



# 2007 Environmental Sustainability Report

**LEXMARK**<sup>TM</sup>



# Environmental Sustainability at Lexmark

When it comes to our planet, there is no substitute. Lexmark is committed to protecting our planet's natural resources and proud of the progress we are making to reduce the environmental impacts of printing.

Environmental sustainability at Lexmark begins with our pledge to provide innovative, high-quality printing solutions and services for our customers in a safe, environmentally responsible manner; it encompasses our operations, where we deploy cost-effective best practices for energy conservation, wise water use, and waste reduction; and it extends to our support of community, where Lexmark employees are dedicated to creating cleaner, smarter, safer futures where we live and work.

## Customers

Lexmark's award-winning products are designed for ease of use, high-quality output and reliable performance, with innovative solutions that let customers reduce the number of pages they print, minimize the number of cartridges they use over the life of the printer, and conserve energy. Our goal is to design, package and deliver our products in an environmentally responsible manner, then implement effective strategies for reuse and recycling when they reach end of life.

## Operations

Conserving and protecting the planet's natural resources and preventing pollution are core to managing Lexmark's worldwide operations. We are continually looking for new ways to integrate environmental thinking into our operations to improve energy efficiency; protect and conserve water resources; and minimize waste by practicing the fundamental principles of reduce, recover, reuse and recycle.

## Community

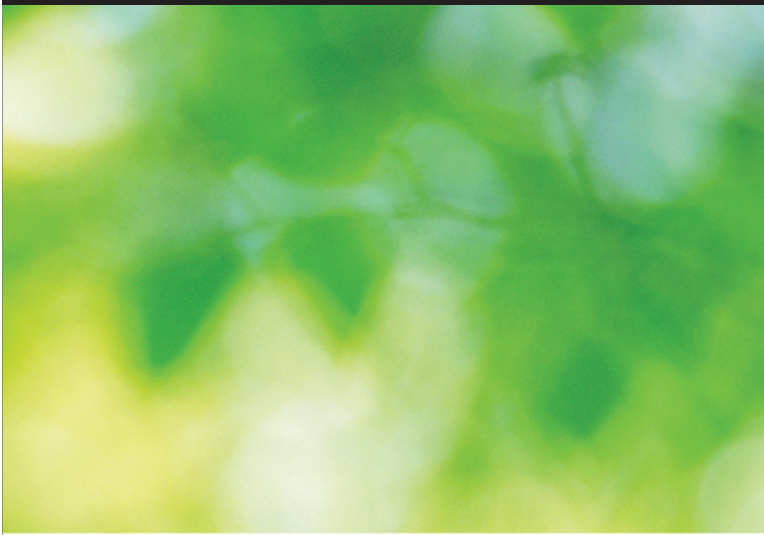
We are responsible to the communities in which we live and work, the environment, and to the world community as well. We honor those commitments by pledging to maintain safe and healthy workplaces, monitoring and complying with all laws and regulations, and engaging in community partnerships that enhance the natural environment.

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## A Letter from Paul Curlander

To our valued customers,

I am pleased to introduce Lexmark's Environmental Sustainability Report. In addition to sharing our 2007 environmental progress, this report also conveys the depth and breadth of our commitment to sustainable practices around the world. Since Lexmark's inception, this commitment has been one of our company's fundamental values and a source of pride for Lexmark employees.

As the only printer company that is exclusively focused on printing, we believe Lexmark is unique in its ability to help customers print responsibly.

When we talk with business customers about their environmental priorities, we find that many of them share common goals: conserving energy, curbing greenhouse gas emissions and reducing waste. They also express a strong desire to make their facilities more efficient and to do business with "green" suppliers.

To some, helping the environment while improving business efficiency may seem to be conflicting goals, but with the right technology and expertise, both can be achieved. Lexmark has helped enterprises around the globe save money and the environment by optimizing their print environments, deploying innovative solutions that help them print less, and making it easy to recycle their end of life printers and print cartridges.

When we talk with customers who are buying printers for their homes or small businesses, we find that they, too, want to do their part for the environment. For these customers, buying "green" often means finding the brand that offers a winning combination of eco-friendly features and superior value. We believe our affordable line of award-winning inkjet all-in-ones are the ideal choice, offering environmentally conscious features such as standard two-sided printing, energy-saving Eco-Mode, and high-yield cartridges for longer cartridge life.

Lexmark's commitment to environmental excellence also encompasses our operations – how we work – and our commitment to citizenship. In 2007, Lexmark employees played a central role in helping us reduce the environmental footprint of our workplaces through energy conservation and innovative waste reduction programs. In addition, they demonstrated unselfish personal commitment by rolling up their sleeves for worthy environmental initiatives in their communities.

I am proud of the progress highlighted in this sustainability report and trust that you will find it not only interesting and informative, but inspiring as well.

Thank you.

Paul J. Curlander  
Chairman and CEO

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Since Lexmark's inception, this commitment has been one of our company's fundamental values and a source of pride for Lexmark employees.  
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## Lexmark Designs Products with the Environment in Mind

Lexmark is committed to reducing the environmental impact of our products through all phases of the product life cycle – from manufacturing to distribution to use to end of life.

Every year, we target millions of dollars in investments with the objective of delivering innovative design solutions that not only enhance the function and value of our products but their environmental attributes, too.

It all starts with product design. Lexmark's Design for Environment program is a formal part of our new-product development process. We have built specific checkpoints into our product release system to ensure that every new product we introduce meets Lexmark's Product Environmental Specification. Moreover, we review and update our specification annually to ensure it remains current with the requirements set forth by international governing bodies and regulatory agencies.

Lexmark's Design for Environment program focuses on minimizing the environmental impacts of our products in these key areas:

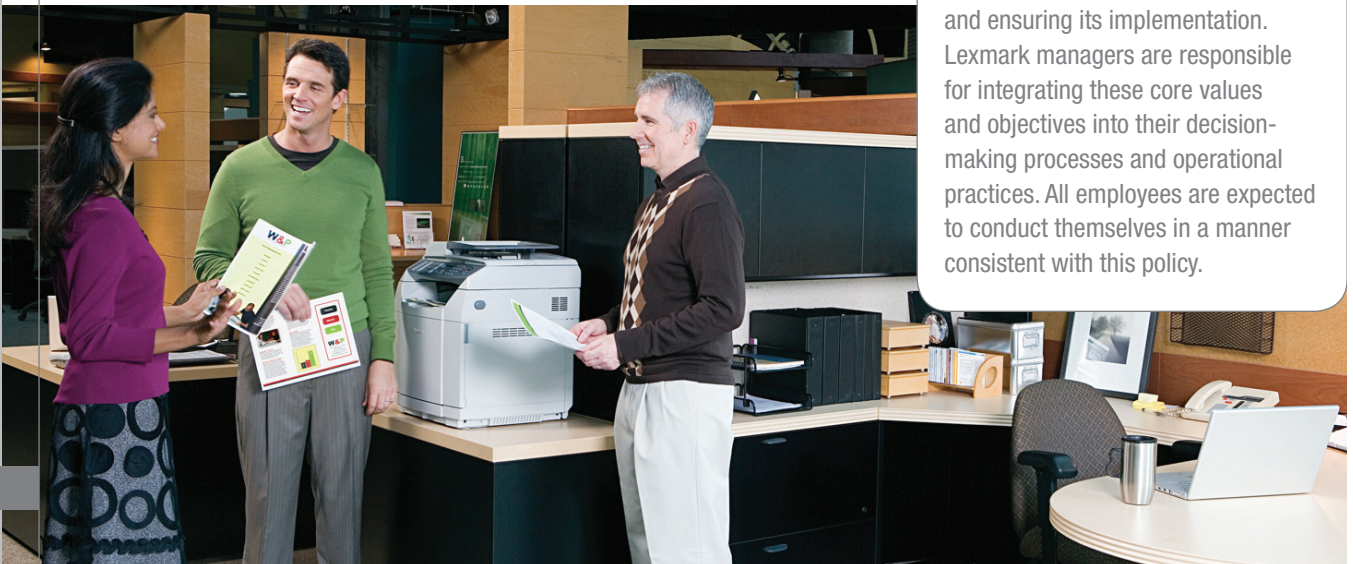
- Paper and supplies conservation
- Product durability and upgradability
- Materials selection and substitution
- Energy efficiency
- Acoustics
- Packaging

### Lexmark Environmental, Health & Safety Policy

**Lexmark is committed to excellence in all of our business activities, products and services. The company, through a commitment to continual improvement in our environmental initiatives and in our health and safety programs, strives to:**

- be an environmentally responsible provider of high-quality products and services,
- be a good environmental steward, preserving and protecting our natural resources and practicing pollution prevention,
- be a responsible neighbor and employer, committed to compliance with relevant environmental, safety and health regulations, laws, and other criteria to which Lexmark subscribes.

Lexmark senior management is responsible for this policy and its scope, for communicating it and ensuring its implementation. Lexmark managers are responsible for integrating these core values and objectives into their decision-making processes and operational practices. All employees are expected to conduct themselves in a manner consistent with this policy.



customers

## Paper and Supplies Conservation

Lexmark offers innovative ways to print less, save paper, and conserve toner and ink. We specialize in designing solutions that make it easy for customers to reduce the number of pages they print and the number of cartridges they use over the lifetime of their printers.

### Document Scanning

While the paperless office is far from reality in most organizations, Lexmark's multifunction and all-in-one products can help reduce the amount of information that must be distributed in hardcopy format. The scanning technology on these devices allows paper documents to be captured digitally and the information automatically routed to your PC, e-mail or network folder.

### Duplex and Multi-Up Printing

Two-sided printing or copying (known as duplexing) or printing or copying multiple pages to a sheet (sometimes called multi-up or N-up for short), can significantly cut paper usage, saving money as well as reducing paper waste.

Integrated duplex is now standard on most of Lexmark's business-class products, and optional duplexers are available for many others. To maximize savings and convenience, customers can set their Lexmark printers to automatically print all their print jobs in duplex.

### Print Preview

Lexmark's preview feature, which you can select from the Print window, the Lexmark Toolbar or on the printer touchscreen, lets you see what a document will look like before you print it. Previewing documents makes it easy to check your page layouts or scanned images and make any needed adjustments, preventing wasted paper and toner or ink.

### Quick Print, Draft Modes

Lexmark's Quick Print and Draft modes can be used to print documents using less ink or toner than normal, and are ideal for printing documents that are mostly text.

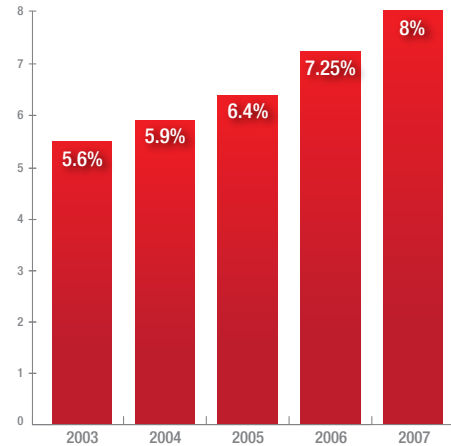


**Product Environmental Profile Sheets** summarize environmental data for Lexmark products and describe the benefits of our environmentally conscious designs. You can view them on our Web Site.

## Investing in the Long Term

Lexmark's R&D spend as a percentage of revenue has been increasing steadily.

In 2007 we invested more than \$400 million, 8 percent of our revenue, in creating products, solutions and services that deliver world-class performance, value and innovation to our customers.



FTSE4Good

Lexmark has maintained its position on the FTSE4Good Global Index Series since 2001, the year the index was launched. FTSE4Good is an innovative series of real-time indices designed to reflect the performance of socially responsible equities. The series, created and managed by global index provider FTSE Group, covers five markets: U.K., Europe, Japan, U.S. and Global.

## Customer-Selectable Print Properties

Lexmark puts you in control of your printing experience. For example, Lexmark laser printers let you select a darkness level that is less than the printer's default setting. Lower darkness settings are ideal for printing documents that do not require optimum quality, for example, documents meant for temporary or personal use, such as e-mail or daily schedules. Customer-selectable options on Lexmark inkjet printers include Automatic, Quick, Normal and Best printing modes, as well as an option to print color documents in black and white.

## High-Yield and Extra High-Yield Cartridges

Lexmark toners and inks are available in high-yield and extra high-yield cartridges, enabling you to print more pages with fewer cartridges. For example, Lexmark's Extra High-Yield Toner Cartridge for our popular Lexmark T640 and X640 workgroup laser printers has an industry-leading ISO yield rating of 32,000 pages. That's more than five times the page yield of our 6,000-page standard yield cartridge. Over the life of the printer, regular use of extra high-yield or high-yield cartridges can add up to considerable savings in the amount of materials that are consumed.

Eco-friendly alternatives for small offices and home offices are also available. Lexmark High-Yield and XL High-Yield Print Cartridges are offered for many of Lexmark's versatile all-in-one inkjet printers, including the Lexmark Professional Series.

## Reliable Performance with Recycled Papers

Lexmark supports the use of recycled office paper, which requires less energy and fewer new materials to produce than paper manufactured from virgin pulp. Lexmark printers are design tested with recycled paper stocks that have been sourced from around the world to ensure satisfactory performance.

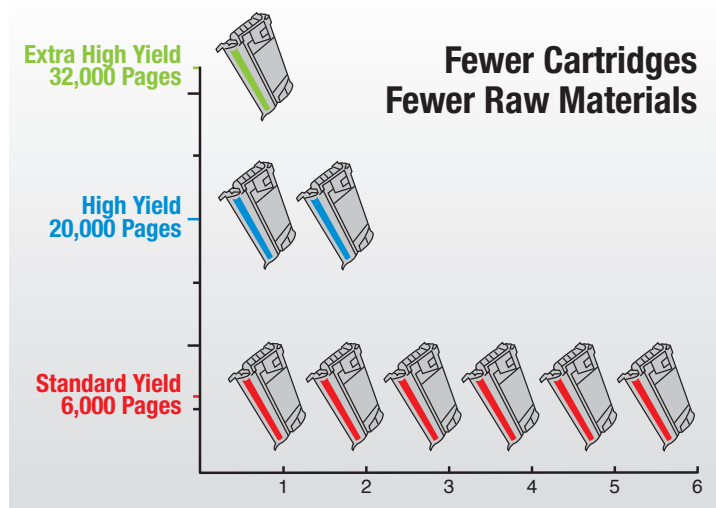
## Product Durability and Upgradability

Lexmark recognizes that products that are durable and whose performance can be enhanced by upgrading the hardware, firmware, software, or a combination of all three, ultimately consume less energy and resources over their lifetime.

We encourage our customers to use their Lexmark products as long as they provide the performance and functionality they

need. Among the many life-extending options Lexmark offers for laser products are memory upgrades, hard drive upgrades, optional network adapters, optional multifunction units, optional duplex upgrades and fuser maintenance kits.

Lexmark's product quality and assurance teams work in collaboration with our design engineers to ensure the durability of our products. Lexmark laser and inkjet products undergo extensive testing to verify the robustness of our designs and to accurately establish recommended page volume. We then back our products with trusted warranties and technical support.



## Materials Selection and Substitution

The materials selected for use in Lexmark products must meet stringent requirements for both quality and functional performance, as well as support our objectives for reducing the environmental impacts over the product life cycle.

Lexmark maintains a long-term perspective in the design of our products and packaging by:

- striving to use materials efficiently,
- selecting materials that make our products safe to use,
- avoiding materials that may have a negative impact on the environment,
- and choosing materials for their ability to be reused or recycled at end of life.

## Recycled content in Lexmark products

Lexmark is working toward “cradle-to-cradle” design. With this approach, products that reach the end of their useful life can be easily and completely recycled into new products of equivalent quality.

We are actively engaged in materials research that will enable us to increase the recycled materials content of our products. We are encouraged by the technical progress we are making and continue to seek innovative solutions that will enable a closed loop.

## RoHS compliance

Lexmark complies with all international legislation that restricts the use of certain materials. One of the most sweeping reforms to date was the European Union’s passage in 2003 of RoHS – the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (2002/95/EC).

The RoHS directive required that EU member countries restrict the use of lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyls (PBBs) and polybrominated diphenyl ether (PBDE) flame retardants in new electrical and electronic equipment put on the market in EU member countries as of July 1, 2006.

All Lexmark products introduced since 2006 are fully compliant with the RoHS directive. This includes our print cartridges, too, even though print cartridges are not included in the scope of the RoHS directive. In addition, Lexmark ensures that all of the products we ship worldwide are RoHS-compliant, not just those we ship to our customers in the EU.

In fact, Lexmark is proud to note that we eliminated PBBs and PBDEs in our products several years ahead of the RoHS deadline. This includes the controversial flame retardant decabromodiphenyl ether, DecaBDE, even though it was not restricted under the RoHS directive until just recently.

## Non-regulated materials of concern

Lexmark is also proactive in minimizing or eliminating the use of certain other materials of concern in our product and packaging designs, even though these materials may not be restricted by regulation. For example, we are currently working to eliminate certain types of halogens, such as polyvinyl chloride (PVC).

PVC is a plastic that is commonly used in packaging materials and as insulation in electronic cabling. To date, Lexmark has successfully removed PVC in our inkjet cartridge packaging by replacing it with a combination of paperboard and either high-density polyethylene (HDPE) or polyethylene terephthalate (PET).

Brominated flame retardants are frequently used in various types of products for the purpose of fire safety. However, if products containing this material are improperly incinerated when they reach end of life, toxins can be emitted. Completely eliminating brominated flame retardants is a challenge for electronics manufacturers, but Lexmark has made progress. To date we have safely eliminated the use of brominated flame retardants in the covers and chassis of our laser and inkjet printers, and are working with others in the electronics industry to expand the availability of safe and suitable alternatives.

## Environmental Protection is a Shared Responsibility

**Through our work with industry groups, Lexmark helps guide the formation of standards and guiding principles for environmental sustainability. Our memberships include:**

- AeA Europe
- American National Standards Institute (ANSI)
- Ecma International
- Electronics Industry Citizenship Coalition (EICC)
- European Information & Communications Technology Industry Association (EICTA)
- Information Technology Industry Council (ITI)
- ITI Environmental Leadership Council

Lexmark is also actively engaged in the implementation of the European Union’s new REACH and EuP directives. The central aim of REACH, which stands for the **R**egistration, **E**valuation, **A**uthorization and **R**estriction of **C**hemicals, is to protect human health and the environment from the risks arising from the use of chemicals. The EuP, or **E**nergy-using **P**roducts directive, encourages manufacturers to design products with the environmental impacts in mind throughout their entire life cycle.

## Reducing the Environmental Impact of Lexmark Products through All Life Cycle Phases

To clearly understand the environmental impact of our printers, Lexmark uses “life cycle assessment.” This approach closely examines each phase of a product’s life, from manufacturing to end of life.

In 2007, we commissioned an assessment of two of our well-known products, the Lexmark X646dte multifunction laser printer and the Lexmark X9350 inkjet printer. This ISO-compliant analysis revealed that the environmental impact of printers is more complex than it may appear.

For example, the laser printer assessment indicated the main environmental impact of this workgroup product is during the

“use” phase, with the majority of the impact attributed to the paper that is consumed. On the other hand, the assessment of the inkjet product produced a very different finding. It showed that the major environmental impact of this home and small-office product is related to manufacturing and distribution.

Having accurate environmental data on the life cycle phases of our products is helping Lexmark focus our design efforts where they matter most – helping our customers print smart, print less, and save more.





### Safe chemical use

The inks and toners in genuine Lexmark print cartridges are specially designed to deliver superb imaging quality. Conscientious chemical engineering has enabled Lexmark to develop formulas that are safe to use and are not harmful to the environment.

The inks formulated for Lexmark's inkjet printers contain approximately 60 percent to 75 percent water. A minimal concentration of solvents is used to ensure Lexmark inks flow smoothly and dry quickly. We do not use methyl alcohol or ethylene glycol in our inks.

The toners formulated for Lexmark's laser printers pose no known adverse environmental effects. Toner is colored plastic that is divided into very small particles. Lexmark toner cartridges are designed to securely contain toner dust within the cartridge to deliver a "clean hands" experience.

Material safety data sheets containing health and safety information on Lexmark's print cartridges are available on Lexmark's Web site.

### Energy Efficiency

Cutting energy use is one of the most effective ways to reduce greenhouse gas emissions, a major contributor to climate change.

Lexmark is committed to designing energy-efficient products. This is evident by the number of Lexmark products that are Energy Star® qualified. Launched in 1992, Energy Star is a joint program of the U.S. Environmental Protection Agency and the U.S. Department of Energy that has grown into a globally recognized symbol for energy-efficient products and practices.

As a charter partner of Energy Star, Lexmark stands behind new program guidelines issued by the EPA in 2007. These new guidelines require increased duplex capabilities and reduced power consumption for all Energy Star qualified products.

Worldwide, many currently available Lexmark laser products meet the power consumption requirements of Germany's Blue Angel eco-label.

### Did You Know?

Lexmark, together with our suppliers, is working to ensure processes are in place to comply with the European Union's new REACH directive, which stands for Registration, Evaluation, Authorization and Restriction of Chemicals.



REACH aims to improve the protection of human health and the environment through enhanced control of the use and production of chemical substances. About 30,000 chemicals are affected by the registration requirement.

Lexmark is diligently compiling preregistration data on the chemicals used in our products and has begun sharing this information with our customers.

By focusing on key hardware components, such as fusers and external power adapters, as well as electromechanical systems and controls, Lexmark's design engineers continue to make significant improvements in the energy efficiency of our products. For example:

- The Lexmark E series of monochrome laser printers utilizes an instant warm-up fuser and uses only 12 watts of electricity or less in ready mode, about one-ninth of the electricity used by earlier versions of Lexmark printers.
- Eco-Mode is offered as an available setting on the Lexmark E250, E350, E450 and C530 series printers. Choosing this feature optimizes energy efficiency by reducing the printer's power consumption compared to the default settings – as much as 28 percent on some models. Selecting “Eco-Mode with Duplex” will automatically activate two-sided printing, producing paper savings as well.
- Lexmark inkjet printers use ultra-efficient external power supplies that not only exceed the Energy Star program's requirements for external power supplies, but also meet even higher efficiency standards established by the California Energy Commission for all new products starting in July 2008.
- Lexmark's newest inkjet products use a patented Lexmark circuit to reduce the standby power level to 0.5 watts or less.
- Integrated wireless printing technology, provided on many Lexmark inkjet all-in-one printers, including many models within the Lexmark Professional Series, allows customers to share their Lexmark wireless printer among multiple users in their home or office. In addition, by having the wireless capability built into the printer, wireless printing is enabled without a network “host,” such as another computer or a print server.
- Another energy-efficiency advantage of Lexmark's wireless print technology is that our printers don't have to be powered off and on to save energy. When not in use, the printers will automatically power down from ready mode to sleep mode, reducing power consumption by up to 33 percent.



## Acoustics

Designing products for the environment includes the workplace environment, too. Lexmark printers offer an ideal combination of performance and quiet operation.

Acoustics is the science of sound and vibration. Lexmark's design teams focus on reducing unwanted noise while selectively incorporating helpful sounds, such as the quiet beep you hear when you tap our eTask touchscreens.

Finding technical solutions to environmental “noise pollution” requires creativity and innovation. In 2006, for example,

we introduced a new feature on the Lexmark E series of monochrome laser printers that allows users to adjust the sound level of their printer. By selecting Quiet Mode, the already low operating noise level of Lexmark E series printers can be lowered another three decibels.

Germany's Blue Angel eco-label was one of the first to include noise levels in its criteria for certification. Today, all of Lexmark's laser printing products meet the noise requirement in the Blue Angel specification.

## Packaging

Designing packaging that is strong yet eco-friendly can be challenging, but Lexmark is making good progress. For example:

- The corrugated cardboard outer cartons of all Lexmark printers, options, parts and supplies now contain 10 percent to 25 percent recycled materials and are fully recyclable.
- Lexmark toner cartridge boxes are designed to be used twice – once when the cartridge is shipped new and again when the empty cartridge is returned to Lexmark for recycling.
- Cushioning materials for Lexmark toner cartridges are made from easy-to-recycle corrugated cardboard whenever possible.
- In 2007, we eliminated polyvinyl chloride (PVC) in our inkjet cartridge twin packs sold in the U.S., reducing the total package weight 26 percent. Switching to a packaging design comprised of high-density polyethylene (HDPE) also led to a 52 percent savings in the amount of energy that is required to produce the packaging.
- Printed materials included with Lexmark products, such as user manuals and setup guides, are now provided online or on compact disc. This reduces paper waste as well as packaging weight, reducing transportation impacts.

Lexmark believes that one of the most effective ways to minimize the environmental impacts of our product packaging is by continuously enhancing the durability of our products and optimizing them for shipping. Our product development and packaging teams collaborate to develop robust designs that require fewer protective packaging materials during shipping and handling.

	Energy Use/BTUs (from production)	Material Inputs Total Weight (grams of raw material)
Old PVC Packaging	4,974	212
New Paperboard-HDPE Packaging	3,686	112
Percentage Reduction	26%	52%

Lexmark's new inkjet cartridge design is not only lighter and takes less energy to produce, it is also more compact, which optimizes shipping and shelf space.



## Reusing and Recycling Lexmark Products

Lexmark wants to provide our customers with a satisfying ownership experience, which includes helping them feel good about disposing their Lexmark printers and cartridges when they have reached end of life.

Our goal is to push “up” the environmental hierarchy. At the bottom of the hierarchy is landfill disposal, the least desirable option. At the highest reaches are recycling and reuse, which offer the greatest sustainability benefit.

Whether you print a little or a lot, Lexmark is committed to providing effective, convenient ways for you to responsibly recycle your used or obsolete Lexmark products.

### Lexmark Cartridge Collection Program

The Lexmark Cartridge Collection Program diverts millions of Lexmark toner and inkjet cartridges from landfills annually by making it easy – and free – for Lexmark customers to return used print cartridges to Lexmark for reuse or recycling.

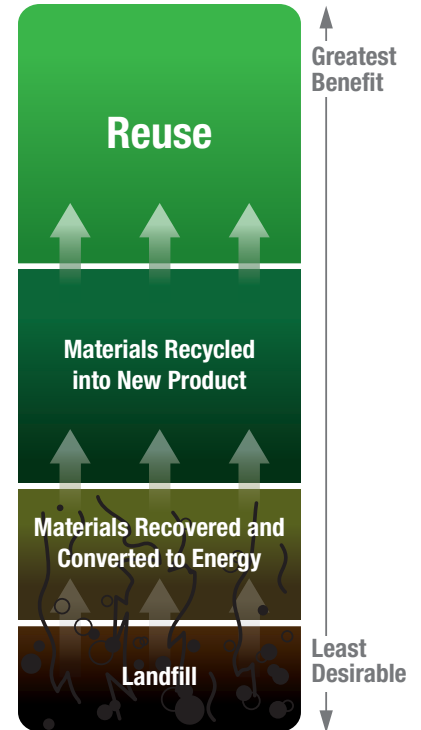
How easy? To return an individual toner cartridge, simply place the used cartridge back in the new cartridge box and apply the pre-paid return label provided. To return an inkjet cartridge, simply use the postage-paid return bag that was provided in the box or go to Lexmark’s Web site to request one.

Lexmark’s collection program is growing every year. Currently, the program is available in more than 50 countries, which represents approximately 90 percent of our global market.

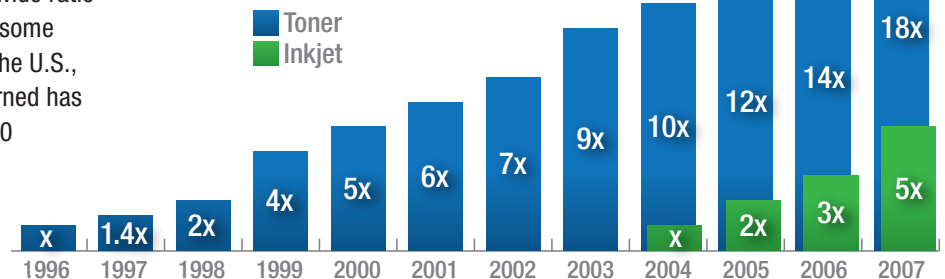
### Lexmark and Its Customers: A Winning Partnership

Our extensive cartridge collection network has made Lexmark an industry leader in the recovery, remanufacturing and recycling of empty toner cartridges. From 1996 to 2007, the number of toner cartridges Lexmark collected for remanufacturing or recycling achieved 18X growth.

Expressed as a ratio of returns to shipments, the total number of toner cartridges Lexmark collects has also increased dramatically. In 1996, on a worldwide basis, less than one out of every 10 toner cartridges shipped was returned for remanufacturing or recycling. In 2007, the worldwide ratio improved to one in three – our best year ever. In some global regions, the return rate is even higher. In the U.S., for example, the number of toner cartridges returned has consistently averaged between 40 percent and 50 percent over the past several years.



**Cartridge Collections Year-on-Year Growth**





The percentage of inkjet cartridges we collect is growing steadily each year, too. Lexmark began collecting and recycling inkjet cartridges in 2004 and by 2007 we had achieved 500 percent growth. Thanks to a strong effort by our Consumer Printer Division, Lexmark inkjet cartridges are now collected in virtually every country where Lexmark printers are sold.

We credit these achievements to our customers' exceptional environmental commitment, along with creative incentives that make it easy to do the right thing for the planet, such as:

- **Lexmark Return Program cartridges**, which are offered for many of our most popular printer models. These toner and inkjet cartridges are sold at discounted prices in exchange for agreeing to return the empty cartridges only to Lexmark for remanufacturing, reuse or recycling.
- **Retail promotions**, which reward customers and the causes they care about. For example, last year Lexmark and Sam's Club in Puerto Rico teamed together to provide a \$2 discount on a new Lexmark cartridge along with a

\$1 donation to the Muscular Dystrophy Association for each used cartridge customers returned.

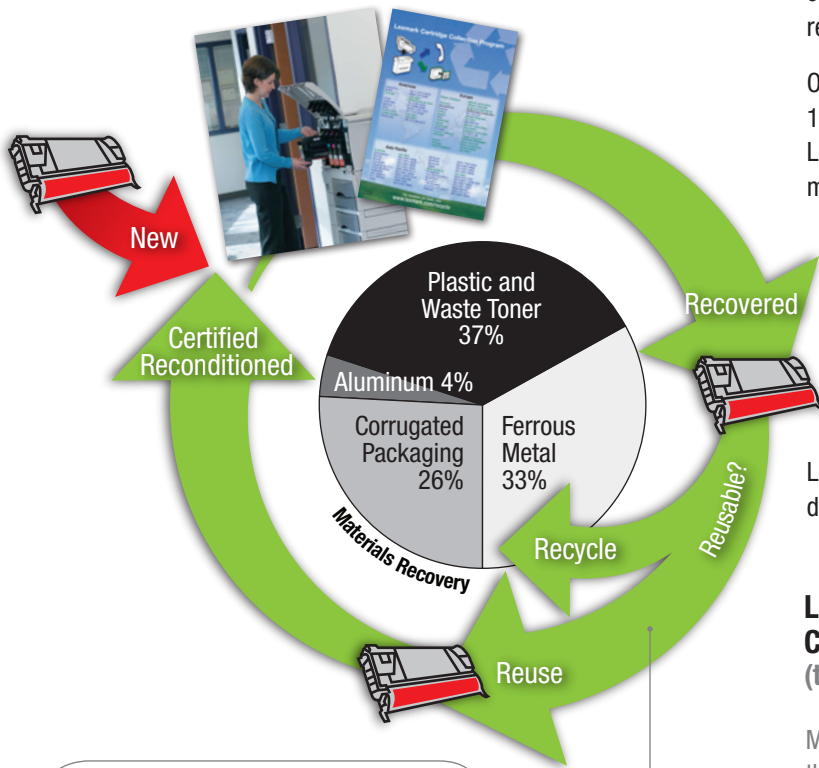
- **High-profile recycling campaigns and partnerships with leading global recyclers**, such as Cartridges 4 Planet Ark and Close The Loop. In Australia, Lexmark teams with Planet Ark to provide collection boxes in convenient locations such as office buildings, stores and postal offices. The cartridges are then recycled by Close the Loop, which ensures that 100 percent of the materials are recycled into other uses.
- **Charitable tie-ins**, such as the Cartridge Recycling Initiative for Babies program in South Africa. For every empty toner and inkjet cartridge recovered, Lexmark makes a donation to the CRIB. Since the program's start in 2002, Lexmark has collected more than 55 tons of empty cartridges and donated more than 33,000 "Baby Days" to Cotlands, a charity organization that offers housing and care to abandoned, abused, neglected and HIV-positive children.

## Giving Customers a Choice

Helping keep toner cartridges out of landfills is easy, especially with Lexmark's broad selection of cartridge offerings.

- **Lexmark regular cartridges** can be returned to Lexmark through the Lexmark Cartridge Collection Program.
- **Lexmark Return Program cartridges** give you an up-front discount in exchange for your agreement to return the cartridge only to Lexmark.
- **Lexmark Certified Reconditioned cartridges** are the quality-assured remanufactured alternative.





Lexmark reuses or recycles 100 percent of the laser cartridges that we collect, keeping millions of pounds of material out of the solid waste stream annually.

## Lexmark Practices 'Zero Landfill' for Cartridges

Lexmark follows a zero landfill practice for all of the cartridges that our customers return to us. One hundred percent of the empty cartridges returned to Lexmark are either reused or demanufactured for recycling.

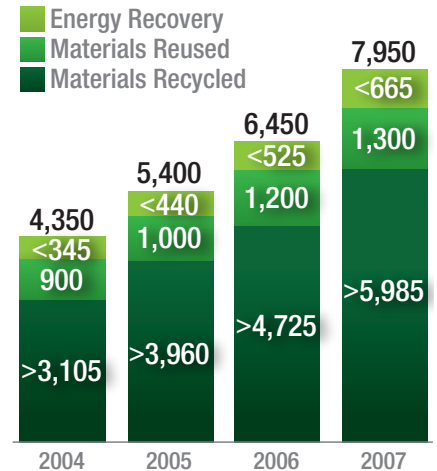
Our goal is to give as many cartridges as possible a second life. Since 1996, Lexmark has converted millions of empty toner cartridges into Lexmark Certified Reconditioned Cartridges. This translates into 15 million pounds of recovered cartridge material that has been reused.

When possible, Lexmark converts the recovered cartridges to Lexmark reconditioned cartridges. The eligible empties that Lexmark collects are disassembled and cleaned, and critical components are replaced with genuine Lexmark components. Each reconditioned cartridge is tested to assure high-quality output and reliable performance.

Lexmark toner cartridges that cannot be successfully reconditioned are demanufactured using a process that maximizes materials recovery.

## Lexmark Used Toner Cartridge Disposition (tons)

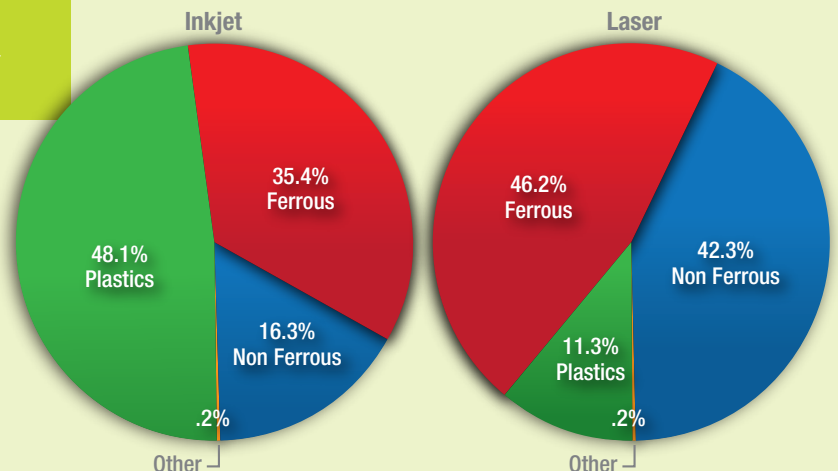
More than 90 percent of the weight of each Lexmark returned toner cartridge is effectively reused or recycled into pure raw materials streams that can then be used for new plastic, aluminum, ferrous metal or paper products.



## Lexmark Printers are Designed for Recyclability

The best time to address a product's end of life is at the beginning, when it is being designed. By selecting materials that are recyclable, reducing the number of parts, limiting the variety of materials used, and designing products for ease of disassembly, more than 99 percent of the materials used in Lexmark's inkjet and laser printers can be recycled.

## Recyclable Content in Lexmark Printers



## Did You Know?

As a proud partner of the United States Environmental Protection Agency's Plug-In To eCycling campaign, Lexmark supports opportunities for consumers and businesses to safely dispose of old electronics. Lexmark helps raise awareness of the benefits of e-cycling by hosting collection events in its workplaces and in the community. In 2007 in the U.S. alone, Lexmark recycled 4,178,800 pounds of electronic waste.



In the European Union, Lexmark products are marked with this symbol to remind customers that electronic equipment must be recycled.



## Lexmark Equipment Collection Program

Lexmark also offers our customers environmentally sound disposal options for disposing of their used Lexmark printers.

In the U.S., we offer the Lexmark Equipment Collection Program. Customers can return their Lexmark-branded products to Lexmark by whatever shipping method is most convenient for them and we will recycle the equipment for free.

For enterprise customers who are in the process of installing a large fleet of new Lexmark products, Lexmark develops customized collection strategies. We will work in partnership with certified electronics disposal agencies to collect the customer's used devices, mark them for recycling, and arrange for them to be sent to the nearest recycling facility.

Lexmark's equipment recycling efforts are expanding worldwide.

In many parts of Europe, our equipment take-back strategy is implemented through country-specific programs that are operated in accordance with the European Union Waste Electrical and Electronic Equipment directive (2002/96/EC). Consumers in the EU can take their equipment to locally authorized collection centers, or in some cases to local retailers.

For business customers in the EU, Lexmark has established a fully compliant logistics system for transporting used products to the nearest storage and sorting facility, where the equipment is properly processed for recycling.

In Victoria, Australia, residents and small business owners can recycle their Lexmark printers through Byteback™. This free service is an initiative of Sustainability Victoria and the Australian Information Industry Association. Lexmark is a founding partner in Byteback, along with Apple, Canon, Epson, Fujitsu, Fuji Xerox, Hewlett-Packard, IBM and Lenovo.

Naturally, Lexmark printers are designed with end-of-life recycling in mind. For example, we avoid the use of glued or welded bonds, as well as non-recyclable coatings and composite materials. We mark components for easy material identification, and where labels are required, we specify label materials that can be easily removed. We also avoid the use of flame retardants that lower or limit the recycling value of the plastic parts in our printers. Thanks to the innovative efforts of our product designers, more than 99 percent of the materials used in Lexmark printers are recyclable.

## Lexmark Operates with the Environment in Mind

Lexmark is a Fortune 500 company, a leading developer, manufacturer and supplier of printing and imaging solutions and services for customers in more than 150 countries. Lexmark-owned facilities span three continents and include laboratories for research and development, manufacturing and distribution centers, and offices for administrative services and sales support.

Our goal is to provide safe, dynamic workplaces where technological innovation and environmental stewardship are not only compatible, but highly valued.

Preserving and protecting the planet's natural resources and preventing pollution are fundamental to our operations management approach. We focus our intentions in three core areas:

- Energy efficiency
- Water conservation
- Waste minimization

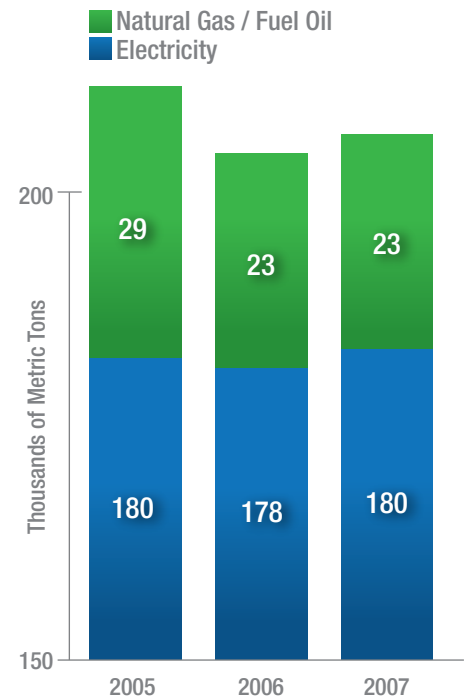
### Energy Efficiency

Since 2005, Lexmark has participated in the Carbon Disclosure Project, a program that helps corporations evaluate their greenhouse gas emissions and develop effective reduction strategies.

Lexmark's carbon footprint is primarily driven by energy usage at Lexmark-owned facilities, the energy used in the transportation of our products, and to a lesser extent by employee travel.

### Worldwide Greenhouse Gas Emissions

(Metric Tons CO<sub>2</sub>)



operations

## Facility Operations

All of Lexmark's facilities have management systems in place for the conservation of energy, including natural gas, oil, compressed air, steam and electricity. These systems undergo regular audits to identify areas for improvement. In recent years, these findings have prompted the installation of energy efficient windows and lighting, the use of reflective roofing materials, and changes in our manufacturing processes that improve the use of energy.



In the last several years, a major push has been under way to reduce energy consumption at Lexmark's global headquarters in Lexington, Kentucky. Since 2006, more than 40 energy efficiency projects have been initiated across the 374-acre campus, which was originally constructed in the 1950s and employs more than 3,000 people in research and development, worldwide marketing, and other corporate functions. These projects have included complete lighting retrofits, upgrades to the steam and compressed air systems,

adjustments to heating and cooling control programs, as well as significant updates to the site's direct digital control equipment and utility plant.

At the end of 2006, Lexmark's global headquarters recorded an 11 percent year-over-year reduction in greenhouse gas emissions. The site had conserved more than 100 million equivalent cubic feet of natural gas, a savings of 28 percent, and 6.7 million kilowatt hours of electricity, a savings of 7 percent. In 2007, the site recorded further savings of 17 percent in natural gas and fuel oil use, and its electrical consumption remained flat in spite of a major expansion of its data center completed during the year.

Lexmark continually looks for opportunities to use renewable energy to power our operations.

- Our facility in Boulder, Colorado, is located in a region where ample wind source power is available. In 2007, the Boulder facility increased its wind source purchases 60 percent, to 250,000 kilowatt hours from 150,000 kilowatt hours in 2006.
- Lexmark's sales and marketing office in Switzerland is taking advantage of that country's abundant sources of hydroelectric power, having entered into an alternative energy agreement with local electricity providers.
- In Italy, Lexmark's offices in Milan and Rome are now partnered with LifeGate Energy, which supplies energy provided by solar towers, kite wind generators, and water power.



## Product Transportation

Lexmark relies on transportation logistics partners for the timely delivery of our products to customers around the world. To decrease the climate impact of these activities, Lexmark seeks environmentally progressive partners who are applying fresh ideas and best practices to their transportation processes.




- Cube utilization** - Lexmark ensures that the containers used to transport our products are used to their fullest extent. Cube utilization involves controlling the size, shape and amount of freight to maximize each load. Lexmark also takes advantage of high cube containers – containers that can handle more cubic feet of freight per container shipment.
- Direct ship model** - Our goal is to reduce the total miles our products travel by adopting direct ship and direct import models. In the direct ship model, transportation providers move freight directly from the port to the customer's destination, eliminating a transportation leg to a central warehouse point. In the direct import model, ocean carriers pick up customer-directed products at key supplier points then transport the goods directly to the ultimate consignee, eliminating inland cargo moves that would increase emissions output.
- Intermodal freight transportation** - Lexmark is expanding the use of intermodal freight transportation, an approach that optimizes the transportation of freight in a container or vehicle by using multiple modes of transportation, for instance ocean, rail, air, inland water and road. Sometimes called multimodal, this approach minimizes the number of miles a container travels to its destination and the number of times a product must be handled during shipping.
- Shared distribution centers** - Lexmark is also working to increase the sustainability of our distribution center operations. For example, we are moving toward the use of multi-client distribution centers. Multi-client facilities accommodate multiple outbound customers in one location, conserving land resources and improving the efficiency of electricity and water usage.

## Employee Travel

Lexmark products are sold in more than 150 countries. We have sales offices in 70 countries. And our manufacturing centers are located on three continents.

Our goal is to be the most flexible and responsive provider of distributed printing solutions and services that we can be. Many times, this requires our employees to travel for face-to-face meetings with customers, partners and co-workers, many of whom are separated by significant distances of time and space.

In an effort to reduce greenhouse emissions related to travel, Lexmark encourages the use of real-time alternatives, such as conference calls, Web-based meetings and videoconferencing. Using these tools not only saves energy, but also increases the frequency and quality of our communications.



Year	Auto Miles	Air Miles	Greenhouse Gas Emissions (tons)
2005	1,850,249	51,691,367	12,673
2006	1,800,928	45,698,893	11,258
2007	1,709,492	41,791,371	10,316

U.S. travel statistics

When air travel is required, Lexmark recommends that only those employees who are essential to accomplishing our business objectives do so. In addition, our employees are encouraged to optimize their travel itinerary whenever feasible, for example, combining several business trips into one.

## Did You Know?



### Lexington Headquarters 2007 Recycling Metrics (in pounds)

Batteries	3,425
Bottles	16,904
Cans	8,133
Cardboard	400,068
Ceiling Tiles	30,000
Glass	254
Metals	94,112
Paper	2,472,089
Wood	49,200

In addition, Lexmark now conducts almost all of its employee education and training courses online. Web-based instruction is enabling our employees to keep their critical skills up to date without incurring excess travel.

As a result of our focus on energy-efficient travel, Lexmark reduced the total air miles booked through our corporate travel resources 12 percent from 2005 to 2006 and 9 percent from 2006 to 2007. Likewise, total automobile rental miles were reduced 3 percent from 2005 to 2006 and 5 percent from 2006 to 2007.

## Water Conservation

Lexmark is committed to managing water wisely throughout our operations. Water usage is driven, in large part, by facility cooling requirements. These can vary greatly from year to year depending upon outside temperature changes.

Lexmark facilities continually monitor their water usage and are responsible for developing localized strategies for managing their supplies efficiently. Recent conservation initiatives in the U.S., Mexico and the Philippines include installing low-flow and waterless plumbing fixtures, collecting rainwater for use in landscaping, and recycling process or “gray” water, which is wastewater that can be reused in non-potable applications.

For example, in the Philippines, Lexmark’s inkjet manufacturing facility in Cebu takes advantage of the region’s high annual rainfall, which averages approximately 64 inches a year. Rain from the rooftop is diverted into a holding tank, filtered through sand, and then used for flushing toilets and watering flowers and plants.



## Waste Minimization

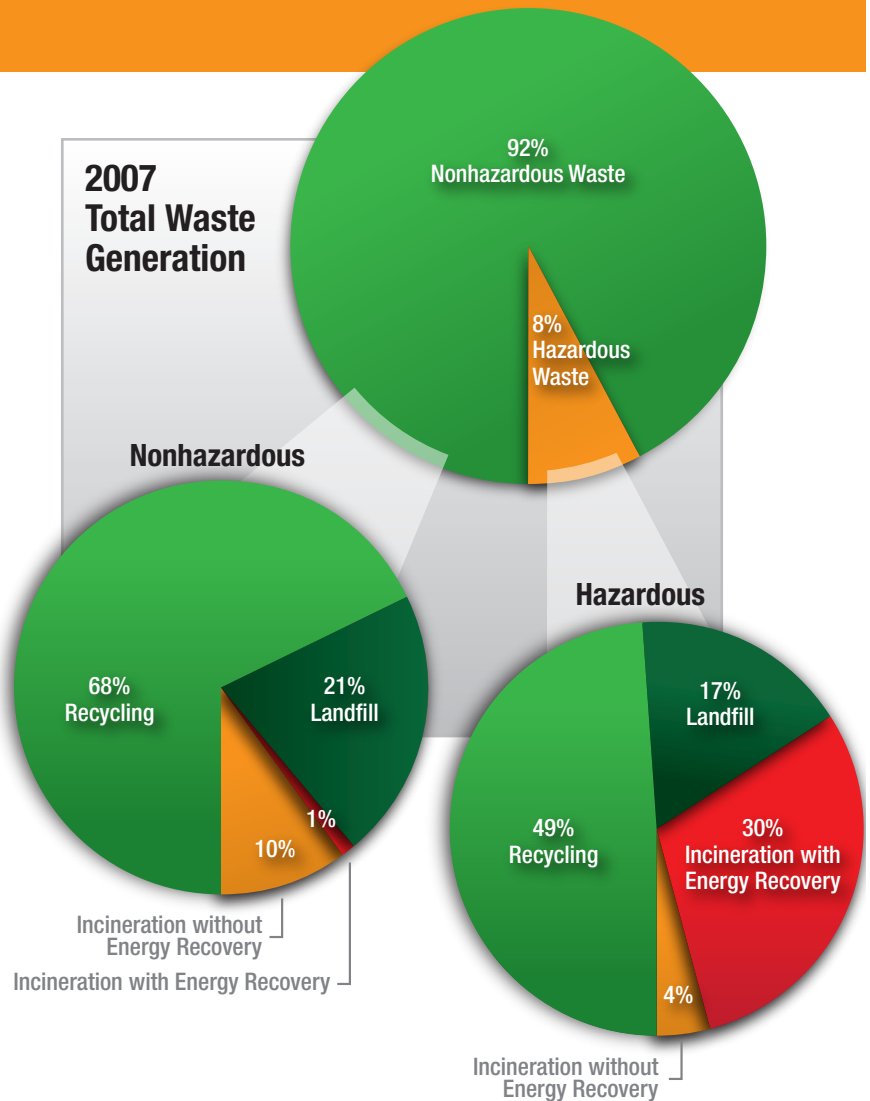
Conscientious waste management practices can effectively lower energy usage by reducing the amount of raw materials that are required to manufacture new products, save landfill space, and prevent the release of toxins into the environment.

Lexmark's goal is to reduce the amount of waste generated by our operations. We focus our efforts first on reducing the amount of waste that is created in the first place, then we reuse or recycle waste materials as much as is practically possible. Where no reuse or recycling options are available, we work to identify environmentally preferred disposal methods.

Examples of our ongoing waste-minimizing practices include:

- Facility recycling programs are provided for an array of materials, including office paper, print cartridges, cans, bottles, batteries, e-waste, light bulbs, cardboard, wood, metals, plastic and construction materials.
- Lexmark offices are equipped with our environmentally responsible print technologies. These include duplex-capable multifunction printers with advanced "scan-to" technology, such as scan to e-mail, and high-yield cartridges.
- Corporate news and management communications are published electronically.
- Most overhead projectors, which require transparency films, have been replaced with data projectors.
- Test pages printed as part of our print quality and assurance testing are printed in duplex or reused, and then recycled. Upon request, our test labs will also print actual documents for nonprofit organizations and schools instead of test sheets.
- The printers used in our testing operations and other parts of the business often have years of useful life. Instead of sending them out for recycling, Lexmark looks for opportunities to donate them. For example, Lexmark recently donated more than 1,000 printers that had been used for manufacturing audits to schools and nonprofit groups.

### 2007 Total Waste Generation



- Lexmark contributes to the general market for recycled goods by purchasing recycled-content materials for use in new construction and renovation projects, including walls, flooring, ceiling tiles and carpet.
- Packaging materials and other manufacturing waste materials collected at our Juárez and Chihuahua, Mexico, facilities are sold to recyclers and the proceeds used to fund charitable projects in the community.
- Process innovations in Lexmark's cartridge manufacturing facilities are helping us reduce our liquid waste stream and the amount of chemicals that are needed.

Lexmark's manufacturing facilities are taking on the challenge of zero waste by setting specific goals for recycling and reducing hazardous waste. By 2011, Lexmark intends to achieve a 25 percent improvement in the amount of waste that our plants currently recycle, as well as a 25 percent reduction in the amount of hazardous waste generated per unit of production.

## Suresnes Showcase

Lexmark is putting its best printing practices to work in our own offices, too. In 2007, our new office facility in Suresnes, France, became a living showcase for environmentally sustainable printing.

In planning the new workplace, the project team approached the task as it would an actual customer consultative engagement – by first talking to the end users to understand their priorities, goals and challenges, then applying Lexmark’s printing expertise and knowledge of business processes to build an optimized print environment.

The customized solution implemented for Lexmark employees who work in the Suresnes office includes the very same innovations that Lexmark delivers to customers every day. These include:

- A fully “rationalized” print infrastructure, where a mix of printers and MFP devices are strategically deployed for cost efficiency and performance.
- Industry-leading document and output management solutions, which enhance productivity and reduce paper waste, such as scan to shared drive, scan to archive, and scan to e-mail.
- An enhanced security solution, with magnetic card readers that require employees to swipe their identification badge to release their print jobs.
- Automated supplies management to replenish high-yield toner cartridges without interrupting printing.
- The implementation of sustainable printing practices, which help workplaces print less, save more and contribute to protecting the environment. In Suresnes, this included making two-sided printing the default setting on the printers and educating employees on responsible print options.

After just one year, the strategy was judged a huge success, with the Suresnes facility achieving these dramatic results:

- 70 percent reduction in the number of devices
- 55 percent reduction in energy usage
- 20 percent reduction in pages
- 44 percent cost reduction



## Lexmark Supports Communities with the Environment in Mind

Lexmark strives to be a responsible neighbor and employer through good management practices that help us reduce our environmental impact, improve workplace safety, promote our employees' health and well-being, and provide opportunities for us to contribute to the quality of life in the communities where we live and work.

### Environmental, Health and Safety Management Systems

Good environmental performance is not just a legal or moral obligation. It also makes good business sense. Reducing pollution means increasing efficiency and wasting fewer resources. Improved health and safety conditions result in a more productive work force. And supplying goods and services that respect the environment helps to expand markets and improve sales.

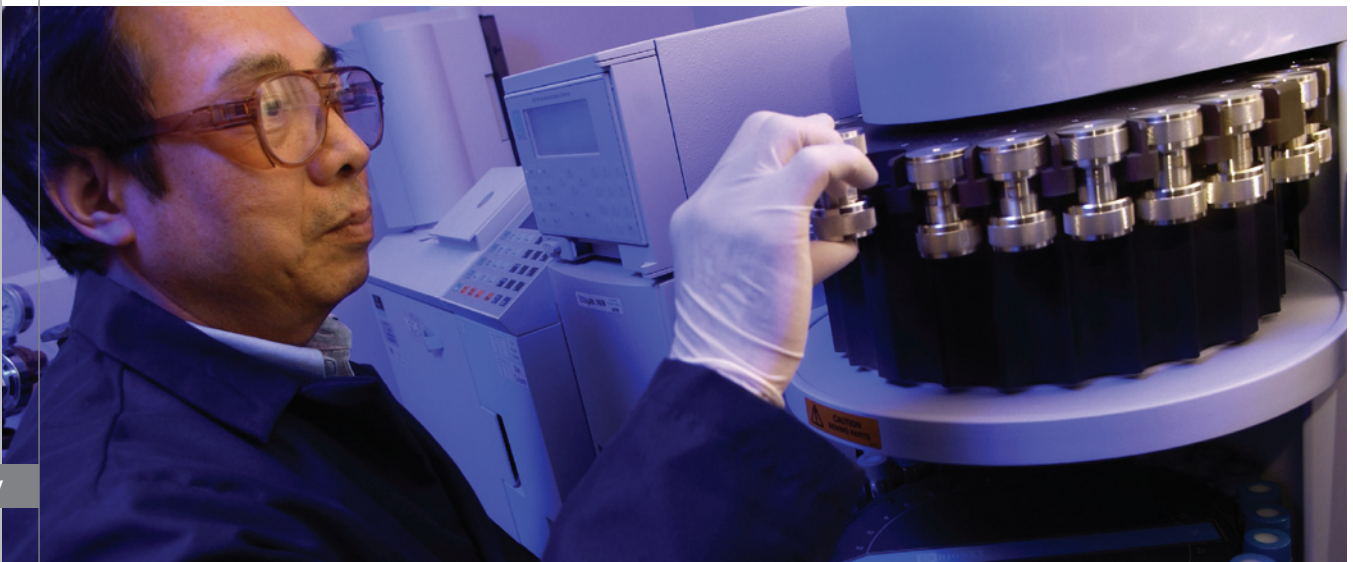
At Lexmark, we believe that good management practices are the foundation of being an environmentally responsible neighbor and employer.

ISO 14001 and OHSAS 18001 are voluntary standards that guide organizations in establishing management systems for their businesses. ISO 14001 provides a framework for environmental management, while OHSAS 18001 provides a framework for employee occupational health and safety.

### Did You Know?

Over the years, Lexmark has been recognized for its commitment to safety at facilities across the globe.

- Cebu was recognized in 2007 by the Republic of the Philippines Department of Labor and Employment Bureau of Working Conditions for attaining 11.6 million hours without lost time from September 2004 to June 2006.
- In 2005, our Chihuahua, Mexico, facility achieved third-level certification in the safety self-assessment program of the Labor Secretariat (Secretaria del Trabajo y Previsión Social).
- In 2005, our Cebu facility was awarded Employer of the Year by the Philippine Economic Zone Authority.
- In 2000, 2001 and again in 2002, our Lexington facility was honored to receive the Safety Partnership Award from Manpower Inc.



community

All of Lexmark's global manufacturing facilities, in addition to our Lexington, Kentucky, and Orléans, France, facilities, have achieved ISO 14001 and OHSAS 18001 certification:

- Boulder, Colorado, United States
- Cebu, Philippines
- Chihuahua, Mexico
- Juárez, Mexico (business products)
- Juárez, Mexico (consumer products)
- Lexington, Kentucky, United States
- Orléans, France

Each Lexmark facility sets site-specific goals for continually improving its performance in these two important management systems. Environmental goals may include reducing energy usage, improving water conservation or generating less waste, while health and safety goals may focus on ways to proactively minimize or eliminate the potential for slips, falls or other personal injuries.

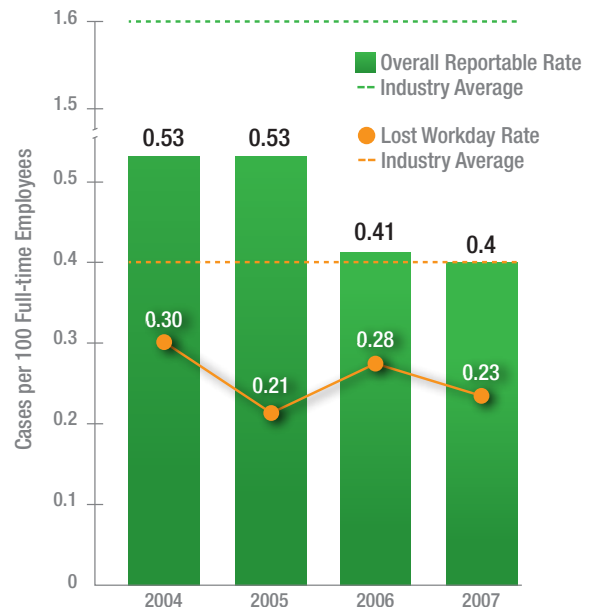
Two important measures of safety performance are injury rate and lost work days. Lexmark's 2007 injury rate worldwide was much lower than the North American average for companies in similar industries, in fact, 75 percent lower. In addition, by always putting safety first, last year our lost workday rate worldwide was also lower than the North American average.

To measure how well we are performing against our environmental, health and safety goals, Lexmark routinely conducts self-audits. These audits are conducted in addition to the conformance audits required as part of ISO and OHSAS recertification. We use the audit findings to improve our internal processes and promote best practices across our global operations.



### Worldwide Injury Rate Trend

Lexmark's 2007 overall reportable injury rate of 0.4 cases per 100 full-time employees was significantly below the industry average of 1.6<sup>1</sup> cases per 100. Our 2007 average lost workday rate of 0.23 days per 100 full-time employees was also well below the industry average of 0.4 days.



<sup>1</sup>Source: Bureau of Labor Statistics, U.S. Department of Labor

## Electronics Industry Code of Conduct (EICC)

In 2007 Lexmark adopted the Electronics Industry Code of Conduct, a code of best practices for improving conditions in the electronics supply chain. EICC Group members are focused on achieving high standards of performance in five key areas: labor, health and safety, environmental, management systems, and ethics.

## Healthy Workplaces, Healthy Employees

Any good health and safety program, regardless of the size or type of the workplace, ensures employee participation in the design and operation of the program. That's why Lexmark employees play a vital role in ensuring best practices in our work environments.

For example, Lexmark employees are highly engaged in driving the objectives of our environmental, health and safety management systems. This includes monitoring our ISO 14001 and OHSAS 18001 performance and conducting internal audits and self-assessments. Once a year, employees are also asked to provide feedback in an environmental, health and safety survey, which helps us identify further opportunities for improvement.

As part of our emergency preparedness and response planning, each of our major manufacturing and development facilities has employee-staffed emergency response teams in place. These teams consist of first responders who are trained in first aid, cardiopulmonary resuscitation, the use of automated external defibrillators, methods for preventing exposure to bloodborne pathogens, and spill containment. Many of these employees also lead our safety training program, which offers instruction in a number of areas, including chemical hygiene, personal protective equipment use, fork truck safety, control of hazardous energy sources, confined space entry, hazard communication and other training courses.

Lexmark stresses employee health and safety outside of the workplace, too. Employees are encouraged to be proactive in managing their personal health and wellness. To assist them, Lexmark's well-being program emphasizes preventive care and healthy lifestyle choices. Specific program examples include early diagnosis and health screenings, immunizations, nutrition and weight counseling, fitness center discounts, travel clinics, substance abuse assistance and stress management assistance.



## Did You Know?

In 2007, Lexmark employees were invited to participate in a team weight loss competition. The 35 teams that competed in the Lose to Win challenge lost nearly 1,000 pounds.



## Community Engagement

Building a more sustainable future takes many interconnected hands, guided by a shared vision. Lexmark and its employees collaborate with community partners, our customers and industry groups to enhance the livability of our planet.

As a printer company, many of the programs we support involve trees and water – the basics of paper. They include reforestation efforts, habitat protection and restorations, and efforts to preserve clean water supplies. Our investments take many forms. We begin by determining where we can provide the greatest value. It may be minds, muscle, or simply donations of money or equipment, but what matters most is that we leave the world a little better off because of our actions.

Here are just a few examples of our worldwide partnerships:

### Cane Run Creek Cleanup – Lexington, Kentucky, U.S.

In April 2007, Lexmark joined forces with the Lexington-Fayette Urban County Government, the University of Kentucky, and local TV station WLEX-TV, to conduct a waterway cleanup near Lexmark's global headquarters in Lexington, Kentucky. Employee volunteers removed more than 20 cubic yards of garbage and debris from Cane Run Creek, which feeds into a watershed that supplies water to communities north of Lexington. The Cane Run Watershed Project is now an ongoing initiative, and Lexmark is continuing to help re-establish the riparian buffer along the stream banks within the watershed.



### Olango Island Mangrove Reforestation – Philippines

Lexmark's work force in Cebu, Philippines, has been actively involved in rehabilitating coastal resources on nearby Olango Island since 2002. To date, Lexmark employees have reforested more than 12 acres (5 hectares) of mangroves on the island, home to a 2,275-acre wildlife sanctuary. In addition to providing wildlife habitat, mangroves are highly regarded for their ability to prevent shoreline erosion and mitigate the damage and loss of life caused by destructive tsunami forces.



## **Reforest the Bluegrass – Lexington, Kentucky, U.S.**

Since 1999, Lexmark has been a co-sponsor of Reforest the Bluegrass, an annual urban forest and storm water management event. Volunteers have planted 150,000 tree seedlings in Lexington, which has been designated a Five Star Restoration Site by the U.S. Environmental Protection Agency.



## **Tree Planting Programs – Serra da Lousã, Portugal**

In 2005, Lexmark Portugal launched the “Adjudje-Nos a Plantar 1,000 Ávores” program, inviting others to join us in

planting 1,000 trees in the mountainous hillsides of Serra da Lousã, a popular recreational area whose upper reaches are frequently blackened by forest fires. That successful effort was repeated in 2006, on Portugal’s National Tree Day, when more than 250 people, including Lexmark employees, customers, journalists and local government representatives, turned out to plant another 1,000 trees to help preserve this delicate landscape.



## **LifeGate Impatto Zero, LifeGate Energy – Italy**

Since 2004, Lexmark’s sales and marketing teams in Italy have united with LifeGate, an eco-company that promotes environmental values for Italian businesses and consumers. Lexmark first partnered with LifeGate through its Impatto Zero project. After calculating the carbon footprint of our offices in Milan and Rome, Lexmark helped offset those emissions through our support of LifeGate’s global forestation program. To date, Lexmark’s contribution has provided for the planting of more than 12,000 trees in Italy and Costa Rica. In November 2006, Lexmark Italy furthered its collaboration with LifeGate, entering into an agreement to purchase renewable energy supplies through LifeGate Energy. As a result, Lexmark Italy eliminated 106 tons of CO<sub>2</sub> emissions in its first year.





### Wal-Mart Electronics Take-Back Events – U.S.

In 2007, Lexmark partnered with Wal-Mart, one of our valued customers, to conduct six consumer electronics recycling collection events in cities across the U.S. The events netted 85,000 pounds of unwanted computer equipment, televisions and other electronics that otherwise might have ended up in community landfills.



### 7,000 in Seven – Boulder, Colorado, U.S.

Employees who work at Lexmark's toner manufacturing and research and development facility in Boulder, Colorado, rolled up their sleeves in 2007 to help the metropolitan Denver area reach its goal of planting 7,000 new trees in seven days between Earth Day and Arbor Day. In addition, our Boulder employees keep a 2.3-mile section of Highway 52 litter free through their participation in the Adopt-A-Highway program and are helping to raise awareness of the dangers of nonpoint source pollution by marking storm water drains.



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## 2007 Environmental, Health and Safety Highlights

### October

Lexmark's business products facility in Juárez, Mexico, received an award from the state government of Chihuahua for fully complying with the state's legal requirements pertaining to the environment in association with the program "Self Assessing of Environmental Compliance."

### June

Lexmark's business products facility in Juárez, Mexico, achieves OHSAS 18001 certification. The achievement marks an important milestone: All Lexmark manufacturing facilities worldwide are now certified to the OHSAS 18001 standard.

### May

Lexmark and Pomeroy IT Solutions donate more than \$10,000 to Kentucky Natural Lands Trust in commemoration of Earth Day.

### April

At its Lexington Earth Day Fair, Lexmark is awarded master level membership in Kentucky EXCEL, a voluntary environmental leadership program implemented by the Kentucky Department for Environmental Protection.

Lexmark employees in Lexington team with community partners to clean up Cane Run Creek, which supplies drinking water to neighboring communities.

Lexmark holds a series of electronics "Take-Back" events across the U.S., yielding nearly 43 tons of consumer electronics for dismantling and recycling.

Lexmark Philippines once again is awarded Outstanding Environmental Performer for the Year by the Philippine Economic Zone Authority in the large semiconductor and electronics industry category. The national award is the third for Lexmark Philippines.

Lexmark's preparation of this report was guided by the environmental performance indicators established by the Global Reporting Initiative (GRI).

LEXMARK<sup>TM</sup>

re. reduce recover reuse recycle