

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

	Three Months Ended June 30,	
	<u>2016</u>	<u>2015</u>
Revenue:		
Subscription and maintenance	\$ 826	\$ 836
Professional services	77	79
Software fees and other	96	62
Total revenue	<u>\$ 999</u>	<u>\$ 977</u>
Expenses:		
Costs of licensing and maintenance	\$ 68	\$ 66
Cost of professional services	75	71
Amortization of capitalized software costs	66	60
Selling and marketing	242	226
General and administrative	88	90
Product development and enhancements	148	136
Depreciation and amortization of other intangible assets	20	27
Other expenses (gains), net	-	(3)
Total expenses before interest and income taxes	<u>\$ 707</u>	<u>\$ 673</u>
Income from continuing operations before interest and income taxes	<u>\$ 292</u>	<u>\$ 304</u>
Interest expense, net	15	9
Income from continuing operations before income taxes	<u>\$ 277</u>	<u>\$ 295</u>
Income tax expense	79	88
Income from continuing operations	<u>\$ 198</u>	<u>\$ 207</u>
Income from discontinued operations, net of income taxes	<u>\$ -</u>	<u>\$ 5</u>
Net income	<u><u>\$ 198</u></u>	<u><u>\$ 212</u></u>
 Basic income per common share:		
Income from continuing operations	\$ 0.47	\$ 0.47
Income from discontinued operations	-	0.01
Net income	<u>\$ 0.47</u>	<u>\$ 0.48</u>
Basic weighted average shares used in computation	414	436
 Diluted income per common share:		
Income from continuing operations	\$ 0.47	\$ 0.47
Income from discontinued operations	-	0.01
Net income	<u>\$ 0.47</u>	<u>\$ 0.48</u>
Diluted weighted average shares used in computation	415	438

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

	June 30, 2016 <u>(unaudited)</u>	March 31, 2016
Cash and cash equivalents	\$ 2,776	\$ 2,812
Trade accounts receivable, net	430	625
Other current assets	144	124
Total current assets	\$ 3,350	\$ 3,561
Property and equipment, net	\$ 229	\$ 242
Goodwill	6,084	6,086
Capitalized software and other intangible assets, net	725	795
Deferred income taxes	405	407
Other noncurrent assets, net	114	113
Total assets	\$ 10,907	\$ 11,204
Current portion of long-term debt	\$ 4	\$ 6
Deferred revenue (billed or collected)	2,027	2,197
Other current liabilities	607	691
Total current liabilities	\$ 2,638	\$ 2,894
Long-term debt, net of current portion	\$ 1,946	\$ 1,947
Deferred income taxes	2	3
Deferred revenue (billed or collected)	654	737
Other noncurrent liabilities	240	245
Total liabilities	\$ 5,480	\$ 5,826
Common stock	\$ 59	\$ 59
Additional paid-in capital	3,628	3,664
Retained earnings	6,666	6,575
Accumulated other comprehensive loss	(445)	(416)
Treasury stock	(4,481)	(4,504)
Total stockholders' equity	\$ 5,427	\$ 5,378
Total liabilities and stockholders' equity	\$ 10,907	\$ 11,204

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

	Three Months Ended June 30,	
	<u>2016</u>	<u>2015</u>
Operating activities from continuing operations:		
Net income	\$ 198	\$ 212
Income from discontinued operations	-	(5)
Income from continuing operations	<u>\$ 198</u>	<u>\$ 207</u>
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Depreciation and amortization	86	87
Deferred income taxes	3	(10)
Provision for bad debts	1	1
Share-based compensation expense	29	22
Other non-cash items	1	-
Foreign currency transaction (gains) losses	(2)	3
Changes in other operating assets and liabilities, net of effect of acquisitions:		
Decrease in trade accounts receivable	193	228
Decrease in deferred revenue	(245)	(239)
(Decrease) increase in taxes payable, net	(41)	27
Increase (decrease) in accounts payable, accrued expenses and other	8	(33)
Decrease in accrued salaries, wages and commissions	(65)	(83)
Changes in other operating assets and liabilities	<u>(5)</u>	<u>(22)</u>
Net cash provided by operating activities - continuing operations	<u>\$ 161</u>	<u>\$ 188</u>
Investing activities from continuing operations:		
Acquisitions of businesses, net of cash acquired, and purchased software	\$ (1)	\$ (37)
Purchases of property and equipment	(8)	(13)
Net cash used in investing activities - continuing operations	<u>\$ (9)</u>	<u>\$ (50)</u>
Financing activities from continuing operations:		
Dividends paid	\$ (107)	\$ (110)
Purchases of common stock	(50)	(50)
Notional pooling borrowings (repayments), net	4	(16)
Debt repayments	(4)	(5)
Exercise of common stock options	13	4
Other financing activities	-	(23)
Net cash used in financing activities - continuing operations	<u>\$ (144)</u>	<u>\$ (200)</u>
Effect of exchange rate changes on cash	<u>\$ (44)</u>	<u>\$ 69</u>
Net change in cash and cash equivalents - continuing operations	<u>\$ (36)</u>	<u>\$ 7</u>
Cash provided by operating activities - discontinued operations	<u>\$ -</u>	<u>\$ 5</u>
Net effect of discontinued operations on cash and cash equivalents	<u>\$ -</u>	<u>\$ 5</u>
(Decrease) increase in cash and cash equivalents	<u>\$ (36)</u>	<u>\$ 12</u>
Cash and cash equivalents at beginning of period	<u>\$ 2,812</u>	<u>\$ 2,804</u>
Cash and cash equivalents at end of period	<u><u>\$ 2,776</u></u>	<u><u>\$ 2,816</u></u>

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

	Three Months Ended June 30, 2016			
	Mainframe Solutions ⁽¹⁾	Enterprise Solutions ⁽¹⁾	Services ⁽¹⁾	Total
Revenue ⁽²⁾	\$ 551	\$ 371	\$ 77	\$ 999
Expenses ⁽³⁾	208	324	75	607
Segment profit	\$ 343	\$ 47	\$ 2	\$ 392
Segment operating margin	62%	13%	3%	39%
Segment profit				\$ 392
Less:				
Purchased software amortization				43
Other intangibles amortization				5
Internally developed software products amortization				23
Share-based compensation expense				29
Other expenses, net ⁽⁴⁾				-
Interest expense, net				15
Income from continuing operations before income taxes				\$ 277

	Three Months Ended June 30, 2015			
	Mainframe Solutions ⁽¹⁾	Enterprise Solutions ⁽¹⁾	Services ⁽¹⁾	Total
Revenue ⁽²⁾	\$ 560	\$ 338	\$ 79	\$ 977
Expenses ⁽³⁾	211	290	71	572
Segment profit	\$ 349	\$ 48	\$ 8	\$ 405
Segment operating margin	62%	14%	10%	41%
Segment profit				\$ 405
Less:				
Purchased software amortization				28
Other intangibles amortization				11
Internally developed software products amortization				32
Share-based compensation expense				22
Other expenses, net ⁽⁴⁾				8
Interest expense, net				9
Income from continuing operations before income taxes				\$ 295

- (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 expenses, 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 June 30,			% Increase (Decrease) in Constant Currency ⁽¹⁾
	2016	2015	% Increase (Decrease) in \$ US	
Bookings	\$ 1,353	\$ 662	104%	106%
Revenue:				
North America	\$ 669	\$ 652	3%	3%
International	330	325	2%	2%
Total revenue	<u>\$ 999</u>	<u>\$ 977</u>	<u>2%</u>	<u>3%</u>
Revenue:				
Subscription and maintenance	\$ 826	\$ 836	(1)%	(1)%
Professional services	77	79	(3)%	(2)%
Software fees and other	96	62	55%	55%
Total revenue	<u>\$ 999</u>	<u>\$ 977</u>	<u>2%</u>	<u>3%</u>
Segment Revenue:				
Mainframe solutions	\$ 551	\$ 560	(2)%	(1)%
Enterprise solutions	\$ 371	338	10%	10%
Services	77	79	(3)%	(2)%
Total expenses before interest and income taxes:				
Total non-GAAP ⁽²⁾	\$ 607	\$ 572	6%	8%
Total GAAP	707	673	5%	8%

(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 June 30,	
	2016	2015
GAAP net income	\$ 198	\$ 212
GAAP income from discontinued operations, net of income taxes	-	(5)
GAAP income from continuing operations	\$ 198	\$ 207
GAAP income tax expense	79	88
Interest expense, net	15	9
GAAP income from continuing operations before interest and income taxes	<u>\$ 292</u>	<u>\$ 304</u>
GAAP operating margin (% of revenue) ⁽¹⁾	29%	31%
Non-GAAP adjustments to expenses:		
Costs of licensing and maintenance ⁽²⁾	\$ 2	\$ 2
Cost of professional services ⁽²⁾	1	1
Amortization of capitalized software costs ⁽³⁾	66	60
Selling and marketing ⁽²⁾	10	8
General and administrative ⁽²⁾	11	7
Product development and enhancements ⁽²⁾	5	4
Depreciation and amortization of other intangible assets ⁽⁴⁾	5	11
Other expenses, net ⁽⁵⁾	-	8
Total Non-GAAP adjustment to operating expenses	<u>\$ 100</u>	<u>\$ 101</u>
Non-GAAP income from continuing operations before interest and income taxes	\$ 392	\$ 405
Non-GAAP operating margin (% of revenue) ⁽⁶⁾	39%	41%
Interest expense, net	15	9
GAAP income tax expense	79	88
Non-GAAP adjustment to income tax expense ⁽⁷⁾	29	25
Non-GAAP income tax expense	<u>\$ 108</u>	<u>\$ 113</u>
Non-GAAP income from continuing operations	<u>\$ 269</u>	<u>\$ 283</u>

(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 June 30, 2016 and 2015, non-GAAP adjustment consists of \$43 million and \$28 million of purchased software amortization and \$23 million and \$32 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 <u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
Total expenses before interest and income taxes	\$ 707	\$ 673
Non-GAAP operating adjustments:		
Purchased software amortization	43	28
Other intangibles amortization	5	11
Internally developed software products amortization	23	32
Share-based compensation	29	22
Other expenses, net ⁽¹⁾	-	8
Total non-GAAP operating adjustment	<u>\$ 100</u>	<u>\$ 101</u>
Total non-GAAP operating expenses	<u>\$ 607</u>	<u>\$ 572</u>

<u>Diluted EPS from Continuing Operations</u>	Three Months Ended <u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
GAAP diluted EPS from continuing operations	\$ 0.47	\$ 0.47
Non-GAAP adjustments:		
Purchased software amortization	0.10	0.06
Other intangibles amortization	0.01	0.02
Internally developed software products amortization	0.06	0.07
Share-based compensation	0.07	0.05
Other expenses, net ⁽¹⁾	-	0.02
Tax effect of non-GAAP adjustments	(0.07)	(0.06)
Non-GAAP effective tax rate adjustments ⁽²⁾	-	0.01
Total non-GAAP adjustment	<u>\$ 0.17</u>	<u>\$ 0.17</u>
Non-GAAP diluted EPS from continuing operations	<u>\$ 0.64</u>	<u>\$ 0.64</u>

(1) Other expenses (gains), 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 June 30, 2016	
	<u>GAAP</u>	<u>Non-GAAP</u>
Income from continuing operations before interest and income taxes ⁽¹⁾	\$ 292	\$ 392
Interest expense, net	<u>15</u>	<u>15</u>
Income from continuing operations before income taxes	\$ 277	\$ 377
Statutory tax rate	35%	35%
Tax at statutory rate	\$ 97	\$ 132
Adjustments for discrete and permanent items ⁽²⁾	<u>(18)</u>	<u>(24)</u>
Total tax expense	\$ 79	\$ 108
Effective tax rate ⁽³⁾	28.5%	28.6%

	Three Months Ended June 30, 2015	
	<u>GAAP</u>	<u>Non-GAAP</u>
Income from continuing operations before interest and income taxes ⁽¹⁾	\$ 304	\$ 405
Interest expense, net	<u>9</u>	<u>9</u>
Income from continuing operations before income taxes	\$ 295	\$ 396
Statutory tax rate	35%	35%
Tax at statutory rate	\$ 103	\$ 139
Adjustments for discrete and permanent items ⁽²⁾	<u>(15)</u>	<u>(26)</u>
Total tax expense	\$ 88	\$ 113
Effective tax rate ⁽³⁾	29.8%	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</u> <u>March 31, 2017</u>	
Projected GAAP diluted EPS from continuing operations range	\$ 1.88	to \$ 1.93
Non-GAAP adjustments:		
Purchased software amortization	0.37	0.37
Other intangibles amortization	0.03	0.03
Internally developed software products amortization	0.19	0.19
Share-based compensation	0.26	0.26
Tax effect of non-GAAP adjustments	(0.24)	(0.24)
Total non-GAAP adjustment	<u>\$ 0.61</u>	<u>\$ 0.61</u>
Projected non-GAAP diluted EPS from continuing operations range	<u>\$ 2.49</u>	to <u>\$ 2.54</u>

<u>Projected Operating Margin</u>	<u>Fiscal Year Ending</u> <u>March 31, 2017</u>
Projected GAAP operating margin	29%
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>38%</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.