

3Q08

## IBM Income Statement

Oct-08

## Forecast/Actual

Currency impact: 3%

	(Forecast)	3Q08 (\$ mill)	% of Total	Annual Change	3Q07 (\$ mill)	% of Total	3Q06 (\$ mill)	% of Total
<b>Revenue (Gross Income):</b>								
Hardware*		4,431	17.5%	-10%	4,898	20.3%	5,466	24.2%
Global Bus Services		4,900	19.4%	6.8%	4,586	19.0%	3,959	17.5%
Global Tech Services		9,864	39.0%	8.5%	9,093	37.7%	6,635	29.3%
Maintenance						0.0%	1,423	6.3%
Software		5,249	20.7%	12%	4,694	19.5%	4,406	19.5%
Other		224	0.9%	0%	225	0.9%	141	0.6%
Global Financing		633	2.5%	2%	623	2.6%	587	2.6%
<b>Total</b>	26,400	25,302	100.0%	5%	24,119	100.0%	22,617	100.0%
<i>Currency adjusted</i>		24,543		2%				
<b>Costs</b>								
	GP Margin							
Cost of Hardware	36.2%	2,827	11.2%	-6.1%	3,012	12.5%	3,379	14.9%
Cost of Bus Services	27.4%	3,559	14.1%	0.6%	3,536	14.7%	3,056	13.5%
Cost of Tech Service	32.7%	6,643	26.3%	5.3%	6,311	26.2%	4,813	21.3%
Maintenance							806	3.6%
Cost of Software	84.7%	803	3.2%	8.2%	742	3.1%	646	2.9%
Other	15.7%	189	0.7%	-13.8%	219	0.9%	122	0.5%
Global Financing	49.1%	322	1.3%	-6.6%	345	1.4%	302	1.3%
Total Cost of Rev.		14,343	56.7%	1.3%	14,165	58.7%	13,125	58.0%
<b>Gross Profit</b>	10,812	10,959	43.3%	10.1%	9,956	41.3%	9,492	42.0%
SG&A Expenses		5,644	22.3%	6.0%	5,324	22.1%	5,121	22.6%
One-time Charges								
RD&E Expenses		1,579	6.2%	3.6%	1,524	6.3%	1,543	6.8%
Total Costs & Exp.		21,566	85.2%	2.6%	21,013	87.1%	19,789	87.5%
<b>Operating Income</b>	3,750	3,736	14.8%	20.2%	3,108	12.9%	2,828	12.5%
Intellectual Property Income		-267	-1.1%	-1.1%	-270	-1.1%	-242	-1.1%
Other Income		-51	-0.2%	-46.3%	-95	-0.4%	-174	-0.8%
Interest Expense		159	0.6%	-17.6%	193	0.8%	70	0.3%
<b>Earnings (Loss) Before Tax</b>		3,895	15.4%	18.7%	3,280	13.6%	3,174	14.0%
Tax/Rate		1,071	27.5%	16.7%	918	28.0%	952	30.0%
<b>Net Earnings (Loss)</b>		2,824	445.9%	19.6%	2,362	379.1%	2,222	378.6%
Disco'd Operations (loss)								
<b>Net Earnings</b>	2,826	2,824	11.2%	19.6%	2,362	9.8%	2,222	9.8%
Shares # (basic)		1,350.7		-1.5%	1,371.0		1,513.2	
EPS (basic)	2.15	2.09		21.4%	1.72		1.47	

Source: Annex Research