4Q and Full Year 2010 Earnings Presentation

February 1, 2011

LEXMARK™

Safe Harbor

The contents of this presentation 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.

2010 Financial Summary[1]

	FY10
• **Solid Revenue Growth** – Record laser revenue of $3 billion grew 15% year on year	**$4.213B** **+9% YTY**
• **Expanded Operating Margin** – Focus on High Usage Segments – Cost & Expense Reduction	**12.3%** **+3.1pp YTY**
• **Strong EPS Growth** – Driven by Revenue Growth & Margin Expansion	**$4.96** **+52% YTY**
• **Strong Cash Flow Performance** – 9th consecutive year of cash flow in excess of $400 million	**$520M** **+$118M YTY**

(1) Non-GAAP

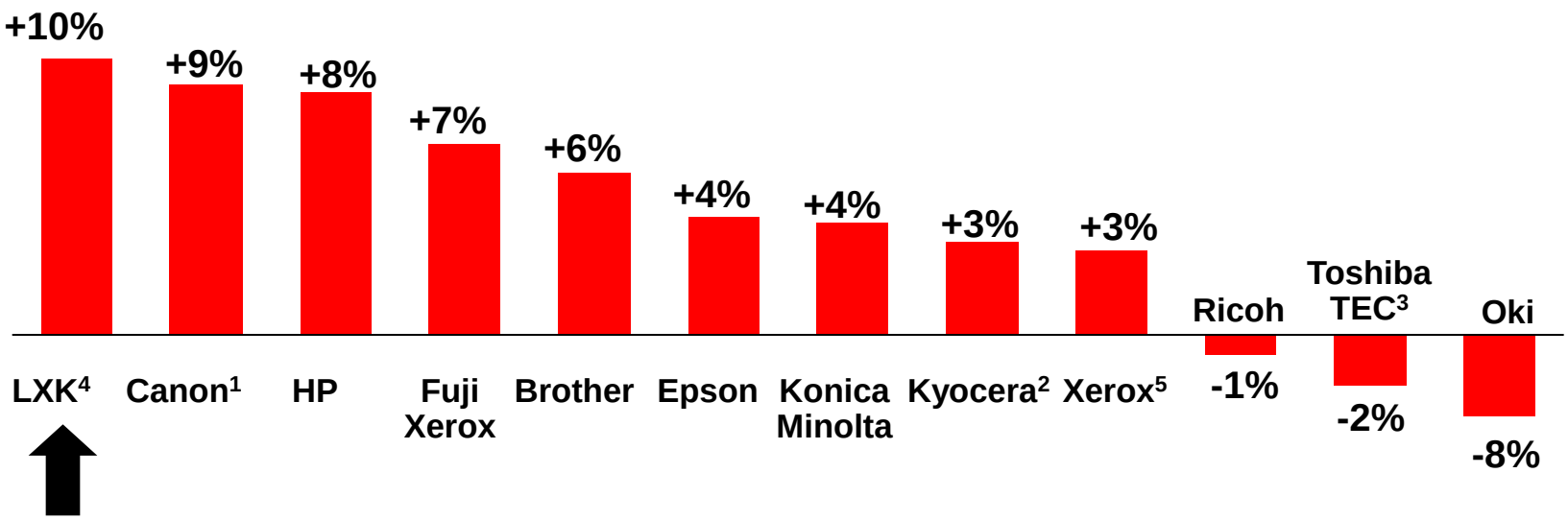
4Q10 Financial Summary[1]

	4Q10
• **Overall Revenue Growth, Stronger in Key Segments** – Record Laser revenue of $806 million grew 8% year on year – Perceptive revenue of $22 million grew 11% sequentially	**$1.110B** **+3% YTY**
• **Operating Margin Up Slightly Sequentially** – Dampened YTY due to other support cost and expense	**11.0%** **-1.6pp YTY**
• **Strong EPS Growth** – Driven by good operating performance & tax benefit	**$1.29** **+11% YTY**
• **Improved Cash Cycle** – 10 day sequential improvement in inventory and receivables – Partially offset by a reduction in payables	**-2 days QTQ**

(1) Non-GAAP

2010 Industry Revenue Growth[1]

Industry Average = +5%



Lexmark grew 2X faster than the market

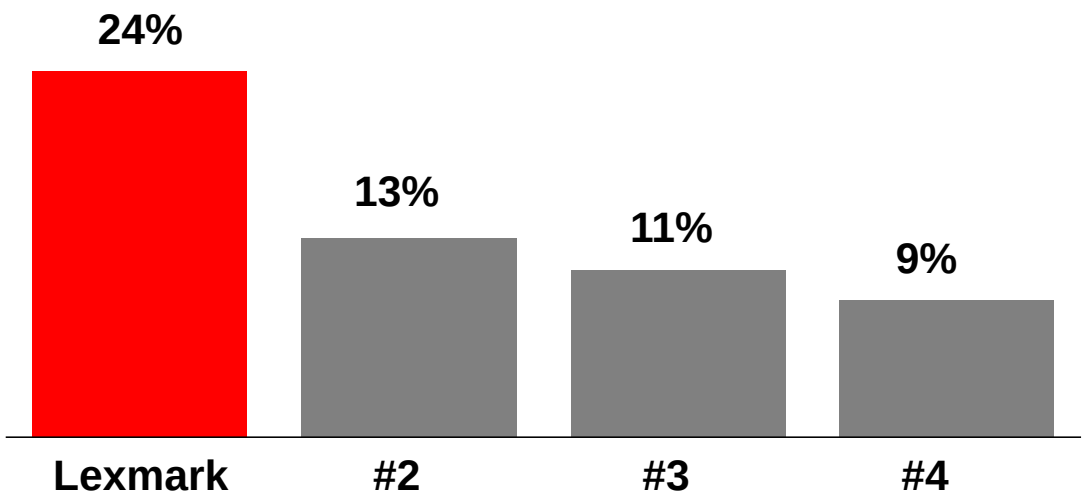
(1) 3QYTD. Refer to appendix for footnotes.

Segment Revenue[1]

	4Q10 % Revenue	4Q10		2010	
		Rev ($M)	YTY	Rev ($M)	YTY
ISS		**$1,088**	**1%**	**$4,162**	**7%**
Laser	73%	$806	8%	$3,006	15%
Inkjet	25%	$281	-14%	$1,156	-8%
Perceptive Software	**2%**	**$22**	**na**	**$50**	**na**
Total	**100%**	**$1,110**	**3%**	**$4,213**	**9%**

(1) Non-GAAP

#1 in Awards in 2010[1]



Mono and Color Lasers

X73x Series C546dtn E462dtn

C792 C925

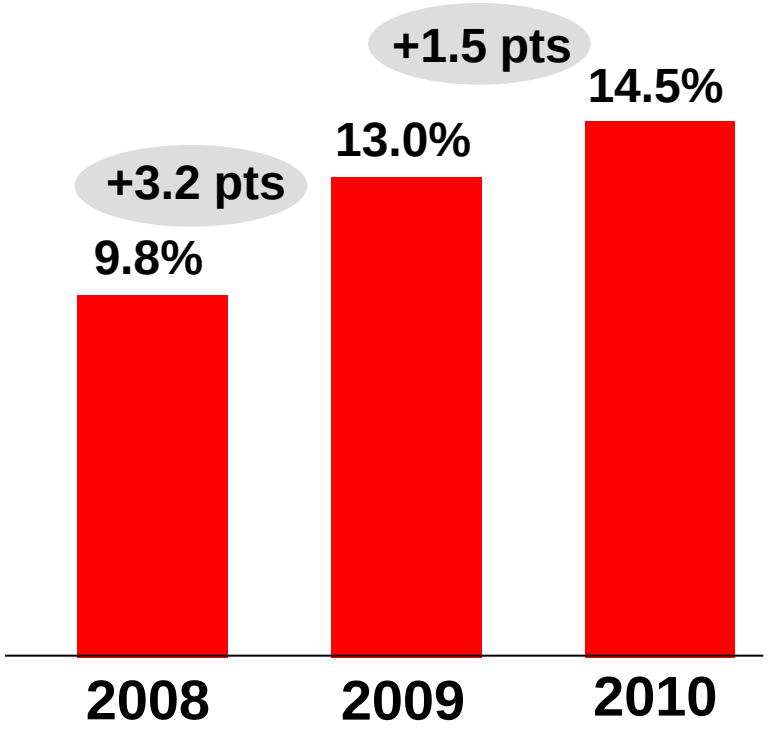
Business Inkjets

Pinnacle Pro901 SmartSolutions

(1) Based on internal assessments of leading US technical publications and test laboratories. Laser printers, laser printer-based multifunction devices, inkjet printers and inkjet All-In-One devices.

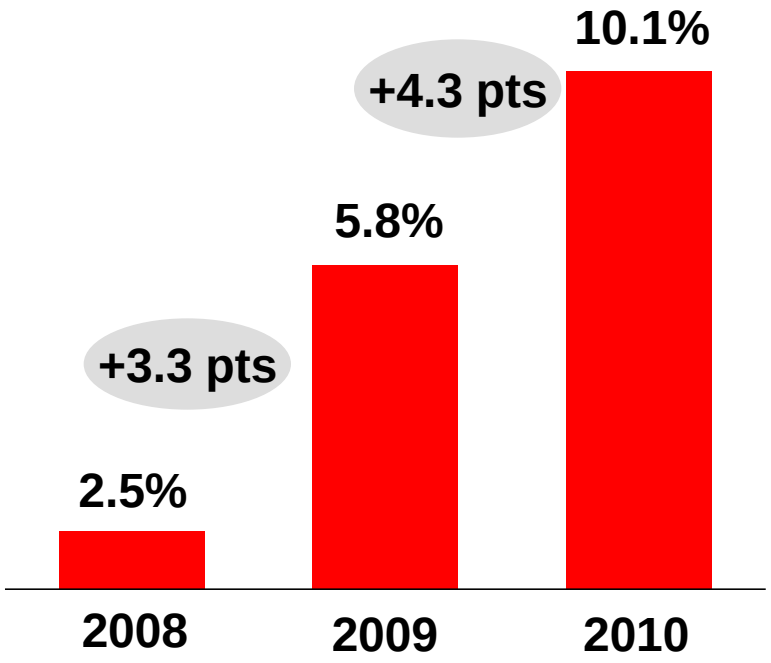
Gaining Share in Key Segments[1]

Branded WG Laser



#1 or #2 Market Share in 7 of Top 10 Countries in 2010

> $100 IJ in OSS



Continued Share Gains in Workgroup Laser and Business Inkjets

(1) 3QYTD. Lasers: A4 Workgroup share; WWxJ; A4 Workgroup share includes A4 SF (Mono and Color) and A4 MFP (Mono and Color) Lexmark branded and OEM. Source: IDC + LXK Internal Analysis. Top 10 countries based upon IDC ranking of relative size of A4 Workgroup Market. Inkjets: NPD IT Monthly POS Database.

Lexmark's Industry Presence[1]

Percentage of Top 10

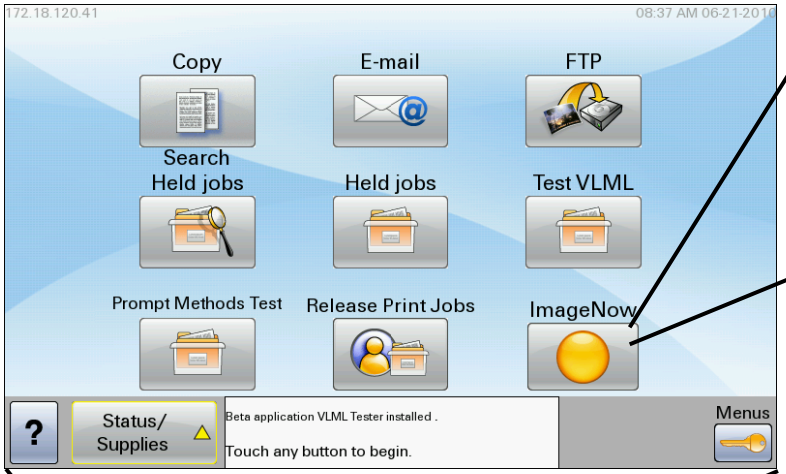
Retail	Financial	Healthcare	Government	Education
Retailers	**Banks**	**Healthcare Systems**	**Federal Agencies**	**K-12 Districts**
90% Global **90% U.S.** **MPS Customers** **50% Global** **80% U.S.**	**70% Global** **70% U.S.** **MPS Customers** **50% Global** **30% U.S.**	**30% U.S.**	**70% U.S.**	**30% U.S.**

36% of the Fortune 50 Companies Are Lexmark Customers

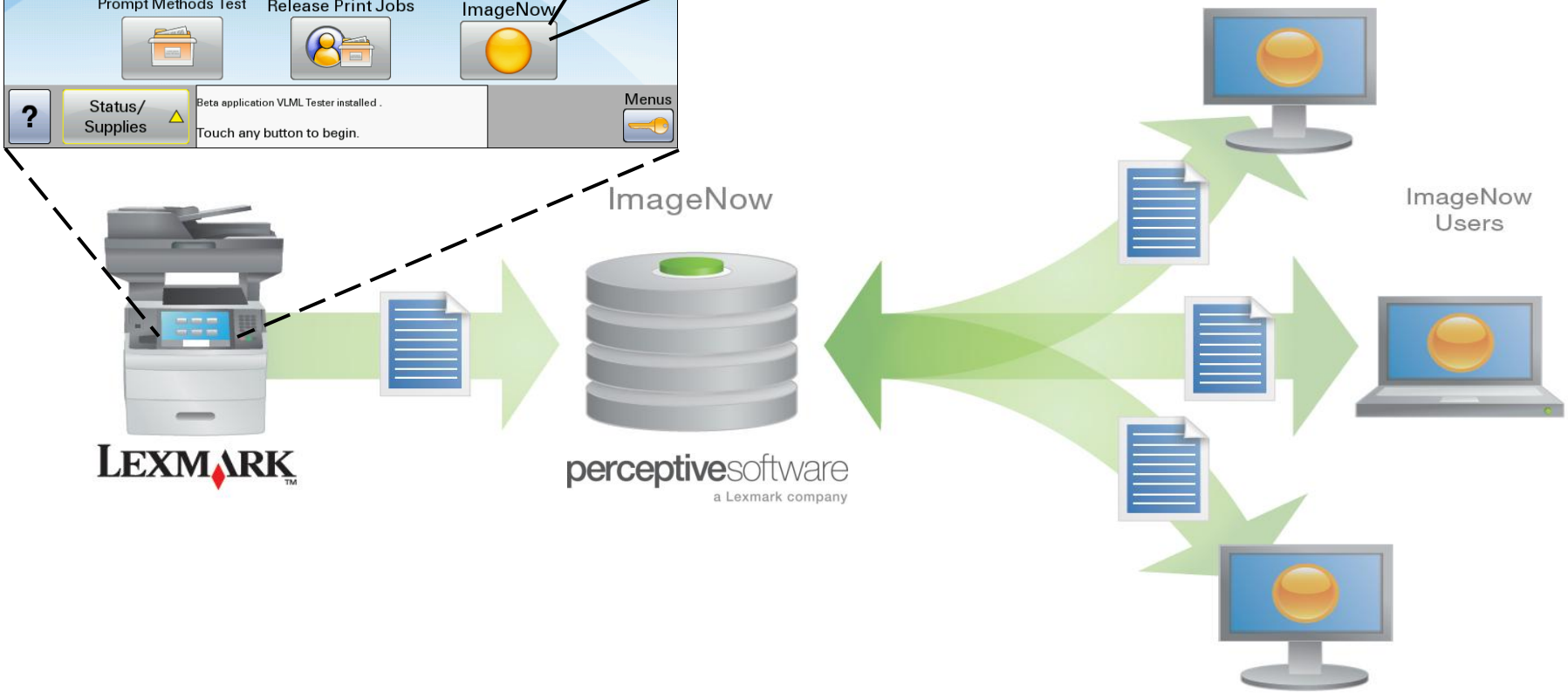
24% of the Fortune 50 Companies Are Lexmark MPS Customers

(1) Refer to appendix for footnotes.

Lexmark + Perceptive Enables End to End Solutions



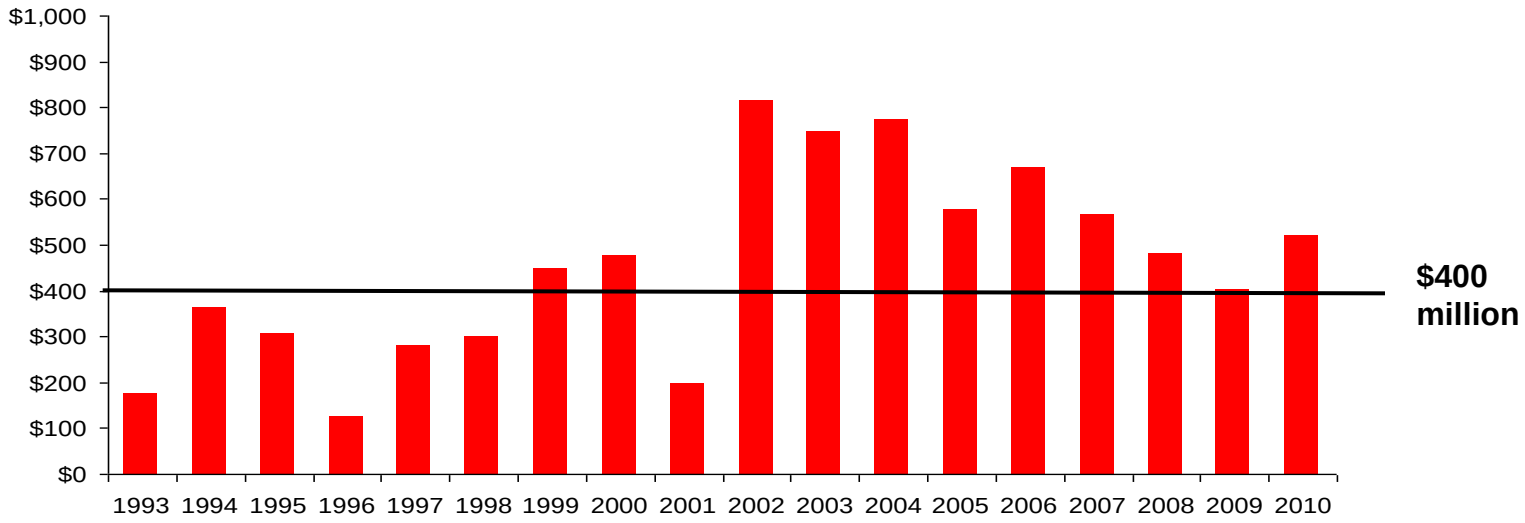
- "Interact" for Lexmark introduced Nov. 2010
- First LXK/Perceptive co-developed application
- Lexmark MFP is the gateway to manage business content and processes



Capture **Manage** **Access**

Maintaining Strong Financial Position

- Strong liquidity position with $1.2 billion in cash[1] at year end
- Long track record of strong cash generation
  - $520M cash flow from operations generated in 2010
  - 9 consecutive years of more than $400 million
  - 18 consecutive years of positive cash flow from operations



(1) Includes cash and current marketable securities

Outlook[1]

	1Q11	FY11
Revenue Growth	About 1% YTY	Low Single Digit YTY
Operating Income Margin	Up Sequentially	About the Same as FY10
EPS	$1.18 - $1.28	

(1) Non-GAAP

Product Revenue[1]

(millions)	4Q10 YTY	2010	2009	YTY
Hardware[2]	3%	$1,062	$939	13%
Supplies[3]	1%	$2,915	$2,752	6%
Software & Other[4]	53%	$236	$189	25%
Total	3%	$4,213	$3,880	9%

(1) Non-GAAP
(2) Includes laser, inkjet, and dot matrix hardware and the associated features sold on a unit basis or through a managed service agreement.
(3) Includes laser, inkjet, and dot matrix supplies and associated supplies services sold on a unit basis or through a managed service agreement.
(4) Includes parts and service related to hardware maintenance and includes software licenses and the associated software maintenance services sold on a unit basis or as a subscription service.

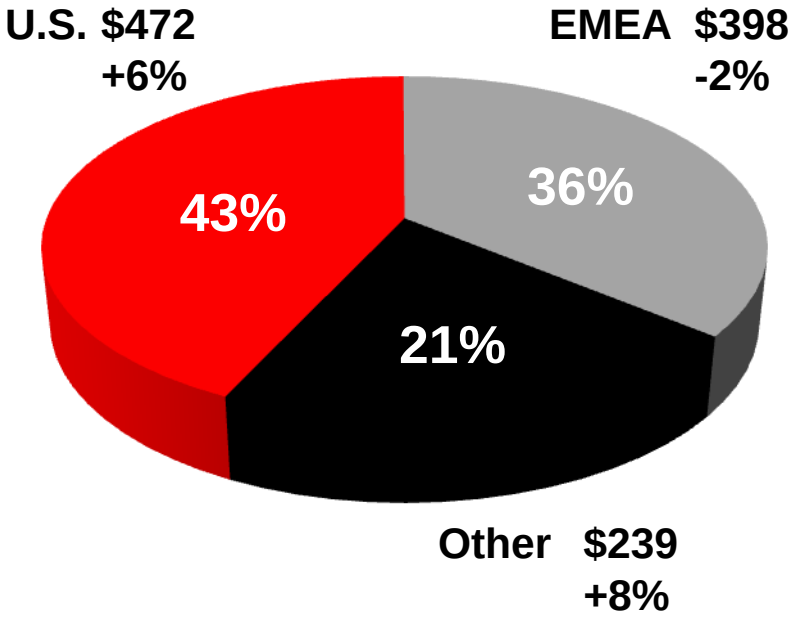
Hardware Product Revenue Details[1]

	4Q YTY			FY10 YTY		
	Units	AUR	Rev	Units	AUR	Rev
Laser Hardware	+4%	+7%	+11%	+8% 1.7M	+14%	+23%
Inkjet Hardware	-30%	+13%	-21%	-23% 3.2M	+15%	-11%

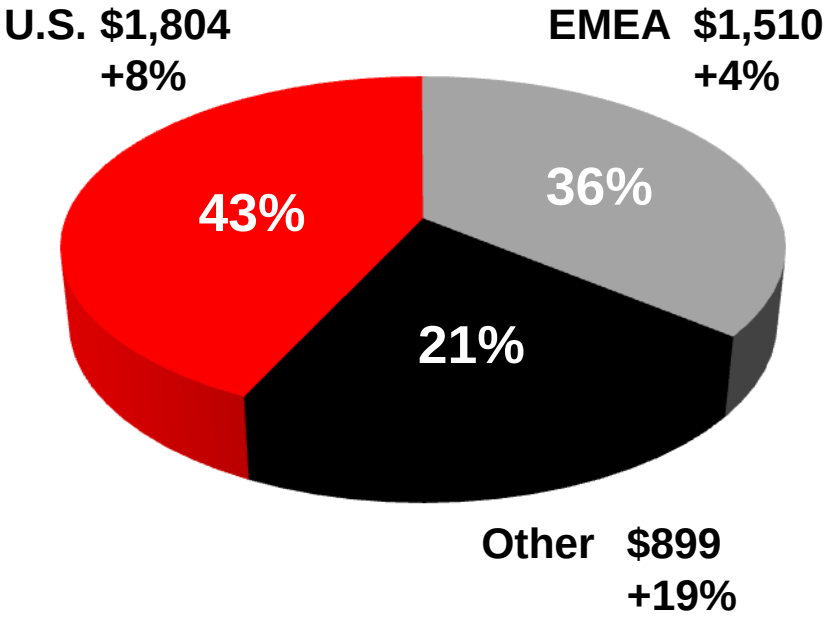
(1) Non-GAAP

Geographic Revenue Details[1]

4Q10 ($M)



2010 ($M)



(1) Non-GAAP

4Q10 Financial Summary[1]

	4Q10	FY10
• Gross Profit Margin	36.5%	37.0%
• Operating Expense	$283	$1,041
– R&D	$97	$369
– SG&A	$187	$672
• Operating Income	$122	$518
– ISS	$193	$774
– Perceptive	$4	$9
– Other	($75)	($265)
• Operating Income Margin	11.0%	12.3%
• Tax Rate	11%	20%
– R&E Tax Credit benefit of $6.5M or $0.08/share		
• EPS	$1.29	$4.96

(1) Non-GAAP

Cash Generation / Conversion

2010

Net cash provided by operating activities of $520M

Depreciation / amortization of $198M

Capital expenditures of $161M

4Q10

Net cash provided by operating activities of $153M

Depreciation / amortization of $54M

Capital expenditures of $53M

Since the end of 3Q, A/R increased $14M, inventory decreased $26M and A/P decreased $12M

Cash Conversion Days

	4Q09	1Q10	2Q10	3Q10	4Q10
Receivables	36	38	42	41	39
Inventory	47	46	47	54	46
Payables	67	71	74	75	68
Cash Conversion[1]	16	13	14	20	18

(1) Totals may not foot due to rounding.

1Q11 Outlook

In the first quarter of 2011, the company expects:

Revenue[(1)(2)] to increase about 1 percent year on year

Gross profit margin[(1)(2)] to increase from 36.5% in 4Q10

Operating expense[(1)(2)] to decline from $283M in 4Q10

Operating income margin[(1)(2)] to be above the 11.0% achieved in 4Q10

GAAP EPS[(2)] of $1.08 - $1.18 assuming a 23% effective tax rate, or $1.18 - $1.28 excluding approximately $0.10 per share for non-GAAP adjustments

Compares to 1Q10 GAAP EPS of $1.20, or $1.35 excluding $0.15 per share for restructuring-related adjustments

Note: Refer to appendix for discussion of Management's use of GAAP and Non-GAAP measures.

(1) Non-GAAP, excludes restructuring-related and acquisition-related adjustments.

(2) Based on foreign currency exchange rates as of 12/31/10.

FY11 and Longer-Term Assumptions

FY11 Assumptions

- Revenue[1][2] up low single digit percent YTY
- Op. Inc. Margin[1][2] to continue to be strong, about the same as 12.3% achieved in 2010
- Effective tax rate ~23%
- Capital spending ~$190M
- Depreciation ~$195M
- Pension Funding ~$40M(Cash)

Longer Term Assumptions

- Cash generation primarily driven by net income
- Modest ongoing working capital / cash cycle improvements
- Capital expenditures ~ depreciation
- Cash prioritization –
  - #1: Strategic initiatives
  - #2: Share repurchases from excess available U.S. cash

Note: Refer to appendix for discussion of Management's use of GAAP and Non-GAAP measures.

(1) Non-GAAP, excludes restructuring-related and acquisition-related adjustments.

(2) Based on foreign currency exchange rates as of 12/31/10.

Appendix

2010 P&L Compared to Last Year

	2010						2009					
	Revenue	Gross Profit	Op Ex	Op Inc	Net Earnings	EPS	Revenue	Gross Profit	Op Ex	Op Inc	Net Earnings	EPS
GAAP	**$4,200**	**$1,519** **36.2%**	**$1,073** **25.5%**	**$447** **10.6%**	**$340**	**$4.28**	**$3,880**	**$1,310** **33.8%**	**$1,094** **28.2%**	**$216** **5.6%**	**$146**	**$1.86**
Deferred revenue	*$13*	*$13*	*--*	*$13*			--	--	--	--		
Amortization of purchased intangibles	*--*	*$9*	*($3)*	*$12*			--	--	--	--		
Acquisition costs	*--*	*--*	*($7)*	*$7*			--	--	--	--		
Acquisition-Related(1)	**$13**	**$22**	**($10)**	**$32**	**$25**	**$0.31**	**--**	**--**	**--**	**--**	**--**	**--**
Restructuring-Related(2)	**--**	**$17**	**($21)**	**$39**	**$30**	**$0.37**	**--**	**$51**	**($90)**	**$141**	**$111**	**$1.40**
Non-GAAP(3)	**$4,213**	**$1,559** **37.0%**	**$1,041** **24.7%**	**$518** **12.3%**	**$395**	**$4.96**	**$3,880**	**$1,361** **35.1%**	**$1,004** **25.9%**	**$357** **9.2%**	**$256**	**$3.26**
YY Change(3)	$333	$198	$37	$160	$138	$1.70						
YY Chg (pps)(3)		1.9	(1.2)	3.1								

Note: **Refer to appendix for discussion of Management's use of GAAP and Non-GAAP measures.**

(1) **Acquisition-related amounts include amortization of purchased intangibles, adjustments to deferred revenue and acquisition and integration costs.**

(2) **Restructuring-related amounts include 2006, 2007, 2008 and 2009 actions and related project costs.**

(3) **Totals may not foot due to rounding.**

2010 Year to Year Comparison

Geographic Revenue

(Dollars in millions)	2010			2009			YTY Comparison	
	GAAP	Adjustments[1]	Non-GAAP	GAAP	Adjustments[1]	Non-GAAP	GAAP	Non-GAAP
United States	$ 1,791	$ 13	$ 1,804	$ 1,672	$ --	$ 1,672	7%	8%
EMEA	1,510	--	1,510	1,454	--	1,454	4%	4%
Other International	899	--	899	754	--	754	19%	19%
Total Revenue[2]	$ 4,200	$ 13	$ 4,213	$ 3,880	$ --	$ $3,880	8%	9%

Segment Revenue

(Dollars in millions)	2010			2009			YTY Comparison	
	GAAP	Adjustments[1]	Non-GAAP	GAAP	Adjustments[1]	Non-GAAP	GAAP	Non-GAAP
Imaging Solutions and Services	$ 4,162	$ --	$ 4,162	$ 3,880	$ --	$ 3,880	7%	7%
Perceptive Software	37	13	50	--	--	--	nm	nm
Total Revenue[2]	$ 4,200	$ 13	$ 4,213	$ 3,880	$ --	$ 3,880	8%	9%

Segment Operating Income

(Dollars in millions)	2010			2009			YTY Comparison	
	GAAP	Adjustments[1]	Non-GAAP	GAAP	Adjustments[1]	Non-GAAP	GAAP	Non-GAAP
Imaging Solutions and Services	$ 745	$ 30	$ 774	$ 487	$ 109	$ 596	53%	30%
Perceptive Software	(16)	25	9	--	--	--	nm	nm
All other	(282)	16	(265)	(271)	32	(239)	(4%)	(11%)
Total Operating Income[2]	$ 447	$ 71	$ 518	$ 216	$ 141	$ 357	107%	45%

Note: **Refer to appendix for discussion of Management's use of GAAP and Non-GAAP measures.**

(1) **Adjustments comprised of restructuring-related amounts from 2006, 2007, 2008 and 2009 actions and related project costs, and acquisition-related adjustments.**

(2) **Totals may not foot due to rounding.**

4Q P&L Compared to Last Year

	2010						2009					
	Revenue	Gross Profit	Op Ex	Op Inc	Net Earnings	EPS	Revenue	Gross Profit	Op Ex	Op Inc	Net Earnings	EPS
GAAP	**$1,104**	**$393 35.6%**	**$292 26.4%**	**$102 9.2%**	**$88**	**$1.10**	**$1,073**	**$383 35.7%**	**$293 27.3%**	**$90 8.4%**	**$60**	**$0.76**
Deferred revenue	*$6*	*$6*	*--*	*$6*			--	--	--	--		
Amortization of purchased intangibles	*--*	*$4*	*($1)*	*$6*			--	--	--	--		
Acquisition costs	*--*	*--*	*($1)*	*$1*			--	--	--	--		
Acquisition-Related[1]	**$6**	**$10**	**($2)**	**$12**	**$10**	**$0.12**	**--**	**--**	**--**	**--**	**--**	**--**
Restructuring-Related[2]	**--**	**$2**	**($6)**	**$8**	**$6**	**$0.07**	**--**	**$13**	**($32)**	**$46**	**$32**	**$0.40**
Non-GAAP[3]	**$1,110**	**$405 36.5%**	**$283 25.5%**	**$122 11.0%**	**$103**	**$1.29**	**$1,073**	**$396 36.9%**	**$261 24.3%**	**$136 12.6%**	**$92**	**$1.16**
YY Change[3] YY Chg (pps)[3]	$36	$9 (0.4)	$23 1.3	($14) (1.6)	$11	$0.14						

Note: **Refer to appendix for discussion of Management's use of GAAP and Non-GAAP measures.**

(1) **Acquisition-related amounts include amortization of purchased intangibles, adjustments to deferred revenue and acquisition and integration costs.**

(2) **Restructuring-related amounts include 2007, 2008 and 2009 actions and related project costs.**

(3) **Totals may not foot due to rounding.**

4Q Year to Year Comparison

Geographic Revenue

(Dollars in millions)	2010			2009			YTY Comparison	
	GAAP	Adjustments[1]	Non-GAAP	GAAP	Adjustments[1]	Non-GAAP	GAAP	Non-GAAP
United States	$ 467	$ 6	$ 472	$ 444	$ --	$ 444	5%	6%
EMEA	398	--	398	408	--	408	(2%)	(2%)
Other International	239	--	239	221	--	221	8%	8%
Total Revenue[2]	$ 1,104	$ 6	$ 1,110	$ 1,073	$ --	$ 1,073	3%	3%

Segment Revenue

(Dollars in millions)	2010			2009			YTY Comparison	
	GAAP	Adjustments[1]	Non-GAAP	GAAP	Adjustments[1]	Non-GAAP	GAAP	Non-GAAP
Imaging Solutions and Services	$ 1,088	$ --	$ 1,088	$ 1,073	$ --	$ 1,073	1%	1%
Perceptive Software	17	6	22	--	--	--	nm	nm
Total Revenue[2]	$ $1,104	$ 6	$ 1,110	$ 1,073	$ --	$ 1,073	3%	3%

Segment Operating Income

(Dollars in millions)	2010			2009			YTY Comparison	
	GAAP	Adjustments[1]	Non-GAAP	GAAP	Adjustments[1]	Non-GAAP	GAAP	Non-GAAP
Imaging Solutions and Services	$ 188	$ 5	$ 193	$ 165	$ 36	$ 201	14%	(4%)
Perceptive Software	(7)	11	4	--	--	--	nm	nm
All other	(80)	4	(75)	(75)	10	(65)	(6%)	(16%)
Total Operating Income[2]	$ 102	$ 20	$ 122	$ 90	$ 46	$ 136	13%	(10%)

Note: **Refer to appendix for discussion of Management's use of GAAP and Non-GAAP measures.**

(1) **Adjustments comprised of restructuring-related amounts from 2007, 2008 and 2009 actions and related project costs, and acquisition-related adjustments.**

(2) **Totals may not foot due to rounding.**

Expected Non-GAAP Adjustments

1Q11

	Revenue	Gross Profit	Op Ex	Op Inc	EPS
Deferred revenue	*$2*	*$2*	*--*	*$2*	
Amortization of purchased intangibles	*--*	*$4*	*($1)*	*$5*	
Acquisition costs	*--*	*--*	*($1)*	*$1*	
Acquisition-Related[(1)]	**$2**	**$6**	**($2)**	**$8**	**$0.07**
Restructuring-Related[(2)]			**($3)**	**$3**	**$0.03**
Total Non-GAAP Adjustments					**$0.10**

Notes: Refer to appendix for discussion of Management's use of GAAP and Non-GAAP measures.
Totals may not foot due to rounding.

(1) Acquisition-related amounts include amortization of purchased intangibles, adjustments to deferred revenue and acquisition and integration costs.
(2) Restructuring-related amounts include 2009 actions and related project costs.

Expected Non-GAAP Adjustments

2011

	Revenue	Gross Profit	Op Ex	Op Inc	EPS
Deferred revenue	*$4*	*$4*	*--*	*$4*	
Amortization of purchased intangibles	*--*	*$15*	*($5)*	*$20*	
Acquisition costs	*--*	*--*	*($3)*	*$3*	
Acquisition-Related[(1)]	**$4**	**$19**	**($8)**	**$27**	**$0.26**
Restructuring-Related[(2)]			**($7)**	**$7**	**$0.07**
Total Non-GAAP Adjustments					**$0.33**

Notes: Refer to appendix for discussion of Management's use of GAAP and Non-GAAP measures.
Totals may not foot due to rounding.

(1) Acquisition-related amounts include amortization of purchased intangibles, adjustments to deferred revenue and acquisition and integration costs.
(2) Restructuring-related amounts include 2009 actions and related project costs.

Restructuring Summary

- **Pretax charges[1]**
  - **FY 2009** **$141M**
  - **1Q10** **$15M**
  - **2Q10** **$9M**
  - **3Q10** **$8M**
  - **4Q10** **$8M**
  - **FY 2010** **$39M**

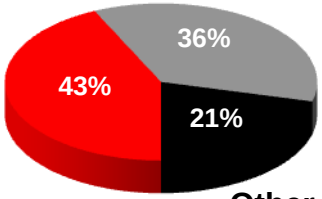
- **Savings[2]**
  - **FY 2009** **$132M**
  - **1Q10** **$55M, $31M above 1Q 2009**
  - **2Q10** **$59M, $26M above 2Q 2009**
  - **3Q10** **$62M, $26M above 3Q 2009**
  - **4Q10** **$66M, $27M above 4Q 2009**
  - **FY 2010** **$242M, $110M above FY 2009**

Note:
(1) Restructuring-related charges include 2006, 2007, 2008 and 2009 actions and related project costs.
(2) Restructuring savings include savings from 2007, 2008, and 2009 actions.

2010 Foreign Currency Exposure

Revenue by Geography

U.S.

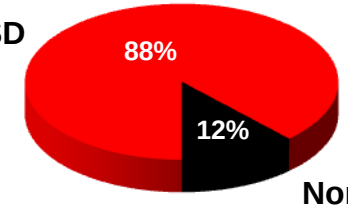


Europe: Mostly Euro (65%-70%) and British Pound (10%-15%)

Other International: Primarily Canadian Dollar, Brazilian Real and Australian Dollar

Cost by Currency

USD

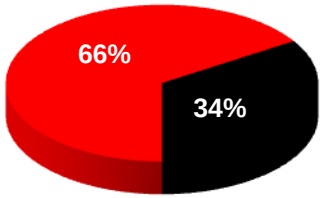


Non-USD

Non-USD: Primarily Euro (45%-50%), Mexican Peso (10%-15%), Philippine Peso (5%-10%), and a number of other currencies representing less than 6% including Canadian Dollar, Australian Dollar, Japanese Yen and Philippine Peso

Operating Expense by Currency

USD



Non-USD: Euro (40%- 45%), and a number of other currencies each representing less than 9% including the Swiss Franc, British Pound, Brazilian Real, Canadian Dollar, Australian Dollar and Philippine Peso.

Other Factors

- Company generally acts to harmonize supplies prices globally to the U.S. dollar
- Price increases cannot immediately impact laser supplies that are sold under contract (~60% or more at any given point in time)
- Lexmark does not hedge cash flow, but does hedge transaction exposures

Footnotes for 2010 Industry Revenue Slide

*** Note:**

For 9 month calendar period ending 9/30/10, except HP for 9 months ending 10/31/10, revenue growth rates are for each vendor's relevant printing and related solutions/services business; industry average revenue growth rate is for vendors shown in the chart and excludes companies that do not report printing businesses separately such as Samsung.

Company Notes:

1. Canon's hardcopy revenue includes its new Office segment (A3 & A4 lasers, WF inkjet) and the consumer/SOHO inkjet sub-segment from its new Consumer segment; Canon's reported hardcopy revenue growth rate was adjusted down to remove the one-time gain from the acquisition of OCE in calendar 1Q10 and 2Q10.

2. Kyocera's reported growth rate in calendar period 1Q10 of 14.4% was adjusted down to -0.9% exclude one-time gain from acquisition of Triumph Adler that was not in prior year period; this lowered number is included in Kyocera's 3QYTD revenue growth calculation.

3. Toshiba TEC revenue growth rate is estimated; Toshiba TEC changed to new reporting segments in the June 2010 quarter, so March 2010 quarter is using old segment reporting Yr/Yr and the June and Sept 2010 quarters are using the new segment reporting Yr/Yr; in the new reporting Toshiba TEC removed its Japanese hardcopy business in with its retail POS business.

4. Lexmark's growth rate was adjusted down from 10.6% to 9.6% to remove the one-time gain from acquisition of Perceptive Software.

5. Xerox revenue growth rate calculation includes ACS in calendar 2010 and in the prior year period based on Xerox's Proforma P&L.

Footnote for Lexmark's Industry Presence Slide

Top 10 rankings are based upon the following: Global Retailers are based upon food and drug store, general merchandiser, and specialty retailer revenue according to the Fortune Magazine's 2010 Global 500. US Retailers are based upon revenue according to the National Retail Federation "Top 100 Retailers", 2010. Global Banks refer to Commercial and Savings Institutions and rankings are based upon revenue according to 2010 Global 500. US Banks refer to Retail Banks and rankings are derived from American Banker's "Bank and Thrift Holding Companies by Assets", November 18, 2010. Healthcare Systems are based upon number of full time employees and beds according to the Health Information Management Systems Society's "HIMSS Analytics", 2010. Federal Agencies are based upon full time civilian employment according to U.S. Bureau of Labor Statistics, Office of Management and Budgets, Career Guide to Industries 2010-2011. K-12 School Districts are based upon number of pupils, according to the National Center for Education Statistics, U.S. Department of Education, 2010.

Non-GAAP Measures

Management believes that presenting non-GAAP measures is useful because they enhance investors' understanding of how management assesses the performance of the Company's businesses. Management uses non-GAAP measures for budgeting purposes, measuring actual results to budgeted projections, allocating resources, and in certain circumstances for employee incentive compensation. Adjustments to GAAP results in determining non-GAAP results fall into two broad general categories that are described below:

•Restructuring- related charges
In recent years, the Company has initiated restructuring plans which have resulted in operating expenses which otherwise would not have been incurred. The size of these items can vary significantly from period to period and the Company does not consider these items to be part of core operating expenses of the business. Restructuring and related charges that are excluded from GAAP earnings to determine non-GAAP earnings consist of accelerated depreciation, employee termination benefits and contract termination and lease charges. They also include project costs that relate to the execution of the restructuring plans. These project costs are incremental to normal operating charges and are expensed as incurred, such as compensation costs for overlap staffing, travel expenses, consulting costs and training costs.

•Acquisition- related adjustments
In connection with acquisitions, management provides supplementary non-GAAP financial measures of revenue and expenses to normalize for the impact of business combination accounting rules as well as to exclude certain expenses which would not have been incurred otherwise.

A. Adjustments to Revenue

Due to business combination accounting rules, deferred revenue balances for service contracts assumed as part of acquisitions are adjusted down to fair value. Fair value approximates the cost of fulfilling the service obligation, plus a reasonable profit margin. Subsequent to acquisitions, management adds back the amount of amortized revenue that would have been recognized had the acquired company remained independent and had the deferred revenue balances not been adjusted to fair value. Management reviews non-GAAP revenue to allow for more complete comparisons to historical performance as well as to forward-looking projections and also uses it as a metric for employee incentive compensation.

B. Amortization of intangible assets

Due to business combination accounting rules, intangible assets are recognized which were not previously presented on the balance sheet of the acquired company. These intangible assets consist primarily of purchased technology, customer relationships, trade names, in-process R&D and non-compete agreements. Subsequent to the acquisition date, some of these intangible assets begin amortizing and represent an expense that would not have been recorded had the acquired company remained independent. The total amortization of the acquired intangible assets varies from period to period, due to the mix in value and useful lives of the different assets. For the purpose of comparing financial results to historical performance as well as for defining targets for employee incentive compensation, management excludes the amortization of the acquired intangible assets on a non-GAAP basis.

C. Acquisition and integration costs

In connection with its acquisitions, the Company incurs expenses that would not have been incurred otherwise. The acquisition costs include items such as investment banking fees, legal and accounting fees, and costs of retention bonus programs for the senior management of the acquired company. Integration costs may consist of information technology expenses, consulting costs and travel expenses. The costs are expensed as incurred and can vary substantially in size from one period to the next. For these reasons, management excludes these expenses from non-GAAP earnings in order to evaluate the Company's performance on a continuing and comparable basis.

In addition to GAAP results, management presents these non-GAAP financial measures to provide investors with additional information that they can utilize in their own methods of evaluating the Company's performance. Management compensates for the material limitations associated with the use of non-GAAP financial measures by having specific initiatives associated with restructuring actions and acquisitions approved by management, along with their budgeted costs. Subsequently, actual costs incurred as a part of these approved restructuring plans and acquisitions are monitored and compared to budgeted costs to assure that the Company's non-GAAP financial measures only exclude pre-approved restructuring-related costs and acquisition-related adjustments. Any non-GAAP measures provided by the Company may not be comparable to similar measures of other companies as not all companies calculate these measures in the same manner.