3Q06

IBM Pretax Profitability

Nov-06

3Q By Business Segments (e)

	2006			2005		2004	
PRETAX PROFIT		Margin			Margin		Margin
TOTAL	3,174			2,915		2,185	
Hardware*	413	7.4%	*13.2%*	365	7.1%	344	4.6%
Services	1,060	10.0%	*51.2%*	701	6.8%	891	8.9%
Maintenance (e)	159	11.1%	*-6.3%*	170	12.2%	368	27.6%
Software	1,302	29.6%	*15.2%*	1,130	27.8%	799	22.1%
Other	405		*40.6%*	288	669.8%	(70)	-25.3%
Global Financing	335	56.7%	*-7.7%*	363	60.5%	218	34.1%
Total	**3,580**	**15.8%**	*22.8%*	**2,916**	**13.5%**	**2,404**	**10.3%**

Business Segments

	Revenue				Pretax Profit			
	Customer	Internal	**3Q06**	3Q05	**3Q06**	Margins	3Q05	Margins
Technology	(incl. in Systems)							
PCs								
Systems & Tech	5,466	255	**5,721**	5,256	**413**	7.6%	365	6.9%
Global Tech Services	8,058	428	**8,486**	8,313	**814**	9.6%	871	10.5%
Global Bus Services	3,959	337	**4,296**	4,245	**405**	9.4%	288	6.8%
Software	4,406	559	**4,965**	4,545	**1,302**	26.2%	1,130	24.9%
Global Financing	587	337	**924**	888	**335**	36.3%	363	40.9%
Sub-Total	**22,476**	**1,916**	**24,392**	**23,247**	**3,269**	**13.4%**	**3,017**	**13.0%**
Eliminations			(1,775)	(1,767)	(94)		(101)	
Total	**22,617**		**22,617**	**21,480**	**3,175**	**14.0%**	**2,916**	**13.6%**

Source: Annex Research

**Includes maintenance*