

LEXMARK INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF EARNINGS
(In Millions, Except Per Share Amounts)
(Unaudited)

	Three Months Ended	
	March 31	
	2008	2007
Revenue	\$ 1,175.1	\$ 1,260.6
Cost of revenue (1) (2)	739.6	837.8
Gross profit	<u>435.5</u>	<u>422.8</u>
Research and development	105.5	99.9
Selling, general and administrative (1) (2)	209.0	201.8
Restructuring and related (reversals) charges (1)	(1.3)	-
Operating expense	<u>313.2</u>	<u>301.7</u>
Operating income	122.3	121.1
Interest (income) expense, net	(7.5)	(4.4)
Other expense (income), net	1.4	1.2
Earnings before income taxes	128.4	124.3
Provision for income taxes (3)	26.7	31.9
Net earnings	<u>\$ 101.7</u>	<u>\$ 92.4</u>
Net earnings per share:		
Basic	<u>\$ 1.07</u>	<u>\$ 0.96</u>
Diluted	<u>\$ 1.07</u>	<u>\$ 0.95</u>
Shares used in per share calculation:		
Basic	<u>95.2</u>	<u>96.5</u>
Diluted	<u>95.4</u>	<u>97.5</u>

- (1) Amounts for the three months ended March 31, 2008, include total restructuring-related charges and project costs of \$12.6 million with \$5.3 million and \$8.6 million included in *Cost of revenue* and *Selling, general and administrative*, respectively, partially offset by the (\$1.3) million reversal in *Restructuring and related (reversals) charges*.
- (2) Amounts for the three months ended March 31, 2007, included restructuring-related project costs of \$5.7 million and a \$3.5 million gain on the sale of the Company's Scotland facility. Of the net \$2.2 million of project costs incurred, \$1.6 million and \$0.6 million were included in *Cost of revenue* and *Selling, general and administrative*, respectively.
- (3) Amount for the three months ended March 31, 2008, includes a \$6.7 million benefit from the reversal of previously accrued taxes primarily due to the settlement of a tax audit.

LEXMARK INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF FINANCIAL POSITION
(In Millions)
(Unaudited)

	<u>March 31</u> <u>2008</u>	<u>December 31</u> <u>2007</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 329.9	\$ 277.0
Marketable securities	549.2	519.1
Trade receivables, net	516.2	578.8
Inventories	433.0	464.4
Prepaid expenses and other current assets	246.2	227.5
Total current assets	<u>2,074.5</u>	<u>2,066.8</u>
Property, plant and equipment, net	875.5	869.0
Marketable securities	59.4	-
Other assets	188.9	185.3
Total assets	<u>\$ 3,198.3</u>	<u>\$ 3,121.1</u>
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 150.0	\$ 149.9
Accounts payable	567.1	636.9
Accrued liabilities	726.4	710.5
Total current liabilities	<u>1,443.5</u>	<u>1,497.3</u>
Other liabilities	350.4	345.5
Total liabilities	<u>1,793.9</u>	<u>1,842.8</u>
Stockholders' equity:		
Common stock and capital in excess of par	903.8	888.9
Retained earnings	1,037.4	935.7
Treasury stock, net	(454.7)	(454.7)
Accumulated other comprehensive loss	(82.1)	(91.6)
Total stockholders' equity	<u>1,404.4</u>	<u>1,278.3</u>
Total liabilities and stockholders' equity	<u>\$ 3,198.3</u>	<u>\$ 3,121.1</u>

LEXMARK INTERNATIONAL, INC. AND SUBSIDIARIES
RECONCILIATION OF GAAP TO NON-GAAP MEASURES
(Unaudited)

Earnings Per Share:	<u>1Q08</u>	<u>1Q07</u>
GAAP	\$ 1.07	\$ 0.95
Restructuring-related charges & project costs	0.09	0.01
Non-GAAP	<u>\$ 1.16</u>	<u>\$ 0.96</u>

1Q08:	<u>Gross Profit Margin</u>	<u>Operating Expense-to- Revenue Ratio</u>	<u>Operating Income Margin</u>
GAAP	37.1%	26.7%	10.4%
Restructuring-related charges & project costs	0.4%	(0.7%)	1.1%
Non-GAAP	<u>37.5%</u>	<u>26.0%</u>	<u>11.5%</u>

1Q07:			
GAAP	33.5%	23.9%	9.6%
Restructuring-related charges & project costs	0.2%	-	0.2%
Non-GAAP	<u>33.7%</u>	<u>23.9%</u>	<u>9.8%</u>

Net Earnings (In Millions)	<u>1Q08</u>	<u>1Q07</u>
GAAP	\$ 102	\$ 92
Restructuring-related charges & project costs	9	2
Non-GAAP	<u>\$ 111</u>	<u>\$ 94</u>

Guidance:	<u>Earnings Per Share</u>	
	<u>2Q08</u>	<u>2Q07</u>
GAAP	\$0.54 to \$0.64	\$ 0.67
Restructuring-related charges & project costs	0.11	(0.02)
Non-GAAP	<u>\$0.65 to \$0.75</u>	<u>\$ 0.65</u>

Note: Management believes that presenting these measures is useful because they enhance shareholders' understanding of how management assesses the performance of the Company's businesses. Management reviews the performance of the Company's operating segments based on GAAP and non-GAAP measures which reflect income and expense items which are recurring in nature, and do not include the impact of actions that management believes are not reflective of the ongoing operation of the Company. These measures may not be comparable to similar measures of other companies as not all companies calculate these measures in the same manner.

Totals may not foot due to rounding.