

Table 2

IBM Global Services - Financial Results

Mar-07

(Fiscal year end: Dec 31)

	2006	% of	<i>Change</i>		2005	% of	2004	% of
	(\$ Mill)	Rev	06/05		(\$ Mill)	Rev	(\$ Mill)	Rev
Revenue (by business segment)								
Customer Revenue (w/o Maint.)	\$42,261		1.9%		\$41,489		\$40,517	
<i>Global Technical Services:</i>	\$32,322	67%	3%		\$31,501	67%	\$30,082	65%
<i>Outsourcing</i>	\$17,043	35%	3%		\$16,522	35%	\$15,957	35%
<i>Integrated Technology Serv</i>	\$7,448	15%	-1%		\$7,538	16%	\$7,441	16%
<i>Business Process Outsourc</i>	\$1,845	4%	17%		\$1,573	3%	\$988	2%
<i>Maintenance</i>	\$5,986	12%	2%		\$5,868	12%	\$5,696	12%
<i>Global Business Services</i>	\$15,969	33%	0%		\$15,906	34%	\$13,767	30%
Total Revenue	\$48,247	100%	1.9%		\$47,357	100%	\$46,213	95%
Cost of Revenues	\$34,930	72.4%	-0.3%		\$35,043	74.0%	\$35,038	75.8%
Gross Profit/Margin	13,317	27.6%	8.1%		\$12,314	26.0%	\$11,175	24.2%
Expenses								
R&D Expenses	\$2,350	4.9%	-0.6%		\$2,365	5.0%	\$2,161	4.7%
One-time charges (e)					\$1,530	3.2%		
<u>Selling, Gen. & Administrative</u>	<u>\$5,790</u>	<u>12.0%</u>	<u>19.1%</u>		<u>\$4,863</u>	<u>10.3%</u>	<u>\$4,852</u>	<u>10.5%</u>
Total Expenses	\$8,139	16.9%	-7.1%		\$8,758	18.5%	\$7,014	15.2%
Total Costs and Expenses	\$43,069	89.3%	-1.7%		\$43,801	92.5%	\$42,052	91.0%
Operating Profit (Loss)	\$5,178	10.7%	45.6%		\$3,556	7.5%	\$4,161	9.0%
Other Expenses (Income)	\$145	0.3%	4.4%		\$142	0.3%	\$139	0.3%
Income (Loss) Before Tax	\$5,031	10.4%	47.6%		\$3,409	7.2%	\$4,018	8.7%
Income Tax	\$1,474	29.3%	25.0%		\$1,180	34.6%	\$1,197	29.8%
Net Income (Loss)	\$3,557	7.4%	59.5%		\$2,230	4.7%	\$2,820	6.1%

Source: Annex Research