

salesforce.com, inc.
Consolidated Balance Sheets
(in thousands, except per share data)

	January 31, 2014	January 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 781,635	\$ 747,245
Short-term marketable securities	57,139	120,376
Accounts receivable, net of allowance for doubtful accounts of \$4,769 and \$1,853 at January 31, 2014 and 2013, respectively	1,360,837	872,634
Deferred commissions	171,461	142,311
Prepaid expenses and other current assets	309,180	133,314
Total current assets	2,680,252	2,015,880
Marketable securities, noncurrent	482,243	890,664
Property and equipment, net	1,240,746	604,669
Deferred commissions, noncurrent	153,459	112,082
Capitalized software, net	481,917	207,323
Goodwill	3,500,823	1,529,378
Other assets, net	613,490	168,960
Total assets	<u>\$9,152,930</u>	<u>\$5,528,956</u>
Liabilities, temporary equity and stockholders' equity		
Current liabilities:		
Accounts payable, accrued expenses and other liabilities	\$ 934,324	\$ 597,706
Deferred revenue	2,473,705	1,798,640
Convertible 0.75% senior notes, net	542,159	521,278
Term loan, current	30,000	0
Total current liabilities	3,980,188	2,917,624
Convertible 0.25% senior notes, net	1,046,930	0
Term loan, noncurrent	255,000	0
Deferred revenue, noncurrent	48,410	64,355
Other noncurrent liabilities	757,187	175,732
Total liabilities	<u>6,087,715</u>	<u>3,157,711</u>
Temporary equity	<u>26,705</u>	<u>53,612</u>
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Preferred stock, \$0.001 par value; 5,000 shares authorized and none issued and outstanding	0	0
Common stock, \$0.001 par value; 1,600,000 shares authorized, 610,143 and 585,627 issued and outstanding at January 31, 2014 and 2013, respectively (1)	610	586
Additional paid-in capital (1)	3,363,377	2,410,892
Accumulated other comprehensive income	17,680	17,137
Accumulated deficit	<u>(343,157)</u>	<u>(110,982)</u>
Total stockholders' equity	<u>3,038,510</u>	<u>2,317,633</u>
Total liabilities, temporary equity and stockholders' equity	<u>\$9,152,930</u>	<u>\$5,528,956</u>

(1) Prior period results have been adjusted to reflect the four-for-one stock split through a stock dividend which occurred in April 2013.

See accompanying Notes.

salesforce.com, inc.
Consolidated Statements of Operations
(in thousands, except per share data)

	Fiscal Year Ended January 31,		
	2014	2013	2012
Revenues:			
Subscription and support	\$ 3,824,542	\$ 2,868,808	\$ 2,126,234
Professional services and other	246,461	181,387	140,305
Total revenues	4,071,003	3,050,195	2,266,539
Cost of revenues (1)(2):			
Subscription and support	711,880	494,187	360,758
Professional services and other	256,548	189,392	128,128
Total cost of revenues	968,428	683,579	488,886
Gross profit	3,102,575	2,366,616	1,777,653
Operating expenses (1)(2):			
Research and development	623,798	429,479	295,347
Marketing and sales	2,168,132	1,614,026	1,169,610
General and administrative	596,719	433,821	347,781
Total operating expenses	3,388,649	2,477,326	1,812,738
Loss from operations	(286,074)	(110,710)	(35,085)
Investment income	10,218	19,562	23,268
Interest expense	(77,211)	(30,948)	(17,045)
Other expense	(4,868)	(5,698)	(4,455)
Loss before benefit from (provision for) income taxes	(357,935)	(127,794)	(33,317)
Benefit from (provision for) income taxes	125,760	(142,651)	21,745
Net loss	\$ (232,175)	\$ (270,445)	\$ (11,572)
Earnings per share-basic and diluted:			
Basic net loss per share (3)	\$ (0.39)	\$ (0.48)	\$ (0.02)
Diluted net loss per share (3)	\$ (0.39)	\$ (0.48)	\$ (0.02)
Shares used in computing basic net loss per share (3)	597,613	564,896	541,208
Shares used in computing diluted net loss per share (3)	597,613	564,896	541,208

(1) Amounts include amortization of purchased intangibles from business combinations, as follows:

	Fiscal Year Ended January 31,		
	2014	2013	2012
Cost of revenues	\$ 109,356	\$ 77,249	\$ 60,069
Marketing and sales	37,179	10,922	7,250

(2) Amounts include stock-based expenses, as follows:

	Fiscal Year Ended January 31,		
	2014	2013	2012
Cost of revenues	\$ 45,608	\$ 33,757	\$ 17,451
Research and development	107,420	76,333	45,894
Marketing and sales	258,571	199,284	115,730
General and administrative	91,681	69,976	50,183

(3) Prior period results have been adjusted to reflect the four-for-one stock split through a stock dividend which occurred in April 2013.

See accompanying Notes.

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salesforce.com, inc.
Consolidated Statements of Comprehensive Loss
(in thousands)

	Fiscal Year Ended January 31,		
	2014	2013	2012
Net loss	\$(232,175)	\$ (270,445)	\$(11,572)
Other comprehensive income, before tax and net of reclassification adjustments:			
Foreign currency translation and other gains (losses)	(4,930)	4,783	9,512
Unrealized gains (losses) on investments	8,120	(329)	(5,658)
Other comprehensive income, before tax	3,190	4,454	3,854
Tax effect	(2,647)	0	2,110
Other comprehensive income, net of tax	543	4,454	5,964
Comprehensive loss	<u>\$(231,632)</u>	<u>\$(265,991)</u>	<u>\$(5,608)</u>

See accompanying Notes.

salesforce.com, inc.
Consolidated Statements of Stockholders' Equity
(in thousands)

	Common Stock		Additional Paid-in Capital(1)	Accumulated Other Comprehensive Income/(Loss)	Retained Earnings (Accumulated Deficit)	Total Stockholders' Equity(1)
	Shares(1)	Amount(1)				
Balances at January 31, 2011	531,684	\$ 532	\$1,098,205	\$ 6,719	\$ 171,035	\$ 1,276,491
Exercise of stock options and stock grants to board members for board services	10,070	10	111,770	0	0	111,780
Vested restricted stock units converted to shares	4,300	4	(3)	0	0	1
Shares issued related to business combinations	2,092	2	56,612	0	0	56,614
Tax benefits from employee stock plans	0	0	1,611	0	0	1,611
Stock-based expenses	0	0	225,212	0	0	225,212
Temporary equity reclassification	0	0	(78,741)	0	0	(78,741)
Other comprehensive income, net of tax	0	0	0	5,964	0	5,964
Net loss	0	0	0	0	(11,572)	(11,572)
Balances at January 31, 2012	548,146	\$ 548	\$ 1,414,666	\$ 12,683	\$ 159,463	\$ 1,587,360
Exercise of stock options and stock grants to board members for board services	20,237	20	278,986	0	0	279,006
Vested restricted stock units converted to shares	6,564	7	(6)	0	0	1
Shares issued related to business combinations	7,727	8	240,020	0	0	240,028
Shares issued under employee stock plans	2,953	3	69,067	0	0	69,070
Tax benefits from employee stock plans	0	0	7,189	0	0	7,189
Stock-based expenses	0	0	375,841	0	0	375,841
Temporary equity reclassification	0	0	25,129	0	0	25,129
Other comprehensive income, net of tax	0	0	0	4,454	0	4,454
Net loss	0	0	0	0	(270,445)	(270,445)
Balances at January 31, 2013	585,627	\$ 586	\$2,410,892	\$ 17,137	\$ (110,982)	\$ 2,317,633
Exercise of stock options and stock grants to board members for board services	9,952	10	197,012	0	0	196,578
Vested restricted stock units converted to shares	9,265	9	0	0	0	9
Shares issued related to business combinations	2,367	2	81,191	0	0	81,193
Shares issued under employee stock plans	2,932	3	92,482	0	0	92,485
Tax benefits from employee stock plans	0	0	8,048	0	0	8,048
Stock-based expenses	0	0	494,615	0	0	495,059
Temporary equity reclassification	0	0	26,907	0	0	26,907
Equity component of the convertible notes issuance, net	0	0	121,230	0	0	121,230
Purchase of convertible note hedges	0	0	(153,800)	0	0	(153,800)
Issuance of warrants	0	0	84,800	0	0	84,800
Other comprehensive income, net of tax	0	0	0	543	0	543
Net loss	0	0	0	0	(232,175)	(232,175)
Balances at January 31, 2014	610,143	\$ 610	\$ 3,363,377	\$ 17,680	\$ (343,157)	\$ 3,038,510

(1) Prior period results have been adjusted to reflect the four-for-one stock split through a stock dividend which occurred in April 2013.

See accompanying Notes.

salesforce.com, inc.
Consolidated Statements of Cash Flows
(in thousands)

	Fiscal Year Ended January 31,		
	2014	2013	2012
Operating activities:			
Net loss	\$ (232,175)	\$ (270,445)	\$ (11,572)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	369,423	216,795	157,286
Amortization of debt discount and transaction costs	49,796	24,086	10,347
Amortization of deferred commissions	194,553	154,818	107,195
Expenses related to employee stock plans	503,280	379,350	229,258
Excess tax benefits from employee stock plans	(8,144)	(14,933)	(6,018)
Changes in assets and liabilities, net of business combinations:			
Accounts receivable, net	(424,702)	(183,242)	(244,947)
Deferred commissions	(265,080)	(232,591)	(167,199)
Prepaid expenses, current assets and other assets	105,218	(9,718)	(7,853)
Accounts payable, accrued expenses and other liabilities	(29,043)	193,358	80,336
Deferred revenue	612,343	479,419	444,674
Net cash provided by operating activities	875,469	736,897	591,507
Investing activities:			
Business combinations, net of cash acquired	(2,617,302)	(579,745)	(422,699)
Land activity and building improvements	0	(4,106)	(19,655)
Strategic investments	(31,160)	(9,695)	(37,370)
Purchases of marketable securities	(558,703)	(1,021,287)	(623,231)
Sales of marketable securities	1,038,284	706,893	724,564
Maturities of marketable securities	36,436	144,623	40,346
Capital expenditures	(299,110)	(175,601)	(151,645)
Net cash used in investing activities	(2,431,555)	(938,918)	(489,690)
Financing activities:			
Proceeds from borrowings on convertible senior notes, net	1,132,750	0	0
Proceeds from issuance of warrants	84,800	0	0
Purchase of convertible note hedge	(153,800)	0	0
Proceeds from term loan, net	298,500	0	0
Proceeds from employee stock plans	289,931	351,366	116,565
Excess tax benefits from employee stock plans	8,144	14,933	6,018
Contingent consideration payment related to prior business combinations	0	0	(16,200)
Payments on convertible senior notes	(5,992)	0	0
Principal payments on capital lease obligations	(41,099)	(31,754)	(30,533)
Principal payments on term loan	(15,000)	0	0
Net cash provided by financing activities	1,598,234	334,545	75,850
Effect of exchange rate changes	(7,758)	7,437	5,325
Net increase in cash and cash equivalents	34,390	139,961	182,992
Cash and cash equivalents, beginning of period	747,245	607,284	424,292
Cash and cash equivalents, end of period	\$ 781,635	\$ 747,245	\$ 607,284
Supplemental cash flow disclosure:			
Cash paid during the period for:			
Interest	\$ 21,503	\$ 6,890	\$ 6,587
Income taxes, net of tax refunds	\$ 28,870	\$ 53,089	\$ 20,981
Non-cash financing and investing activities:			
Property and equipment acquired under capital leases	\$ 492,810	\$ 33,392	\$ 57,839
Building in progress-leased facility acquired under financing obligation	\$ 40,171	\$ 0	\$ 0
Fair value of equity awards assumed in business combinations	\$ 19,037	\$ 37,898	\$ 7,318

See accompanying Notes.