3Q06 IBM Income Statement

Nov-06

- FORECAST/ACTUAL -

Currency impact: *-1%*

	(Forecast)	3Q06 ($ mill)	% of Total	*Annual Change*	3Q05 ($ mill)	% of Total	3Q04 ($ mill)	% of Total
Revenue (Gross Income):								
	Fcst							
Hardware*	*5,531*	5,583	24.7%	*9%*	5,130	23.8%	7,501	32.1%
Services	*10,711*	10,578	46.8%	*3%*	10,299	47.8%	9,978	42.7%
Maintenance	*1,442*	1,440	6.4%	*3%*	1,398	6.5%	1,334	5.7%
Software	*4,029*	4,406	19.5%	*9%*	4,059	18.9%	3,621	15.5%
Other	*308*	20	0.1%	*-55%*	43	0.2%	277	1.2%
Global Financing	*564*	591	2.6%	*-2%*	600	2.8%	638	2.7%
Total	*22,585*	22,617	100.0%	*5%*	21,529	100.0%	23,349	100.0%
Currency adjusted		***22,843***		***6.1%***				
Costs	*GP Margin*							
Cost of Hardware	*37.7%*	3,478	15.4%	*8.1%*	3,218	14.9%	5,371	23.0%
Cost of Services	*26.4%*	7,784	34.4%	*-0.1%*	7,793	36.2%	7,718	33.1%
Cost of Maintenance	*38.0%*	893	3.9%	*4.4%*	855	4.0%	787	3.4%
Cost of Software	*85.3%*	648	2.9%	*35.0%*	480	2.2%	460	2.0%
Other	*8.1%*	18	0.1%	*-89.4%*	173	0.8%	154	0.7%
Global Financing	*48.6%*	304	1.3%	*11.4%*	273	1.3%	255	1.1%
Total Cost of Rev.		13,125	58.0%	*2.6%*	12,791	59.4%	14,744	63.1%
Gross Profit	*9,858*	9,492	42.0%	*8.6%*	8,738	40.6%	8,533	36.5%
SG&A Expenses		5,121	22.6%	*10.6%*	4,632	21.5%	5,162	22.1%
One-time Charges								
RD&E Expenses		1,543	6.8%	*6.6%*	1,447	6.7%	1,468	6.3%
Total Costs & Exp.		19,788	87.5%	*4.9%*	18,870	87.7%	21,374	91.5%
Operating Income	*4,275*	**2,829**	**12.5%**	***6.4%***	**2,659**	**12.3%**	**1,903**	**8.2%**
Intellectual Property Income		(242)	-1.1%	*13.6%*	(213)	-1.0%	(259)	-1.1%
Other Income		(174)	-0.8%	*75.8%*	(99)	-0.5%	(55)	-0.2%
Interest Expense		70	0.3%	*25.0%*	56	0.3%	32	0.1%
Earnings (Loss) Before Tax		**3,174**	**14.0%**	***8.9%***	**2,915**	**13.5%**	**2,185**	**9.4%**
Tax/Rate		952	30.0%	*-31.9%*	1,399	48.0%	631	28.9%
Net Earnings (Loss)		2,222	375.8%	*46.6%*	1,516	252.6%	1,554	243.4%
Disco'd Operations (loss)								
Net Earnings	*2,356*	**2,222**	**9.8%**	***46.6%***	**1,516**	**7.0%**	**1,554**	**6.7%**
Shares # (basic)		1,513.2		*-4.9%*	1,591.1		1,669.6	
Net Earnings/Share	*1.18*	1.47		*55.6%*	0.94		0.93	
Gross Profit:		GP	GM		GP	GM	GP	GM
Hardware*		2,105	37.7%	*10.1%*	1,912	37.3%	2,130	28.4%
Services		2,794	26.4%	*11.5%*	2,506	24.3%	2,260	22.7%
Software		3,758	85.3%	*5.0%*	3,579	88.2%	3,161	87.3%
Maintenance		547	38.0%	*0.8%*	543	38.8%	547	41.0%
Other		2	8.1%	*-101.2%*	(130)	-301.4%	123	44.4%
Global Financing		287	48.6%	*-12.2%*	327	54.5%	383	60.1%

Source: Annex Research

*PC/Lenovo results removed