CA, INC.
Form 10-Q
October 23, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2014
or
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _______ to _______
Commission File Number 1-9247

CA, Inc.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	13-2857434 (I.R.S. Employer Identification Number)
520 Madison Avenue, New York, New York	10022
(Address of principal executive offices)	(Zip Code)

1-800-225-5224
(Registrant’s telephone number, including area code)
Not applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.
(Check one:)

Large accelerated filer	þ	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No þ

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Title of Class	Shares Outstanding
Common Stock	as of October 16, 2014
par value $0.10 per share	444,906,148

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PART I. FINANCIAL INFORMATION
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
CA, Inc.:

We have reviewed the condensed consolidated balance sheet of CA, Inc. and subsidiaries as of September 30, 2014, and the related condensed consolidated statements of operations and comprehensive income for the three-month and six-month periods ended September 30, 2014 and 2013, and the condensed consolidated statements of cash flows for the six-month periods ended September 30, 2014 and 2013. These condensed consolidated financial statements are the responsibility of the Company’s management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of CA, Inc. and subsidiaries as of March 31, 2014, and the related consolidated statements of operations, comprehensive income, stockholders’ equity, and cash flows for the year then ended (not presented herein); and in our report dated May 19, 2014, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of March 31, 2014, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ KPMG LLP
New York, New York
October 23, 2014

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Item 1.
CA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions, except share amounts)

	September 30, 2014 (unaudited)	March 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	$3,193	$3,252
Trade accounts receivable, net	511	800
Deferred income taxes	328	315
Other current assets	199	192
Total current assets	$4,231	$4,559
Property and equipment, net of accumulated depreciation of $845 and $828, respectively	$278	$295
Goodwill	5,811	5,922
Capitalized software and other intangible assets, net	869	1,063
Deferred income taxes	67	59
Other noncurrent assets, net	116	118
Total assets	$11,372	$12,016
Liabilities and stockholders' equity		
Current liabilities:		
Current portion of long-term debt	$510	$514
Accounts payable	111	129
Accrued salaries, wages and commissions	190	275
Accrued expenses and other current liabilities	429	510
Deferred revenue (billed or collected)	1,957	2,419
Taxes payable, other than income taxes payable	32	66
Federal, state and foreign income taxes payable	55	—
Deferred income taxes	6	9
Total current liabilities	$3,290	$3,922
Long-term debt, net of current portion	$1,253	$1,252
Federal, state and foreign income taxes payable	155	182
Deferred income taxes	45	67
Deferred revenue (billed or collected)	779	872
Other noncurrent liabilities	107	151
Total liabilities	$5,629	$6,446
Stockholders' equity:		
Preferred stock, no par value, 10,000,000 shares authorized; No shares issued and outstanding	$—	$—
Common stock, $0.10 par value, 1,100,000,000 shares authorized; 589,695,081 and 589,695,081 shares issued; 440,334,597 and 438,740,478 shares outstanding, respectively	59	59
Additional paid-in capital	3,588	3,610
Retained earnings	6,069	5,818
Accumulated other comprehensive loss	(255)	(171)
Treasury stock, at cost, 149,360,484 and 150,954,603 shares, respectively	(3,718)	(3,746)

Total stockholders’ equity	$5,743	$5,570
Total liabilities and stockholders’ equity	$11,372	$12,016

See accompanying Notes to the Condensed Consolidated Financial Statements

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CA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)
(in millions, except per share amounts)

	For the Three Months Ended September 30,		For the Six Months Ended September 30,	
	2014	2013	2014	2013
Revenue:				
Subscription and maintenance	$908	$922	$1,817	$1,844
Professional services	91	97	178	195
Software fees and other	80	86	153	161
Total revenue	$1,079	$1,105	$2,148	$2,200
Expenses:				
Costs of licensing and maintenance	$71	$71	$143	$139
Cost of professional services	88	88	169	176
Amortization of capitalized software costs	75	69	142	135
Selling and marketing	253	248	499	517
General and administrative	87	91	179	182
Product development and enhancements	150	142	300	274
Depreciation and amortization of other intangible assets	34	37	68	73
Other expenses, net	1	14	15	140
Total expenses before interest and income taxes	$759	$760	$1,515	$1,636
Income from continuing operations before interest and income taxes	$320	$345	$633	$564
Interest expense, net	12	13	26	24
Income from continuing operations before income taxes	$308	$332	$607	$540
Income tax expense (benefit)	73	101	160	(21)
Income from continuing operations	$235	$231	$447	$561
Income from discontinued operations, net of income taxes	$21	$9	$26	$14
Net income	$256	$240	$473	$575
Basic income per common share:				
Income from continuing operations	$0.53	$0.51	$1.01	$1.24
Income from discontinued operations	0.05	0.02	0.06	0.03
Net income	$0.58	$0.53	$1.07	$1.27
Basic weighted average shares used in computation	440	448	440	449
Diluted income per common share:				
Income from continuing operations	$0.53	$0.51	$1.00	$1.23
Income from discontinued operations	0.05	0.02	0.06	0.03
Net income	$0.58	$0.53	$1.06	$1.26
Diluted weighted average shares used in computation	441	450	441	450

See accompanying Notes to the Condensed Consolidated Financial Statements

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CA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)
(in millions)

	For the Three Months Ended September 30,		For the Six Months Ended September 30,	
	2014	2013	2014	2013
Net income	$256	$240	$473	$575
Other comprehensive (loss) income:				
Foreign currency translation adjustments	(94)	23	(84)	(20)
Total other comprehensive (loss) income	$(94)	$23	$(84)	$(20)
Comprehensive income	$162	$263	$389	$555

See accompanying Notes to the Condensed Consolidated Financial Statements

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CA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(in millions)

	For the Six Months Ended September 30,	
	2014	2013
Operating activities from continuing operations:		
Net income	$473	$575
Income from discontinued operations	(26)	(14)
Income from continuing operations	$447	$561
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Depreciation and amortization	210	208
Deferred income taxes	(49)	(59)
Provision for bad debts	1	5
Share-based compensation expense	42	40
Asset impairments and other non-cash items	—	4
Foreign currency transaction losses	3	2
Changes in other operating assets and liabilities, net of effect of acquisitions:		
Decrease in trade accounts receivable	263	259
Decrease in deferred revenue	(497)	(580)
Decrease in taxes payable, net	(42)	(270)
(Decrease) increase in accounts payable, accrued expenses and other	(22)	12
Decrease in accrued salaries, wages and commissions	(79)	(71)
Changes in other operating assets and liabilities	(45)	(35)
Net cash provided by operating activities - continuing operations	$232	$76
Investing activities from continuing operations:		
Acquisitions of businesses, net of cash acquired, and purchased software	$(12)	$(125)
Purchases of property and equipment	(34)	(35)
Capitalized software development costs	—	(35)
Purchases of short-term investments	—	(9)
Maturities of short-term investments	—	184
Net cash used in investing activities - continuing operations	$(46)	$(20)
Financing activities from continuing operations:		
Dividends paid	$(222)	$(228)
Purchases of common stock	(50)	(200)
Notional pooling borrowings	2,703	1,609
Notional pooling repayments	(2,647)	(1,639)
Debt borrowings	—	498
Debt repayments	(5)	(8)
Debt issuance costs	—	(4)
Exercise of common stock options and other	14	55
Net cash (used in) provided by financing activities - continuing operations	$(207)	$83
Effect of exchange rate changes on cash	$(185)	$36
Net change in cash and cash equivalents - continuing operations	$(206)	$175
Cash (used in) provided by operating activities - discontinued operations	$(23)	$22
Cash provided by investing activities - discontinued operations	170	—
Net effect of discontinued operations on cash and cash equivalents	$147	$22

(Decrease) increase in cash and cash equivalents	$(59)	$197
Cash and cash equivalents at beginning of period	$3,252	$2,593
Cash and cash equivalents at end of period	$3,193	$2,790

See accompanying Notes to the Condensed Consolidated Financial Statements

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CA, INC. AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE A – ACCOUNTING POLICIES
Basis of Presentation: The accompanying unaudited Condensed Consolidated Financial Statements of CA, Inc. (Company) have been prepared in accordance with U.S. generally accepted accounting principles (GAAP), as defined in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 270, for interim financial information and with the instructions to Rule 10-01 of Securities and Exchange Commission Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. For further information, refer to the Company’s Consolidated Financial Statements and Notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended March 31, 2014 (2014 Form 10-K). In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All such adjustments are of a normal, recurring nature.
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management’s knowledge of current events and actions it may undertake in the future, these estimates may ultimately differ from actual results.
Operating results for the three and six months ended September 30, 2014 are not necessarily indicative of the results that may be expected for the fiscal year ending March 31, 2015.
Divestitures: In the second quarter of fiscal year 2015, the Company sold its CA arcserve data protection solution assets (arcserve). In the fourth quarter of fiscal year 2014, the Company identified its CA ERwin Data Modeling solution assets (ERwin) as available for sale. The results of operations associated with these businesses have been presented as discontinued operations in the accompanying Condensed Consolidated Statements of Operations and Condensed Consolidated Statements of Cash Flows. The effects of the discontinued operations were immaterial to the Company’s Condensed Consolidated Balance Sheets at September 30, 2014 and March 31, 2014. See Note B, “Divestitures,” for additional information.
Cash and Cash Equivalents: The Company’s cash and cash equivalents are held in numerous locations throughout the world, with approximately 63% being held by the Company’s foreign subsidiaries outside the United States at September 30, 2014.
Fair Value Measurements: Fair value is the price that would be received for an asset or the amount paid to transfer a liability in an orderly transaction between market participants. The Company is required to classify certain assets and liabilities based on the following fair value hierarchy:

- Level 1: Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2: Quoted prices for identical assets and liabilities in markets that are not active, or quoted prices for similar assets and liabilities in active markets or financial instruments for which significant inputs are observable, either directly or indirectly; and
- Level 3: Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

See Note H, “Fair Value Measurements,” for additional information.
Deferred Revenue (Billed or Collected): The Company accounts for unearned revenue on billed amounts due from customers on a gross basis. Unearned revenue on billed installments (collected or uncollected) is reported as deferred revenue in the liability section of the Company’s Condensed Consolidated Balance Sheets. Deferred revenue (billed or collected) excludes unbilled contractual commitments executed under license and maintenance agreements that will be billed in future periods. See Note F, “Deferred Revenue,” for additional information.
New Accounting Pronouncements: In May 2014, the FASB issued Accounting Standards Update No. 2014-09 (ASU 2014-09), Revenue from Contracts with Customers (Topic 606), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard

is effective for annual and interim periods in fiscal years beginning after December 15, 2016. Early application is not permitted. ASU 2014-09 is effective for the Company in its first quarter of fiscal year 2018 using either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. ASU 2014-09 is expected to have a significant impact on the Company’s revenue recognition policies and disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

CA, INC. AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE B – DIVESTITURES

In July 2014, the Company sold arcserve for approximately $170 million and recognized a gain on disposal of approximately $19 million, including tax expense of approximately $77 million. The effective tax rate on the disposal was adversely affected by non-deductible goodwill of $109 million. In the fourth quarter of fiscal year 2014, the Company identified ERwin as available for sale. The divestiture of arcserve and the planned divestiture of ERwin result from an effort to rationalize the Company's product portfolio within the Enterprise Solutions segment.

The income from discontinued operations relating to both ERwin and the sale of arcserve for the three and six months ended September 30, 2014 and 2013 consisted of the following:

	Three Months Ended September 30,	
(in millions)	2014	2013
Subscription and maintenance	$10	$23
Software fees and other	5	12
Total revenue	$15	$35
Income from operations of discontinued components, net of tax expense of $2 million and $5 million, respectively	$2	$9
Gain on disposal of discontinued component, net of tax	19	—
Income from discontinued operations, net of tax	$21	$9

	Six Months Ended September 30,	
(in millions)	2014	2013
Subscription and maintenance	$31	$45
Software fees and other	15	23
Total revenue	$46	$68
Income from operations of discontinued components, net of tax expense of $6 million and $9 million, respectively	$7	$14
Gain on disposal of discontinued component, net of tax	19	—
Income from discontinued operations, net of tax	$26	$14

NOTE C – SEVERANCE AND EXIT COSTS

Fiscal Year 2014 Rebalancing Plan: In fiscal year 2014, the Company's Board of Directors approved and committed to a rebalancing plan (Fiscal 2014 Plan) to better align its business priorities. This included a termination of approximately 1,900 employees and global facility consolidations. Costs associated with the Fiscal 2014 Plan are presented in "Other expenses, net" in the Company's Condensed Consolidated Statement of Operations. The total amount incurred to date for severance and facility exit costs under the Fiscal 2014 Plan is approximately $170 million and $22 million, respectively. The Company expects total costs of the Fiscal 2014 Plan to be approximately $195 million (including severance costs of approximately $173 million and global facility exit costs of approximately $22 million). Severance and facility consolidation actions under the Fiscal 2014 Plan were substantially completed by the end of fiscal year 2014.

Accrued severance and exit costs and changes in the accruals during the six months ended September 30, 2014 and 2013 were as follows:

(in millions)	Accrued Balance at March 31, 2014	Expense	Change in Estimate	Payments	Accretion and Other	Accrued Balance at September 30, 2014
Severance charges	$55	$21	$(1)	$(43)	$(2)	$30
Facility exit charges	29	—	—	(5)	(1)	23
Total accrued liabilities	$84					$53

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(in millions)	Accrued Balance at March 31, 2013	Expense	Change in Estimate	Payments	Accretion and Other	Accrued Balance at September 30, 2013
Severance charges	$16	$111	$(9)	$(69)	$3	$52
Facility exit charges	23	19	—	(6)	(3)	33
Total accrued liabilities	$39					$85

Balances at September 30, 2014 and 2013 include facility exit accruals of approximately $11 million and $15 million, respectively, for plans and actions prior to fiscal year 2014. Balance at September 30, 2013 included a severance accrual of approximately $7 million for plans and actions prior to the Fiscal 2014 Plan.

The severance liabilities are included in “Accrued salaries, wages and commissions” in the Condensed Consolidated Balance Sheets. The facility exit liabilities are included in “Accrued expenses and other current liabilities” and “Other noncurrent liabilities” in the Condensed Consolidated Balance Sheets.

Accretion and other includes accretion of the Company’s lease obligations related to facility exits as well as changes in the assumptions related to future sublease income. These costs are included in “General and administrative” expense in the Condensed Consolidated Statements of Operations.

NOTE D – TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable, net represents amounts due from the Company’s customers and is presented net of allowances. These balances include revenue recognized in advance of customer billings but do not include unbilled contractual commitments executed under license agreements. The components of “Trade accounts receivable, net” were as follows:

	September 30, 2014	March 31, 2014
	(in millions)	
Accounts receivable – billed	$447	$739
Accounts receivable – unbilled	69	61
Other receivables	13	19
Less: Allowances	(18)	(19)
Trade accounts receivable, net	$511	$800

NOTE E – GOODWILL, CAPITALIZED SOFTWARE AND OTHER INTANGIBLE ASSETS

The gross carrying amounts and accumulated amortization for capitalized software and other intangible assets at September 30, 2014 were as follows:

	At September 30, 2014				
	Gross Amortizable Assets	Less: Fully Amortized Assets	Remaining Amortizable Assets	Accumulated Amortization on Remaining Amortizable Assets	Net Assets
	(in millions)				
Purchased software products	$5,698	$4,853	$845	$356	$489
Internally developed software products	1,486	794	692	389	303
Other intangible assets	839	491	348	271	77
Total capitalized software and other intangible assets	$8,023	$6,138	$1,885	$1,016	$869

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The gross carrying amounts and accumulated amortization for capitalized software and other intangible assets at March 31, 2014 were as follows:

	At March 31, 2014				
	Gross Amortizable Assets	Less: Fully Amortized Assets	Remaining Amortizable Assets	Accumulated Amortization on Remaining Amortizable Assets	Net Assets
	(in millions)				
Purchased software products	$5,706	$4,849	$857	$309	$548
Internally developed software products	1,561	757	804	397	407
Other intangible assets	846	489	357	249	108
Total capitalized software and other intangible assets	$8,113	$6,095	$2,018	$955	$1,063

Based on the capitalized software and other intangible assets recorded through September 30, 2014, the projected annual amortization expense for fiscal year 2015 and the next four fiscal years is expected to be as follows:

	Year Ended March 31,				
	2015	2016	2017	2018	2019
	(in millions)				
Purchased software products	$114	$110	$108	$104	$62
Internally developed software products	149	109	79	37	10
Other intangible assets	58	35	8	3	1
Total	$321	$254	$195	$144	$73

In the second quarter of fiscal year 2015, the Company recorded an impairment of $13 million relating to capitalized software and other intangible assets within the Enterprise Solutions segment. This adjustment is a result of the Company’s continued effort to rationalize its product portfolio. The impairment was included in “Amortization of capitalized software costs” in the Condensed Consolidated Statement of Operations for the three and six months ended September 30, 2014. Amortization of capitalized software costs was not included in segment expenses (see Note O, “Segment Information,” for additional information).

The Company evaluates the useful lives and recoverability of capitalized software and other intangible assets when events or changes in circumstances indicate that an impairment may exist. These evaluations require complex assumptions about key factors such as future customer demand, technology trends and the impact of those factors on the technology the Company acquires and develops for its products. Impairments or revisions to useful lives could result from the use of alternative assumptions that reflect reasonably possible outcomes related to future customer demand or technology trends for assets within the Enterprise Solutions segment.

Goodwill activity by segment for the six months ended September 30, 2014 was as follows:

(in millions)	Mainframe Solutions	Enterprise Solutions	Services	Total
Balance at March 31, 2014	$4,178	$1,663	$81	$5,922
Divestiture adjustment	—	(109)	—	(109)
Foreign currency translation adjustment	—	(2)	—	(2)
Balance at September 30, 2014	$4,178	$1,552	$81	$5,811

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE F – DEFERRED REVENUE
The current and noncurrent components of “Deferred revenue (billed or collected)” at September 30, 2014 and March 31, 2014 were as follows:

	September 30, 2014	March 31, 2014
	(in millions)	
Current:		
Subscription and maintenance	$1,804	$2,237
Professional services	128	149
Software fees and other	25	33
Total deferred revenue (billed or collected) – current	$1,957	$2,419
Noncurrent:		
Subscription and maintenance	$745	$845
Professional services	31	26
Software fees and other	3	1
Total deferred revenue (billed or collected) – noncurrent	$779	$872
Total deferred revenue (billed or collected)	$2,736	$3,291

NOTE G – DERIVATIVES
The Company is exposed to financial market risks arising from changes in interest rates and foreign exchange rates. Changes in interest rates could affect the Company’s monetary assets and liabilities, and foreign exchange rate changes could affect the Company’s foreign currency denominated monetary assets and liabilities and forecasted transactions. The Company enters into derivative contracts with the intent of mitigating a portion of these risks.
Interest Rate Swaps: The Company has interest rate swaps with a total notional value of $500 million, which swap a total of $500 million of its 6.125% Senior Notes due December 2014 into floating interest rate debt through December 1, 2014. These swaps are designated as fair value hedges.
At September 30, 2014, the fair value of these derivatives was an asset of approximately $2 million, which is included in “Other current assets” in the Company’s Condensed Consolidated Balance Sheet.
At March 31, 2014, the fair value of these derivatives was an asset of approximately $8 million, which is included in “Other current assets” in the Company’s Condensed Consolidated Balance Sheet.
Foreign Currency Contracts: The Company enters into foreign currency option and forward contracts to manage foreign currency risks. The Company has not designated its foreign exchange derivatives as hedges. Accordingly, changes in fair value from these contracts are recorded as “Other expenses, net” in the Company’s Condensed Consolidated Statements of Operations.
At September 30, 2014, foreign currency contracts outstanding consisted of purchase and sales contracts with a total gross notional value of approximately $961 million and durations of less than six months. The net fair value of these contracts at September 30, 2014 was a net asset of approximately $22 million, of which approximately $25 million is included in “Other current assets” and approximately $3 million is included in “Accrued expenses and other current liabilities” in the Company’s Condensed Consolidated Balance Sheet.
At March 31, 2014, foreign currency contracts outstanding consisted of purchase and sales contracts with a total gross notional value of approximately $250 million and durations of less than three months. The net fair value of these contracts at March 31, 2014 was a net asset of approximately $1 million, of which approximately $2 million is included in “Other current assets” and approximately $1 million is included in “Accrued expenses and other current liabilities” in the Company’s Condensed Consolidated Balance Sheet.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

A summary of the effect of the interest rate and foreign exchange derivatives on the Company's Condensed Consolidated Statements of Operations was as follows:

	Amount of Net Gain Recognized in the Condensed Consolidated Statements of Operations			
	Three Months Ended September 30,		Six Months Ended September 30,	
(in millions)	2014	2013	2014	2013
Interest expense, net – interest rate swaps designated as fair value hedges	$(3)	$(3)	$(6)	$(6)
Other expenses, net – foreign currency contracts	$(17)	$(6)	$(12)	$(15)

The Company is subject to collateral security arrangements with most of its major counterparties. These arrangements require the Company or the counterparty to post collateral when the derivative fair values exceed contractually established thresholds. The aggregate fair values of all derivative instruments under these collateralized arrangements were in a net asset position at September 30, 2014 and March 31, 2014. The Company posted no collateral at September 30, 2014 or March 31, 2014. Under these agreements, if the Company's credit ratings had been downgraded one rating level, the Company would still not have been required to post collateral.

NOTE H – FAIR VALUE MEASUREMENTS

The following table presents the Company's assets and liabilities that were measured at fair value on a recurring basis at September 30, 2014 and March 31, 2014:

	At September 30, 2014			At March 31, 2014		
	Fair Value Measurement Using Input Types		Estimated Fair Value	Fair Value Measurement Using Input Types		Estimated Fair Value
(in millions)	Level 1	Level 2	Total	Level 1	Level 2	Total
Assets:						
Money market funds	$1,040	$—	$1,040 (1)	$1,277	$—	$1,277 (2)
Foreign exchange derivatives (3)	—	25	25	—	2	2
Interest rate derivatives (3)	—	2	2	—	8	8
Total assets	$1,040	$27	$1,067	$1,277	$10	$1,287
Liabilities:						
Foreign exchange derivatives (3)	$—	$3	$3	$—	$1	$1
Total liabilities	$—	$3	$3	$—	$1	$1

(1) At September 30, 2014, the Company had approximately $1,040 million and less than $1 million of investments in money market funds classified as "Cash and cash equivalents" and "Other noncurrent assets, net" for restricted cash amounts, respectively, in its Condensed Consolidated Balance Sheet.

(2) At March 31, 2014, the Company had approximately $1,277 million and less than $1 million of investments in money market funds classified as "Cash and cash equivalents" and "Other noncurrent assets, net" for restricted cash amounts, respectively, in its Condensed Consolidated Balance Sheet.

(3) See Note G, "Derivatives" for additional information. Interest rate derivatives fair value excludes accrued interest.

At September 30, 2014 and March 31, 2014, the Company did not have any assets or liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3).

The carrying values of financial instruments classified as current assets and current liabilities, such as cash and cash equivalents, short-term investments, accounts payable, accrued expenses, and short-term borrowings, approximate fair value due to the short-term maturity of the instruments.

The following table presents the carrying amounts and estimated fair values of the Company's other financial instruments that were not measured at fair value on a recurring basis at September 30, 2014 and March 31, 2014:

(in millions)	At September 30, 2014 Carrying Value	At September 30, 2014 Estimated Fair Value	At March 31, 2014 Carrying Value	At March 31, 2014 Estimated Fair Value
Liabilities:				
Total debt [(1)]	$1,763	$1,859	$1,766	$1,884
Facility exit reserve [(2)]	$23	$25	$29	$33

(1) Estimated fair value of total debt is based on quoted prices for similar liabilities for which significant inputs are observable except for certain long-term lease obligations, for which fair value approximates carrying value (Level 2).

(2) Estimated fair value for the facility exit reserve is determined using the Company's incremental borrowing rate at September 30, 2014 and March 31, 2014. At September 30, 2014 and March 31, 2014, the facility exit reserve included approximately $9 million and $11 million, respectively, in "Accrued expenses and other current liabilities" and approximately $14 million and $18 million, respectively, in "Other noncurrent liabilities" in the Company's Condensed Consolidated Balance Sheets (Level 3).

NOTE I – COMMITMENTS AND CONTINGENCIES

The Company, various subsidiaries, and certain current and former officers have been or, from time to time, may be named as defendants in various lawsuits and claims arising in the normal course of business. The Company may also become involved with contract issues and disputes with customers, including government customers.

On March 24, 2014, the U.S. Department of Justice (DOJ) filed under seal in the United States District Court for the District of Columbia a complaint against the Company in partial intervention under the qui tam provisions of the civil False Claims Act (FCA). The underlying complaint was filed under seal by an individual plaintiff on August 24, 2009. On May 29, 2014, the case was unsealed. Both the DOJ and the individual plaintiff have filed amended complaints. The current complaints relate to government sales transactions under the Company's General Services Administration (GSA) schedule contract, entered into in 2002 and extended until present through subsequent amendments. In sum and substance, the current complaints allege that the Company provided inaccurate commercial discounting information to the GSA during contract negotiations and that, as a result, the GSA's contract discount was lower than it otherwise would have been. In addition, the complaints allege that the Company failed to apply the full negotiated discount in some instances and to pay sufficient rebates pursuant to the contract's price reduction clause. In addition to FCA claims, the current complaints also assert common law causes of action. The DOJ complaint seeks an unspecified amount of damages, including treble damages and civil penalties. The complaint by the individual plaintiff alleges that the U.S. government has suffered damages in excess of $100 million and seeks an unspecified amount of damages, including treble damages and civil penalties. The Company has filed motions to dismiss the current complaints. Those motions are pending and discussions with the DOJ and GSA are continuing. The Company cannot predict the amount of damages likely to result from this matter. Although the timing and ultimate outcome of this matter cannot be determined, the Company believes that the material aspects of the liability theories set forth in the complaints are unfounded. The Company also believes that it has meritorious defenses and intends to vigorously contest the lawsuit.

Based on the Company's experience, management believes that the damages amounts claimed in a case are not a meaningful indicator of the potential liability. Claims, suits, investigations and proceedings are inherently uncertain and it is not possible to predict the ultimate outcome of cases. The Company believes that it has meritorious defenses in connection with its current lawsuits and material claims and disputes, and intends to vigorously contest each of them.

In the opinion of the Company's management based upon information currently available to the Company, while the outcome of these lawsuits, claims and disputes is uncertain, the likely results of these lawsuits, claims and disputes are not expected, either individually or in the aggregate, to have a material adverse effect on the Company's financial position, results of operations or cash flows, although the effect could be material to the Company's results of operations or cash flows for any interim reporting period. For some of these matters, the Company is unable to estimate a range of reasonably possible loss due to the stage of the matter and/or other particular circumstances of the matter. For others, a range of reasonably possible loss can be estimated. For those matters for which such a range can be estimated, the Company estimates that, in the aggregate, the range of reasonably possible loss is from zero to $30 million. This is in addition to amounts, if any, that have been accrued for those matters.

The Company is obligated to indemnify its officers and directors under certain circumstances to the fullest extent permitted by Delaware law. As a part of that obligation, the Company may, from time to time, advance certain attorneys' fees and expenses incurred by officers and directors in various lawsuits and investigations, as permitted under Delaware law.

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NOTE J – STOCKHOLDERS' EQUITY
Stock Repurchases: In May 2014, the Company's Board of Directors approved a stock repurchase program that authorizes the Company to acquire up to $1 billion of its common stock. During the six months ended September 30, 2014, the Company repurchased approximately 1.7 million shares of its common stock for approximately $50 million. At September 30, 2014, the Company remained authorized to purchase approximately $950 million of its common stock under its current stock repurchase program.
Accumulated Other Comprehensive Loss: Foreign currency translation losses included in "Accumulated other comprehensive loss" in the Company's Condensed Consolidated Balance Sheets at September 30, 2014 and March 31, 2014 were approximately $255 million and $171 million, respectively.
Cash Dividends: The Company's Board of Directors declared the following dividends during the six months ended September 30, 2014 and 2013:
Six Months Ended September 30, 2014:
(in millions, except per share amounts)

Declaration Date	Dividend Per Share	Record Date	Total Amount	Payment Date
May 15, 2014	$0.25	May 29, 2014	$111	June 17, 2014
July 31, 2014	$0.25	August 21, 2014	$111	September 9, 2014

Six Months Ended September 30, 2013:
(in millions, except per share amounts)

Declaration Date	Dividend Per Share	Record Date	Total Amount	Payment Date
May 9, 2013	$0.25	May 23, 2013	$114	June 11, 2013
August 1, 2013	$0.25	August 22, 2013	$114	September 10, 2013

NOTE K – INCOME FROM CONTINUING OPERATIONS PER COMMON SHARE
Basic net income per common share excludes dilution and is calculated by dividing net income allocable to common shares by the weighted average number of common shares outstanding for the period. Diluted net income per common share is calculated by dividing net income allocable to common shares by the weighted average number of common shares, as adjusted for the potential dilutive effect of non-participating share-based awards.

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The following table presents basic and diluted income from continuing operations per common share information for the three and six months ended September 30, 2014 and 2013:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2014	2013	2014	2013
	(in millions, except per share amounts)			
Basic income from continuing operations per common share:				
Income from continuing operations	$235	$231	$447	$561
Less: Income from continuing operations allocable to participating securities	(2)	(2)	(4)	(6)
Income from continuing operations allocable to common shares	$233	$229	$443	$555
Weighted average common shares outstanding	440	448	440	449
Basic income from continuing operations per common share	$0.53	$0.51	$1.01	$1.24
Diluted income from continuing operations per common share:				
Income from continuing operations	$235	$231	$447	$561
Less: Income from continuing operations allocable to participating securities	(2)	(2)	(4)	(6)
Income from continuing operations allocable to common shares	$233	$229	$443	$555
Weighted average shares outstanding and common share equivalents:				
Weighted average common shares outstanding	440	448	440	449
Weighted average effect of share-based payment awards	1	2	1	1
Denominator in calculation of diluted income per share	441	450	441	450
Diluted income from continuing operations per common share	$0.53	$0.51	$1.00	$1.23

For the three months ended September 30, 2014 and 2013, respectively, approximately 2 million and 2 million shares of Company common stock underlying restricted stock awards and options to purchase common stock were excluded from the calculation because their effect on income per share was anti-dilutive during the respective periods. Weighted average restricted stock awards of approximately 5 million and 5 million for the three months ended September 30, 2014 and 2013, respectively, were considered participating securities in the calculation of net income allocable to common stockholders.

For the six months ended September 30, 2014 and 2013, respectively, approximately 2 million and 2 million shares of Company common stock underlying restricted stock awards and options to purchase common stock were excluded from the calculation because their effect on income per share was anti-dilutive during the respective periods. Weighted average restricted stock awards of approximately 4 million and 5 million for the six months ended September 30, 2014 and 2013, respectively, were considered participating securities in the calculation of net income allocable to common stockholders.

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NOTE L – ACCOUNTING FOR SHARE-BASED COMPENSATION

The Company recognized share-based compensation in the following line items in the Condensed Consolidated Statements of Operations for the periods indicated:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2014	2013	2014	2013
	(in millions)			
Costs of licensing and maintenance	$1	$1	$2	$2
Cost of professional services	1	1	2	2
Selling and marketing	8	7	15	14
General and administrative	7	6	13	12
Product development and enhancements	5	5	10	10
Share-based compensation expense before tax	$22	$20	$42	$40
Income tax benefit	(7)	(6)	(13)	(13)
Net share-based compensation expense	$15	$14	$29	$27

The following table summarizes information about unrecognized share-based compensation costs at September 30, 2014:

	Unrecognized Share-Based Compensation Costs	Weighted Average Period Expected to be Recognized
	(in millions)	(in years)
Stock option awards	$7	2.0
Restricted stock units	23	2.2
Restricted stock awards	81	2.2
Performance share units	29	2.8
Total unrecognized share-based compensation costs	$140	2.3

There were no capitalized share-based compensation costs for the three and six months ended September 30, 2014 and 2013.

The value of performance share unit (PSU) awards is determined using the closing price of the Company’s common stock on the last trading day of the quarter until the PSUs are granted. Compensation costs for the PSUs are amortized over the requisite service periods based on the expected level of achievement of the performance targets. At the conclusion of the performance periods for the PSUs, the applicable number of shares of restricted stock awards (RSAs), restricted stock units (RSUs) or unrestricted shares granted may vary based upon the level of achievement of the performance targets and the approval of the Company’s Compensation and Human Resources Committee (which may reduce any award for any reason in its discretion).

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For the six months ended September 30, 2014 and 2013, the Company issued stock options for approximately 0.6 million shares and 1.6 million shares, respectively. The weighted average fair values and assumptions used for the options granted were as follows:

	Six Months Ended September 30,	
	2014	2013
Weighted average fair value	$5.87	$5.19
Dividend yield	3.29 %	4.05 %
Expected volatility factor (1)	29 %	30 %
Risk-free interest rate (2)	2.1 %	1.5 %
Expected life (in years) (3)	6.0	6.0

(1) Expected volatility is measured using historical daily price changes of the Company's stock over the respective expected term of the options and the implied volatility derived from the market prices of the Company's traded options.

(2) The risk-free rate for periods within the contractual term of the stock options is based on the U.S. Treasury yield curve in effect at the time of grant.

(3) The expected life is the number of years the Company estimates that options will be outstanding prior to exercise. The Company's computation of expected life was determined based on the simplified method (the average of the vesting period and option term).

The shares under the 1-year PSU awards for the fiscal year 2014 and 2013 incentive plan years under the Company's long-term incentive plans were granted in the first six months of fiscal years 2015 and 2014, respectively. The awards vest 34% on the date of grant and 33% on the first and second anniversaries of the grant date. The table below summarizes the RSAs and RSUs granted under these PSUs:

		RSAs		RSUs	
Incentive Plans for Fiscal Years	Performance Period	Shares (in millions)	Weighted Average Grant Date Fair Value	Shares (in millions)	Weighted Average Grant Date Fair Value
2014	1 year	0.7	$29.91	0.1	$28.92
2013	1 year	0.4	$27.11	0.1	$26.12

Share-based awards were granted under the Company's fiscal year 2014 and 2013 sales retention equity programs in the first six months of fiscal years 2015 and 2014, respectively. These awards vest on the third anniversary of the grant date. The table below summarizes the RSAs and RSUs granted under these programs:

		RSAs		RSUs	
Incentive Plans for Fiscal Years	Performance Period	Shares (in millions)	Weighted Average Grant Date Fair Value	Shares (in millions)	Weighted Average Grant Date Fair Value
2014	1 year	0.2	$28.69	0.1	$25.73
2013	1 year	0.2	$27.11	0.1	$24.13

The table below summarizes all of the RSAs and RSUs, including grants made pursuant to the long-term incentive plans discussed above, granted during the three and six months ended September 30, 2014 and 2013:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2014	2013	2014	2013
	(shares in millions)			
RSAs:				
Shares	0.1	— (1)	3.0	2.7
Weighted average grant date fair value (2)	$28.29	$30.39	$28.95	$27.01
RSUs:				
Shares	— (1)	— (1)	0.8	0.8
Weighted average grant date fair value (3)	$26.33	$30.13	$26.91	$25.37

(1) Less than 0.1 million.
(2) The fair value is based on the quoted market value of the Company's common stock on the grant date.
(3) The fair value is based on the quoted market value of the Company's common stock on the grant date reduced by the present value of dividends expected to be paid on the Company's common stock prior to vesting of the RSUs, which is calculated using a risk-free interest rate.

Employee Stock Purchase Plan: The Company maintains the 2012 Employee Stock Purchase Plan (ESPP) for all eligible employees. The ESPP offer period is semi-annual and allows participants to purchase the Company's common stock at 95% of the closing price of the stock on the last day of the offer period. The ESPP is non-compensatory. For the six-month offer period ended June 30, 2014, the Company issued approximately 0.1 million shares under the ESPP at $27.30 per share. As of September 30, 2014, approximately 29.5 million shares are available for future issuances under the ESPP.

NOTE M – INCOME TAXES

Income tax expense for the three and six months ended September 30, 2014 was approximately $73 million and $160 million, respectively, compared with income tax expense of approximately $101 million for the three months ended September 30, 2013 and an income tax benefit of approximately $21 million for the six months ended September 30, 2013. For the three and six months ended September 30, 2014, the Company recognized a discrete tax benefit of approximately $19 million resulting from the resolutions of uncertain tax positions upon the completion of the examination of the Company's U.S. federal income tax returns for the tax years ended March 31, 2011 and 2012. For the six months ended September 30, 2013, the Company recognized a net discrete tax benefit of approximately $179 million, resulting primarily from the resolutions of uncertain tax positions upon the completion of the examination of the Company's U.S. federal income tax returns for the tax years ended March 31, 2005, 2006 and 2007. The examinations of the Company's U.S. federal income tax returns have been concluded through the fiscal year ended March 31, 2012.

The Company's estimated annual effective tax rate, which excludes the impact of discrete items, for the six months ended September 30, 2014 and 2013 was 29.2% and 29.2%, respectively. Changes in tax laws, the outcome of tax audits and any other changes in potential tax liabilities may result in additional tax expense or benefit in fiscal year 2015, which are not considered in the Company's estimated annual effective tax rate. While the Company does not currently view any such items as individually material to the results of the Company's consolidated financial position or results of operations, the impact of certain items may yield additional tax expense or benefit in the remaining quarters of fiscal year 2015 and the Company is anticipating a fiscal year 2015 effective tax rate of approximately 30%.

NOTE N – SUPPLEMENTAL STATEMENT OF CASH FLOWS INFORMATION

For the six months ended September 30, 2014 and 2013, interest payments, net were approximately $40 million and $31 million, respectively, and income taxes paid, net were approximately $181 million and $246 million, respectively. For the six months ended September 30, 2014 and 2013, the excess tax benefits from share-based incentive awards included in financing activities from continuing operations were approximately $3 million and $3 million, respectively.

Non-cash financing activities for the six months ended September 30, 2014 and 2013 consisted of treasury common shares issued in connection with the following: share-based incentive awards issued under the Company's equity compensation plans of approximately $42 million (net of approximately $27 million of income taxes withheld) and $46 million (net of approximately $27 million of income taxes withheld), respectively; and discretionary stock contributions to the CA, Inc. Savings Harvest Plan of approximately $26 million and $28 million, respectively. Non-cash financing activities for the six months ended September 30, 2014 and 2013 included approximately $3 million and $2 million, respectively, in treasury common shares issued in connection with the Company's Employee Stock Purchase Plan.

The Company uses a notional pooling arrangement with an international bank to help manage global liquidity. Under this pooling arrangement, the Company and its participating subsidiaries may maintain either cash deposit or borrowing positions through local currency accounts with the bank, so long as the aggregate position of the global pool is a notionally calculated net cash deposit. Because it maintains a security interest in the cash deposits and has the right to offset the cash deposits against the borrowings, the bank provides the Company and its participating subsidiaries favorable interest terms on both. The activity under this cash pooling arrangement for the six months ended September 30, 2014 and 2013 was as follows:

	Six Months Ended September 30,	
	2014	2013
	(in millions)	
Total borrowings outstanding at beginning of period [1]	$139	$136
Borrowings	2,703	1,609
Repayments	(2,647)	(1,639)
Foreign currency exchange effect	(56)	20
Total borrowings outstanding at end of period [1]	$139	$126

(1) Included in "Accrued expenses and other current liabilities" in the Company's Condensed Consolidated Balance Sheets.

NOTE O – SEGMENT INFORMATION

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. Segment expenses do not include share-based compensation expense; amortization of purchased software; amortization of other intangible assets; certain foreign exchange derivative hedging gains and losses; costs associated with the Company's Fiscal 2014 Plan; and other miscellaneous costs. The Company considers all costs of internally developed software as segment expense in the period the costs are incurred and as a result, the Company will add back capitalized internal software costs and exclude amortization of internally developed software costs previously capitalized from segment expenses. A measure of segment assets is not currently provided to the Company's Chief Executive Officer and has therefore not been disclosed.

The Company's segment information for the three and six months ended September 30, 2014 and 2013 was as follows:

Three Months Ended September 30, 2014 (dollars in millions)	Mainframe Solutions	Enterprise Solutions	Services	Total
Revenue	$610	$378	$91	$1,079
Expenses	234	327	89	650
Segment profit	$376	$51	$2	$429
Segment operating margin	62 %	13 %	2 %	40 %
Depreciation	$11	$7	$—	$18

Reconciliation of segment profit to income from continuing operations before income taxes for the three months ended September 30, 2014:

(in millions)	
Segment profit	$429
Less:	
Purchased software amortization	31
Other intangibles amortization	16
Software development costs capitalized	—
Internally developed software products amortization	44
Share-based compensation expense	22
Other expenses, net [1]	(4)
Interest expense, net	12
Income from continuing operations before income taxes	$308

(1) Other expenses, net consists of approximately $12 million of costs associated with the Fiscal 2014 Plan, certain foreign exchange derivative hedging gains and losses, and other miscellaneous costs.

Six Months Ended September 30, 2014 (dollars in millions)	Mainframe Solutions	Enterprise Solutions	Services	Total
Revenue	$1,224	$746	$178	$2,148
Expenses	469	652	171	1,292
Segment profit	$755	$94	$7	$856
Segment operating margin	62 %	13 %	4 %	40 %
Depreciation	$23	$14	$—	$37

Reconciliation of segment profit to income from continuing operations before income taxes for the six months ended September 30, 2014:

(in millions)	
Segment profit	$856
Less:	
Purchased software amortization	59
Other intangibles amortization	31
Software development costs capitalized	—
Internally developed software products amortization	83
Share-based compensation expense	42
Other expenses, net [1]	8
Interest expense, net	26
Income from continuing operations before income taxes	$607

(1) Other expenses, net consists of approximately $21 million of costs associated with the Fiscal 2014 Plan, certain foreign exchange derivative hedging gains and losses, and other miscellaneous costs.

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Three Months Ended September 30, 2013 (dollars in millions)	Mainframe Solutions	Enterprise Solutions	Services	Total
Revenue	$624	$384	$97	$1,105
Expenses	232	337	88	657
Segment profit	$392	$47	$9	$448
Segment operating margin	63 %	12 %	9 %	41 %
Depreciation	$13	$9	$—	$22

Reconciliation of segment profit to income from continuing operations before income taxes for the three months ended September 30, 2013:

(in millions)	
Segment profit	$448
Less:	
Purchased software amortization	31
Other intangibles amortization	15
Software development costs capitalized	(8)
Internally developed software products amortization	38
Share-based compensation expense	20
Other expenses, net [(1)]	7
Interest expense, net	13
Income from continuing operations before income taxes	$332

(1) Other expenses, net consists of approximately $2 million of costs associated with the Fiscal 2014 Plan, certain foreign exchange derivative hedging gains and losses, and other miscellaneous costs.

Six Months Ended September 30, 2013 (dollars in millions)	Mainframe Solutions	Enterprise Solutions	Services	Total
Revenue	$1,243	$762	$195	$2,200
Expenses	475	688	178	1,341
Segment profit	$768	$74	$17	$859
Segment operating margin	62 %	10 %	9 %	39 %
Depreciation	$27	$17	$—	$44

Reconciliation of segment profit to income from continuing operations before income taxes for the six months ended September 30, 2013:

(in millions)	
Segment profit	$859
Less:	
Purchased software amortization	59
Other intangibles amortization	29
Software development costs capitalized	(31)
Internally developed software products amortization	76
Share-based compensation expense	40
Other expenses, net [(1)]	122
Interest expense, net	24
Income from continuing operations before income taxes	$540

(1) Other expenses, net consists of approximately $119 million of costs associated with the Fiscal 2014 Plan, certain foreign exchange derivative hedging gains and losses, and other miscellaneous costs.

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The table below summarizes the Company’s revenue from the United States and from international (i.e., non-U.S.) locations:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2014	2013	2014	2013
	(in millions)			
United States	$656	$671	$1,299	$1,328
EMEA [1]	259	267	518	531
Other	164	167	331	341
Total revenue	$1,079	$1,105	$2,148	$2,200

(1) Consists of Europe, the Middle East and Africa.

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Item 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cautionary Statement Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q (Form 10-Q) contains certain forward-looking information relating to CA, Inc. (which we refer to as the "Company," "Registrant," "CA Technologies," "CA," "we," "our" or "us"), that is based on the belie and assumptions made by, our management as well as information currently available to management. When used in this Form 10-Q, the words "believes," "plans," "anticipates," "expects," "estimates," "targets" and similar expressions relating the future are intended to identify forward-looking information. Forward-looking information includes, for example, the statements relating to the future made in this Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A), but also statements relating to the future that appear in other parts of this Form 10-Q. This forward-looking information reflects our current views with respect to future events and is subject to certain risks, uncertainties and assumptions.

The declaration and payment of future dividends is subject to the determination of the Company's Board of Directors, in its sole discretion, after considering various factors, including the Company's financial condition, historical and forecast operating results, and available cash flow, as well as any applicable laws and contractual covenants and any other relevant factors. The Company's practice regarding payment of dividends may be modified at any time and from time to time.

Repurchases under the Company's stock repurchase program are expected to be made with cash on hand and may be made from time to time, subject to market conditions and other factors, in the open market, through solicited or unsolicited privately negotiated transactions or otherwise. The program does not obligate the Company to acquire any particular amount of common stock, and it may be modified or suspended at any time at the Company's discretion.

A number of important factors could cause actual results or events to differ materially from those indicated by forward-looking statements, including: the ability to achieve success in the Company's strategy by, among other things, effectively managing the Company's sales force to enable the Company to maintain and enhance its strong relationships in its traditional customer base and to increase penetration and accelerate growth in customer segments and geographic regions where the Company currently may not have a strong presence or the Company has underserved, enabling the sales force to sell new products, improving the Company's brand, technology and innovation awareness in the marketplace and ensuring the Company's set of cloud computing, application development and IT operations (DevOps), Software-as-a-Service, mobile device management and other new offerings address the needs of a rapidly changing market, while not adversely affecting the demand for the Company's traditional products or its profitability; global economic factors or political events beyond the Company's control; general economic conditions and credit constraints, or unfavorable economic conditions in a particular region, industry or business sector; the failure to innovate and/or adapt to technological changes and introduce new software products and services in a timely manner; competition in product and service offerings and pricing; the failure to expand partner programs; the ability to retain and attract adequate qualified personnel; the ability of the Company's products to remain compatible with ever-changing operating environments, platforms or third-party products; the ability to successfully integrate acquired companies and products into the Company's existing business; the ability to adequately manage, evolve and protect the Company's information systems, infrastructure and processes; risks associated with sales to government customers; breaches of the Company's data center, network and software products, and the IT environments of the Company's vendors and customers; discovery of errors or omissions in the Company's software products or documentation and potential product liability claims; the failure to protect the Company's intellectual property rights and source code; events or circumstances that would require the Company to record an impairment charge relating to the Company's goodwill or capitalized software and other intangible assets balances; access to software licensed from third parties; risks associated with the use of software from open source code sources; third-party claims of intellectual property infringement or royalty payments; fluctuations in the number, terms and duration of the Company's license agreements as well as the timing of orders from customers and channel partners; the failure to renew large license transactions on a satisfactory basis; potential tax liabilities; changes in market conditions or the Company's credit ratings; fluctuations in foreign currencies; the failure to effectively execute the Company's workforce reductions, workforce rebalancing and facilities consolidations; successful and secure outsourcing of various functions to third parties; and other factors described more fully in this Form 10-Q and the Company's other filings with the Securities and Exchange Commission. Should one or more of these risks or uncertainties occur, or should our assumptions prove incorrect, actual results may vary materially from the forward-looking information described in this Form 10-Q as believed, planned, anticipated, expected, estimated, targeted or similarly identified. We do not intend to update these forward-looking statements, except as otherwise required by law. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. This MD&A is provided as a supplement to, and should be read in conjunction with, our financial statements and the accompanying notes to the financial statements. References in this Form 10-Q to fiscal 2015 and fiscal 2014 are to our fiscal years ending on March 31, 2015 and 2014, respectively.

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OVERVIEW

We are one of the world's leading providers of information technology (IT) management software and solutions. Our solutions help organizations of all sizes develop, manage, and secure complex IT environments that increase productivity and enhance the competitiveness in their businesses. We do this across a wide range of environments such as mainframe, distributed, cloud, and mobile. The majority of the Global Fortune 500 relies on us to help manage their IT environments.

Our objective is to be the world's leading independent software provider for IT management and security solutions to help organizations and enterprises develop, manage, and secure modern IT architectures, across mainframe, distributed, mobile and cloud environments. To accomplish this, key elements of our strategy include:

- Innovating in key product areas to extend our market leadership and differentiation. Our product development strategy is built around three key growth areas, where we are focused on innovating and delivering differentiated products and solutions: application development and IT operations (DevOps), Management Cloud, and Security across multiple platforms.
- Addressing shifts in market dynamics and technology. We will innovate to deliver new differentiated solutions that enable our customers to manage the challenges and capture the opportunities of disruptive technologies such as the ability to harvest big data, the shift to software-defined IT, the proliferation of mobile technologies, social access (or social credentials) authentication, and the always on, ubiquitously connected "Internet of Things."
- Accelerating growth in our global customer base. We are focused on maintaining strong relationships with our core, large enterprise customer base, and will proactively target growth with these customers as well as new large enterprises we do not currently serve. In parallel, we are broadening our customer base to new buyer segments beyond the customer's Chief Information Officer and IT department and increasingly to geographic regions we have underserved.
- Pursuing new business models and expanded routes to market. While our traditional on-premise software delivery remains core to our enterprise customers, we see Software-as-a-Service (SaaS) and managed services as increasingly attractive for our customers. This simplifies their decision-making and accelerates the value they can derive from new solution investments. This delivery model allows us to extend our market reach, speed adoption of our solutions, improve our efficiencies, and compete more effectively for a larger number of customers globally.

We have a broad and deep portfolio of software solutions with which to execute our business strategy. We organize our offerings in Mainframe Solutions, Enterprise Solutions and Services segments.

- Mainframe Solutions products are designed mainly for the IBM System z mainframe platform, which runs many of our largest customers' mission-critical applications. We help customers seamlessly manage their mainframe as part of their evolving data center through flexible management approaches, cross-platform visibility and workload portability.
- Enterprise Solutions products operate on non-mainframe platforms and include our DevOps, Management Cloud, and Security product groups. DevOps includes application delivery, application performance management and infrastructure management. Management Cloud helps customers optimize their investments, projects, resources and processes. Security delivers identity-centric security solutions to meet the needs of today's mobile, cloud-connected, open enterprise.
- Services helps customers reach their IT and business goals by enabling the rapid implementation and adoption of our mainframe solutions and enterprise solutions.

Our traditional core customers generally consist of large enterprises that have computing environments from multiple vendors and are highly complex. We currently serve customers across most major industries worldwide, including banks, insurance companies, other financial services providers, government agencies, global service providers, telecommunication providers, manufacturers, technology companies, retailers, educational organizations and health care institutions.

We offer our solutions through our direct sales force and indirectly through our partners. We remain focused on strengthening relationships with our core customers--which we refer to as our "Platinum" customers, consisting of our top 500 accounts-- through product leadership, account management and a differentiated customer experience. We believe enhanced relationships in our traditional customer base of large enterprises with multi-year enterprise license agreements will drive renewals and provide opportunities to increase account penetration that will help to drive revenue growth.

At the same time, we continue to dedicate sales resources and deploy additional solutions to address opportunities to sell to new enterprises and to expand our relationship with existing non-core customers--which we refer to as our “Named” customers. In addition to this dedication of additional sales resources, we service some of these customers through partners. We believe we can grow our business and increase market share by delivering differentiated technology and collaborating with partners, including service providers, to leverage their relationships, market reach and implementation capacity. We are deploying new routes to market, and simplifying the buying and deployment process for our customers.

This customer focus allows us to better align marketing and sales resources with how customers want to buy. We have also implemented broad-based business initiatives to drive accountability for sales execution.

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Work is underway to deploy an updated global branding and marketing program for CA Technologies to significantly enhance our connection with new and existing customers, introduce the market to new areas of our capability and contribute directly to business growth and new customer acquisitions. Marketing efforts are key to our ability to expand our customer base, reach new segments and grow in key global markets.

EXECUTIVE SUMMARY

In the second quarter, we continued to see traction against our strategic and operational goals, including an increase in our enterprise solutions new product sales for the second consecutive quarter. We also continued to see strong performance in connection with renewals and financial discipline across the business. Lastly, we completed our divestiture of the CA arcserve data protection business (arcserve).

A summary of key results for the second quarter of fiscal 2015 compared with the second quarter of fiscal 2014 is as follows:

Revenue:

- Total revenue declined 2% primarily as a result of a decrease in subscription and maintenance revenue, which was primarily due to a decrease in Mainframe Solutions revenue and, to a lesser extent, a decrease in professional services revenue. The decrease in professional services revenue was primarily due to a decrease in the size and number of professional services engagements during the first quarter of fiscal 2015, including non-core engagements with government customers that are not directly related to our software product sales. We currently expect the percentage decline in professional services revenue to be greater than the percentage decline in total revenue for fiscal 2015 compared with fiscal 2014 as a result of the decline in non-core professional services engagements with government customers as referenced above.
- As a result of insufficient revenue from prior period new sales to offset the decline in revenue contribution from renewals, we continue to expect a year-over-year decrease in total revenue for fiscal 2015 compared with fiscal 2014 due to the high percentage of our revenue that is recognized from license agreements with customers signed in prior periods that are being recognized ratably. Excluding the effect of foreign exchange, we currently expect the year-over-year percentage decline in total revenue for fiscal 2015 compared with fiscal 2014 to be similar to the year-over-year percentage decline in total revenue for fiscal 2014 compared with fiscal 2013.

Bookings:

- Total bookings decreased 11% primarily due to an expected year-over-year decrease in renewals within subscription and maintenance bookings, partially offset by an increase in professional services bookings.
- Total renewals decreased by a percentage in the low twenties primarily due to the timing of our renewals. This timing reflects the decrease in the value of contracts generally available for renewal compared with the year-ago period.
- Total new product sales, a subset of our total bookings, increased by a mid-single-digit percentage.
- Mainframe solutions new sales decreased by a percentage in the low twenties primarily due to the timing of our renewals and the composition of the renewal portfolio being more heavily weighted to enterprise solutions renewals in the quarter.
- Enterprise solutions new product sales increased by a percentage in the low teens as a result of increased sales in our Named customer accounts in all regions, and to a lesser extent, increased sales in our Platinum customer accounts.
- We continue to expect the value of our fiscal 2015 renewal portfolio to decline by a high-single-digit percentage compared with fiscal 2014. Excluding the impact from a contract renewal with a large system integrator that occurred during the third quarter of fiscal 2014, we continue to expect the value of our fiscal 2015 renewal portfolio to be consistent with the value of our fiscal 2014 renewal portfolio. For the third quarter of fiscal 2015, we expect the value of our renewal portfolio to decline, and for the fourth quarter of fiscal 2015, we expect it to increase.

Expenses:

- Total expenses before interest and income taxes was generally consistent compared with the year-ago period. We expect an increase in selling and marketing expenses in the third quarter of fiscal 2015 as a result of expenses associated with CA World ‘14, which is scheduled to occur in the third quarter of fiscal 2015.

Income taxes:

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Income tax expense decreased from $101 million to $73 million due to the overall decrease to income from continuing operations before taxes and the recognition of a discrete tax benefit of $19 million resulting from the resolution of uncertain tax positions in the second quarter of fiscal 2015.

- We expect a fiscal 2015 effective tax rate of 30%.

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Diluted income per common share from continuing operations:

- Diluted income per common share from continuing operations increased to $0.53 from $0.51, primarily due to the increase in income from continuing operations and the decrease in the weighted average shares outstanding compared with the year-ago period.

Segment results:

- Mainframe Solutions revenue decreased primarily due to insufficient revenue from prior period new sales to offset the decline in revenue contribution from renewals. Operating margin was generally consistent compared with the year-ago period.
- Enterprise Solutions revenue decreased primarily due to a decrease in revenue that is recognized on an up-front basis in the current period. The decline was primarily due to an increase in the percentage of our Enterprise Solutions new sales sold in connection with renewals compared with the year-ago period. In addition, within Enterprise Solutions there was an unfavorable effect from the decrease in revenue from certain mature product lines, partially offset by an increase in revenue from recently acquired products and sales of newly developed technologies. Enterprise Solutions operating margin was generally consistent compared with the year-ago period.
- Services revenue decreased primarily as a result of a decrease in the size and number of services engagements during the first quarter of fiscal 2015, including non-core engagements with government customers that are not directly related to our software product sales. We expect the percentage decline in services revenue to be greater than the percentage decline in total revenue for fiscal 2015 compared with fiscal 2014. Operating margin for our Services segment decreased as a result of a number of factors, including the decrease in revenue and lower utilization rates for services personnel due to the decrease in the number of services engagements.

Cash flows from continuing operations:

- Net cash provided by operating activities from continuing operations decreased $7 million. Net cash provided by operating activities from continuing operations for the second quarter of fiscal 2014 was positively affected by a tax refund of $70 million. Net cash provided by operating activities from continuing operations for the second quarter of fiscal 2015 was positively affected by an increase in cash collections of $97 million. The increase in cash collections was primarily attributable to higher single installment collections of $76 million during the second quarter of fiscal 2015 compared with the second quarter of fiscal 2014.

QUARTERLY UPDATE

- In July 2014, the Company sold arcserve for $170 million and recognized a gain on disposal of $19 million, including tax expense of $77 million.

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PERFORMANCE INDICATORS

Management uses several quantitative performance indicators to assess our financial results and condition. Following is a summary of the principal quantitative performance indicators that management uses to review performance:

	Second Quarter Comparison Fiscal			
	2015 [1]	2014 [1]	Dollar Change	Percentage Change
	(dollars in millions)			
Total revenue	$1,079	$1,105	$(26)	(2)%
Income from continuing operations	$235	$231	$4	2%
Net cash provided by operating activities - continuing operations	$66	$73	$(7)	(10)%
Total bookings	$749	$844	$(95)	(11)%
Subscription and maintenance bookings	$571	$695	$(124)	(18)%
Weighted average subscription and maintenance license agreement duration in years	3.10	3.32	(0.22)	(7)%

	First Half Comparison Fiscal			
	2015 [1]	2014 [1]	Dollar Change	Percentage Change
	(dollars in millions)			
Total revenue	$2,148	$2,200	$(52)	(2)%
Income from continuing operations	$447	$561	$(114)	(20)%
Net cash provided by operating activities - continuing operations	$232	$76	$156	205%
Total bookings	$1,473			