

2Q07

## IBM Income Statement

Apr-07

## Forecast

Currency impact: 2%

| (Forecast)                         | 2Q07<br>(\$ mill) | % of<br>Total | Annual<br>Change | 2Q06<br>(\$ mill) | % of<br>Total | 2Q05<br>(\$ mill) | % of<br>Total |              |
|------------------------------------|-------------------|---------------|------------------|-------------------|---------------|-------------------|---------------|--------------|
| <b>Revenue (Gross Income):</b>     |                   |               |                  |                   |               |                   |               |              |
| Hardware                           | 5,215             | 22.7%         | 4.0%             | 5,014             | 22.9%         | 4,855             | 21.8%         |              |
| Global Bus Services                | 4,175             | 18.2%         | 6.0%             | 3,939             | 18.0%         | 4,129             | 18.5%         |              |
| Global Tech Services               | 8,273             | 36.0%         | 4.0%             | 6,572             | 30.0%         | 6,458             | 29.0%         |              |
| Maintenance                        |                   |               |                  | 1,383             | 6.3%          | 1,414             | 6.3%          |              |
| Software                           | 4,580             | 19.9%         | 8.0%             | 4,241             | 19.4%         | 4,056             | 18.2%         |              |
| Other (incl PC in 2005)            | 165               | 0.7%          | 0.0%             | 165               | 0.8%          | 738               | 3.3%          |              |
| Global Financing                   | 576               | 2.5%          | 0.0%             | 576               | 2.6%          | 620               | 2.8%          |              |
| <b>Total Revenue</b>               | <b>22,984</b>     | <b>100.0%</b> | <b>5.0%</b>      | <b>21,890</b>     | <b>100.0%</b> | <b>22,270</b>     | <b>100.0%</b> |              |
| Currency adjusted                  | 22,525            |               | 2.9%             |                   |               |                   |               |              |
| <b>Costs (e)</b>                   |                   |               |                  |                   |               |                   |               |              |
|                                    | GM                |               |                  |                   |               |                   |               |              |
| Cost of Hardware                   | 36.0%             | 3,337         | 14.5%            | 4.8%              | 3,183         | 14.5%             | 3,674         | 16.5%        |
| Cost of Bus Services               | 23.0%             | 3,215         | 14.0%            | 6.6%              | 3,017         | 13.8%             | 3,250         | 14.6%        |
| Cost of Tech Services              | 28.0%             | 5,957         | 25.9%            | 24.7%             | 4,777         | 21.8%             | 4,802         | 21.6%        |
| Cost of Maintenance                | 38.0%             |               |                  |                   | 806           | 3.7%              | 806           | 3.6%         |
| Cost of Software                   | 85.0%             | 687           | 3.0%             | 2.9%              | 668           | 3.1%              | 508           | 2.3%         |
| Other (incl PC in 2005)            | 10.0%             | 149           | 0.6%             | 6.1%              | 140           | 0.6%              | 161           | 0.7%         |
| Global Financing                   | 48.0%             | 300           | 1.3%             | 5.5%              | 284           | 1.3%              | 295           | 1.3%         |
| <b>Total Cost of Rev.</b>          |                   | <b>13,644</b> | <b>59.4%</b>     | <b>6.0%</b>       | <b>12,876</b> | <b>58.8%</b>      | <b>13,495</b> | <b>60.6%</b> |
| <b>Gross Profit</b>                | <b>9,340</b>      | <b>40.6%</b>  | <b>3.6%</b>      | <b>9,014</b>      | <b>41.2%</b>  | <b>8,775</b>      | <b>39.4%</b>  |              |
| SG&A Expenses                      |                   | 4,965         | 21.6%            | 1.0%              | 4,916         | 22.5%             | 4,797         | 21.5%        |
| One-time Charges                   |                   |               |                  |                   |               | 1,700             |               |              |
| RD&E Expenses                      |                   | 1,552         | 6.8%             | 2.0%              | 1,522         | 7.0%              | 1,477         | 6.6%         |
| <b>Total Costs &amp; Expenses</b>  |                   | <b>20,162</b> | <b>87.7%</b>     | <b>4.4%</b>       | <b>19,314</b> | <b>88.2%</b>      | <b>21,470</b> | <b>96.4%</b> |
| <b>Operating Income</b>            | <b>2,823</b>      | <b>12.3%</b>  | <b>9.4%</b>      | <b>2,579</b>      | <b>11.8%</b>  | <b>813</b>        | <b>3.7%</b>   |              |
| Intellectual Property Income**     |                   | -188          | -0.8%            | 0.0%              | -188          | -0.9%             | -288          | -1.3%        |
| Other Income                       |                   | -196          | -0.9%            | 0.0%              | -196          | -0.9%             | -1,711        | -7.7%        |
| Interest Expense                   |                   | 72            | 0.3%             | 0.0%              | 72            | 0.3%              | 67            | 0.3%         |
| <b>Earnings (Loss) Before Tax</b>  |                   | <b>3,135</b>  | <b>13.6%</b>     | <b>8.4%</b>       | <b>2,891</b>  | <b>13.2%</b>      | <b>2,745</b>  | <b>12.3%</b> |
| Tax/Rate (Credit)                  |                   | 972           | 31.0%            | 12.1%             | 867           | 30.0%             | 883           | 32.2%        |
| <b>Net Earnings</b>                | <b>2,164</b>      | <b>9.4%</b>   | <b>6.9%</b>      | <b>2,024</b>      | <b>9.2%</b>   | <b>1,864</b>      | <b>8.4%</b>   |              |
| Disco'd Operations                 |                   |               |                  |                   |               | -22               |               |              |
| <b>Net Earnings after Disc Ops</b> |                   | <b>2,164</b>  | <b>9.4%</b>      | <b>6.9%</b>       | <b>2,024</b>  | <b>9.2%</b>       | <b>1,842</b>  | <b>8.3%</b>  |
| Shares # (basic)                   |                   | 1,474.0       |                  | -4.2%             | 1,538.1       |                   | 1,627.9       |              |
| EPS (basic)                        | 1.47              | 1.47          |                  | 11.5%             | 1.32          |                   | 1.13          |              |

Source: Annex Research