

# LEXMARK REPORTS FOURTH QUARTER AND FULL YEAR RESULTS

Lexmark International, Inc. (NYSE: L XK) today announced financial results for the fourth quarter of 2008. The company's fourth quarter 2008 revenue and operating income were negatively impacted by global economic weakness and significant currency rate shifts. Fourth quarter revenue was \$1.08 billion, down 17 percent compared to revenue of \$1.31 billion last year.

Fourth quarter GAAP earnings per share of \$0.23 include a net benefit in the company's provision for income taxes of \$0.29 per share. Excluding \$0.52 per share for restructuring-related activities, earnings per share for the fourth quarter of 2008 would have been \$0.75. Fourth quarter 2007 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.

"In response to the current market conditions, Lexmark continues to take actions that will reduce our fixed infrastructure and business support costs, which are projected to generate savings of over \$100 million in 2009," said Paul J. Curlander, Lexmark chairman and chief executive officer. "We have a conservative capital structure, a solid balance sheet, with nearly \$1 billion in cash and current marketable securities, and a long history of good cash generation, all of which positions us well to prudently invest in the future and successfully compete.

"In addition, we continue to focus on helping our customers generate significant savings in their output costs through our growing managed print services business and innovative, award-winning products," Curlander said.

Fourth quarter business segment revenue of \$718 million declined 10 percent year to year. Consumer segment revenue of \$366 million declined 28 percent compared to a year ago.

In the fourth quarter of 2008:

- Gross profit margin was 29.0 percent, versus 33.4 percent in 2007.
- Operating expense was \$314 million, compared to \$324 million last year.
- Operating income margin of zero includes \$47 million pretax restructuring-related charges. Operating income margin in 2007 of 8.7 percent included \$30 million pretax restructuring-related charges.
- Net earnings for the quarter of \$18 million include a tax benefit of \$23 million. Fourth quarter 2007 net earnings were \$99 million.

On a non-GAAP basis, excluding restructuring-related charges, in the fourth quarter of 2008:

- Gross profit margin would have been 30.4 percent, down 3.6 percentage points from 34.0 percent in the same period last year, principally due to a decline in product margins.
- Operating expense would have been \$283 million, down \$18 million from last year due to reduced marketing and general and administrative expenses.
- Operating income margin would have been 4.3 percent, down from 11.0 percent last year.
- Net earnings would have been \$60 million, compared to \$123 million in the fourth quarter of 2007.

The company ended the quarter with \$973 million in cash and current marketable securities. Fourth quarter net cash provided by operating activities was \$53 million. Capital expenditures for the quarter were \$67 million. Depreciation and amortization in the quarter was \$53 million. Lexmark repurchased \$122.5 million (5.2 million shares) of stock during the fourth quarter. The company's remaining share repurchase authorization was approximately \$491 million at quarter end.

## FULL-YEAR RESULTS

2008 revenue was \$4.53 billion, down 9 percent compared to revenue of \$4.97 billion in 2007. 2008 business segment revenue declined 1 percent to \$2.98 billion, and consumer segment revenue declined 22 percent to \$1.55 billion. 2008 GAAP earnings per share were \$2.69. Excluding \$0.86 per share restructuring-related charges, earnings per share would have been \$3.55. 2007 GAAP earnings per share were \$3.14. 2007 earnings per share would have been \$3.50 excluding \$0.36 per share restructuring-related charges.

2008 net cash provided by operating activities was \$482 million, marking the company's seventh consecutive year in excess of \$450 million. Capital expenditures for the year were \$218 million. Depreciation and amortization in 2008 was \$205 million. The company repurchased approximately 17.5 million shares of its stock during the year for \$555 million.

## NEW LASERS EARN NEARLY 70 INDUSTRY AWARDS AND ACCOLADES IN QUARTER

Each of the 38 laser models announced in October 2008 was the recipient of a product award from a third party reviewer of document imaging equipment. These new laser models when combined have earned nearly 70 industry awards and broad recognition from top technology publications and testing houses. Additionally during

the quarter, Lexmark received channel recognition for the company's industry solutions. Accolades for the quarter include:

#### Monochrome Lasers

- Lexmark T650 Series and Lexmark E260/E360/E460 Series  
Buyers Laboratory Inc., Monochrome Printer Line of the Year for 2008
- Lexmark T650n  
PCMag.com, Editors' Choice  
Buyers Laboratory Inc., Fall 2008 Pick of the Year
- Lexmark T654 family  
Buyers Laboratory Inc., Fall 2008 Pick of the Year  
Lexmark E360 family  
Better Buys for Business, 2008 Innovative Product of the Year

#### Color Lasers

- Lexmark C544 family  
Better Buys for Business, 2008 Innovative Product of the Year
- Lexmark C544dn  
PCMag.com, Editors' Choice

#### MFPs

- Lexmark X540 Series  
Better Buys for Business, 2008 Innovative Product of the Year
- Lexmark T650n  
PCMag.com, Editors' Choice  
Buyers Laboratory Inc., Fall 2008 Pick of the Year
- Lexmark X656/X658 families  
Better Buys for Business, 2008 Innovative Product of the Year

#### Channel Solutions

- Lexmark Legal Partner (industry-specific monochrome laser MFP)  
VARBusiness, Tech Innovator

### **INKJET PRODUCTS CONTINUE TO RECEIVE TOP HONORS**

Lexmark's 2008 Professional and Home and Student Series inkjet all-in-ones (AIOs) continued to receive awards and honors from industry-leading publications around the world:

- Lexmark X9575 Professional Series Wireless All-In-One  
COM, Winner Best Service, Germany (11/2008)
- Lexmark X7675 Professional Series Wireless All-In-One  
CNET, Excellent Rating, U.S.  
PC Go!, Excellent Product, Germany (11/2008)
- Lexmark X5650 Home and Student All-In-One  
PC Go!, Excellent Product, Germany (12/2008)
- Lexmark X4975 Professional Series Wireless All-In-One  
BERTL, Highly Recommended, U.S.

### **LOOKING FORWARD**

Looking ahead, the company expects some of the same factors that impacted the fourth quarter to also impact the first quarter of 2009. In the first quarter, the company currently expects a revenue decline in the mid to high teens percentage range, and GAAP earnings per share to be around \$0.52 to \$0.62, or \$0.65 to \$0.75 excluding \$0.13 restructuring-related charges. GAAP EPS in the first quarter of 2008 were \$1.07, or \$1.16 excluding \$0.09 per share for restructuring-related activities.

### **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 80314259. This telephone replay of the conference call will be available through Feb. 3, 2009.

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, economic uncertainty and deteriorating worldwide economic conditions, including unprecedented financial market disruption; fluctuations in foreign currency exchange rates; excessive inventory for the Company and/or its reseller channel; failure to manage inventory levels or production capacity; restrictions on credit globally; credit risk associated with the Company's customers, channel partners, and investment portfolio; aggressive pricing from competitors and resellers; inability to be successful in the higher-usage segments of the inkjet market; 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; the inability to meet customer product requirements on a cost competitive basis; failure to implement workforce reductions and execute planned cost reduction measures; 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 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; 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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