

**Lehman Brothers
Global Technology
Conference**

December 6, 2007



Paul Rooke

Executive Vice President and President,
Consumer Printer Division

Agenda

- **Distributed Printing Market Overview**
- **Lexmark Overview**
- **Consumer Market Segment**
 - **Frequently Asked Questions**
- **Q & A**

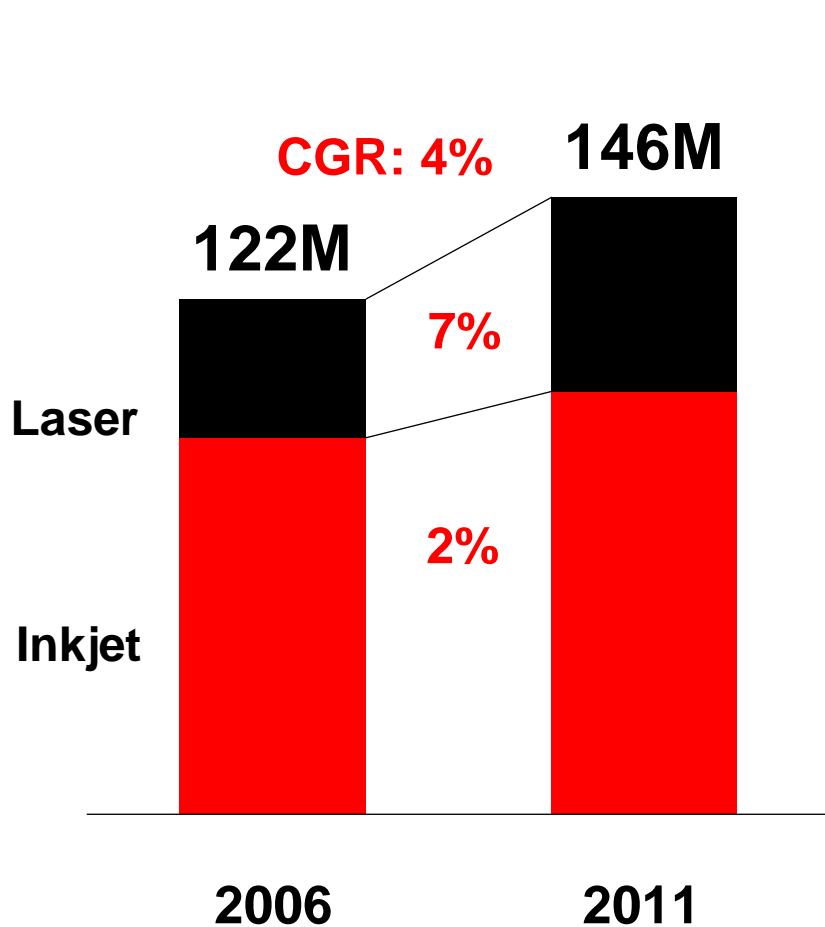
Safe Harbor Statement

Any of today's remarks that are not statements of historical fact are forward-looking statements and involve risks and uncertainties that are discussed in the Safe Harbor section of our earnings releases and SEC filings. Actual results may differ materially from such statements. Lexmark undertakes no obligation to update any forward-looking statements.

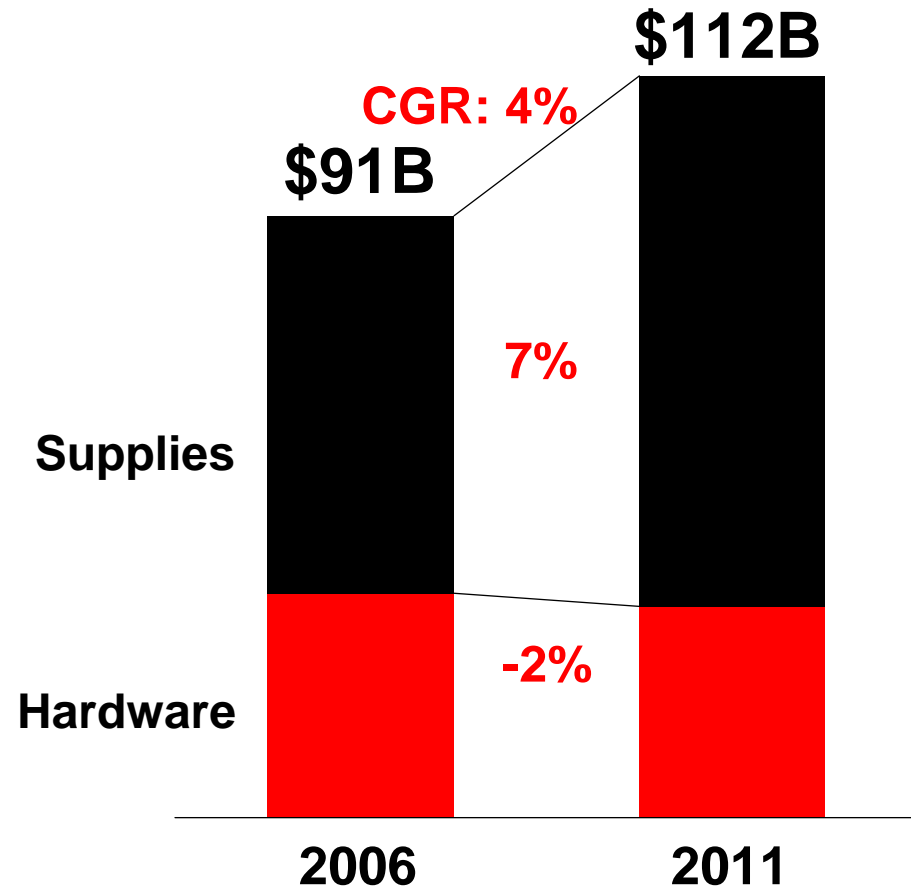
2011 Market

Market

Hardware Units*



Revenue

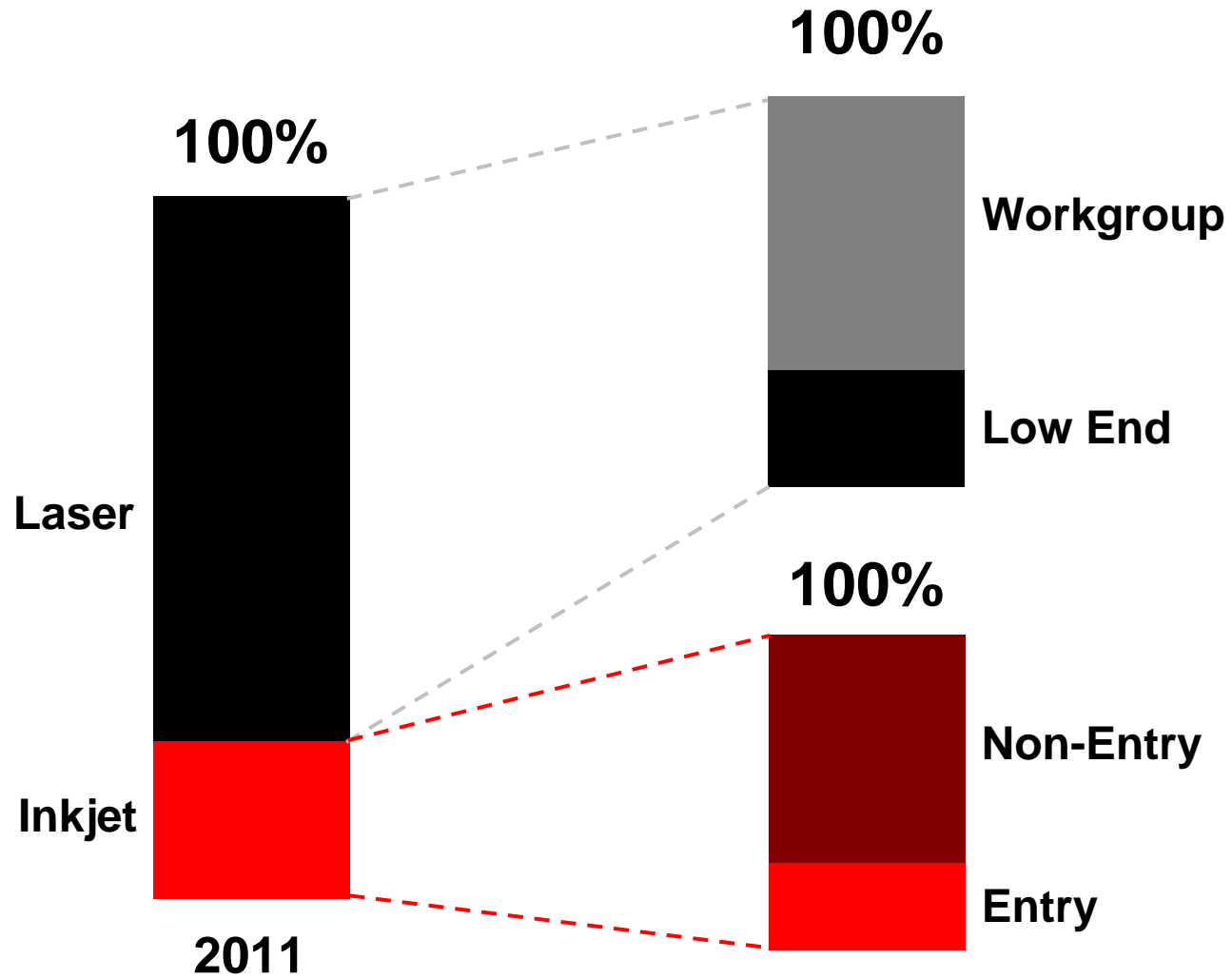


* Printers and MFPs
Excludes single function copiers, fax units and small footprint inkjet photo printers

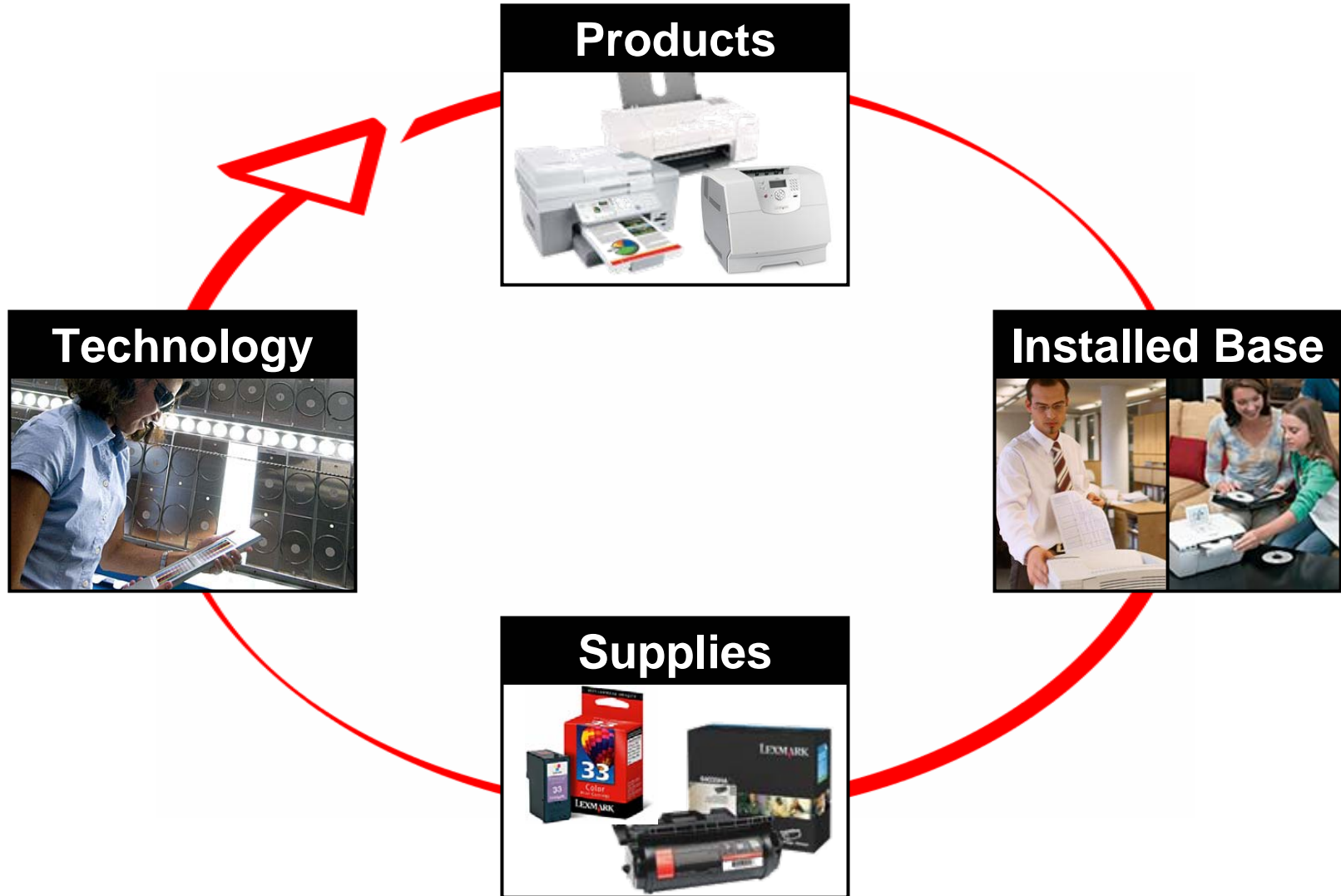
Source: IDC, Lexmark

Supplies Revenue

Market



Lexmark Business Model



Core Initiatives

Expand
Product
Segments

Expand
Market
Segments

Develop
The
Brand

2007 Progress: New Products

Color Laser



C780



C782



C935

Color Laser MFP



**X500
Series**



X782e



**X940
Series**

Industry MFP



**Clinical
Assistant**



**Education
Station**



**Legal
Partner**

Wireless Inkjet



Z1420



Z1520



X3550



X4550



X4850



X6570



X7550

2007 Progress: Product Recognition

Mono Laser



E250dn



PC WORLD



E350d / E352dn



E450dn



Laser Multifunction



X500n



Macworld



X502n



X646 Series



X854e / X855e



Color Laser



C500n



C530dn



C532n / C532dn



C534dn



C770 / C772



C770n



C780dtn



C920 Series



Wireless Inkjet AIOs



X4850

PC ADVISOR



X6570



X9350

01net.

PCgo

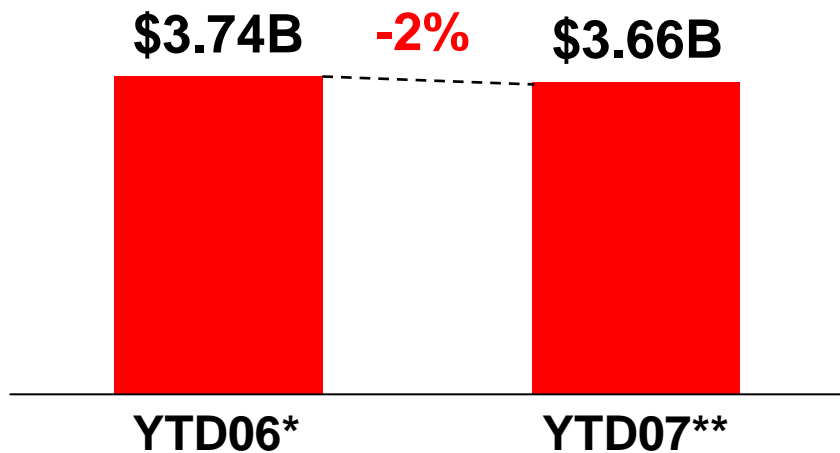
Strong Financial Position

- **Good Cash Generation:**
 - **\$353M YTD 2007***

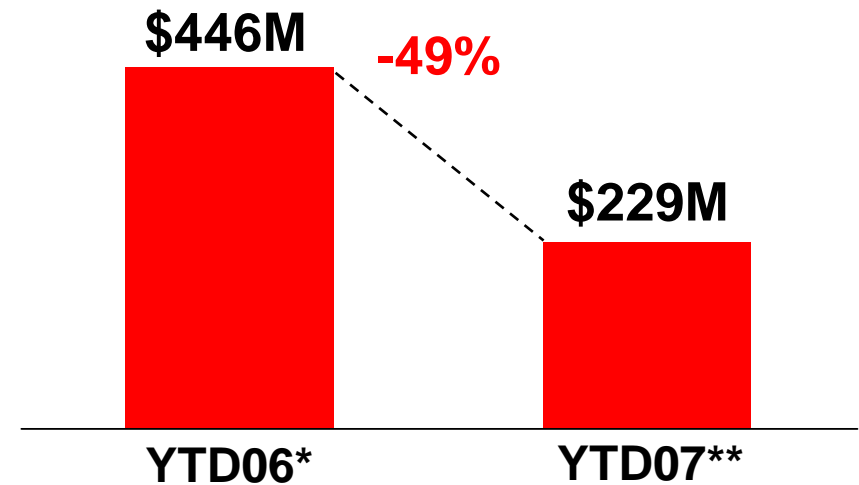
 - **Solid Balance Sheet:**
 - **Cash & Marketable Securities of \$639M***
 - **Debt of \$154M***
- } Net > \$480M***

Lexmark 2007 Financials

Revenue



Operating Income



* Through September 2006

** Through September 2007

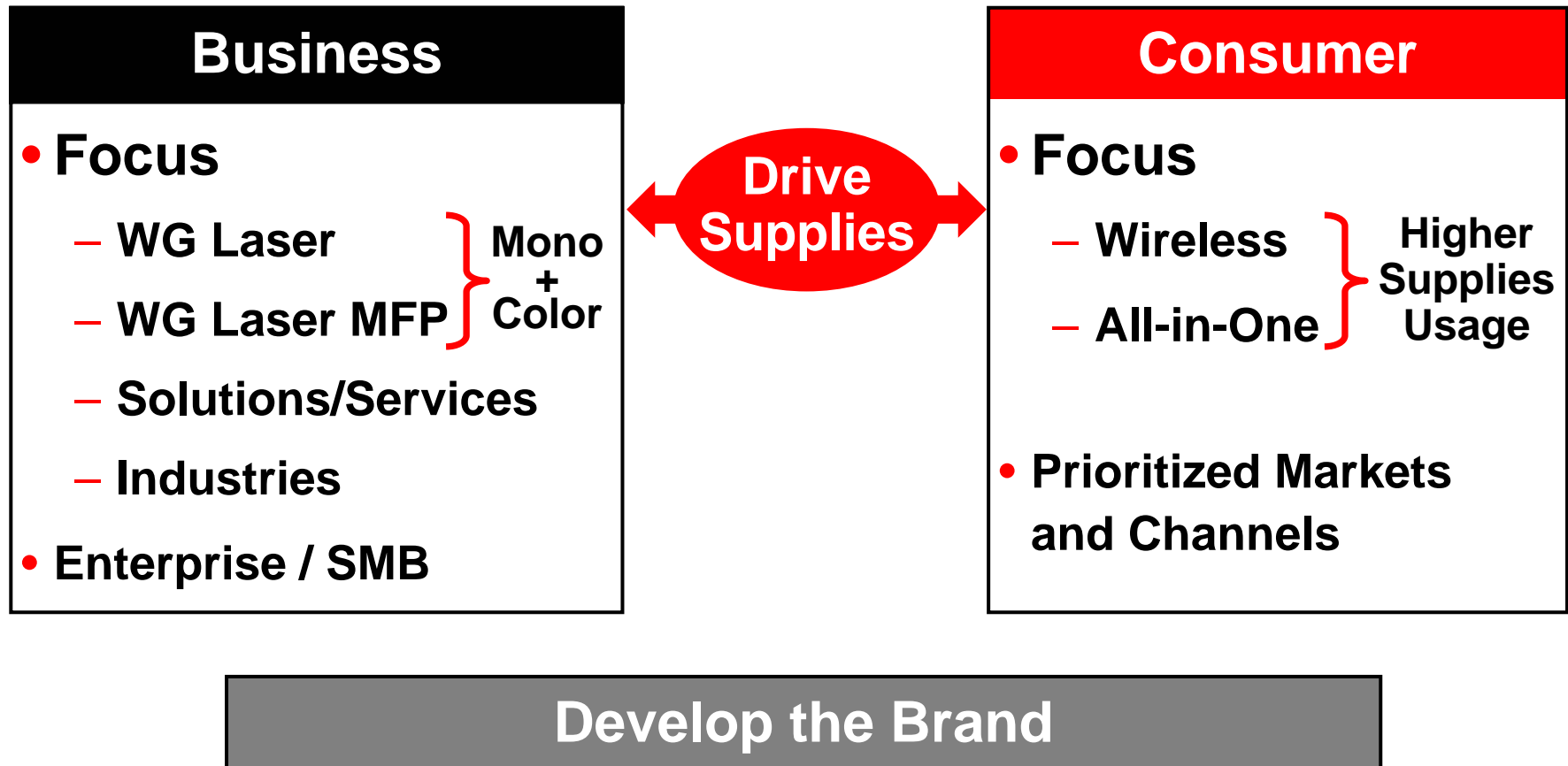
Shift Consumer Strategy

Optimizing M&S Initiatives

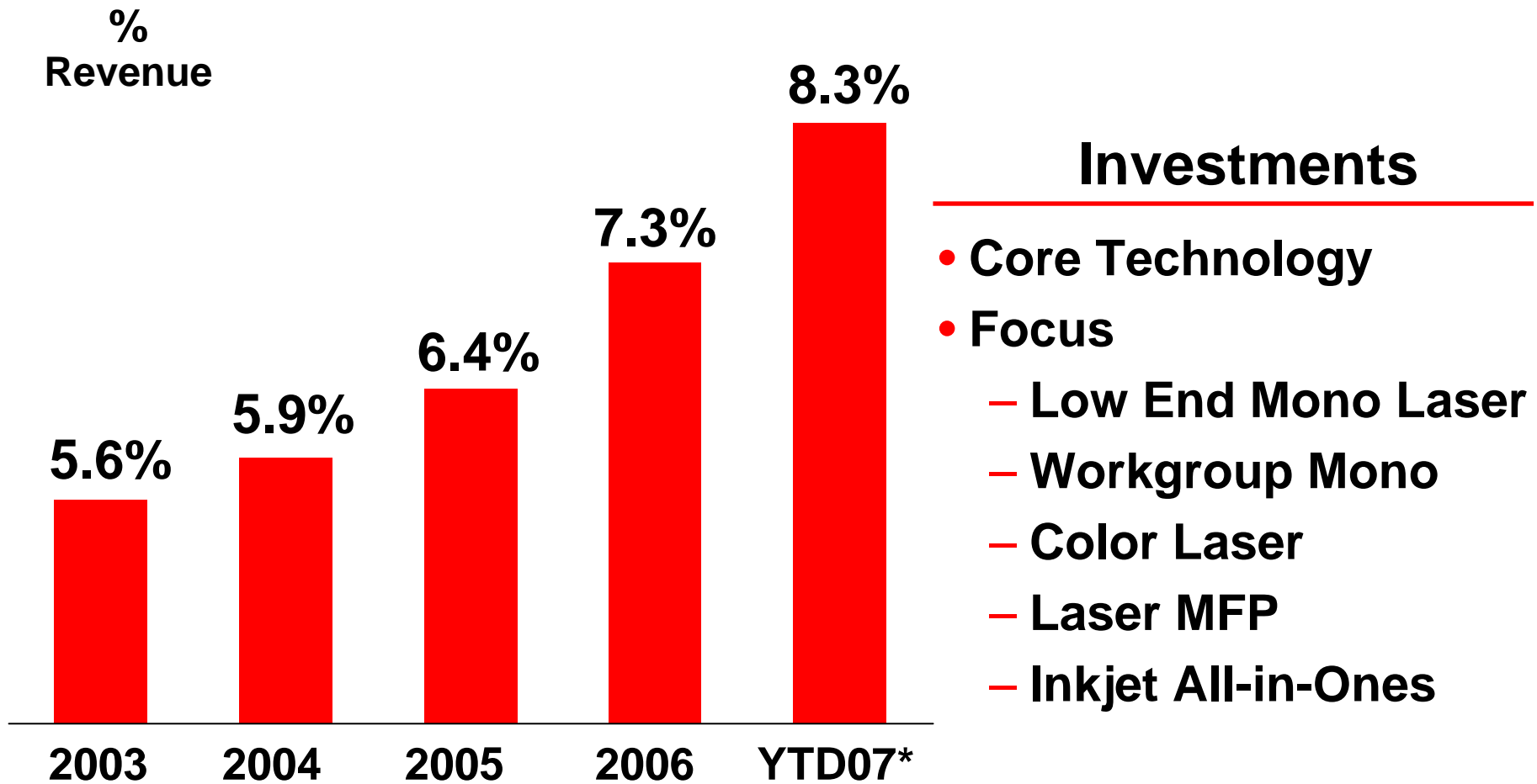
Restructuring

Strategic Initiatives

Strategic Initiatives



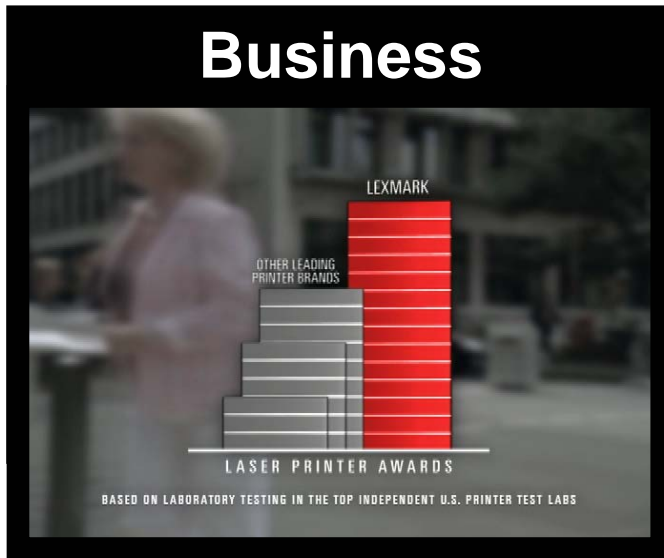
Invest Strategically: R&D



* Through September 2007

Invest Strategically: Brand

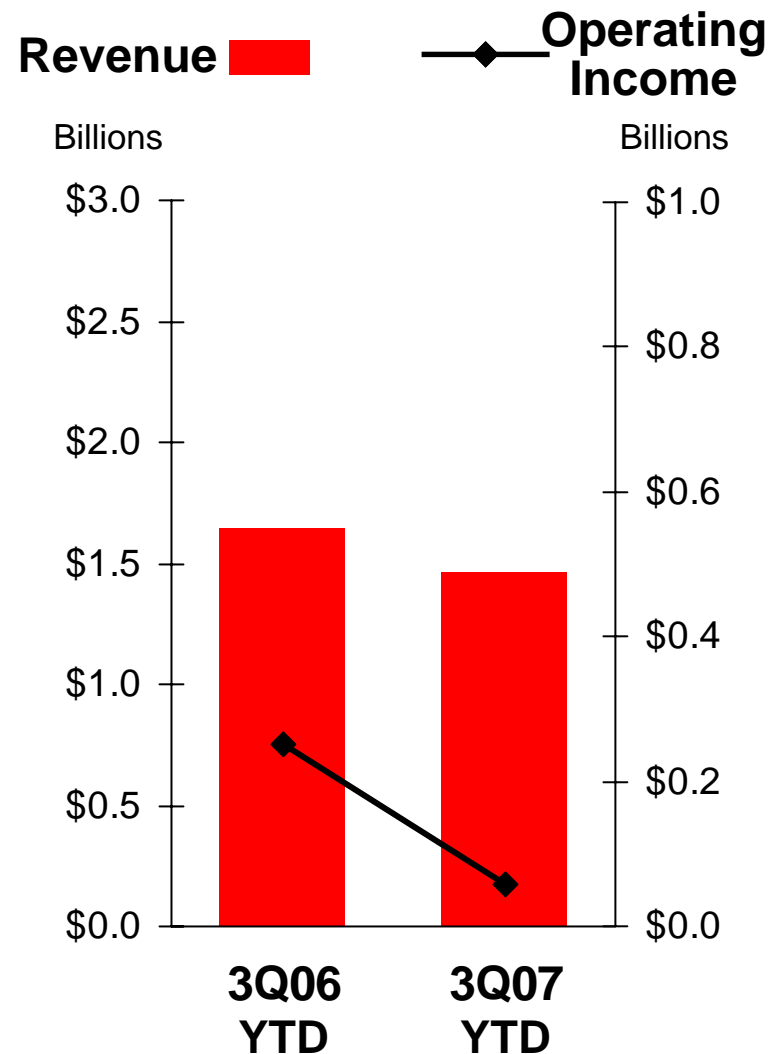
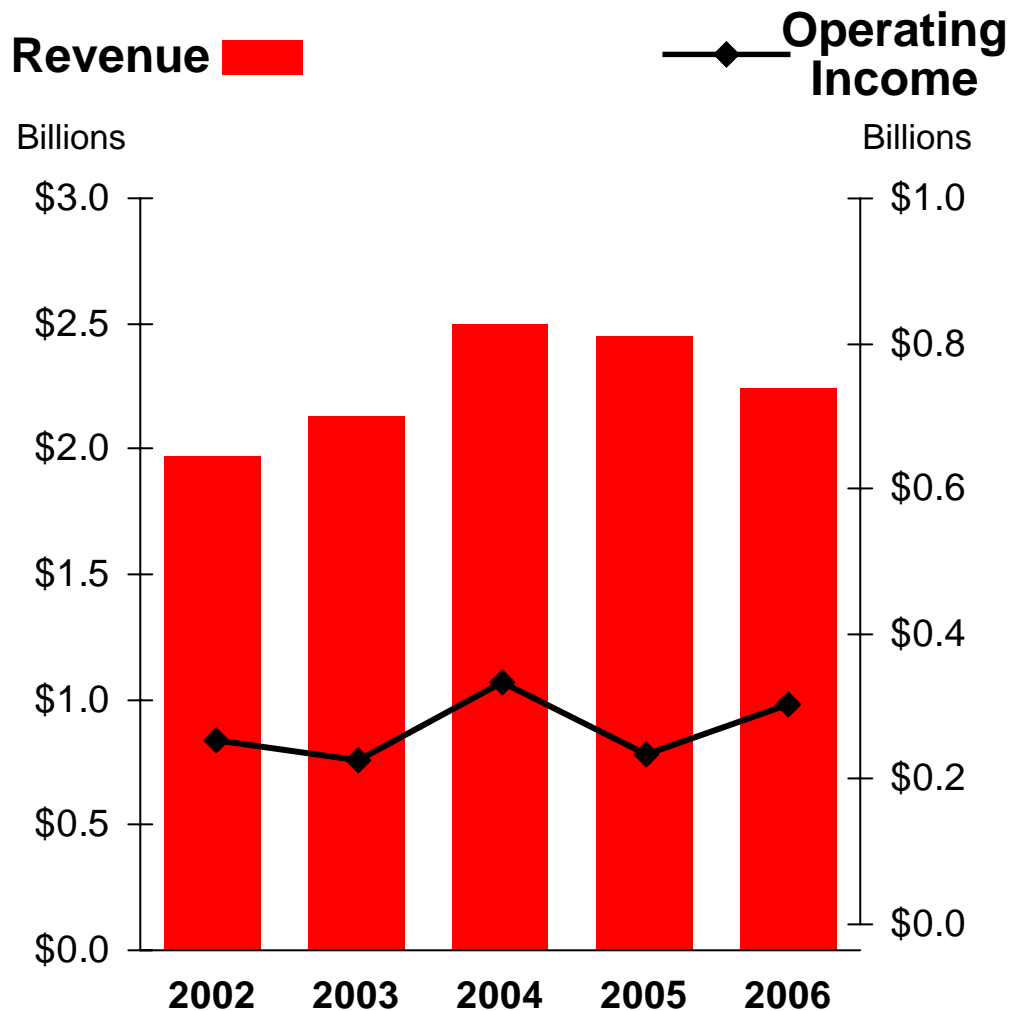
**75% OF THE TOP BANKS, RETAILERS
AND PHARMACIES USE LEXMARK**



US 	UK 	France 	Germany
TV		Outdoor	
Radio			

Consumer Segment Financials

Consumer Segment



- **Supplies Revenue Declining**
- **Hardware Pricing is Very Aggressive**
- **Added Cost / Functionality in 2007 Models**

- **Some Units Not Generating Adequate Profit**
 - Pricing
 - Usage < Model
- **Some Markets / Channels Have Low Supplies Generation**
- **Our Business Too Skewed to Low End versus Market**

Shift the Inkjet Business: Positioning for Improvement

Consumer
Segment

- **Customer Focus / Expansion**

- **Product Focus / Expansion**

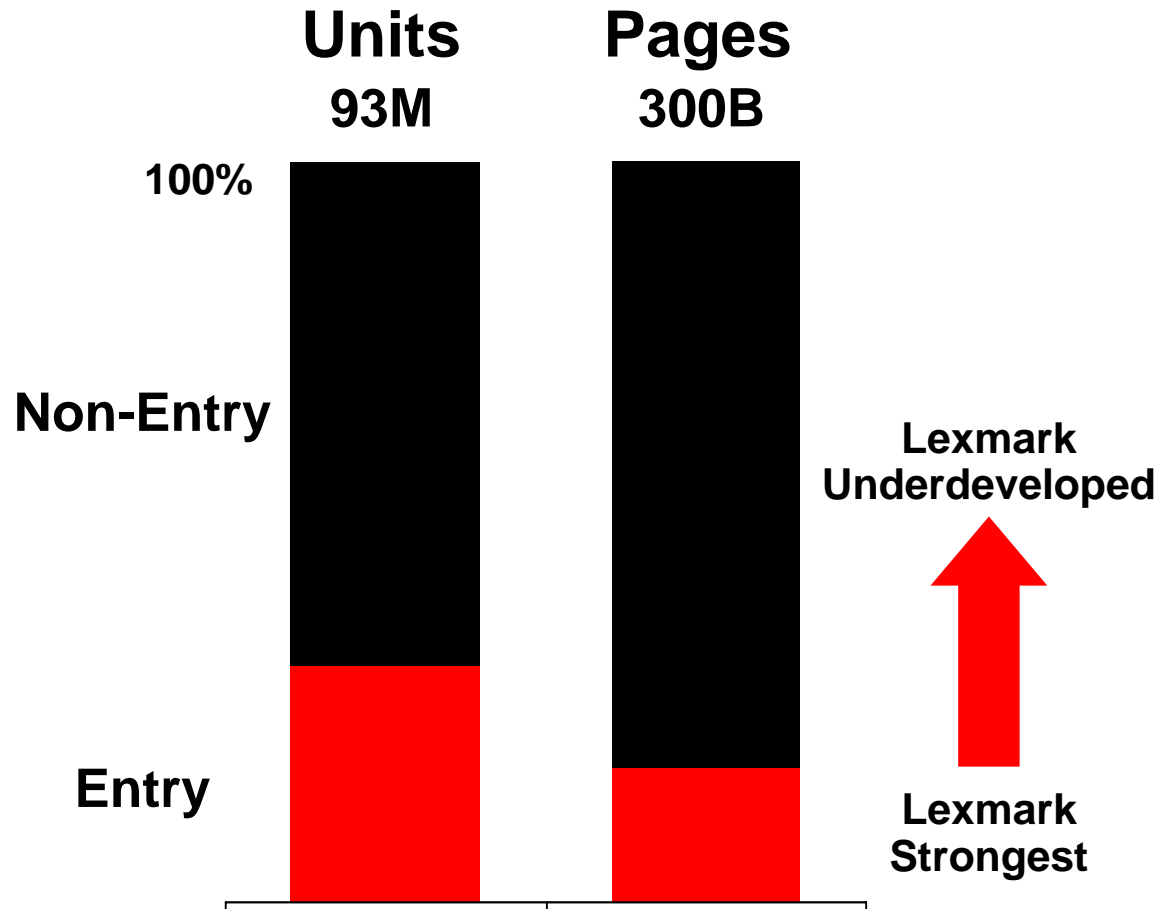
- **Optimize / Shift Marketing & Sales Investments**

- **Drive Out Cost and Expense**

- **Continue to Develop the Brand**

2007 Inkjet Market Opportunity

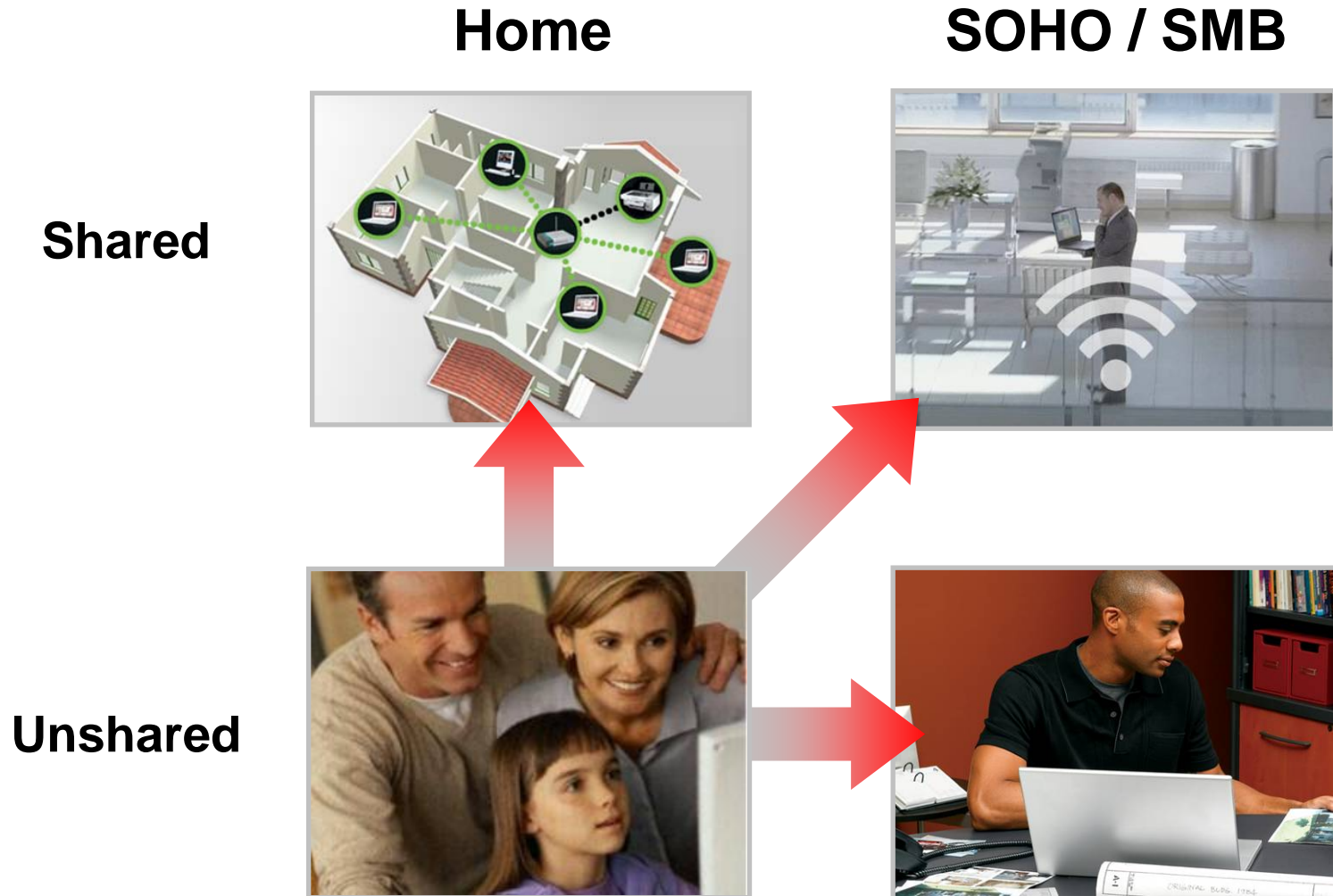
Customer
Expansion



Source: 2007 IDC Tracker & Lexmark Estimates
Does not include 4 x 6

Expanding the Focus

Customer
Expansion



Continuing to Strengthen Our Home Line

Product Expansion

Unshared



Z1300

X2550

X3550

X5495

Shared (Wireless)



Z1420

Z1520

X4550

X4850

Key Home User Features

Card Slots



Usability

Simple User Interfaces



Wireless



Mobility

Strengthening Our SOHO Line

Product
Expansion

All-in-One



X5070



X6570



X7550



X9350

Key SOHO Features

Fax



Paper Handling



Productivity

2-Sided Printing



Economy

Wireless



Mobility

Lexmark AIO Technology is SOHO Competitive

Product Expansion

\$100 - \$249 Office AIOs

LEXMARK



X6570 / X7550 / X9350



Officejet

brother At your side.



MFC Series

Resolution (up to dpi)

4800 x 1200

4800 x 1200

6000 x 1200

Speed (up to ppm)

32/27

30/24

30/25

Auto Document Feeder



Fax



Integrated 2-Sided Printing



Wireless



All

Some

None/Minority

Lexmark Wireless Leadership

Product
Expansion


Lexmark Offers the Most Affordable
Line of Wireless Inkjet Printers



Market / Channel Prioritization

Marketing &
Sales Shift

Year-to-Year Change

	<u>1H07</u>	<u>3Q07</u>	<u>4Q07</u> Guidance
Branded	++	-	--
			
OEM	--	--	--
Total	+4%	-14%	-30% (estimate)

Driving Cost & Expense Out

- **Reducing Costs**
- **Optimizing Worldwide Plant Utilization**



Juarez Plant Closure

- **Reducing Expense**
- **Highest Usage Countries Strengthen Channels**
- **Lower Usage Countries Shift / Reduce**



Summary: Positioning for Improvement

- **Shifting the Strategy** { Customer Focus / Expansion
Product Focus / Expansion
- **Prioritizing Market / Channel** } Will Impact Units Until
Flushed Through
- **Business Optimization** }
- **Investing For Future Focus: Attract Heavier Usage**
- **Driving Out Cost / Expense**
- **Continuing to Develop the Brand**

Investor Questions

1 Is Inkjet a Good Business and Why?

- **We Believe it is a Good Business and Can Be a Profit Contributor**
- **Why:**
 - **Industry is Profitable (That's Not Changed)**
 - **Been a Profitable Lexmark Business for 9+ years**
 - **Annual Segment Margins 9%-14%***
 - **Lexmark Has a lot of Strengths in Inkjet**
 - **Technology**
 - **Market Presence**
 - **Path to Market**

* Since Start of Segment Reporting, excluding restructuring

Investor Questions

2 Why Pull Back?

- **Erosion in Segment Profitability Not Acceptable**
- **Need to Aggressively Shift the Consumer Strategy**
- **Unit Pull Back**
 - **Partly due to Broader Strategic Shift**
 - **Partly due to Minimization of Unit Sales Below Profit Goals**
- **We Are Focused on Delivering Long Term Shareholder Value**

Investor Questions

3 Are We Looking at Other Options on Consumer?

- **Very Focused on Improving the Consumer Segment**
- **Believe Actions Taken Will Drive Long Term Value**
- **This is Where We Are Today**

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