

# LEXMARK REPORTS FOURTH QUARTER, FULL YEAR RESULTS

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- Lexmark reports fourth-quarter revenue of \$1.31 billion, GAAP EPS of \$1.04, including \$0.25 for restructuring-related activities
- Lexmark reports full-year revenue of \$4.97 billion, GAAP EPS of \$3.14, including \$0.36 for restructuring-related activities
- Business market segment revenue was a record \$800 million in the fourth quarter, a record \$3.00 billion for full year 2007
- Company generates cash of \$212 million during fourth quarter, \$564 million in 2007

Lexmark International, Inc. (NYSE: LXX) today announced financial results for the fourth quarter of 2007. Fourth-quarter revenue was \$1.31 billion, down 4 percent compared to revenue of \$1.37 billion last year. Fourth-quarter GAAP earnings per share were \$1.04. Earnings per share for the fourth quarter of 2007 would have been \$1.29 excluding \$0.25 per share for restructuring-related activities. Fourth-quarter 2006 GAAP earnings per share were \$0.91. Earnings per share for the fourth quarter of 2006 would have been \$1.05 excluding \$0.14 per share for restructuring-related activities.

"Today we're announcing fourth-quarter financial results that reflect the strategic shift we began in the second half of 2007. Although EPS greatly exceeded expectations in the fourth quarter, we have more work to do as we continue to implement our strategy to drive our growth in higher usage segments," said Paul J. Curlander, Lexmark chairman and chief executive officer. "Our investments in industry-leading products and technology are an integral part of our strategy and are demonstrated by the recent introduction of our new Professional Series inkjet line, our new high-performance color laser multifunction device, the X560n, and the significant product awards and industry recognition that we received in 2007. Overall our financial position remains strong, and in 2007 we continued to generate strong cash flow from the on-going sales of our aftermarket supplies." Fourth-quarter 2007 business segment revenue was a record \$800 million growing 4 percent year to year. Consumer segment revenue of \$509 million declined 15 percent compared to a year ago. Fourth-quarter 2007 gross profit margin was 33.4 percent, the operating expense to revenue ratio was 24.7 percent, the operating income margin was 8.7 percent, and net earnings were \$99 million. Fourth-quarter 2007 operating income includes \$30 million pretax charges in connection with the company's restructuring-related actions.

Fourth-quarter 2006 gross profit margin was 30.8 percent, the operating expense to revenue ratio was 23.3 percent, the operating income margin was 7.5 percent, and net earnings were \$90 million. Fourth-quarter 2006 operating income included \$19 million restructuring-related pretax charges.

On a non-GAAP basis, excluding fourth-quarter restructuring-related charges:

- Fourth-quarter 2007 gross profit margin would have been 34.0 percent, up 2.9 percentage points from 31.1 percent in the same period last year, principally due to a favorable product mix shift partially offset by lower product margins.
- Fourth-quarter 2007 operating expense as a percent of revenue would have been 23.0 percent, up 0.9 percentage points compared to 22.1 percent in the same quarter last year due to the decline in revenue offsetting a slight reduction in operating expense.
- Fourth-quarter 2007 operating income margin would have been 11.0 percent, up 2.1 percentage points from 8.9 percent last year.
- Fourth-quarter 2007 net earnings would have been \$123 million compared to \$104 million in the fourth quarter of 2006.

The company ended the quarter with \$796 million in cash and marketable securities. Fourth-quarter net cash provided by operating activities was \$212 million. Capital expenditures for the quarter were \$52 million. Depreciation and amortization in the quarter was \$58 million. Lexmark did not repurchase its stock during the fourth quarter. The company's remaining share repurchase authorization was approximately \$295 million at quarter end.

## NEW PRODUCTS EXPAND LEXMARK'S FOCUS ON HIGH-USAGE CUSTOMERS

As part of Lexmark's strategy to increase the company's focus on higher-usage segments of the inkjet market, in early January Lexmark introduced the Professional Series which the company believes will meet the demanding needs of small office and home office (SOHO) users. The Professional Series is Lexmark's first inkjet all-in-one (AIO) line to include high-yield cartridges and lifetime, priority phone support. The Professional Series inkjet line features four inkjet AIOs including: the Lexmark [X9575](#) Wireless All-in-One for \$249; the Lexmark [X6575](#) Wireless All-in-One priced at \$169; the Lexmark [X4875](#) Wireless All-in-One priced at \$149; and the Lexmark [X5075](#) All-in-One for \$99.

Also in January, the company added to its award-winning line of color laser multifunction products (MFPs) with the announcement of the Lexmark [X560n](#) color laser MFP which is ideally suited for medium and large workgroups.

## LEXMARK ADDS TO LIST OF ACCOLADES FROM CHANNEL AND LEADING TEST HOUSES

Ingram Micro Inc., the world's largest technology distributor, recently recognized Lexmark with its 2007 Manufacturer Award of Excellence in the peripherals category. Lexmark works with Ingram Micro to distribute both its inkjet and laser products to consumers, small and medium businesses (SMB) and large enterprise customers through solution providers and value-added resellers.

Separately, CRN, a channel publication for solution providers and valued-added resellers, named Lexmark the No. 1 Top Growth Best-Seller for MFPs for mid-year 2007. Lexmark was also listed on CRN's mid-year Top Five Best-Sellers List for both MFPs and color lasers.

Also in the quarter, Lexmark's [C935](#) series was recognized by Better Buys for Business as one of the Innovative Products of the Year for 2007, an award reserved for products that introduce an exciting new technology. In addition, Buyers Laboratory Inc. (BLI) awarded Lexmark four Fall 2007 Pick of the Year awards. The awards included: Outstanding Mid-Size Workgroup Color Printer, Outstanding Large Workgroup Color Printer, Outstanding Large Workgroup Color MFP, and Outstanding Mid-Size Workgroup Monochrome MFP for the Lexmark [C782dtn](#), [C935hdn](#), [X945e](#), and [X644e](#), respectively. A separate leading test laboratory, BERTL, also recognized the X945e color laser MFP with its Four-Star, Highly Recommended rating.

#### FULL-YEAR RESULTS

2007 revenue was \$4.97 billion, down 3 percent compared to revenue of \$5.11 billion in 2006. 2007 business segment revenue was a record \$3.00 billion growing 5 percent, and consumer segment revenue of \$1.97 billion declined 12 percent. 2007 GAAP earnings per share were \$3.14. Excluding \$0.36 per share restructuring-related charges, earnings per share would have been \$3.50. 2006 GAAP earnings per share were \$3.27. 2006 earnings per share would have been \$4.12 excluding \$0.85 per share restructuring-related charges and pension curtailment benefit.

2007 net cash provided by operating activities was \$564 million. Capital expenditures for the year were \$183 million. Depreciation and amortization in 2007 was \$192 million. The company repurchased approximately 2.7 million shares of its stock during the year for \$165 million.

#### LOOKING FORWARD

In the first quarter of 2008, the company expects revenue to be down in the mid- to high-single digit percentage range year over year. It expects first-quarter 2008 GAAP EPS to be in the range of \$0.66 to \$0.76 per share. Restructuring-related costs and expenses are expected to be approximately \$0.14 per share in the first quarter of 2008. Excluding these restructuring-related costs and expenses, non-GAAP EPS are expected to be in the range of \$0.80 to \$0.90 per share. GAAP EPS in the first quarter of 2007 were \$0.95, or \$0.96 excluding \$0.01 per share restructuring-related charges.

#### CONFERENCE CALL TODAY

The company will be hosting a conference call with securities analysts today at 8:30 a.m. (EST). A live broadcast and a complete replay of this call can be accessed from Lexmark's investor relations Web site at <http://investor.lexmark.com>. If you are unable to connect to the Internet, you can access the call via telephone at 888-693-3477 (outside the U.S. by calling 973-582-2710) or the replay shortly afterward by calling 800-642-1687 (outside the U.S. by calling 706-645-9291) using access code 29910485. This telephone replay of the conference call will be available until noon (EST) on Tuesday, February 5, 2008.

Supplemental information slides, including reconciliations between GAAP and non-GAAP financial measures, will be available on Lexmark's investor relations Web site prior to the live broadcast.

#### ABOUT LEXMARK

Lexmark International, Inc. (NYSE: LXX) provides businesses of all sizes with a broad range of printing and imaging products, solutions and services that help them to be more productive. In 2008, Lexmark sold products in more than 150 countries and reported \$4.5 billion in revenue. Learn how Lexmark can help you get more done at [www.lexmark.com](http://www.lexmark.com).

Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995: Statements in this release which are not historical facts are forward-looking and involve risks and uncertainties, including, but not limited to, inability to be successful in the higher-usage segments of the inkjet market, market acceptance of new products and pricing programs, weak economic conditions, periodic variations affecting revenue and profitability, the inability to meet customer product requirements on a cost competitive basis, failure to execute planned cost reduction measures, aggressive pricing from competitors and resellers, entrance into the market of additional competitors focused on printing solutions, the financial failure or loss of business with a key customer, reseller or supplier, increased investment to support product development and marketing, inability to perform under managed print services contracts, decreased supplies consumption, increased competition in the aftermarket supplies business, failure to successfully outsource the infrastructure support of information technology systems, failure to manage inventory levels or production capacity, unforeseen cost impacts as a result of new legislation, fees on the company's products or litigation costs required to protect the company's rights, inability to obtain and protect the company's intellectual property and defend against claims of infringement and/or anticompetitive conduct, reliance on international production facilities, manufacturing partners and certain key suppliers, disruptions at important points of exit and entry and distribution centers, changes in a country's political or economic conditions, conflicts among sales channels, the failure of information technology systems, changes in the company's tax provisions or tax liabilities, business disruptions, currency fluctuations, terrorist acts, acts of war or other political conflicts, or the outbreak of a communicable disease, and other risks described in the company's Securities and Exchange Commission filings. The company undertakes no obligation to update any forward-looking statement.

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All prices, features, specifications and capabilities are subject to change without notice.

<sup>1</sup>See Statement of Limited Warranty available at purchase locations for details. Availability can vary by product and country.

<sup>2</sup>All prices are estimated street prices in U.S. dollars – actual prices may vary.

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