

1Q07

IBM Pretax Profitability

Apr-07

PRETAX PROFIT	2007 Actual			2006		2005	
		Margin			Margin		Margin
<u>TOTAL</u>	<u>2,579</u>			<u>2,440</u>		<u>2,010</u>	
Hardware	96	2.1%	4.3%	92	2.1%	-34	-0.5%
Global Bus Services	792	18.9%	8.3%	731	19.0%	743	19.9%
Maintenance (e)	359	26.0%	70.4%	211	15.9%	330	24.6%
Software	1,036	24.4%	16.0%	893	22.9%	605	15.9%
Other		0.0%	-100.0%	-32	-17.4%	-53	-103.9%
<u>Global Financing</u>	<u>374</u>	<u>60.9%</u>	<u>-5.6%</u>	<u>396</u>	<u>68.0%</u>	<u>222</u>	<u>38.3%</u>
Total	2,579	11.7%	4.5%	2,469	11.9%	1,813	7.9%

Business Segments

	Revenue		1Q07		1Q06		Pretax Profit	
	Customer	Internal	1Q07	1Q06 (cust)	1Q07	Margins	1Q06	Margins
Systems & Tech	4,520	267	4,787	4,419	96	2.0%	-18	2.0%
Global Tech Services*	8,258	425	8,684	7,719	681	7.8%	844	7.8%
Global Bus Services	4,183	301	4,484	3,848	470	10.5%	356	10.5%
Software	4,251	585	4,836	3,907	1,036	21.4%	1,021	21.4%
<u>Global Fin, Other</u>	614	<u>349</u>	<u>963</u>	<u>582</u>	<u>374</u>	<u>38.8%</u>	<u>414</u>	<u>38.8%</u>
Sub-Total	21,826	1,927	23,754	20,475	2,657	11.2%	2,617	12.8%
Eliminations		203	1,725	184	-78		178	
Total	22,029		22,029	20,659	2,579	11.7%	2,440	11.8%

Source: Annex Research

*Includes maintenance