

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

	<u>Three Months Ended</u> <u>September 30</u>		<u>Nine Months Ended</u> <u>September 30</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenue	\$ 1,234.6	\$ 1,215.5	\$ 3,738.9	\$ 3,856.2
Cost of revenue (1)	<u>832.2</u>	<u>858.2</u>	<u>2,515.0</u>	<u>2,607.3</u>
Gross profit	<u>402.4</u>	<u>357.3</u>	<u>1,223.9</u>	<u>1,248.9</u>
Research and development	93.2	86.9	273.8	252.5
Selling, general and administrative (1)	186.6	178.8	546.6	567.6
Restructuring and other, net (1)	<u>7.5</u>	<u>8.9</u>	<u>64.3</u>	<u>8.9</u>
Operating expense	<u>287.3</u>	<u>274.6</u>	<u>884.7</u>	<u>829.0</u>
Operating income	115.1	82.7	339.2	419.9
Interest (income) expense, net	(5.2)	(7.0)	(17.0)	(20.9)
Other expense (income), net	<u>1.2</u>	<u>2.2</u>	<u>3.9</u>	<u>5.4</u>
Earnings before income taxes	119.1	87.5	352.3	435.4
Provision for income taxes	<u>33.5</u>	<u>17.3</u>	<u>103.8</u>	<u>161.4</u>
Net earnings	<u>\$ 85.6</u>	<u>\$ 70.2</u>	<u>\$ 248.5</u>	<u>\$ 274.0</u>
Net earnings per share:				
Basic	<u>\$ 0.86</u>	<u>\$ 0.59</u>	<u>\$ 2.38</u>	<u>\$ 2.23</u>
Diluted	<u>\$ 0.85</u>	<u>\$ 0.59</u>	<u>\$ 2.37</u>	<u>\$ 2.20</u>
Shares used in per share calculation:				
Basic	<u>100.0</u>	<u>118.6</u>	<u>104.5</u>	<u>123.1</u>
Diluted	<u>100.6</u>	<u>119.8</u>	<u>105.0</u>	<u>124.7</u>

(1) Amounts for the three months ended September 30, 2006, include the impact of \$13.3 million of restructuring related charges and project costs. Restructuring related charges of \$3.1 million relating to accelerated depreciation on certain fixed assets were included in cost of revenue. Project costs of \$0.5 million and \$2.2 million were included in cost of revenue and selling, general and administrative expenses, respectively.

Amounts for the nine months ended September 30, 2006, include the impact of \$106.4 million of restructuring related charges and project costs. Restructuring related charges of \$38.0 million relating to accelerated depreciation on certain fixed assets were included in cost of revenue. Project costs of \$0.9 million and \$3.2 million were included in cost of revenue and selling, general and administrative expenses, respectively. A \$9.9 million pension curtailment benefit was also included in selling, general and administrative expenses.

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

	<u>September 30</u> <u>2006</u>	<u>December 31</u> <u>2005</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 200.8	\$ 168.3
Marketable securities	361.5	720.5
Trade receivables, net	569.6	650.9
Inventories	464.2	409.2
Prepaid expenses and other current assets	218.0	220.7
Total current assets	<u>1,814.1</u>	<u>2,169.6</u>
Property, plant and equipment, net	819.9	832.2
Other assets	345.8	328.3
Total assets	<u><u>\$ 2,979.8</u></u>	<u><u>\$ 3,330.1</u></u>
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 607.2	\$ 572.8
Accrued liabilities	705.3	660.9
Total current liabilities	<u>1,312.5</u>	<u>1,233.7</u>
Long-term debt	149.8	149.6
Other liabilities	507.3	518.1
Total liabilities	<u>1,969.6</u>	<u>1,901.4</u>
Stockholders' equity:		
Common stock and capital in excess of par	888.1	833.7
Retained earnings	1,237.3	988.8
Treasury stock, net	(960.6)	(230.5)
Accumulated other comprehensive loss	(154.6)	(163.3)
Total stockholders' equity	<u>1,010.2</u>	<u>1,428.7</u>
Total liabilities and stockholders' equity	<u><u>\$ 2,979.8</u></u>	<u><u>\$ 3,330.1</u></u>

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

	<u>Earnings Per Share</u>	<u>Guidance</u>
	<u>3Q06</u>	<u>4Q06</u>
GAAP	\$ 0.85	\$0.70 to \$0.80
Restructuring related	0.10	\$0.10
Non-GAAP	<u>\$ 0.95</u>	<u>\$0.80 to \$0.90</u>

	<u>Gross Profit Margin</u>	<u>Operating Expense to Revenue Ratio</u>	<u>Operating Income Margin</u>
	3Q06:		
GAAP	32.6%	23.3%	9.3%
Restructuring related	0.3%	(0.8%)	1.1%
Non-GAAP	<u>32.9%</u>	<u>22.5%</u>	<u>10.4%</u>

	<u>Gross Profit Margin</u>	<u>Operating Expense to Revenue Ratio</u>	<u>Operating Income Margin</u>
	3Q05:		
GAAP	29.4%	22.6%	6.8%
Restructuring related	-	(0.7%)	0.7%
Non-GAAP	<u>29.4%</u>	<u>21.9%</u>	<u>7.5%</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. These measures may not be comparable to similar measures of other companies as not all companies calculate these measures in the same manner.