

LEXMARK REPORTS SECOND QUARTER RESULTS

- Revenue of \$1.03 billion grew 14 percent year on year in second quarter
- Net earnings in second quarter of \$85 million, up 400 percent year on year
- Completed Perceptive Software acquisition

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Lexmark International, Inc. (NYSE: LXX) today announced financial results for the second quarter of 2010. Second quarter GAAP revenue of \$1.03 billion increased 14 percent compared to the same quarter last year.

Earnings Per Share		2Q10		2Q09
GAAP	\$	1.07	\$	0.22
Restructuring-related adjustments		0.08		0.33
Acquisition-related adjustments		0.08		0.00
Non-GAAP	\$	1.23	\$	0.55

Second quarter GAAP earnings per share were \$1.07. Excluding \$0.16 per share for restructuring-related and acquisition-related adjustments, earnings per share for the second quarter of 2010 would have been \$1.23. Second quarter 2009 GAAP earnings per share were \$0.22. Earnings per share for the second quarter of 2009 would have been \$0.55 excluding \$0.33 per share for restructuring-related adjustments.

"Lexmark's second quarter results were significantly better than expected, driven by double-digit growth in both hardware and supplies revenue, as well as operating income margin expansion," said Paul J. Curlander, Lexmark chairman and chief executive officer.

"This strong performance is a reflection of our improved product lines, continued growth in managed print services, the shift in our inkjet focus to business customers, and our ongoing strong growth in workgroup lasers and higher end inkjet products," Curlander added.

Second quarter Printing Solutions and Services Division (PSSD) revenue of \$752 million grew 20 percent year to year, Imaging Solutions Division (ISD) revenue of \$275 million declined 2 percent year to year, and all other GAAP revenue was \$6 million, or \$8 million excluding acquisition-related adjustments.

The company ended the quarter with \$1.0 billion in cash and current marketable securities. Second quarter net cash provided by operating activities of \$91 million compared to \$84 million in the same quarter last year. Capital expenditures for the quarter were \$37 million. Depreciation and amortization in the quarter was \$47 million.

In the second quarter of 2010:

- Gross profit margin was 36.8 percent versus 31.0 percent in 2009.
- Operating expense was \$261 million compared to \$253 million last year.
- Operating expense to revenue ratio was 25.3 percent compared to 28.0 percent last year.
- Operating income margin of 11.5 percent includes \$17 million pretax for restructuring-related and acquisition-related adjustments. Operating income margin in 2009 of 3.1 percent included \$32 million for pretax restructuring-related adjustments.
- Net earnings for the quarter were \$85 million, an increase of 400 percent compared to second quarter 2009 net earnings of \$17 million.

On a non-GAAP basis, excluding restructuring-related and acquisition-related adjustments, in the second quarter of 2010:

- Gross profit margin would have been 37.4 percent, up 4.0 percentage points from 33.4 percent in the same period last year.
- Operating expense would have been \$251 million, compared to \$243 million last year.
- Operating expense to revenue ratio would have been 24.3 percent, down 2.6 percentage points from 26.9 percent last year.
- Operating income margin would have been 13.1 percent, an increase of 6.5 percentage points from 6.6 percent last year.
- Net earnings would have been \$98 million, an increase of 126 percent compared to \$43 million in the second quarter of 2009.

PERCEPTIVE SOFTWARE ACQUISITION COMPLETED

During the second quarter, Lexmark completed the acquisition of Perceptive Software in a cash transaction for \$280 million. Perceptive Software is a leading provider of Enterprise Content Management (ECM) software and solutions, with significant industry experience in the higher education, healthcare and government segments. Perceptive Software's ImageNow® software platform enables a broad range of industry-specific and cross-industry workflow solutions. A key strength and differentiator of its ECM software platform is the ability to be quickly and easily configured, and integrated with a large number of ERP, CRM and line-of-business applications. Perceptive Software retains its current name and operates as a stand-alone software business within Lexmark.

Strategic benefits of the acquisition include:

- Builds upon and strengthens Lexmark's current industry-focused document workflow solutions and managed print services
- Expands Lexmark's market opportunity and adds an ECM software business with strong industry-specific solutions
- Provides significant opportunities to grow Perceptive Software using Lexmark's global infrastructure and sales channels
- Provides a core strategic component for Lexmark's future

Through the acquisition of Perceptive Software, Lexmark adds a complementary software business that is aligned with its existing industry-focused value proposition. This acquisition enables Lexmark to immediately participate in the adjacent, growing market segment of ECM software solutions. It also provides additional revenue streams that are not paper usage dependent.

LEXMARK AWARDED \$127 MILLION AGREEMENT WITH SOCIAL SECURITY ADMINISTRATION

Also during the second quarter, Lexmark announced that it has been awarded a five-year blanket purchase agreement (BPA) for the purchase of monochrome and color laser printers and multifunction products (MFPs) by the Social Security Administration (SSA). The estimated value of the BPA is expected to reach \$127 million. The Lexmark printers and MFPs will be used for general office printing and other output requirements by more than 62,000 employees in SSA's 1,500 U.S. and other worldwide locations.

LOOKING FORWARD

In the third quarter of 2010, the company currently expects revenue to be up in the mid to high-single digit percentage range year on year and GAAP earnings per share to be around \$0.70 to \$0.80, based on an effective tax rate of 24 percent, or \$0.90 to \$1.00 excluding \$0.20 per share for restructuring-related and acquisition-related adjustments. GAAP earnings per share in the third quarter of 2009 were \$0.13, or \$0.65 excluding \$0.52 per share for restructuring-related adjustments.

CONFERENCE CALL TODAY

The company will be hosting a conference call with securities analysts today at 8:30 a.m. (EDT). 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) using access code 87739060.

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, software, solutions and services that help them to be more productive. In 2009, Lexmark sold products in more than 170 countries and reported approximately \$4.0 billion in revenue. Learn how Lexmark can help you get more done at 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 which may cause the company's actual results or performance to be materially different from the results or performance expressed or implied by the forward-looking statements. Factors that may impact such forward-looking statements include, but are not limited to, continued volatility of the global economy, fluctuations in foreign currency exchange rates; inability to be successful in the Company's transition to higher-usage segments of the inkjet market; inability to realize all of the anticipated benefits of the Perceptive Software acquisition; failure to execute planned cost reduction measures; the financial failure or loss of business with a key customer or reseller, including loss of retail shelf placements; market acceptance of new products and pricing programs; increased investment to support product development and marketing; periodic variations affecting revenue and profitability; excessive inventory for the Company and/or its reseller channel; failure to manage inventory levels or production capacity; credit risk associated with the Company's customers, channel partners, and investment portfolio; aggressive pricing from competitors and resellers; the inability to meet customer product requirements on a cost competitive basis; possible changes in the size of expected restructuring costs, charges, and savings; entrance into the market of additional competitors focused on printing solutions; inability to perform under managed print services contracts; decreased supplies consumption; increased competition in the aftermarket supplies business; unforeseen cost impacts as a result of new legislation; changes in the Company's tax provisions or tax liabilities; fees on the Company's products or litigation costs required to protect the Company's rights; inability to protect the Company's intellectual property rights and defend against claims of infringement and/or anticompetitive conduct; reliance on international production facilities, manufacturing partners and certain key suppliers; changes in a country's political conditions; conflicts among sales channels; the failure of information technology systems; disruptions at important points of exit and entry and distribution centers; business disruptions; 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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