

4Q06**IBM Pretax Profitability**

Jan-07

4Q By Business Segments (e)

| | 2005 | | | 2004 | | | 2003 | | |
|----------------------|--------------|--------------|-------------|--------------|--------------|--|--------------|-------------|--|
| PRETAX PROFIT | Margin | | | Margin | | | Margin | | |
| TOTAL | 4,814 | | | 4,567 | | | 4,048 | | |
| Hardware | 1,128 | 15.7% | 8.2% | 1,043 | 15.1% | | 910 | 9.6% | |
| Services | 1,321 | 12.1% | 27.9% | 1,033 | 10.1% | | 436 | 4.0% | |
| Maintenance (e) | 60 | 3.2% | -83.1% | 355 | 20.1% | | 183 | 10.8% | |
| Software | 1,964 | 34.7% | 17.8% | 1,666 | 34.0% | | 1,284 | 28.2% | |
| Other | 538 | 2831.6% | -1682.4% | (34) | -141.7% | | (89) | -24.4% | |
| Global Financing | (197) | -31.6% | -146.9% | 421 | 69.6% | | 278 | 42.3% | |
| Total | 4,814 | 18.3% | 7.3% | 4,484 | 18.4% | | 2,712 | 9.8% | |

Business Segments

| | Revenue | | 4Q06 | 4Q05 | Pretax Profit | | 4Q05 | Margins |
|----------------------|----------|----------|----------------|--------|---------------|--------------|-------|---------|
| | Customer | Internal | | | 4Q06 | Margins | | |
| (incl. in Systems) | | | | | | | | |
| PCs | | | | | | | | |
| Systems & Tech | 7,070 | 362 | 7,432 | 6,143 | 1,158 | 15.6% | 1,075 | 17.5% |
| Global Tech Services | 8,590 | 435 | 9,025 | 13,424 | 843 | 9.3% | 1,420 | 10.6% |
| Global Bus Services | 4,223 | 349 | 4,572 | 381 | 538 | 11.8% | (34) | -8.9% |
| Software | 5,607 | 632 | 6,239 | 5,063 | 2,015 | 32.3% | 1,718 | 33.9% |
| Global Financing | 620 | 488 | 1,108 | 1,068 | 387 | 34.9% | 421 | 39.4% |
| Sub-Total | 26,110 | 2,266 | 28,377 | 26,079 | 4,940 | 17.4% | 4,600 | 17.6% |
| Eliminations | | | (2,120) | | (126) | | | |
| Total | 26,257 | | 26,257 | 24,427 | 4,814 | 18.3% | 4,567 | 18.7% |

Source: Annex Research

*Includes maintenance