

Table 1
CA Technologies
Consolidated Statements of Operations
(unaudited)
(in millions, except per share amounts)

	Three Months Ended		Nine Months Ended	
	<u>December 31,</u>		<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenue:				
Subscription and maintenance	\$ 817	\$ 828	\$ 2,467	\$ 2,496
Professional services	72	82	224	244
Software fees and other	118	124	333	276
Total revenue	<u>\$ 1,007</u>	<u>\$ 1,034</u>	<u>\$ 3,024</u>	<u>\$ 3,016</u>
Expenses:				
Costs of licensing and maintenance	\$ 68	\$ 73	\$ 202	\$ 209
Cost of professional services	74	75	222	224
Amortization of capitalized software costs	57	65	182	192
Selling and marketing	270	277	747	751
General and administrative	85	90	257	279
Product development and enhancements	144	133	428	420
Depreciation and amortization of other intangible assets	18	27	56	83
Other (gains) expenses, net	(17)	1	10	2
Total expenses before interest and income taxes	<u>\$ 699</u>	<u>\$ 741</u>	<u>\$ 2,104</u>	<u>\$ 2,160</u>
Income from continuing operations before interest and income taxes	<u>\$ 308</u>	<u>\$ 293</u>	<u>\$ 920</u>	<u>\$ 856</u>
Interest expense, net	16	15	45	36
Income from continuing operations before income taxes	<u>\$ 292</u>	<u>\$ 278</u>	<u>\$ 875</u>	<u>\$ 820</u>
Income tax expense	84	59	257	222
Income from continuing operations	<u>\$ 208</u>	<u>\$ 219</u>	<u>\$ 618</u>	<u>\$ 598</u>
Income from discontinued operations, net of income taxes	\$ -	\$ 4	\$ -	\$ 11
Net income	<u>\$ 208</u>	<u>\$ 223</u>	<u>\$ 618</u>	<u>\$ 609</u>
Basic income per common share:				
Income from continuing operations	\$ 0.50	\$ 0.52	\$ 1.48	\$ 1.37
Income from discontinued operations	-	0.01	-	0.03
Net income	<u>\$ 0.50</u>	<u>\$ 0.53</u>	<u>\$ 1.48</u>	<u>\$ 1.40</u>
Basic weighted average shares used in computation	413	420	414	431
Diluted income per common share:				
Income from continuing operations	\$ 0.50	\$ 0.52	\$ 1.47	\$ 1.37
Income from discontinued operations	-	0.01	-	0.03
Net income	<u>\$ 0.50</u>	<u>\$ 0.53</u>	<u>\$ 1.47</u>	<u>\$ 1.40</u>
Diluted weighted average shares used in computation	414	421	415	432

Table 2
CA Technologies
Condensed Consolidated Balance Sheets
(in millions)

	December 31, 2016 (unaudited)	March 31, 2016
Cash and cash equivalents	\$ 2,828	\$ 2,812
Trade accounts receivable, net	555	625
Other current assets	136	124
Total current assets	\$ 3,519	\$ 3,561
Property and equipment, net	\$ 219	\$ 242
Goodwill	6,118	6,086
Capitalized software and other intangible assets, net	627	795
Deferred income taxes	426	407
Other noncurrent assets, net	113	113
Total assets	\$ 11,022	\$ 11,204
Current portion of long-term debt	\$ 4	\$ 6
Deferred revenue (billed or collected)	1,917	2,197
Other current liabilities	698	691
Total current liabilities	\$ 2,619	\$ 2,894
Long-term debt, net of current portion	\$ 1,946	\$ 1,947
Deferred income taxes	8	3
Deferred revenue (billed or collected)	651	737
Other noncurrent liabilities	222	245
Total liabilities	\$ 5,446	\$ 5,826
Common stock	\$ 59	\$ 59
Additional paid-in capital	3,678	3,664
Retained earnings	6,872	6,575
Accumulated other comprehensive loss	(518)	(416)
Treasury stock	(4,515)	(4,504)
Total stockholders' equity	\$ 5,576	\$ 5,378
Total liabilities and stockholders' equity	\$ 11,022	\$ 11,204

Table 3
CA Technologies
Condensed Consolidated Statements of Cash Flows
(unaudited)
(in millions)

	Three Months Ended	
	December 31,	
	<u>2016</u>	<u>2015</u>
Operating activities from continuing operations:		
Net income	\$ 208	\$ 223
Income from discontinued operations	-	(4)
Income from continuing operations	<u>\$ 208</u>	<u>\$ 219</u>
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Depreciation and amortization	75	92
Deferred income taxes	(9)	(25)
Provision for bad debts	1	(1)
Share-based compensation expense	26	25
Other non-cash items	1	1
Foreign currency transaction gains	(4)	(1)
Changes in other operating assets and liabilities, net of effect of acquisitions:		
Increase in trade accounts receivable	(119)	(181)
Increase in deferred revenue	230	143
Increase in taxes payable, net	61	51
Decrease in accounts payable, accrued expenses and other	(6)	(41)
Increase in accrued salaries, wages and commissions	35	23
Changes in other operating assets and liabilities	<u>18</u>	<u>27</u>
Net cash provided by operating activities - continuing operations	<u>\$ 517</u>	<u>\$ 332</u>
Investing activities from continuing operations:		
Acquisitions of businesses, net of cash acquired, and purchased software	\$ (47)	\$ (1)
Purchases of property and equipment	(14)	(11)
Other investing activities	(1)	-
Net cash used in investing activities - continuing operations	<u>\$ (62)</u>	<u>\$ (12)</u>
Financing activities from continuing operations:		
Dividends paid	\$ (107)	\$ (105)
Purchases of common stock	-	(590)
Notional pooling borrowings, net	15	10
Debt (repayments) borrowings, net	(1)	298
Debt issuance costs	-	(1)
Exercise of common stock options	-	1
Other financing activities	-	(5)
Net cash used in financing activities - continuing operations	<u>\$ (93)</u>	<u>\$ (392)</u>
Effect of exchange rate changes on cash	<u>\$ (119)</u>	<u>\$ (37)</u>
Net change in cash and cash equivalents - continuing operations	<u>\$ 243</u>	<u>\$ (109)</u>
Cash provided by operating activities - discontinued operations	\$ -	\$ 4
Net effect of discontinued operations on cash and cash equivalents	<u>\$ -</u>	<u>\$ 4</u>
Increase (decrease) in cash and cash equivalents	<u>\$ 243</u>	<u>\$ (105)</u>
Cash and cash equivalents at beginning of period	<u>\$ 2,585</u>	<u>\$ 2,458</u>
Cash and cash equivalents at end of period	<u><u>\$ 2,828</u></u>	<u><u>\$ 2,353</u></u>

Table 4
CA Technologies
Operating Segments
(unaudited)
(dollars in millions)

	Three Months Ended December 31, 2016				Nine Months Ended December 31, 2016			
	Mainframe Solutions ⁽¹⁾	Enterprise Solutions ⁽¹⁾	Services ⁽¹⁾	Total	Mainframe Solutions ⁽¹⁾	Enterprise Solutions ⁽¹⁾	Services ⁽¹⁾	Total
Revenue ⁽²⁾	\$ 546	\$ 389	\$ 72	\$ 1,007	\$ 1,647	\$ 1,153	\$ 224	\$ 3,024
Expenses ⁽³⁾	215	333	75	623	634	981	223	1,838
Segment profit (loss)	\$ 331	\$ 56	\$ (3)	\$ 384	\$ 1,013	\$ 172	\$ 1	\$ 1,186
Segment operating margin	61%	14%	-4%	38%	62%	15%	0%	39%
Segment profit				\$ 384				\$ 1,186
Less:								
Purchased software amortization				39				120
Other intangibles amortization				4				13
Internally developed software products amortization				18				62
Share-based compensation expense				26				80
Other gains, net ⁽⁴⁾				(11)				(9)
Interest expense, net				16				45
Income from continuing operations before income taxes				\$ 292				\$ 875

	Three Months Ended December 31, 2015				Nine Months Ended December 31, 2015			
	Mainframe Solutions ⁽¹⁾	Enterprise Solutions ⁽¹⁾	Services ⁽¹⁾	Total	Mainframe Solutions ⁽¹⁾	Enterprise Solutions ⁽¹⁾	Services ⁽¹⁾	Total
Revenue ⁽²⁾	\$ 554	\$ 398	\$ 82	\$ 1,034	\$ 1,668	\$ 1,104	\$ 244	\$ 3,016
Expenses ⁽³⁾	218	349	77	644	641	996	227	1,864
Segment profit	\$ 336	\$ 49	\$ 5	\$ 390	\$ 1,027	\$ 108	\$ 17	\$ 1,152
Segment operating margin	61%	12%	6%	38%	62%	10%	7%	38%
Segment profit				\$ 390				\$ 1,152
Less:								
Purchased software amortization				39				106
Other intangibles amortization				11				36
Internally developed software products amortization				26				86
Share-based compensation expense				25				70
Other gains, net ⁽⁴⁾				(4)				(2)
Interest expense, net				15				36
Income from continuing operations before income taxes				\$ 278				\$ 820

- (1) The Company's Mainframe Solutions and Enterprise Solutions segments comprise its software business organized by the nature of the Company's software offerings and the platform on which the products operate. The Services segment comprises product implementation, consulting, customer education and customer training, including those directly related to the Mainframe Solutions and Enterprise Solutions software that the Company sells to its customers.
- (2) The Company regularly enters into a single arrangement with a customer that includes mainframe solutions, enterprise solutions and services. The amount of contract revenue assigned to operating segments is generally based on the manner in which the proposal is made to the customer. The software product revenue is assigned to the Mainframe Solutions and Enterprise Solutions segments based on either: (1) a list price allocation method (which allocates a discount in the total contract price to the individual products in proportion to the list price of the product); (2) allocations included within internal contract approval documents; or (3) the value for individual software products as stated in the customer contract. The price for the implementation, consulting, education and training services is separately stated in the contract and these amounts of contract revenue are assigned to the Services segment. The contract value assigned to each operating segment is then recognized in a manner consistent with the revenue recognition policies the Company applies to the customer contract for purposes of preparing the Consolidated Financial Statements.
- (3) Segment expenses include costs that are controllable by segment managers (i.e., direct costs) and, in the case of the Mainframe Solutions and Enterprise Solutions segments, an allocation of shared and indirect costs (i.e., allocated costs). Segment-specific direct costs include a portion of selling and marketing costs, licensing and maintenance costs, product development costs and general and administrative costs. Allocated segment costs primarily include indirect and non-segment specific direct selling and marketing costs and general and administrative costs that are not directly attributable to a specific segment. The basis for allocating shared and indirect costs between the Mainframe Solutions and Enterprise Solutions segments is dependent on the nature of the cost being allocated and is either in proportion to segment revenues or in proportion to the related direct cost category. Expenses for the Services segment consist of cost of professional services and other direct costs included within selling and marketing and general and administrative expenses. There are no allocated or indirect costs for the Services segment.
- (4) Other gains, net consists of costs associated with certain foreign exchange derivative hedging gains and losses, and other miscellaneous costs.

Table 5
CA Technologies
Constant Currency Summary
(unaudited)
(dollars in millions)

	Three Months Ended December 31,				Nine Months Ended December 31,			
	2016	2015	% Increase (Decrease) in \$ US	% Increase (Decrease) in Constant Currency ⁽¹⁾	2016	2015	% Increase (Decrease) in \$ US	% Increase (Decrease) in Constant Currency ⁽¹⁾
Bookings	\$ 1,258	\$ 1,242	1%	2%	\$ 3,340	\$ 3,287	2%	2%
Revenue:								
North America	\$ 674	\$ 702	(4)%	(4)%	\$ 2,033	\$ 2,031	0%	0%
International	333	332	0%	1%	991	985	1%	2%
Total revenue	\$ 1,007	\$ 1,034	(3)%	(2)%	\$ 3,024	\$ 3,016	0%	1%
Revenue:								
Subscription and maintenance	\$ 817	\$ 828	(1)%	(1)%	\$ 2,467	\$ 2,496	(1)%	(1)%
Professional services	72	82	(12)%	(12)%	224	244	(8)%	(8)%
Software fees and other	118	124	(5)%	(6)%	333	276	21%	21%
Total revenue	\$ 1,007	\$ 1,034	(3)%	(2)%	\$ 3,024	\$ 3,016	0%	1%
Segment Revenue:								
Mainframe solutions	\$ 546	\$ 554	(1)%	(1)%	\$ 1,647	\$ 1,668	(1)%	(1)%
Enterprise solutions	389	398	(2)%	(2)%	1,153	1,104	4%	5%
Services	72	82	(12)%	(12)%	224	244	(8)%	(8)%
Total expenses before interest and income taxes:								
Total GAAP	\$ 699	\$ 741	(6)%	(4)%	\$ 2,104	\$ 2,160	(3)%	(1)%
Total non-GAAP ⁽²⁾	623	644	(3)%	(2)%	1,838	1,864	(1)%	0%

(1) Constant currency information is presented to provide a framework for assessing how the Company's underlying businesses performed excluding the effect of foreign currency rate fluctuations. To present this information, current and comparative prior period results for entities reporting in currencies other than U.S. dollars are converted into U.S. dollars at the exchange rate in effect on March 31, 2016, which was the last day of the prior fiscal year. Constant currency excludes the impacts from the Company's hedging program.

(2) Refer to Table 7 for a reconciliation of total expenses before interest and income taxes to total non-GAAP operating expenses.

Certain non-material differences may arise versus actual from impact of rounding.

Table 6
CA Technologies
Reconciliation of Select GAAP Measures to Non-GAAP Measures
(unaudited)
(dollars in millions)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2016	2015	2016	2015
GAAP net income	\$ 208	\$ 223	\$ 618	\$ 609
GAAP income from discontinued operations, net of income taxes	-	(4)	-	(11)
GAAP income from continuing operations	\$ 208	\$ 219	\$ 618	\$ 598
GAAP income tax expense	84	59	257	222
Interest expense, net	16	15	45	36
GAAP income from continuing operations before interest and income taxes	\$ 308	\$ 293	\$ 920	\$ 856
GAAP operating margin (% of revenue) ⁽¹⁾	31%	28%	30%	28%
Non-GAAP adjustments to expenses:				
Costs of licensing and maintenance ⁽²⁾	\$ 2	\$ 2	\$ 5	\$ 5
Cost of professional services ⁽²⁾	1	1	3	3
Amortization of capitalized software costs ⁽³⁾	57	65	182	192
Selling and marketing ⁽²⁾	9	9	28	25
General and administrative ⁽²⁾	8	9	27	25
Product development and enhancements ⁽²⁾	6	4	17	12
Depreciation and amortization of other intangible assets ⁽⁴⁾	4	11	13	36
Other gains, net ⁽⁵⁾	(11)	(4)	(9)	(2)
Total Non-GAAP adjustment to operating expenses	\$ 76	\$ 97	\$ 266	\$ 296
Non-GAAP income from continuing operations before interest and income taxes	\$ 384	\$ 390	\$ 1,186	\$ 1,152
Non-GAAP operating margin (% of revenue) ⁽⁶⁾	38%	38%	39%	38%
Interest expense, net	16	15	45	36
GAAP income tax expense	84	59	257	222
Non-GAAP adjustment to income tax expense ⁽⁷⁾	21	48	69	96
Non-GAAP income tax expense	\$ 105	\$ 107	\$ 326	\$ 318
Non-GAAP income from continuing operations	\$ 263	\$ 268	\$ 815	\$ 798

(1) GAAP operating margin is calculated by dividing GAAP income from continuing operations before interest and income taxes by total revenue (refer to Table 1 for total revenue).

(2) Non-GAAP adjustment consists of share-based compensation.

(3) For the three month periods ending December 31, 2016 and 2015, non-GAAP adjustment consists of \$39 million and \$39 million of purchased software amortization and \$18 million and \$26 million of internally developed software products amortization, respectively. For the nine month periods ending December 31, 2016 and 2015, non-GAAP adjustment consists of \$120 million and \$106 million of purchased software amortization and \$62 million and \$86 million of internally developed software products amortization, respectively.

(4) Non-GAAP adjustment consists of other intangibles amortization.

(5) Non-GAAP adjustment consists gains and losses since inception of hedges that mature within the quarter, but excludes gains and losses of hedges that do not mature within the quarter.

(6) Non-GAAP operating margin is calculated by dividing non-GAAP income from continuing operations before interest and income taxes by total revenue (refer to Table 1 for total revenue).

(7) The full year non-GAAP income tax expense is different from GAAP income tax expense because of the difference in non-GAAP income from continuing operations before income taxes. On an interim basis, this difference would also include a difference in the impact of discrete and permanent items where for GAAP purposes the effect is recorded in the period such items arise, but for non-GAAP such items are recorded pro rata to the fiscal year's remaining reporting periods.

Refer to the discussion of non-GAAP financial measures included in the accompanying press release for additional information.

Certain non-material differences may arise versus actual from impact of rounding.

Table 7
CA Technologies
Reconciliation of GAAP to Non-GAAP
Operating Expenses and Diluted Earnings per Share
(unaudited)
(in millions, except per share amounts)

<u>Operating Expenses</u>	Three Months Ended December 31,		Nine Months Ended December 31,	
	2016	2015	2016	2015
Total expenses before interest and income taxes	\$ 699	\$ 741	\$ 2,104	\$ 2,160
Non-GAAP operating adjustments:				
Purchased software amortization	39	39	120	106
Other intangibles amortization	4	11	13	36
Internally developed software products amortization	18	26	62	86
Share-based compensation	26	25	80	70
Other gains, net ⁽¹⁾	(11)	(4)	(9)	(2)
Total non-GAAP operating adjustment	<u>\$ 76</u>	<u>\$ 97</u>	<u>\$ 266</u>	<u>\$ 296</u>
Total non-GAAP operating expenses	<u>\$ 623</u>	<u>\$ 644</u>	<u>\$ 1,838</u>	<u>\$ 1,864</u>

<u>Diluted EPS from Continuing Operations</u>	Three Months Ended December 31,		Nine Months Ended December 31,	
	2016	2015	2016	2015
GAAP diluted EPS from continuing operations	\$ 0.50	\$ 0.52	\$ 1.47	\$ 1.37
Non-GAAP adjustments:				
Purchased software amortization	0.09	0.09	0.29	0.24
Other intangibles amortization	0.01	0.03	0.03	0.08
Internally developed software products amortization	0.04	0.06	0.15	0.20
Share-based compensation	0.06	0.06	0.19	0.16
Other (gains) expenses, net ⁽¹⁾	(0.02)	(0.01)	(0.02)	-
Tax effect of non-GAAP adjustments	(0.05)	(0.05)	(0.19)	(0.18)
Non-GAAP effective tax rate adjustments ⁽²⁾	-	(0.07)	0.02	(0.04)
Total non-GAAP adjustment	<u>\$ 0.13</u>	<u>\$ 0.11</u>	<u>\$ 0.47</u>	<u>\$ 0.46</u>
Non-GAAP diluted EPS from continuing operations	<u>\$ 0.63</u>	<u>\$ 0.63</u>	<u>\$ 1.94</u>	<u>\$ 1.83</u>

(1) Other (gains) expenses, net consists of costs associated with certain foreign exchange derivative hedging gains and losses, and other miscellaneous costs.

(2) The non-GAAP effective tax rate is equal to the full year GAAP effective tax rate, therefore no adjustment is required on an annual basis. On an interim basis, the difference in non-GAAP income tax expense and GAAP income tax expense relates to the difference in non-GAAP income from continuing operations before income taxes, and includes a difference in the impact of discrete and permanent items where for GAAP purposes the effect is recorded in the period such items arise but for non-GAAP purposes such items are recorded pro rata to the fiscal year's remaining reporting periods.

Refer to the discussion of non-GAAP financial measures included in the accompanying press release for additional information.

Certain non-material differences may arise versus actual from impact of rounding.

Table 8
CA Technologies
Effective Tax Rate Reconciliation
GAAP and Non-GAAP
(unaudited)
(dollars in millions)

	Three Months Ended December 31, 2016		Nine Months Ended December 31, 2016	
	GAAP	Non-GAAP	GAAP	Non-GAAP
Income from continuing operations before interest and income taxes ⁽¹⁾	\$ 308	\$ 384	\$ 920	\$ 1,186
Interest expense, net	16	16	45	45
Income from continuing operations before income taxes	<u>\$ 292</u>	<u>\$ 368</u>	<u>\$ 875</u>	<u>\$ 1,141</u>
Statutory tax rate	35%	35%	35%	35%
Tax at statutory rate	\$ 102	\$ 129	\$ 306	\$ 399
Adjustments for discrete and permanent items ⁽²⁾	(18)	(24)	(49)	(73)
Total tax expense	<u>\$ 84</u>	<u>\$ 105</u>	<u>\$ 257</u>	<u>\$ 326</u>
Effective tax rate ⁽³⁾	28.8%	28.5%	29.4%	28.6%

	Three Months Ended December 31, 2015		Nine Months Ended December 31, 2015	
	GAAP	Non-GAAP	GAAP	Non-GAAP
Income from continuing operations before interest and income taxes ⁽¹⁾	\$ 293	\$ 390	\$ 856	\$ 1,152
Interest expense, net	15	15	36	36
Income from continuing operations before income taxes	<u>\$ 278</u>	<u>\$ 375</u>	<u>\$ 820</u>	<u>\$ 1,116</u>
Statutory tax rate	35%	35%	35%	35%
Tax at statutory rate	\$ 97	\$ 131	\$ 287	\$ 391
Adjustments for discrete and permanent items ⁽²⁾	(38)	(24)	(65)	(73)
Total tax expense	<u>\$ 59</u>	<u>\$ 107</u>	<u>\$ 222</u>	<u>\$ 318</u>
Effective tax rate ⁽³⁾	21.2%	28.5%	27.1%	28.5%

(1) Refer to Table 6 for a reconciliation of income from continuing operations before interest and income taxes on a GAAP basis to income from continuing operations before interest and income taxes on a non-GAAP basis.

(2) The effective tax rate for GAAP generally includes the impact of discrete and permanent items in the period such items arise, whereas the effective tax rate for non-GAAP generally allocates the impact of such items pro rata to the fiscal year's remaining reporting periods.

(3) The effective tax rate on GAAP and non-GAAP income from continuing operations is the Company's provision for income taxes expressed as a percentage of GAAP and non-GAAP income from continuing operations before income taxes, respectively. The non-GAAP effective tax rate is equal to the full year GAAP effective tax rate. On an interim basis, the effective tax rates are determined based on an estimated effective full year tax rate after the adjustments for the impacts of certain discrete items (such as changes in tax rates, reconciliations of tax returns to tax provisions and resolutions of tax contingencies).

Refer to the discussion of non-GAAP financial measures included in the accompanying press release for additional information.

Certain non-material differences may arise versus actual from impact of rounding.

Table 9
CA Technologies
Reconciliation of Projected GAAP Metrics to Projected Non-GAAP Metrics
(unaudited)

<u>Projected Diluted EPS from Continuing Operations</u>	<u>Fiscal Year Ending March 31, 2017</u>	
Projected GAAP diluted EPS from continuing operations range	\$ 1.80	to \$ 1.85
Non-GAAP adjustments:		
Purchased software amortization	0.40	0.40
Other intangibles amortization	0.03	0.03
Internally developed software products amortization	0.19	0.19
Share-based compensation	0.25	0.24
Tax effect of non-GAAP adjustments	(0.25)	(0.24)
Total non-GAAP adjustment	<u>\$ 0.62</u>	<u>\$ 0.62</u>
Projected non-GAAP diluted EPS from continuing operations range	<u>\$ 2.42</u>	<u>to \$ 2.47</u>

<u>Projected Operating Margin</u>	<u>Fiscal Year Ending March 31, 2017</u>
Projected GAAP operating margin	28%
Non-GAAP operating adjustments:	
Purchased software amortization	4%
Other intangibles amortization	0%
Internally developed software products amortization	2%
Share-based compensation	3%
Total non-GAAP operating adjustment	<u>9%</u>
Projected non-GAAP operating margin	<u>37%</u>

Refer to the discussion of non-GAAP financial measures included in the accompanying press release for additional information.

Certain non-material differences may arise versus actual from impact of rounding.