2Q08　　IBM Income Statement　　Jul-08

Forecast

		2Q08	% of	Annual	2Q07	% of	2Q06	% of
(Forecast)		($ mill)	Total	Change	($ mill)	Total	($ mill)	Total

Currency impact: 2%

		2Q08 ($ mill)	% of Total	Annual Change	2Q07 ($ mill)	% of Total	2Q06 ($ mill)	% of Total
Revenue (Gross Income):								
Hardware		5,212	19.4%	2.2%	5,102	21.5%	5,014	22.9%
Global Bus Services		5,107	19.0%	17.7%	4,338	18.2%	3,939	18.0%
Global Tech Services		10,100	37.7%	15.3%	8,756	36.8%	6,572	30.0%
Maintenance						0.0%	1,383	6.3%
Software		5,574	20.8%	16.7%	4,777	20.1%	4,241	19.4%
Other		193	0.7%	-4.0%	201	0.8%	165	0.8%
Global Financing		634	2.4%	6.1%	597	2.5%	576	2.6%
Total Revenue	25,911	26,820	100.0%	12.8%	23,772	100.0%	21,890	100.0%
Currency adjusted		*26,284*		*10.6%*				
Costs (e)	GM							
Cost of Hardware	38.6%	3,200	11.9%	0.0%	3,199	13.5%	3,183	14.5%
Cost of Bus Service	25.8%	3,789	14.1%	15.4%	3,284	13.8%	3,017	13.8%
Cost of Tech Servic	31.6%	6,908	25.8%	12.4%	6,147	25.9%	4,777	21.8%
							806	3.7%
Cost of Software	84.6%	858	3.2%	19.1%	721	3.0%	668	3.1%
Other	5.8%	182	0.7%	12.5%	162	0.7%	140	0.6%
Global Financing	55.3%	283	1.1%	-12.1%	322	1.4%	284	1.3%
Total Cost of Rev.		15,222	56.8%	10.0%	13,835	58.2%	12,876	58.8%
Gross Profit	10,858	11,599	43.2%	16.7%	9,937	41.8%	9,014	41.2%
SG&A Expenses		6,289	23.4%	11.7%	5,631	23.7%	4,916	22.5%
One-time Charges								
RD&E Expenses		1,660	6.2%	8.2%	1,534	6.5%	1,522	7.0%
Total Costs & Expenses		23,171	86.4%	10.3%	21,000	88.3%	19,314	88.2%
Operating Income	3,117	3,649	13.6%	31.5%	2,775	11.7%	2,579	11.8%
Intellectual Property Income**		-285	-1.1%	15.9%	-246	-1.0%	-188	-0.9%
Other Income		-24	-0.1%	-90.5%	-253	-1.1%	-196	-0.9%
Interest Expense		145	0.5%	11.5%	130	0.5%	72	0.3%
Earnings (Loss) Before Tax		3,814	14.2%	21.3%	3,144	13.2%	2,891	13.2%
Tax/Rate (Credit)		1,049	27.5%	61.9%	648	20.6%	867	30.0%
Net Earnings	2,614	2,765	10.3%	10.8%	2,496	10.5%	2,024	9.2%
Disco'd Operations								
Net Earnings after Disc Ops		2,765	10.3%	10.8%	2,496	10.5%	2,024	9.2%
Shares # (basic)		1,395.3		-2.9%	1,437.0		1,538.1	
EPS (basic)	1.89	1.98		14.1%	1.74		1.32	

Source: Annex Research