

INTERNATIONAL BUSINESS MACHINES CORP  
Form 8-K  
March 22, 2006

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 8-K**

**CURRENT REPORT PURSUANT TO SECTION 13 OR 15 (d)  
OF THE SECURITIES EXCHANGE ACT OF 1934**

**Date of Report: March 21, 2006**

(Date of earliest event reported)

**INTERNATIONAL BUSINESS MACHINES CORPORATION**

(Exact name of registrant as specified in its charter)

**New York**  
(State of Incorporation)

**1-2360**  
(Commission File Number)

**13-0871985**  
(IRS employer Identification No.)

**ARMONK, NEW YORK**  
(Address of principal executive offices)

**10504**  
(Zip Code)

**914-499-1900**  
(Registrant's telephone number)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

- o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  
  - o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

**Item 7.01 (Regulation FD Disclosure)**

Attachment I of this Form 8-K contains information that is being posted on IBM's Investor Relations web site ([www.ibm.com/investor/](http://www.ibm.com/investor/)). All of the information in Attachment I is hereby furnished.

IBM's web site ([www.ibm.com](http://www.ibm.com)) contains a significant amount of information about IBM, including financial and other information for investors ([www.ibm.com/investor/](http://www.ibm.com/investor/)). IBM encourages investors to visit its various web sites from time to time, as information is updated and new information is posted.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

Date: March 21, 2006

By: /s/Timothy S. Shaughnessy

(Timothy S. Shaughnessy)  
Vice President and Controller

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**ATTACHMENT I**

**IBM ANNOUNCES CHANGES TO MANAGEMENT SYSTEM**

IBM has made changes to its management system effective as of the first quarter of 2006. In accordance with SFAS No. 131, these changes will impact the company's reportable segments and will result in the reclassification of certain revenue and cost within its Consolidated Statement of Earnings. The changes do not impact IBM's total revenue, cost, expense, net income, earnings per share, Consolidated Statement of Financial Position or Consolidated Statement of Cash Flows.

In this document, IBM is providing historical information to assist investors in understanding the new structure. Specifically, IBM is providing unaudited reclassified information on the impacted line items of the quarterly Consolidated Statement of Earnings for 2005 and for the full year 2005, 2004 and 2003. In addition, the company is providing segment information for those same time periods. Subsequent to our earnings announcement and the filing of Form 10-Q for the first quarter of 2006, the company intends to file a Form 8-K reclassifying its financial statements and related footnotes to reflect these management system changes.

The changes to previously reported information are primarily driven by two events:

The transfer of products and services from the Enterprise Investments Segment to other reportable segments. These changes impact reportable segments and the revenue and cost classifications within the Consolidated Statement of Earnings.

Changes in the management system within Global Services. These changes impact the reportable segments, but not the Consolidated Statement of Earnings.

**Enterprise Investments**

The company reorganized the management of the products and services currently reported in the Enterprise Investment Segment, resulting in the dissolution of the Enterprise Investment Segment. The primary change is the transfer of the Product Lifecycle Management business to Software. In addition, certain investments and products previously managed as Enterprise Investments will now be included in the Software, Systems and Technology, and Global Services Segments. (See exhibits 2 and 3 for revised segments.) These changes will also be reflected in the Consolidated Statement of Earnings. (See exhibit 1 for the reclassified Consolidated Revenue and Cost.)

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## Global Services

The company has made changes in the management system of its Global Services business. These changes include the separation of the Global Services segment into two new reportable segments: Global Technology Services and Global Business Services. Accordingly, beginning with the first quarter of 2006, the company will report its financial results separately for these segments. (See exhibits 2 and 3 for revised segments.) We will continue to reflect our services business in one category within the Consolidated Statement of Earnings.

The two new services segments consist of the following:

Global Technology Services Segment primarily reflects infrastructure services, delivering value through our global scale, standardization, and automation. It includes outsourcing, both Strategic Outsourcing and Business Transformation Outsourcing, Integrated Technology Services and Maintenance.

Global Business Services Segment primarily reflects professional services, delivering business value and innovation to clients through solutions which leverage industry and business process expertise. It will include consulting, systems integration, and application management services.

The table below (table 1) reflects the new management system. In addition to the creation of two new reportable segments, there are two primary differences to previously reported information.

First, we have aligned the Business Transformation Outsourcing (BTO) business within the Global Technology Services Segment. This brings our outsourcing businesses together, and drives synergies within our offerings and delivery capabilities. US Federal BTO remains with the US Federal business within Global Business Services, to continue to leverage the synergy in our Federal offerings and delivery capabilities.

Second, the Application Management Services (AMS) business has been consolidated under our Global Business Services Segment. As a result, the AMS for custom and legacy applications previously reported in Strategic Outsourcing revenue will now be included in Global Business Services.

(See exhibit 4 for reclassified revenue information.)

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**Table 1**

**New Management System Global Services**

**Global Technology Services**

**Strategic Outsourcing**

**Business Transformation Outsourcing**

**Integrated Technology Services**

**Maintenance**

**Global Business Services**

**Consulting, Systems Integration, and Application Management Services**

See the following exhibits for the reclassified information resulting from the management system changes:

- Exhibit 1: Consolidated Revenue and Cost
  - Exhibit 2: Management System Segment View
  - Exhibit 3: Management System Segment View without Incremental 2Q 2005 Restructuring Charge
  - Exhibit 4: Global Services Segments External Revenue
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## Exhibit 1

## Reclassified Consolidated Revenue and Cost\*

2005, 2004 and 2003

(Unaudited)

| (Dollars in millions) | Reclassified<br>Full Year<br>2005 | Change<br>From<br>Reported | Reclassified<br>Full Year<br>2004 | Change<br>From<br>Reported | Reclassified<br>Full Year<br>2003 | Change<br>From<br>Reported |
|-----------------------|-----------------------------------|----------------------------|-----------------------------------|----------------------------|-----------------------------------|----------------------------|
| <b>Revenue:</b>       |                                   |                            |                                   |                            |                                   |                            |
| Global Services       | \$ 47,407                         | \$ 50                      | \$ 46,283                         | \$ 70                      | \$ 42,714                         | \$ 79                      |
| Hardware              | 24,343                            | 29                         | 31,193                            | 39                         | 28,315                            | 76                         |
| Software              | 16,830                            | 1,077                      | 16,141                            | 1,047                      | 15,201                            | 890                        |
| Global Financing      | 2,407                             |                            | 2,608                             |                            | 2,826                             |                            |
| Other                 | 147                               | (1,156)                    | 68                                | (1,156)                    | 75                                | (1,045)                    |
| <b>Total revenue</b>  | <b>91,134</b>                     |                            | <b>96,293</b>                     |                            | <b>89,131</b>                     |                            |
| <b>Cost:</b>          |                                   |                            |                                   |                            |                                   |                            |
| Global Services       | 35,093                            | 23                         | 35,078                            | 40                         | 32,351                            | 47                         |
| Hardware              | 15,803                            | 32                         | 22,008                            | 32                         | 20,503                            | 50                         |
| Software              | 2,534                             | 562                        | 2,489                             | 556                        | 2,426                             | 483                        |
| Global Financing      | 1,091                             |                            | 1,046                             |                            | 1,249                             |                            |
| Other                 | 81                                | (617)                      | 103                               | (628)                      | 55                                | (580)                      |
| <b>Total cost</b>     | <b>54,602</b>                     |                            | <b>60,724</b>                     |                            | <b>56,584</b>                     |                            |
| <b>Gross profit</b>   | <b>\$ 36,532</b>                  |                            | <b>\$ 35,569</b>                  |                            | <b>\$ 32,547</b>                  |                            |

\* See IBM's Form 10-K dated February 28, 2006, Form 8-K submitted on January 17, 2006 and the applicable Form 10-Qs for the respective periods, for previously reported amounts.

## Reclassified Consolidated Revenue and Cost\*

2005 By Quarter

(Unaudited)

| (Dollars in millions) | Reclassified<br>1Q<br>2005 | Change<br>From<br>Reported | Reclassified<br>2Q<br>2005 | Change<br>From<br>Reported | Reclassified<br>3Q<br>2005 | Change<br>From<br>Reported | Reclassified<br>4Q<br>2005 | Change<br>From<br>Reported |
|-----------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| <b>Revenue:</b>       |                            |                            |                            |                            |                            |                            |                            |                            |
| Global Services       | \$ 11,709                  | \$ 13                      | \$ 12,001                  | \$ 16                      | \$ 11,697                  | \$ 10                      | \$ 12,000                  | \$ 11                      |
| Hardware              | 6,754                      | 5                          | 5,562                      | 6                          | 5,130                      | 9                          | 6,897                      | 9                          |
| Software              | 3,814                      | 263                        | 4,056                      | 235                        | 4,059                      | 240                        | 4,901                      | 339                        |
| Global Financing      | 580                        |                            | 622                        |                            | 600                        |                            | 605                        |                            |
| Other                 | 51                         | (281)                      | 29                         | (257)                      | 43                         | (259)                      | 24                         | (359)                      |
| <b>Total revenue</b>  | <b>22,908</b>              |                            | <b>22,270</b>              |                            | <b>21,529</b>              |                            | <b>24,427</b>              |                            |

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| <b>Cost:</b>        |                 |       |                 |       |                 |       |                  |       |
|---------------------|-----------------|-------|-----------------|-------|-----------------|-------|------------------|-------|
| Global Services     | 8,866           | 8     | 8,868           | 6     | 8,648           | 5     | 8,711            | 4     |
| Hardware            | 4,898           | 7     | 3,676           | 6     | 3,228           | 9     | 4,001            | 10    |
| Software            | 618             | 136   | 634             | 127   | 611             | 128   | 671              | 171   |
| Global Financing    | 266             |       | 295             |       | 273             |       | 257              |       |
| Other               | 6               | (151) | 22              | (139) | 31              | (142) | 22               | (185) |
| <b>Total cost</b>   | <b>14,654</b>   |       | <b>13,495</b>   |       | <b>12,791</b>   |       | <b>13,662</b>    |       |
| <b>Gross profit</b> | <b>\$ 8,254</b> |       | <b>\$ 8,775</b> |       | <b>\$ 8,738</b> |       | <b>\$ 10,765</b> |       |

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\* See IBM's Form 10-K dated February 28, 2006, Form 8-K submitted on January 17, 2006 and the applicable Form 10-Qs for the respective periods, for previously reported amounts.

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## Exhibit 2

## Reclassified Management System Segment View\*

2005, 2004 and 2003

(Unaudited)

| (Dollars in millions)           | Global Services Segments |           | Systems &  | Software  | Global    | Personal  | Total      |
|---------------------------------|--------------------------|-----------|------------|-----------|-----------|-----------|------------|
| FOR THE YEAR ENDED DECEMBER 31: | Technology               | Global    | Technology |           | Financing | Computing | Segments   |
| 2005:                           | Services                 | Business  | Group      |           |           | Division  |            |
| External revenue                | \$ 31,501                | \$ 15,906 | \$ 20,981  | \$ 16,830 | \$ 2,401  | \$ 2,876  | \$ 90,495  |
| Internal revenue                | 2,102                    | 1,339     | 1,118      | 1,979     | 1,506     | 33        | 8,077      |
| Total revenue                   | \$ 33,603                | \$ 17,245 | \$ 22,099  | \$ 18,809 | \$ 3,907  | \$ 2,909  | \$ 98,572  |
| Pre-tax income                  | \$ 2,619                 | \$ 786    | \$ 1,883   | \$ 4,779  | \$ 1,583  | \$ (165)  | \$ 11,485  |
| Revenue Y-T-Y change            | 3.5%                     | -1.9%     | 4.9%       | 4.8%      | 0.3%      | NM        | -5.0%      |
| Pre-tax income Y-T-Y change     | -10.9%                   | -28.9%    | -7.9%      | 19.1%     | 8.6%      | NM        | -0.6%      |
| Pre-tax income margin           | 7.8%                     | 4.6%      | 8.5%       | 25.4%     | 40.5%     | NM        | 11.7%      |
| <b>2004:</b>                    |                          |           |            |           |           |           |            |
| External revenue                | \$ 30,082                | \$ 16,201 | \$ 19,973  | \$ 16,141 | \$ 2,607  | \$ 10,737 | \$ 95,741  |
| Internal revenue                | 2,376                    | 1,373     | 1,095      | 1,813     | 1,287     | 129       | 8,073      |
| Total revenue                   | \$ 32,458                | \$ 17,574 | \$ 21,068  | \$ 17,954 | \$ 3,894  | \$ 10,866 | \$ 103,814 |
| Pre-tax income                  | \$ 2,940                 | \$ 1,105  | \$ 2,045   | \$ 4,014  | \$ 1,458  | \$ (10)   | \$ 11,552  |
| Revenue Y-T-Y change            | 11.3%                    | 3.0%      | 8.6%       | 6.7%      | -5.6%     | 14.4%     | 8.1%       |
| Pre-tax income Y-T-Y change     | 8.0%                     | -2.0%     | 27.1%      | 26.3%     | 26.6%     | 97.1%     | 22.4%      |
| Pre-tax income margin           | 9.1%                     | 6.3%      | 9.7%       | 22.4%     | 37.4%     | -0.1%     | 11.1%      |
| <b>2003:</b>                    |                          |           |            |           |           |           |            |
| External revenue                | \$ 26,932                | \$ 15,782 | \$ 18,505  | \$ 15,201 | \$ 2,827  | \$ 9,351  | \$ 88,598  |
| Internal revenue                | 2,231                    | 1,272     | 890        | 1,619     | 1,300     | 146       | 7,458      |
| Total revenue                   | \$ 29,163                | \$ 17,054 | \$ 19,395  | \$ 16,820 | \$ 4,127  | \$ 9,497  | \$ 96,056  |
| Pre-tax income                  | \$ 2,722                 | \$ 1,127  | \$ 1,609   | \$ 3,177  | \$ 1,152  | \$ (349)  | \$ 9,438   |
| Pre-tax income margin           | 9.3%                     | 6.6%      | 8.3%       | 18.9%     | 27.9%     | -3.7%     | 9.8%       |

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 NM - Not Meaningful

\* See IBM's Form 10-K dated February 28, 2006, Form 8-K submitted on January 17, 2006 and the applicable Form 10-Qs for the respective periods, for previously reported amounts. Internal revenue for the two Global Services segments reflects inter-segment activity between those segments.

## Exhibit 2 (cont.)

## Reclassified Management System Segment View

## 2005 By Quarter

(Unaudited)

| (Dollars in millions)                        | Global<br>Technology<br>Services | Global Services Segments<br>Global<br>Business<br>Services | Systems &<br>Technology<br>Group | Software | Global<br>Financing | Personal<br>Computing<br>Division | Total<br>Segments |
|--|----------------------------------|--|----------------------------------|----------|---------------------|-----------------------------------|-------------------|
| <b>QUARTER ENDED<br/>DECEMBER 31, 2005:</b>  |                                  |  |                                  |          |                     |                                   |                   |
| External revenue                             | \$ 8,020                         | \$ 3,980   | \$ 6,849                         | \$ 4,901 | \$ 603              |                                   | \$ 24,353         |
| Internal revenue                             | 467                              | 307  | 355                              | 556      | 493                 |                                   | 2,178             |
| Total revenue                                | \$ 8,487                         | \$ 4,287   | \$ 7,204                         | \$ 5,457 | \$ 1,096            |                                   | \$ 26,531         |
| Pre-tax income                               | \$ 1,104                         | \$ 406   | \$ 1,209                         | \$ 1,935 | \$ 491              |                                   | \$ 5,145          |
| Revenue Y-T-Y change                         | -3.4%                            | -10.9%   | 6.9%                             | 0.9%     | 2.6%                | NM                                | -11.0%            |
| Pre-tax income Y-T-Y change                  | 27.3%                            | -1.5%  | 16.9%                            | 20.1%    | 18.9%               | NM                                | 17.7%             |
| Pre-tax income margin                        | 13.0%                            | 9.5%   | 16.8%                            | 35.5%    | 44.8%               | NM                                | 19.4%             |
| <b>QUARTER ENDED<br/>SEPTEMBER 30, 2005:</b> |                                  |  |                                  |          |                     |                                   |                   |
| External revenue                             | \$ 7,787                         | \$ 3,910   | \$ 4,988                         | \$ 4,059 | \$ 599              |                                   | \$ 21,343         |
| Internal revenue                             | 526                              | 335  | 268                              | 486      | 289                 |                                   | 1,904             |
| Total revenue                                | \$ 8,313                         | \$ 4,245   | \$ 5,256                         | \$ 4,545 | \$ 888              |                                   | \$ 23,247         |
| Pre-tax income                               | \$ 871                           | \$ 288   | \$ 365                           | \$ 1,130 | \$ 363              |                                   | \$ 3,017          |
| Revenue Y-T-Y change                         | 3.1%                             | 1.1%   | 6.4%                             | 6.1%     | -5.8%               | NM                                | -7.7%             |
| Pre-tax income Y-T-Y change                  | 11.8%                            | 29.7%  | -0.8%                            | 30.3%    | 6.5%                | NM                                | 17.0%             |
| Pre-tax income margin                        | 10.5%                            | 6.8%   | 6.9%                             | 24.9%    | 40.9%               | NM                                | 13.0%             |
| <b>QUARTER ENDED<br/>JUNE 30, 2005:</b>      |                                  |  |                                  |          |                     |                                   |                   |
| External revenue                             | \$ 7,872                         | \$ 4,129   | \$ 4,855                         | \$ 4,056 | \$ 620              | \$ 557                            | \$ 22,089         |
| Internal revenue                             | 535                              | 374  | 254                              | 474      | 275                 | 7                                 | 1,919             |
| Total revenue                                | \$ 8,407                         | \$ 4,503   | \$ 5,109                         | \$ 4,530 | \$ 895              | \$ 564                            | \$ 24,008         |
| Pre-tax income                               | \$ (16)                          | \$ (68)  | \$ 269                           | \$ 909   | \$ 338              | \$ (149)                          | \$ 1,283          |
| Revenue Y-T-Y change                         | 6.2%                             | 5.0%   | 3.7%                             | 9.1%     | -4.6%               | NM                                | -3.7%             |
| Pre-tax income Y-T-Y change                  | NM                               | NM   | -50.2%                           | 10.3%    | -0.3%               | NM                                | -51.0%            |
| Pre-tax income margin                        | -0.2%                            | -1.5%  | 5.3%                             | 20.1%    | 37.8%               | -26.4%                            | 5.3%              |
| <b>QUARTER ENDED<br/>MARCH 31, 2005:</b>     |                                  |  |                                  |          |                     |                                   |                   |
| External revenue                             | \$ 7,822                         | \$ 3,887   | \$ 4,289                         | \$ 3,814 | \$ 579              | \$ 2,319                          | \$ 22,710         |
| Internal revenue                             | 574                              | 323  | 241                              | 463      | 449                 | 26                                | 2,076             |

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|                             |    |       |    |        |    |        |    |       |    |       |    |       |    |        |
|-----------------------------|----|-------|----|--------|----|--------|----|-------|----|-------|----|-------|----|--------|
| Total revenue               | \$ | 8,396 | \$ | 4,210  | \$ | 4,530  | \$ | 4,277 | \$ | 1,028 | \$ | 2,345 | \$ | 24,786 |
| Pre-tax income              | \$ | 660   | \$ | 160    | \$ | 40     | \$ | 805   | \$ | 391   | \$ | (16)  | \$ | 2,040  |
| Revenue Y-T-Y change        |    | 9.2%  |    | -1.6%  |    | 1.5%   |    | 4.1%  |    | 8.8%  |    | -2.1% |    | 3.8%   |
| Pre-tax income Y-T-Y change |    | 3.3%  |    | -19.6% |    | -61.2% |    | 13.1% |    | 7.1%  |    | 57.9% |    | 3.0%   |
| Pre-tax income margin       |    | 7.9%  |    | 3.8%   |    | 0.9%   |    | 18.8% |    | 38.0% |    | -0.7% |    | 8.2%   |

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NM-Not Meaningful

\* See IBM's Form 10-K dated February 28, 2006, Form 8-K submitted on January 17, 2006 and the applicable Form 10-Qs for the respective periods, for previously reported amounts. Internal revenue for the two Global Services segments reflects inter-segment activity between those segments.

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## Exhibit 3

## Reclassified Management System Segment View without Incremental 2Q 2005 Restructuring Charges\*

## 2005 by Quarter

(Unaudited)

| (Dollars in millions)                               | Global Services Segments   |                          | Systems & Technology Group | Software | Global Financing | Personal Systems | Total Segments |
|---|----------------------------|--------------------------|----------------------------|----------|------------------|------------------|----------------|
|   | Global Technology Services | Global Business Services |                            |          |                  |                  |                |
| <b>FOR THE YEAR ENDED DECEMBER 31, 2005:</b>        |                            |                          |                            |          |                  |                  |                |
| Pre-tax income                                      | \$ 2,619                   | \$ 786                   | \$ 1,883                   | \$ 4,779 | \$ 1,583         | \$ (165)         | \$ 11,485      |
| Incremental charges                                 | 686                        | 451                      | 130                        | 93       | 13               |                  | 1,373          |
| Pre-tax income w/o incremental charges              | \$ 3,305                   | \$ 1,237                 | \$ 2,013                   | \$ 4,872 | \$ 1,596         | \$ (165)         | \$ 12,858      |
| Pre-tax income Y-T-Y change w/o incremental charges | 12.4%                      | 11.9%                    | -1.6%                      | 21.4%    | 9.5%             | NM               | 11.3%          |
| Pre-tax income margin w/o incremental charges       | 9.8%                       | 7.2%                     | 9.1%                       | 25.9%    | 40.8%            | NM               | 13.0%          |
| <b>QUARTER ENDED DECEMBER 31, 2005:</b>             |                            |                          |                            |          |                  |                  |                |
| Pre-tax income                                      | \$ 1,104                   | \$ 406                   | \$ 1,209                   | \$ 1,935 | \$ 491           | \$               | \$ 5,145       |
| Incremental charges                                 | (10)                       | (4)                      |                            | (1)      |                  |                  | (15)           |
| Pre-tax income w/o incremental charges              | \$ 1,094                   | \$ 402                   | \$ 1,209                   | \$ 1,934 | \$ 491           | \$               | \$ 5,130       |
| Pre-tax income Y-T-Y change w/o incremental charges | 26.2%                      | -2.4%                    | 16.9%                      | 20.0%    | 18.9%            | NM               | 17.3%          |
| Pre-tax income margin w/o incremental charges       | 12.9%                      | 9.4%                     | 16.8%                      | 35.4%    | 44.8%            | NM               | 19.3%          |
| <b>QUARTER ENDED SEPTEMBER 30, 2005:</b>            |                            |                          |                            |          |                  |                  |                |
| Pre-tax income                                      | \$ 871                     | \$ 288                   | \$ 365                     | \$ 1,130 | \$ 363           | \$               | \$ 3,017       |
| Incremental charges                                 | (13)                       | (4)                      |                            | (2)      | 3                |                  | (16)           |
| Pre-tax income w/o incremental charges              | \$ 858                     | \$ 284                   | \$ 365                     | \$ 1,128 | \$ 366           | \$               | \$ 3,001       |
| Pre-tax income Y-T-Y change w/o incremental charges | 10.1%                      | 27.9%                    | -0.8%                      | 30.1%    | 7.3%             | NM               | 16.4%          |
| Pre-tax income margin w/o incremental charges       | 10.3%                      | 6.7%                     | 6.9%                       | 24.8%    | 41.2%            | NM               | 12.9%          |
| <b>QUARTER ENDED JUNE 30, 2005:</b>                 |                            |                          |                            |          |                  |                  |                |
| Pre-tax income                                      | \$ (16)                    | \$ (68)                  | \$ 269                     | \$ 909   | \$ 338           | \$ (149)         | \$ 1,283       |
| Incremental charges                                 | 709                        | 459                      | 130                        | 96       | 10               |                  | 1,404          |
| Pre-tax Income w/o Incremental charges              | \$ 693                     | \$ 391                   | \$ 399                     | \$ 1,005 | \$ 348           | \$ (149)         | \$ 2,687       |
| Pre-tax income Y-T-Y change w/o incremental charges | 5.8%                       | 43.8%                    | -26.1%                     | 22.0%    | 2.7%             | NM               | 2.6%           |
| Pre-tax income margin w/o incremental charges       | 8.2%                       | 8.7%                     | 7.8%                       | 22.2%    | 38.9%            | -26.4%           | 11.2%          |
| <b>QUARTER ENDED MARCH 31, 2005:</b>                |                            |                          |                            |          |                  |                  |                |
| Pre-tax income                                      | \$ 660                     | \$ 160                   | \$ 40                      | \$ 805   | \$ 391           | \$ (16)          | \$ 2,040       |
| Incremental charges                                 |                            |                          |                            |          |                  |                  |                |
| Pre-tax income w/o incremental charges              | \$ 660                     | \$ 160                   | \$ 40                      | \$ 805   | \$ 391           | \$ (16)          | \$ 2,040       |

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|   |      |        |        |       |       |       |      |
|---|------|--------|--------|-------|-------|-------|------|
| Pre-tax income Y-T-Y change w/o incremental charges | 3.3% | -19.6% | -61.2% | 13.1% | 7.1%  | 57.9% | 3.0% |
| Pre-tax income margin w/o incremental charges       | 7.9% | 3.8%   | 0.9%   | 18.8% | 38.0% | -0.7% | 8.2% |

NM - Not Meaningful

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\* Incremental restructuring charges are in addition to the company's normal rebalancing activity. See IBM's Form 10-K dated February 28, 2006, Form 8-Ks dated January 17, 2006 and the applicable Form 10-Qs for the respective periods, for previously reported amounts and management's rationale for presenting results without incremental restructuring charges.

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## Exhibit 4

## Reclassified Global Services Segment External Revenue\*

2005 and 2004

(Unaudited)

| (Dollars in millions)                      | Full Year<br>2005 | Full Year<br>2004 |
|--|-------------------|-------------------|
| <b>Global Technology Services Revenue:</b> | \$ 31,501         | \$ 30,082         |
| Strategic Outsourcing                      | 16,522            | 15,957            |
| Integrated Technology Services             | 7,538             | 7,441             |
| Business Transformation Outsourcing        | 1,573             | 988               |
| Maintenance                                | 5,868             | 5,696             |
| <b>Global Business Services Revenue</b>    | <b>\$ 15,906</b>  | <b>\$ 16,201</b>  |

\* See IBM's Form 10-K dated February 28, 2006 and the applicable Form 10-Q for the respective periods, for previously reported amounts.

## Reclassified Global Services Segment External Revenue\*

2005 and 2004 By Quarter

(Unaudited)

| (Dollars in millions)                      | 1Q05            | 2005            |                 |                 | 1Q04            | 2004            |                 |                 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|  |                 | 2Q05            | 3Q05            | 4Q05            |                 | 2Q04            | 3Q04            | 4Q04            |
| <b>Global Technology Services Revenue:</b> | \$ 7,822        | \$ 7,872        | \$ 7,787        | \$ 8,020        | \$ 7,087        | \$ 7,352        | \$ 7,465        | \$ 8,178        |
| Strategic Outsourcing                      | 4,239           | 4,105           | 4,049           | 4,129           | 3,793           | 3,890           | 3,982           | 4,292           |
| Integrated Technology Services             | 1,801           | 1,899           | 1,854           | 1,984           | 1,699           | 1,811           | 1,832           | 2,099           |
| Business Transformation Outsourcing        | 333             | 390             | 418             | 432             | 172             | 248             | 246             | 322             |
| Maintenance                                | 1,449           | 1,478           | 1,466           | 1,475           | 1,423           | 1,403           | 1,405           | 1,465           |
| <b>Global Business Services Revenue</b>    | <b>\$ 3,887</b> | <b>\$ 4,129</b> | <b>\$ 3,910</b> | <b>\$ 3,980</b> | <b>\$ 3,954</b> | <b>\$ 3,939</b> | <b>\$ 3,863</b> | <b>\$ 4,445</b> |

\* See IBM's Form 10-K dated February 28, 2006, and the applicable Form 10-Q for the respective periods, for previously reported amounts.