

**Workday, Inc.**  
**Reconciliation of GAAP to Non-GAAP Data**  
Three Months Ended July 31, 2015  
(in thousands)  
(unaudited)

	GAAP	Share-Based Compensation Expenses	Other Operating Expenses <sup>(1)</sup>	Amortization of Debt Discount and Issuance Costs	Non-GAAP
Costs and expenses:					
Costs of subscription services	\$ 35,287	\$ (3,173)	\$ (76)	\$ —	\$ 32,038
Costs of professional services	56,792	(5,144)	(170)	—	51,478
Product development	115,345	(28,632)	(1,068)	—	85,645
Sales and marketing	106,430	(13,222)	(327)	—	92,881
General and administrative	36,482	(14,593)	(516)	—	21,373
Operating loss	(67,640)	64,764	2,157	—	(719)
Operating margin	(23.9)%	22.9%	0.7%	—	(0.3)%
Other expense, net	(3,779)	—	—	6,336	2,557
Loss before provision for (benefit from) income taxes	(71,419)	64,764	2,157	6,336	1,838
Provision for (benefit from) income taxes	(1,998)	—	—	—	(1,998)
Net income (loss)	\$ (69,421)	\$ 64,764	\$ 2,157	\$ 6,336	\$ 3,836

<sup>(1)</sup> Other operating expenses include employer payroll tax-related items on employee stock transactions and amortization of acquisition-related intangible assets.

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	GAAP	Share-Based Compensation Expenses	Other Operating Expenses <sup>(1)</sup>	Amortization of Debt Discount and Issuance Costs	Non-GAAP
Costs and expenses:					
Costs of subscription services	\$ 24,373	\$ (1,608)	\$ (42)	\$ —	\$ 22,723
Costs of professional services	41,267	(3,519)	(46)	—	37,702
Product development	77,464	(16,737)	(788)	—	59,939
Sales and marketing	78,523	(7,377)	(238)	—	70,908
General and administrative	26,922	(11,541)	(767)	—	14,614
Operating loss	(61,769)	40,782	1,881	—	(19,106)
Operating margin	(33.1)%	21.9%	1.0%	—	(10.2)%
Other expense, net	(6,953)	—	—	6,002	(951)
Loss before provision for income taxes	(68,722)	40,782	1,881	6,002	(20,057)
Provision for income taxes	493	—	—	—	493
Net loss	\$ (69,215)	\$ 40,782	\$ 1,881	\$ 6,002	\$ (20,550)

<sup>(1)</sup> Other operating expenses include employer payroll tax-related items on employee stock transactions and amortization of acquisition-related intangible assets.

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	GAAP	Share-Based Compensation Expenses	Other Operating Expenses <sup>(1)</sup>	Amortization of Debt Discount and Issuance Costs	Non-GAAP
Costs and expenses:					
Costs of subscription services	\$ 67,069	\$ (5,221)	\$ (262)	\$ —	\$ 61,586
Costs of professional services	102,924	(8,598)	(524)	—	93,802
Product development	214,680	(49,443)	(3,381)	—	161,856
Sales and marketing	201,325	(21,587)	(958)	—	178,780
General and administrative	68,699	(27,189)	(1,103)	—	40,407
Operating loss	(121,044)	112,038	6,228	—	(2,778)
Operating margin	(22.7)%	21.0%	1.2%	—	(0.5)%
Other expense, net	(11,015)	—	—	12,586	1,571
Loss before provision for (benefit from) income taxes	(132,059)	112,038	6,228	12,586	(1,207)
Provision for (benefit from) income taxes	(1,080)	—	—	—	(1,080)
Net loss	\$ (130,979)	\$ 112,038	\$ 6,228	\$ 12,586	\$ (127)

<sup>(1)</sup> Other operating expenses include employer payroll tax-related items on employee stock transactions and amortization of acquisition-related intangible assets.

**Workday, Inc.**  
**Reconciliation of GAAP to Non-GAAP Data**  
Six Months Ended July 31, 2014  
(in thousands)  
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	GAAP	Share-Based Compensation Expenses	Other Operating Expenses <sup>(1)</sup>	Amortization of Debt Discount and Issuance Costs	Non-GAAP
Costs and expenses:					
Costs of subscription services	\$ 45,832	\$ (2,663)	\$ (88)	\$ —	\$ 43,081
Costs of professional services	77,227	(5,717)	(135)	—	71,375
Product development	142,635	(27,605)	(1,470)	—	113,560
Sales and marketing	146,690	(14,129)	(511)	—	132,050
General and administrative	47,985	(19,542)	(358)	—	28,085
Operating loss	(113,852)	69,656	2,562	—	(41,634)
Operating margin	(32.9)%	20.1%	0.8%	—	(12.0)%
Other expense, net	(13,952)	—	—	11,922	(2,030)
Loss before provision for income taxes	(127,804)	69,656	2,562	11,922	(43,664)
Provision for income taxes	800	—	—	—	800
Net loss	\$ (128,604)	\$ 69,656	\$ 2,562	\$ 11,922	\$ (44,464)

<sup>(1)</sup> Other operating expenses include employer payroll tax-related items on employee stock transactions and amortization of acquisition-related intangible assets.

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

	<b>Three Months Ended July 31,</b>		<b>Six Months Ended July 31,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Net cash provided by (used in) operating activities	\$ 15,511	\$ (9,011)	\$ 109,570	\$ 12,686
Purchases of property and equipment	(25,792)	(28,409)	(55,972)	(38,282)
Free cash flows	<u>\$ (10,281)</u>	<u>\$ (37,420)</u>	<u>\$ 53,598</u>	<u>\$ (25,596)</u>
<b>Trailing Twelve Months Ended July 31,</b>				
	<b>2015</b>	<b>2014</b>		
Net cash provided by (used in) operating activities	\$ 198,887	\$ 54,555		
Purchases of property and equipment	(121,336)	(67,380)		
Purchases of other intangible assets	—	(15,000)		
Free cash flows	<u>\$ 77,551</u>	<u>\$ (27,825)</u>		

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

	Quarter ended 7/31/14	Quarter ended 4/30/15	Quarter ended 7/31/2015
<b>GAAP results:</b>			
Costs of subscription services	\$ 24,373	\$ 31,782	\$ 35,287
Sequential change %	13.6%	8.8%	11.0%
Y/Y change %	49.3%	48.1%	44.8%
Costs of professional services	41,267	46,132	56,792
Sequential change %	14.8%	13.2%	23.1%
Y/Y change %	68.9%	28.3%	37.6%
Total costs of revenue	65,640	77,914	92,079
Sequential change %	14.3%	11.4%	18.2%
Y/Y change %	61.1%	35.7%	40.3%
Subscription services gross margin	83.0%	84.2%	84.2%
Professional services gross margin	4.3%	7.7%	3.7%
Gross margin	64.9%	69.0%	67.4%
Product development	77,464	99,335	115,345
Sequential change %	18.9%	11.7%	16.1%
Y/Y change %	88.2%	52.4%	48.9%
Sales and marketing	78,523	94,895	106,430
Sequential change %	15.2%	7.3%	12.2%
Y/Y change %	77.9%	39.2%	35.5%
General and administrative	26,922	32,217	36,482
Sequential change %	27.8%	10.1%	13.2%
Y/Y change %	95.6%	53.0%	35.5%
Operating loss	(61,769)	(53,404)	(67,640)
Operating margin	-33.1%	-21.3%	-23.9%
Sequential change %	-0.5%	1.0%	-2.6%
Y/Y change %	-3.1%	11.3%	9.1%
Other expense, net	(6,953)	(7,236)	(3,779)
Net loss	(69,215)	(61,558)	(69,421)
Net loss per share	\$ (0.38)	\$ (0.33)	\$ (0.37)
Weighted-average shares used to compute net loss per share	184,319	187,390	189,360

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

	Quarter ended 7/31/14	Quarter ended 4/30/15	Quarter ended 7/31/15
<b>Adjustments:</b>			
Costs of subscription services <sup>(1)</sup>	\$ (1,650)	\$ (2,234)	\$ (3,249)
Costs of professional services <sup>(1)</sup>	(3,565)	(3,808)	(5,314)
Total costs of revenue	(5,215)	(6,042)	(8,563)
Subscription services gross margin	1.1%	1.1%	1.5%
Professional services gross margin	8.3%	7.6%	9.0%
Gross margin	2.8%	2.4%	3.1%
Product development <sup>(1)(2)</sup>	(17,525)	(23,124)	(29,700)
Sales and marketing <sup>(1)</sup>	(7,615)	(8,996)	(13,549)
General and administrative <sup>(1)</sup>	(12,308)	(13,183)	(15,109)
Operating loss	42,663	51,345	66,921
Operating margin	22.8%	20.5%	23.6%
Other expense, net <sup>(3)</sup>	6,002	6,250	6,336
Net loss	48,665	57,595	73,257

<sup>(1)</sup> Adjustments related to share-based compensation and employer payroll tax-related items on employee stock transactions.

<sup>(2)</sup> Adjustments related to amortization of acquisition-related intangible assets.

<sup>(3)</sup> Adjustments related to the amortization of debt discount and issuance costs related to the 2018 Notes and 2020 Notes.

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

	Quarter ended 7/31/14	Quarter ended 4/30/15	Quarter ended 7/31/2015
<b>Non-GAAP results:</b>			
Costs of subscription services	\$ 22,723	\$ 29,548	\$ 32,038
Sequential change %	11.6%	6.7%	8.4%
Y/Y change %	42.7%	45.1%	41.0%
Costs of professional services	37,702	42,324	51,478
Sequential change %	12.0%	12.8%	21.6%
Y/Y change %	59.9%	25.7%	36.5%
Total costs of revenue	60,425	71,872	83,516
Sequential change %	11.8%	10.2%	16.2%
Y/Y change %	53.0%	33.0%	38.2%
Subscription services gross margin	84.2%	85.3%	85.7%
Sequential change %	0.7%	0.5%	0.4%
Sequential change (bps)	68 bps	52 bps	38 bps
Y/Y change %	3.8%	1.8%	1.5%
Y/Y change (bps)	382 bps	180 bps	150 bps
Professional services gross margin	12.6%	15.3%	12.7%
Sequential change %	5.3%	-0.2%	-2.6%
Sequential change (bps)	527 bps	(19) bps	(261) bps
Y/Y change %	1.7%	8.0%	0.1%
Y/Y change (bps)	172 bps	798 bps	10 bps
Gross margin	67.6%	71.4%	70.5%
Sequential change %	1.5%	0.2%	-0.9%
Sequential change (bps)	147 bps	18 bps	(90) bps
Y/Y change %	4.4%	5.2%	2.8%
Y/Y change (bps)	437 bps	519 bps	281 bps
Product development	59,939	76,211	85,645
Sequential change %	11.8%	7.8%	12.4%
Y/Y change %	60.3%	42.1%	42.9%
Sales and marketing	70,908	85,899	92,881
Sequential change %	16.0%	6.1%	8.1%
Y/Y change %	68.6%	40.5%	31.0%
General and administrative	14,614	19,034	21,373
Sequential change %	8.5%	5.9%	12.3%
Y/Y change %	42.1%	41.3%	46.3%
Operating loss	(19,106)	(2,059)	(719)
Operating margin	-10.2%	-0.8%	-0.3%
Sequential change %	3.9%	3.0%	0.6%
Sequential change (bps)	387 bps	298 bps	57 bps
Y/Y change %	9.9%	13.3%	10.0%
Y/Y change (bps)	991 bps	1,328 bps	997 bps
Other income (expense), net	(951)	(986)	2,557
Net income (loss)	(20,550)	(3,963)	3,836

## 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 and free cash flows. 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 measure non-GAAP operating loss differs from GAAP in that it excludes share-based compensation expenses, employer payroll tax-related items on employee stock transactions and amortization of acquisition-related intangible assets. Free cash flows differ from GAAP cash flows from operating activities in that it treats purchases of property and equipment, property and equipment acquired under capital leases and purchased other (non-acquisition related) intangible assets as a reduction to cash flows.

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

Management believes 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 expenses.* 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 stock unit 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 shares offered under our Employee Stock Purchase Plan, which are elements 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 includes employer payroll tax-related items on employee stock transactions and amortization of acquisition-related intangible assets. The amount of employer payroll tax-related items on employee stock transactions 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.

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