to the following factors:

- *Share-based compensation.* Although share-based compensation is an important aspect of the compensation of our employees and executives, management believes it is useful to exclude share-based compensation in order to better understand the long-term performance of our core business and to facilitate comparison of our results to those of peer companies. For restricted share awards, the amount of share-based compensation expenses is not reflective of the value ultimately received by the grant recipients. Moreover, determining the fair value of certain of the share-based instruments we utilize involves a high degree of judgment and estimation and the expense recorded may bear little resemblance to the actual value realized upon the vesting or future exercise of the related share-based awards. Unlike cash compensation, the value of stock options and the Employee Stock Purchase Plan, which is an element of our ongoing share-based compensation expenses, is determined using a complex formula that incorporates factors, such as market volatility and forfeiture rates, that are beyond our control.

- *Other Operating Expenses.* Other operating expenses included employer payroll taxes on employee stock transactions for the three months ended April 30, 2014 and 2013 and amortization of acquisition-related intangible assets for the three months ended April 30, 2014. The amount of employer payroll taxes on share-based compensation is dependent on our stock price and other factors that are beyond our control and do not correlate to the operation of the business. For business combinations, we generally allocate a portion of the purchase price to intangible assets. The amount of the allocation is based on estimates and assumptions made by management and is subject to amortization. The amount of purchase price allocated to intangible assets and the term of its related amortization can vary significantly and are unique to each acquisition and thus we do not believe it is reflective of the ongoing operations.

- *Amortization of debt discount and issuance costs.* Under GAAP, we are required to separately account for liability (debt) and equity (conversion option) components of the convertible senior notes that were issued in private placements in June 2013. Accordingly, for GAAP purposes we are required to recognize the effective interest expense on our convertible senior notes and amortize the issuance costs over the term of the notes. The difference between the effective interest expense and the contractual interest expense and the amortization expense of issuance costs are excluded from management's assessment of our operating performance because management believes that these non-cash expenses are not indicative of ongoing operating performance. Management believes that the exclusion of the non-cash interest expense provides investors an enhanced view of the company's operational performance.

Additionally, we believe that the non-GAAP financial measure, free cash flows, is meaningful to investors because we review cash flows generated from or used in operations after deducting capital expenditures, whether purchased or leased, and purchased other intangible assets, due to the fact that these expenditures are considered to be an ongoing operational component of our business. This provides an enhanced view of cash available to make strategic acquisitions and investments, to fund ongoing operations and to fund other capital expenditures.

We review the non-GAAP financial measure of total billings in evaluating our current quarter performance. This non-GAAP financial measure is meaningful to investors due to the fact that it is an indicator of the health of our business, and has historically represented a significant portion of the quarterly revenue that we recognize.

The use of non-GAAP operating loss and net loss per share has certain limitations as they do not reflect all items of income and expense that affect Workday's operations. Workday compensates for these limitations by reconciling the non-GAAP financial measures to the most comparable GAAP financial measures. Moreover, total billings are limited in that they include amounts that have not yet been recognized as revenue and are also impacted by the timing of billings and collections.These non-GAAP financial measures should be considered in addition to, not as a substitute for or in isolation from, measures prepared in accordance with GAAP. Further, these non-GAAP measures may differ from the non-GAAP information used by other companies, including peer companies, and therefore comparability may be limited. Management encourages investors and others to review Workday's financial information in its entirety and not rely on a single financial measure.