

BMC SOFTWARE, INC. AND SUBSIDIARIES

Table of Reconciliation from GAAP Operating Margin to Non-GAAP Operating Margin
(Unaudited)

Fiscal 2004

GAAP Revenues:	<u><u>\$ 1,418.7</u></u>	GAAP Operating Income:	<u><u>\$ (98.9)</u></u>	GAAP Operating Margin:	<u><u>-7%</u></u>
		Exit costs and related charges:	124.0		
		Amortization of acquired technology & intangibles:	61.0		
		Acquired research & development :	1.0		
GAAP Revenues:	<u><u>\$ 1,418.7</u></u>	Non-GAAP Operating Income:	<u><u>\$ 87.1</u></u>	Non-GAAP Operating Margin:	<u><u>6%</u></u>

Fiscal 2005

GAAP Revenues:	<u><u>\$ 1,463.0</u></u>	GAAP Operating Income:	<u><u>\$ 23.2</u></u>	GAAP Operating Margin:	<u><u>2%</u></u>
		Changes in estimates related to exit activities :	(3.5)		
		Amortization of acquired technology & intangibles:	78.8		
		Acquired research & development :	4.0		
		Settlement of litigation:	11.3		
GAAP Revenues:	<u><u>\$ 1,463.0</u></u>	Non-GAAP Operating Income:	<u><u>\$ 113.8</u></u>	Non-GAAP Operating Margin:	<u><u>8%</u></u>

Fiscal 2006

GAAP Revenues:	<u><u>\$ 1,498.4</u></u>	GAAP Operating Income:	<u><u>\$ 128.5</u></u>	GAAP Operating Margin:	<u><u>9%</u></u>
		Changes in estimates related to exit activities :	(1.6)		
		Exit costs and related charges:	43.1		
		Amortization of acquired technology & intangibles:	77.2		
GAAP Revenues:	<u><u>\$ 1,498.4</u></u>	Non-GAAP Operating Income:	<u><u>\$ 247.2</u></u>	Non-GAAP Operating Margin:	<u><u>17%</u></u>

BMC SOFTWARE, INC. AND SUBSIDIARIES

Table of Reconciliation from GAAP Earnings Per Share to Non-GAAP Earnings Per Share
(Unaudited)

	For the twelve months ended March 31,				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
GAAP diluted earnings per share	<u>\$ (0.75)</u>	<u>\$ 0.20</u>	<u>\$ (0.12)</u>	<u>\$ 0.34</u>	<u>\$ 0.47</u>
Changes in estimates related to exit activities	-	-		(0.02)	(0.01)
Exit costs and related charges	0.21	-	0.54	-	0.20
Amortization of acquired technology & intangibles	0.98	0.28	0.27	0.35	0.35
Acquired research & development	-	0.05	-	0.02	-
Settlement of litigation	-	-	-	0.05	-
Merger-related costs and compensation charges	0.05	-	-	-	-
Loss on marketable security	0.03	0.03	-	-	-
Maintenance revenue from sale of EDP product line	(0.01)				
Software capitalization expense due to accelerated amortization	0.08				
Income tax provision (benefit) for earnings to be repatriated	-	-	-	-	0.16
Tax adjustment to valuation allowance	-	-	(0.04)	(0.12)	-
Tax effect of special items	<u>(0.30)</u>	<u>(0.09)</u>	<u>(0.16)</u>	<u>(0.09)</u>	<u>(0.14)</u>
Non-GAAP diluted net earnings per share	<u><u>\$ 0.29</u></u>	<u><u>\$ 0.47</u></u>	<u><u>\$ 0.49</u></u>	<u><u>\$ 0.53</u></u>	<u><u>\$ 1.03</u></u>
Shares used in computing diluted earnings per share (In millions)	247.5	237.9	228.2	224.0	218.9

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Use of Non-GAAP Financial Measures

The accompanying tables include the following non-GAAP financial measures: (a) non-GAAP operating income, (b) non-GAAP operating margin and (c) non-GAAP diluted net earnings per share. Each of these financial measures excludes the impact of certain items and therefore has not been calculated in accordance with U.S. generally accepted accounting principles, or GAAP. Each of these non-GAAP financial measures excludes restructuring charges, amortization of acquired technology and intangibles, charges related to acquired research and development, non-recurring litigation settlement costs and certain additional items. In addition, non-GAAP diluted net earnings per share exclude income tax expense associated with the one-time repatriation of certain foreign earnings. Each of the adjustments is described in more detail below. The accompanying tables also contain a reconciliation of each of these non-GAAP measures to its most comparable GAAP financial measure.

We believe that these non-GAAP financial measures provide meaningful supplemental information regarding our operating results because they exclude amounts that BMC management and the Board of Directors do not consider part of operating results when assessing the performance of the organization and measuring the results of the Company's performance. In addition, we have historically reported similar non-GAAP financial measures. We believe that inclusion of these non-GAAP financial measures provides consistency and comparability with past reports of financial results. BMC Management and the Board of Directors use these non-GAAP financial measures to evaluate the Company's performance and for forecasting purposes, as well as the allocation of future capital investments, and as key variables in determining management incentive compensation. Accordingly, we believe these non-GAAP financial measures are useful to investors in allowing for greater transparency of supplemental information used by management in its financial and operational decision-making.

While we believe that these non-GAAP financial measures provide useful supplemental information, there are limitations associated with the use of these non-GAAP financial measures. These non-GAAP financial measures are not prepared in accordance with GAAP, do not reflect a comprehensive system of accounting and may not be completely comparable to similarly titled measures of other companies due to potential differences in the exact method of calculation between companies. Items such as restructuring charges and amortization of acquired technology and intangibles that are excluded from our non-GAAP financial measures can have a material impact on net earnings. As a result, these non-GAAP financial measures have limitations and should not be considered in isolation from, or as a substitute for, net earnings, cash flow from operations or other measures of performance prepared in accordance with GAAP. We compensate for these limitations by using these non-GAAP financial measures as supplements to GAAP financial measures and by reviewing the reconciliations of the non-GAAP financial measures to their most comparable GAAP financial measure. Investors are encouraged to review the reconciliations of these non-GAAP financial measures to their most comparable GAAP financial measures that are included elsewhere in this press release.

The following is a discussion of the adjustments to the comparable GAAP financial measure that produces our non-GAAP financial measures:

- *Restructuring charges.* Our non-GAAP financial measures exclude exit costs and related charges, primarily consisting of severance costs and lease abandonment costs, and any subsequent changes in estimates related to exit activities as they relate to our significant restructurings, which involved significant layoffs. Management and the Board of Directors believe it is useful in evaluating the Company's and its management teams' and business units' performance during a particular time period to review the supplemental non-GAAP financial measures, which exclude restructuring costs because our operational managers are evaluated based on the operating expenses exclusive of restructuring charges and including the restructuring charges would hamper investors' ability to evaluate the performance of our management in the manner in which the Company's management evaluates performance. Accordingly, management and the Board of Directors do not consider these costs for purposes of evaluating the performance of the business, and they exclude such costs when evaluating the performance of the Company, its business units and its management teams. Additionally, management uses the non-GAAP measures to assist in its determinations regarding the allocation of resources, such as capital investment, among the Company's business units and as part of its forecasting and budgeting.
- *Amortization of acquired technology and intangibles.* Our non-GAAP financial measures exclude costs associated with the amortization of acquired technology and intangibles. Management and the Board of Directors believe it is useful in evaluating the Company's and its management teams' and business units' performance during a particular time period to review the supplemental non-GAAP financial measures, which exclude amortization of acquired technology and intangibles, because

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Use of Non-GAAP Financial Measures

these costs are fixed at the time of an acquisition, are then amortized over a period of several years after the acquisition and generally cannot be changed or influenced by management after the acquisition. Accordingly, management and the Board of Directors do not consider these costs for purposes of evaluating the performance of the business during the applicable time period after the acquisition, and they exclude such costs when evaluating the performance of the Company, its business units and its management teams and when making decisions to allocate resources among the Company's business units.

- *Write-offs of acquired research and development.* Our non-GAAP financial measures exclude write-offs of acquired research and development. This amount is the estimated fair value related to incomplete research and development projects from acquired companies which have no alternative future uses. Such amounts are required to be expensed by us as of the date of the respective acquisition. Because the costs are fixed at the time of acquisition and are not subject to management influence, management does not consider the costs in evaluating the performance of the Company and its business units nor when it allocates resources among the business units. We believe excluding these items is useful to investors because it facilitates comparisons to our historical operating results without being affected by our acquisition history and the results of other companies in our industry, which have their own unique acquisition histories.

- *Repatriation of foreign earnings.* The income tax expense associated with the Company's repatriation of foreign earnings is excluded, as management believes this to be a one-time event as provided by the American Jobs Creation Act (the "Act"). Due to the significant amount of the charge and the one-time nature of the repatriation permitted by the Act, management excludes these costs when it evaluates the Company's operations and for internal reporting and forecasting purposes.

- *Settlement costs.* The settlement costs of the previously disclosed dispute with Nastel Technologies are excluded. While we are involved in various legal disputes from time to time and we may have to settle significant cases in the future, either as plaintiff or defendant, such events have historically occurred sporadically. Management excludes the costs associated with this settlement when it evaluates the Company's operations and for internal reporting and forecasting purposes.

The following describe items excluded from the Company's non-GAAP results in fiscal 2002 and 2003 published before the SEC adopted Regulation G regarding the use of non-GAAP financial measures and were excluded by management and the Board of Directors when evaluating the Company's operations and for internal reporting and forecasting purposes:

- *Merger-related costs and compensation charges.* Our non-GAAP financial measures for fiscal 2002 excluded merger-related costs and compensation charges. These charges were primarily related to the vesting of common stock by certain employee shareholders who we employed after the acquisition of Eivity.

- *Loss on marketable securities.* Our non-GAAP financial measures for fiscal 2002 and the first quarter of fiscal 2003 excluded these significant losses on marketable securities. These amounts are related to losses on investments in certain corporate bonds.

- *Maintenance revenue from sale of EDP product line.* Our non-GAAP financial measures for fiscal 2002 excluded maintenance revenue related to the EDP product line. In fiscal year 2002, we sold our EDP product line.

- *Software capitalization expense due to accelerated amortization.* Our non-GAAP financial measures for fiscal 2002 excluded software capitalization expense due to accelerated amortization. We performed assessments of the carrying value of acquired technology in connection with various acquisitions. These assessments were performed due to sustained negative economic conditions impacting the Company's operations and expected future revenues. At the time, these economic indicators suggested that these conditions may continue for the foreseeable future. As a result, we recorded impairments charges related to acquired technology.