

# 2007

# IBM Pretax Profitability

Mar-07

## Forecast

PRETAX PROFIT	2007			2006		2005	
		Margin	Change		Margin		Margin
<u>TOTAL</u>	<u>14,352</u>		<u>8%</u>	<u>13,317</u>		<u>12,226</u>	
Hardware	2,367	10.0%	36%	1,740	7.7%	2,702	11.1%
Services	4,277	9.8%	-1%	4,319	10.2%	3,554	8.6%
Maint (e)	681	11.2%	1%	675	11.3%	963	16.4%
Software	5,471	27.8%	0%	5,494	30.2%	2,793	17.7%
Other					0.0%	-297	-22.8%
<u>Global Fin</u>	<u>1,431</u>	<u>59.5%</u>	<u>-2%</u>	<u>1,455</u>	<u>61.2%</u>	<u>1,176</u>	<u>48.9%</u>
<b>Total</b>	<b>14,352</b>	<b>15.0%</b>	<b>8%</b>	<b>13,317</b>	<b>14.6%</b>	<b>10,891</b>	<b>12.0%</b>

## Business Segments

	Revenue			Pretax Profit				
	Customer	Internal	2007	2006 (cust)	2007	Margin	2006	Margin
Systems & Tech	23,112	1,176	<b>24,288</b>	21,969	<b>2,367</b>	10.2%	1,740	7.9%
Global Tech Services	33,618	1,763	<b>35,382</b>	32,322	<b>3,292</b>	9.8%	3,288	10.2%
Global Bus Services	16,448	2,248	<b>17,821</b>	15,969	<b>1,665</b>	10.1%	1,706	10.7%
Software	19,790	1,373	<b>22,038</b>	18,161	<b>5,471</b>	27.6%	5,494	30.3%
<u>Global Fin, Other</u>	<u>2,247</u>	<u>1,527</u>	<u><b>3,774</b></u>	<u>2,365</u>	<u><b>1,431</b></u>	<u>63.7%</u>	<u>1,455</u>	<u>61.5%</u>
<b>Sub-Total</b>	<b>95,214</b>	<b>8,087</b>	<b>103,302</b>	<b>90,786</b>	<b>14,226</b>	<b>14.9%</b>	<b>13,683</b>	<b>15.1%</b>
Eliminations	500		<b>8,087</b>	-638	<b>126</b>		-367	
<b>Total</b>	<b>95,714</b>		<b>95,714</b>	<b>91,424</b>	<b>14,352</b>	<b>15.0%</b>	<b>13,317</b>	<b>14.6%</b>

Source: Annex Research

\*Includes maintenance