

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

	Three Months Ended		Fiscal Year Ended	
	March 31,		March 31,	
	2017	2016	2017	2016
Revenue:				
Subscription and maintenance	\$ 812	\$ 821	\$ 3,279	\$ 3,317
Professional services	77	82	301	326
Software fees and other	123	106	456	382
Total revenue	<u>\$ 1,012</u>	<u>\$ 1,009</u>	<u>\$ 4,036</u>	<u>\$ 4,025</u>
Expenses:				
Costs of licensing and maintenance	\$ 71	\$ 74	\$ 273	\$ 283
Cost of professional services	78	76	300	300
Amortization of capitalized software costs	61	64	243	256
Selling and marketing	281	255	1,028	1,006
General and administrative	118	88	375	367
Product development and enhancements	158	140	586	560
Depreciation and amortization of other intangible assets	21	23	77	106
Other expenses, net	9	10	19	12
Total expenses before interest and income taxes	<u>\$ 797</u>	<u>\$ 730</u>	<u>\$ 2,901</u>	<u>\$ 2,890</u>
Income from continuing operations before interest and income taxes	<u>\$ 215</u>	<u>\$ 279</u>	<u>\$ 1,135</u>	<u>\$ 1,135</u>
Interest expense, net	17	15	62	51
Income from continuing operations before income taxes	<u>\$ 198</u>	<u>\$ 264</u>	<u>\$ 1,073</u>	<u>\$ 1,084</u>
Income tax expense	41	93	298	315
Income from continuing operations	<u>\$ 157</u>	<u>\$ 171</u>	<u>\$ 775</u>	<u>\$ 769</u>
Income from discontinued operations, net of income taxes	\$ -	\$ 3	\$ -	\$ 14
Net income	<u>\$ 157</u>	<u>\$ 174</u>	<u>\$ 775</u>	<u>\$ 783</u>
Basic income per common share:				
Income from continuing operations	\$ 0.38	\$ 0.41	\$ 1.85	\$ 1.79
Income from discontinued operations	-	0.01	-	0.03
Net income	<u>\$ 0.38</u>	<u>\$ 0.42</u>	<u>\$ 1.85</u>	<u>\$ 1.82</u>
Basic weighted average shares used in computation	413	413	414	426
Diluted income per common share:				
Income from continuing operations	\$ 0.38	\$ 0.41	\$ 1.85	\$ 1.78
Income from discontinued operations	-	0.01	-	0.03
Net income	<u>\$ 0.38</u>	<u>\$ 0.42</u>	<u>\$ 1.85</u>	<u>\$ 1.81</u>
Diluted weighted average shares used in computation	415	414	415	427

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

	March 31, 2017 <u>(unaudited)</u>	March 31, 2016
Cash and cash equivalents	\$ 2,771	\$ 2,812
Trade accounts receivable, net	764	625
Other current assets	198	124
Total current assets	\$ 3,733	\$ 3,561
Property and equipment, net	\$ 237	\$ 242
Goodwill	6,857	6,086
Capitalized software and other intangible assets, net	1,307	795
Deferred income taxes	327	407
Other noncurrent assets, net	149	113
Total assets	\$ 12,610	\$ 11,204
Current portion of long-term debt	\$ 18	\$ 6
Deferred revenue (billed or collected)	2,222	2,197
Other current liabilities	766	691
Total current liabilities	\$ 3,006	\$ 2,894
Long-term debt, net of current portion	\$ 2,773	\$ 1,947
Deferred income taxes	119	3
Deferred revenue (billed or collected)	794	737
Other noncurrent liabilities	229	245
Total liabilities	\$ 6,921	\$ 5,826
Common stock	\$ 59	\$ 59
Additional paid-in capital	3,702	3,664
Retained earnings	6,923	6,575
Accumulated other comprehensive loss	(483)	(416)
Treasury stock	(4,512)	(4,504)
Total stockholders' equity	\$ 5,689	\$ 5,378
Total liabilities and stockholders' equity	\$ 12,610	\$ 11,204

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

	Three Months Ended	
	March 31,	
	<u>2017</u>	<u>2016</u>
Operating activities from continuing operations:		
Net income	\$ 157	\$ 174
Income from discontinued operations	-	(3)
Income from continuing operations	<u>\$ 157</u>	<u>\$ 171</u>
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Depreciation and amortization	82	87
Deferred income taxes	(1)	(62)
Provision for bad debts	1	-
Share-based compensation expense	28	27
Other non-cash items	1	(1)
Foreign currency transaction losses (gains)	1	(1)
Changes in other operating assets and liabilities, net of effect of acquisitions:		
(Increase) decrease in trade accounts receivable	(142)	4
Increase in deferred revenue	356	248
Decrease in taxes payable, net	(85)	(25)
Decrease in accounts payable, accrued expenses and other	(38)	(12)
Increase in accrued salaries, wages and commissions	44	25
Changes in other operating assets and liabilities	15	10
Net cash provided by operating activities - continuing operations	<u>\$ 419</u>	<u>\$ 471</u>
Investing activities from continuing operations:		
Acquisitions of businesses, net of cash acquired, and purchased software	\$ (1,240)	\$ -
Purchases of property and equipment	(17)	(14)
Other investing activities	(1)	3
Net cash used in investing activities - continuing operations	<u>\$ (1,258)</u>	<u>\$ (11)</u>
Financing activities from continuing operations:		
Dividends paid	\$ (107)	\$ (104)
Purchases of common stock	-	(2)
Notional pooling (repayments) borrowings, net	(3)	15
Debt borrowings (repayments), net	849	(1)
Debt issuance costs	(5)	-
Exercise of common stock options	-	3
Other financing activities	-	(1)
Net cash provided by (used in) financing activities - continuing operations	<u>\$ 734</u>	<u>\$ (90)</u>
Effect of exchange rate changes on cash	<u>\$ 48</u>	<u>\$ 62</u>
Net change in cash and cash equivalents - continuing operations	<u>\$ (57)</u>	<u>\$ 432</u>
Cash used in operating activities - discontinued operations	\$ -	\$ (23)
Cash provided by investing activities - discontinued operations	-	50
Net effect of discontinued operations on cash and cash equivalents	<u>\$ -</u>	<u>\$ 27</u>
(Decrease) increase in cash and cash equivalents	<u>\$ (57)</u>	<u>\$ 459</u>
Cash and cash equivalents at beginning of period	<u>\$ 2,828</u>	<u>\$ 2,353</u>
Cash and cash equivalents at end of period	<u><u>\$ 2,771</u></u>	<u><u>\$ 2,812</u></u>

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

	Three Months Ended March 31, 2017				Fiscal Year Ended March 31, 2017			
	Mainframe Solutions ⁽¹⁾	Enterprise Solutions ⁽¹⁾	Services ⁽¹⁾	Total	Mainframe Solutions ⁽¹⁾	Enterprise Solutions ⁽¹⁾	Services ⁽¹⁾	Total
Revenue ⁽²⁾	\$ 535	\$ 400	\$ 77	\$ 1,012	\$ 2,182	\$ 1,553	\$ 301	\$ 4,036
Expenses ⁽³⁾	217	397	79	693	851	1,378	302	2,531
Segment profit (loss)	\$ 318	\$ 3	\$ (2)	\$ 319	\$ 1,331	\$ 175	\$ (1)	\$ 1,505
Segment operating margin	59%	1%	-3%	32%	61%	11%	0%	37%
Segment profit				\$ 319				\$ 1,505
Less:								
Purchased software amortization				44				164
Other intangibles amortization				6				19
Internally developed software products amortization				17				79
Share-based compensation expense				28				108
Other expenses, net ⁽⁴⁾				9				-
Interest expense, net				17				62
Income from continuing operations before income taxes				\$ 198				\$ 1,073

	Three Months Ended March 31, 2016				Fiscal Year Ended March 31, 2016			
	Mainframe Solutions ⁽¹⁾	Enterprise Solutions ⁽¹⁾	Services ⁽¹⁾	Total	Mainframe Solutions ⁽¹⁾	Enterprise Solutions ⁽¹⁾	Services ⁽¹⁾	Total
Revenue ⁽²⁾	\$ 547	\$ 380	\$ 82	\$ 1,009	\$ 2,215	\$ 1,484	\$ 326	\$ 4,025
Expenses ⁽³⁾	213	341	76	630	854	1,337	303	2,494
Segment profit	\$ 334	\$ 39	\$ 6	\$ 379	\$ 1,361	\$ 147	\$ 23	\$ 1,531
Segment operating margin	61%	10%	7%	38%	61%	10%	7%	38%
Segment profit				\$ 379				\$ 1,531
Less:								
Purchased software amortization				40				146
Other intangibles amortization				8				44
Internally developed software products amortization				24				110
Share-based compensation expense				27				97
Other expenses (gains), net ⁽⁴⁾				1				(1)
Interest expense, net				15				51
Income from continuing operations before income taxes				\$ 264				\$ 1,084

- (1) The Company's Mainframe Solutions and Enterprise Solutions segments are comprised of its software business organized by the nature of the Company's software offerings and the platforms on which the products operate. The Services segment is comprised of product implementation, consulting, customer education and customer training services, 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 assigned to the Mainframe Solutions and Enterprise Solutions segments is 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 products); (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 (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 March 31,				Fiscal Year Ended March 31,			
	2017	2016	% Increase (Decrease) in \$ US	% Increase (Decrease) in Constant Currency ⁽¹⁾	2017	2016	% Increase (Decrease) in \$ US	% Increase (Decrease) in Constant Currency ⁽¹⁾
Bookings	\$ 1,423	\$ 960	48%	49%	\$ 4,763	\$ 4,247	12%	13%
Revenue:								
North America	\$ 683	\$ 681	0%	0%	\$ 2,716	\$ 2,712	0%	0%
International	329	328	0%	2%	1,320	1,313	1%	2%
Total revenue	\$ 1,012	\$ 1,009	0%	1%	\$ 4,036	\$ 4,025	0%	1%
Revenue:								
Subscription and maintenance	\$ 812	\$ 821	(1)%	(1)%	\$ 3,279	\$ 3,317	(1)%	(1)%
Professional services	77	82	(6)%	(5)%	301	326	(8)%	(7)%
Software fees and other	123	106	16%	16%	456	382	19%	20%
Total revenue	\$ 1,012	\$ 1,009	0%	1%	\$ 4,036	\$ 4,025	0%	1%
Segment Revenue:								
Mainframe solutions	\$ 535	\$ 547	(2)%	(1)%	\$ 2,182	\$ 2,215	(1)%	(1)%
Enterprise solutions	400	380	5%	6%	1,553	1,484	5%	5%
Services	77	82	(6)%	(5)%	301	326	(8)%	(7)%
Total expenses before interest and income taxes:								
Total GAAP	\$ 797	\$ 730	9%	10%	\$ 2,901	\$ 2,890	0%	2%
Total non-GAAP ⁽²⁾	693	630	10%	12%	2,531	2,494	1%	3%

(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		Fiscal Year Ended	
	March 31,		March 31,	
	2017	2016	2017	2016
GAAP net income	\$ 157	\$ 174	\$ 775	\$ 783
GAAP income from discontinued operations, net of income taxes	-	(3)	-	(14)
GAAP income from continuing operations	\$ 157	\$ 171	\$ 775	\$ 769
GAAP income tax expense	41	93	298	315
Interest expense, net	17	15	62	51
GAAP income from continuing operations before interest and income taxes	\$ 215	\$ 279	\$ 1,135	\$ 1,135
GAAP operating margin (% of revenue) ⁽¹⁾	21%	28%	28%	28%
Non-GAAP adjustments to expenses:				
Costs of licensing and maintenance ⁽²⁾	\$ 2	\$ 2	\$ 7	\$ 7
Cost of professional services ⁽²⁾	-	1	3	4
Amortization of capitalized software costs ⁽³⁾	61	64	243	256
Selling and marketing ⁽²⁾	9	9	37	34
General and administrative ⁽²⁾	11	10	38	35
Product development and enhancements ⁽²⁾	6	5	23	17
Depreciation and amortization of other intangible assets ⁽⁴⁾	6	8	19	44
Other gains, net ⁽⁵⁾	9	1	-	(1)
Total Non-GAAP adjustment to operating expenses	\$ 104	\$ 100	\$ 370	\$ 396
Non-GAAP income from continuing operations before interest and income taxes	\$ 319	\$ 379	\$ 1,505	\$ 1,531
Non-GAAP operating margin (% of revenue) ⁽⁶⁾	32%	38%	37%	38%
Interest expense, net	17	15	62	51
GAAP income tax expense	41	93	298	315
Non-GAAP adjustment to income tax expense ⁽⁷⁾	34	19	103	115
Non-GAAP income tax expense	\$ 75	\$ 112	\$ 401	\$ 430
Non-GAAP income from continuing operations	\$ 227	\$ 252	\$ 1,042	\$ 1,050

(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 March 31, 2017 and 2016, non-GAAP adjustment consists of \$44 million and \$40 million of purchased software amortization and \$17 million and \$24 million of internally developed software products amortization, respectively. For the twelve month periods ending March 31, 2017 and 2016, non-GAAP adjustment consists of \$164 million and \$146 million of purchased software amortization and \$79 million and \$110 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 March 31,		Fiscal Year Ended March 31,	
	2017	2016	2017	2016
Total expenses before interest and income taxes	\$ 797	\$ 730	\$ 2,901	\$ 2,890
Non-GAAP operating adjustments:				
Purchased software amortization	44	40	164	146
Other intangibles amortization	6	8	19	44
Internally developed software products amortization	17	24	79	110
Share-based compensation	28	27	108	97
Other expenses (gains), net ⁽¹⁾	9	1	-	(1)
Total non-GAAP operating adjustment	<u>\$ 104</u>	<u>\$ 100</u>	<u>\$ 370</u>	<u>\$ 396</u>
Total non-GAAP operating expenses	<u>\$ 693</u>	<u>\$ 630</u>	<u>\$ 2,531</u>	<u>\$ 2,494</u>

<u>Diluted EPS from Continuing Operations</u>	Three Months Ended March 31,		Fiscal Year Ended March 31,	
	2017	2016	2017	2016
GAAP diluted EPS from continuing operations	\$ 0.38	\$ 0.41	\$ 1.85	\$ 1.78
Non-GAAP adjustments:				
Purchased software amortization	0.10	0.10	0.39	0.34
Other intangibles amortization	0.01	0.02	0.04	0.10
Internally developed software products amortization	0.04	0.05	0.19	0.26
Share-based compensation	0.07	0.06	0.26	0.22
Other expenses, net ⁽¹⁾	0.02	-	-	-
Tax effect of non-GAAP adjustments	(0.05)	(0.08)	(0.25)	(0.27)
Non-GAAP effective tax rate adjustments ⁽²⁾	(0.03)	0.04	-	-
Total non-GAAP adjustment	<u>\$ 0.16</u>	<u>\$ 0.19</u>	<u>\$ 0.63</u>	<u>\$ 0.65</u>
Non-GAAP diluted EPS from continuing operations	<u>\$ 0.54</u>	<u>\$ 0.60</u>	<u>\$ 2.48</u>	<u>\$ 2.43</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)

	<u>Three Months Ended</u> <u>March 31, 2017</u>		<u>Fiscal Year Ended</u> <u>March 31, 2017</u>	
	<u>GAAP</u>	<u>Non-GAAP</u>	<u>GAAP</u>	<u>Non-GAAP</u>
Income from continuing operations before interest and income taxes ⁽¹⁾	\$ 215	\$ 319	\$ 1,135	\$ 1,505
Interest expense, net	17	17	62	62
Income from continuing operations before income taxes	<u>\$ 198</u>	<u>\$ 302</u>	<u>\$ 1,073</u>	<u>\$ 1,443</u>
Statutory tax rate	35%	35%	35%	35%
Tax at statutory rate	\$ 69	\$ 106	\$ 376	\$ 505
Adjustments for discrete and permanent items ⁽²⁾	(28)	(31)	(78)	(104)
Total tax expense	<u>\$ 41</u>	<u>\$ 75</u>	<u>\$ 298</u>	<u>\$ 401</u>
Effective tax rate ⁽³⁾	20.7%	24.8%	27.8%	27.8%

	<u>Three Months Ended</u> <u>March 31, 2016</u>		<u>Fiscal Year Ended</u> <u>March 31, 2016</u>	
	<u>GAAP</u>	<u>Non-GAAP</u>	<u>GAAP</u>	<u>Non-GAAP</u>
Income from continuing operations before interest and income taxes ⁽¹⁾	\$ 279	\$ 379	\$ 1,135	\$ 1,531
Interest expense, net	15	15	51	51
Income from continuing operations before income taxes	<u>\$ 264</u>	<u>\$ 364</u>	<u>\$ 1,084</u>	<u>\$ 1,480</u>
Statutory tax rate	35%	35%	35%	35%
Tax at statutory rate	\$ 92	\$ 127	\$ 379	\$ 518
Adjustments for discrete and permanent items ⁽²⁾	1	(15)	(64)	(88)
Total tax expense	<u>\$ 93</u>	<u>\$ 112</u>	<u>\$ 315</u>	<u>\$ 430</u>
Effective tax rate ⁽³⁾	35.2%	30.8%	29.1%	29.1%

(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, 2018</u>	
Projected GAAP diluted EPS from continuing operations range	\$ 1.67	to \$ 1.72
Non-GAAP adjustments:		
Purchased software amortization	0.52	0.52
Other intangibles amortization	0.10	0.10
Internally developed software products amortization	0.08	0.08
Share-based compensation	0.25	0.25
Tax effect of non-GAAP adjustments	(0.27)	(0.27)
Total non-GAAP adjustment	<u>\$ 0.68</u>	<u>\$ 0.68</u>
Projected non-GAAP diluted EPS from continuing operations range	<u>\$ 2.35</u>	to <u>\$ 2.40</u>
<u>Projected Operating Margin</u>	<u>Fiscal Year Ending</u> <u>March 31, 2018</u>	
Projected GAAP operating margin	26%	to 27%
Non-GAAP operating adjustments:		
Purchased software amortization	5%	4%
Other intangibles amortization	1%	1%
Internally developed software products amortization	1%	1%
Share-based compensation	3%	3%
Total non-GAAP operating adjustment	<u>10%</u>	<u>9%</u>
Projected non-GAAP operating margin	<u>36%</u>	<u>36%</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.