

LEXMARK REPORTS THIRD QUARTER RESULTS

- Revenue of \$1.020 billion, up from \$958 million in the prior year period
- Net earnings in third quarter of \$72.0 million, up 622 percent year on year
- Net cash from operations for third quarter of \$130 million, and year-to-date of \$367 million

[View earnings table](#)

Lexmark International, Inc. (NYSE: LXX) today announced financial results for the third quarter of 2010. Third quarter GAAP revenue of \$1.020 billion increased from \$958 million in the same quarter last year.

Earnings Per Share		3Q10		3Q09
GAAP	\$	0.90	\$	0.13
Restructuring-related adjustments		0.08		0.52
Acquisition-related adjustments		0.11		0.00
Non-GAAP	\$	1.09	\$	0.65

Third quarter GAAP earnings per share were \$0.90. Excluding \$0.19 per share for restructuring-related and acquisition-related adjustments, earnings per share for the third quarter of 2010 would have been \$1.09. Third quarter 2009 GAAP earnings per share were \$0.13. Earnings per share for the third quarter of 2009 would have been \$0.65 excluding \$0.52 per share for restructuring-related adjustments.

"Lexmark's third quarter earnings were better than expected with ongoing good revenue growth, strong earnings growth and strong cash flow," said Paul Rooke, Lexmark president and chief executive officer.

"These results were driven by our improved product lines, continued growth in managed print services, and ongoing strong growth in workgroup lasers and higher end inkjet products," added Rooke.

Third quarter Printing Solutions and Services Division (PSSD) revenue of \$731 million grew 12 percent year to year, Imaging Solutions Division (ISD) revenue of \$274 million declined 10 percent year to year, and all other GAAP revenue was \$14 million, or \$20 million excluding acquisition-related adjustments.

The company ended the quarter with \$1.1 billion in cash and current marketable securities. Third quarter net cash provided by operating activities was \$130 million. Capital expenditures for the quarter were \$28 million. Depreciation and amortization in the quarter was \$51 million.

In the third quarter of 2010:

- Gross profit margin was 35.4 percent versus 32.7 percent in 2009.
- Operating expense was \$268 million compared to \$289 million last year.
- Operating expense to revenue ratio was 26.3 percent compared to 30.1 percent last year.
- Operating income margin of 9.1 percent includes \$19 million pretax for restructuring-related and acquisition-related adjustments. Operating income margin in 2009 of 2.5 percent included \$51 million for pretax restructuring-related adjustments.
- Net earnings for the quarter were \$72.0 million, an increase of 622 percent compared to third quarter 2009 net earnings of \$10 million.

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

- Revenue would have been \$1.025 billion, up 7 percent from last year.
- Gross profit margin would have been 36.5 percent, up 2.6 percentage points from 33.9 percent in the same period last year.
- Operating expense would have been \$262 million, compared to \$250 million last year.
- Operating expense to revenue ratio would have been 25.6 percent, down 0.4 percentage points from 26 percent last year.
- Operating income margin would have been 10.9 percent, an increase of 3.1 percentage points from 7.8 percent last year.
- Net earnings would have been \$87 million, an increase of 69 percent compared to \$51 million in the third quarter of 2009..

NEW SMART DEVICES STRENGTHEN LEXMARK'S WORKGROUP COLOR LINEUP

Earlier this month, Lexmark announced a significant expansion of its workgroup color devices with the introduction of the new Lexmark X792 family of color laser multifunction products (MFPs), Lexmark C792 family of color laser printers and the Lexmark X925 and C925 Series of A3 (11-inch x 17-inch)/ledger color offerings. An intuitive color touch screen that enables customers to access and manage their documents faster and with greater flexibility highlights each device.

- The [Lexmark X792 family of color laser MFPs](#) includes a 10.2-inch touch screen, the largest in its class¹ and features the fastest print and copy speeds in its category. This new family is available in six models that can be

configured with additional input/output options and advanced finishing capabilities based on the needs of the workgroup. In fact, it is the only device in its class¹ to offer hole punch finishing capability.

- The [Lexmark C792 family of color laser printers](#), includes the only A4 (8.5-inch x 11-inch) color laser printer in its class² to feature a touch screen (4.3-inch). The new flash interface, similar to a smart phone, enables users to operate the printer with ease and confidence through an intuitive navigation and simple business workflow solutions. The Lexmark C792 family is available in four configurations.
- The [Lexmark X925de color MFP](#) is equipped with a 10.2-inch touch screen and delivers high-performance printing, copying, scanning and faxing as well as time-saving software solutions all in a compact design.
- [Lexmark's C925de color printer](#) is capable of handling banner-size media (11.7-inch x 48-inch) and is the only single-function A3 color printer in its class³ with a touch screen (4.3-inch).

Concurrently, the company also announced [Markvision Enterprise](#), a new browser-based device management software solution that enables IT administrators to have better visibility into proactively managing their fleets of printing devices.

LEXMARK'S NEWEST, WEB-CONNECTED ALL-IN-ONE (AIO) INKJET PRINTER

Recently, Lexmark introduced [Lexmark Genesis](#), a unique device that extends the company's line of inkjet AIOs by targeting professionals, small business and home office customers who are looking for innovative technology that is productive, while also being bold and stylish.

Through its built-in innovative Flash Scan camera technology, the Lexmark Genesis delivers blazing scanning speeds that enable the AIO to deliver an instant scan preview to the color touch screen and to transfer a page from "document to digital" in as few as three seconds⁴.

The Web-connected devices is equipped with sophisticated features and functionality, including the 4.3-inch capacitive color touch screen that is also available on Lexmark's other award-winning AIOs, the Platinum, Pinnacle and Interact.

The Lexmark Genesis also features the company's Vizix print technology, which uses separate ink cartridges to enable greater speed and produces high quality print output at an economical replacement cost for customers.

Yesterday, Lexmark announced the availability of its [Software Development Kit \(SDK\) platform](#), to enable third-party developers to help expand the company's inkjet AIO base of applications, known as SmartSolutions. SmartSolutions expand traditional inkjet AIOs from a print, scan, copy and fax-based functionality – to a work station that is empowered with productivity enhancing, Web-connected software applications for small business and home office customers.

LOOKING FORWARD

In the fourth quarter of 2010, the company currently expects low single digit revenue growth, and GAAP earnings per share to be around \$0.86 to \$0.96, or \$1.03 to \$1.13 excluding \$0.17 per share for restructuring-related and acquisition-related adjustments. GAAP earnings per share in the fourth quarter of 2009 were \$0.76, or \$1.16 excluding \$0.40 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 website 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 16906162.

Supplemental information slides, including reconciliations between GAAP and non-GAAP financial measures, will be available on Lexmark's investor relations website 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; market acceptance of new products and pricing programs; increased investment to support product development and marketing; 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; 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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trademark of Lexmark International, Inc. All other trademarks are the property of their respective owners.

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

¹ Class defined as A4 color laser MFPs with U.S. street prices between \$3,000 to \$5,000 that have a base model and print speeds between 30 to 50 pages per minute.

² Class defined as A4 color laser printers with U.S. street prices between \$1,199 to \$2,499 that have a base model and print speeds between 30 to 50 pages per minute.

³ Class defined as color A3 single function laser and LED printers with U.S. street prices between \$1,000 to \$3,000.

⁴ Scanning a one page document or photo on USB-connected All-In-One Printer using a PC with the Lexmark Printer Home Interface's PDF or Photo function. Actual scan time may vary based on factors such as PC performance and operating system, use of wireless connections and use of document edit/character recognition function.

⁵ Internet access, computer and router required. Does not have Internet browser capability. Not all displayed content can be printed.

For more information, see the ["Lexmark" Facebook page](#) and the ["LexmarkNews" Twitter feed](#).

For further information: Investors: John Morgan, +1-859-232-5568, jmorgan@lexmark.com; Media: Jerry Grasso, +1-859-232-3546, ggrasso@lexmark.com

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