

Xerox Financial History
(unaudited)

(in \$ millions, except per-share data)

| | 1997 | 1998 | 1999 | 2000 | 2001 | | | | |
|---|---------------|---------------|---------------|---------------|--------------|--------------|--------------|--------------|---------------|
| | FY | FY | FY | FY | Q1 | Q2 | Q3 | Q4 | FY |
| Revenues | | | | | | | | | |
| Sales | 8,303 | 8,996 | 8,967 | 8,839 | 1,865 | 1,858 | 1,708 | 2,012 | 7,443 |
| Service, outsourcing, rentals | 8,192 | 8,742 | 8,853 | 8,750 | 2,134 | 2,139 | 2,071 | 2,092 | 8,436 |
| Finance income | 962 | 1,039 | 1,175 | 1,162 | 292 | 286 | 273 | 278 | 1,129 |
| Total Revenues | 17,457 | 18,777 | 18,995 | 18,751 | 4,291 | 4,283 | 4,052 | 4,382 | 17,008 |
| Cost of Revenue | | | | | | | | | |
| Cost of sales | | | 5,631 | 6,080 | 1,362 | 1,290 | 1,223 | 1,236 | 5,111 |
| Cost of service, outsourcing, rentals | | | 4,898 | 5,153 | 1,292 | 1,183 | 1,182 | 1,221 | 4,878 |
| Equipment finance interest | | | 435 | 498 | 130 | 125 | 107 | 95 | 457 |
| Total Cost of Revenue | | | 10,964 | 11,731 | 2,784 | 2,598 | 2,512 | 2,552 | 10,446 |
| Gross Profit | | | | | | | | | |
| Sales gross profit | | | 3,336 | 2,759 | 503 | 568 | 485 | 776 | 2,332 |
| Service, outsourcing, rentals gross profit | | | 3,955 | 3,597 | 842 | 956 | 889 | 871 | 3,558 |
| Finance gross profit | | | 740 | 664 | 162 | 161 | 166 | 183 | 672 |
| Gross Profit | | | 8,031 | 7,020 | 1,507 | 1,685 | 1,540 | 1,830 | 6,562 |
| Research, development & engineering | 1,080 | 1,045 | 1,020 | 1,064 | 266 | 268 | 274 | 250 | 1,058 |
| Bad Debt Expense | | | 386 | 473 | 84 | 93 | 151 | 110 | 438 |
| Selling, administrative and general exp. (Excl Bad Debts) | | | 4,818 | 5,045 | 1,065 | 1,127 | 1,024 | 1,074 | 4,290 |
| Total Selling, administrative and general exp. | 5,196 | 5,314 | 5,204 | 5,518 | 1,149 | 1,220 | 1,175 | 1,184 | 4,728 |
| Non-financing interest expense ¹ | | | 443 | 571 | 155 | 141 | 51 | 115 | 462 |
| Aggregate Exchange (gains) / losses | | | (7) | (103) | (64) | 13 | 59 | (37) | (29) |
| Amortization of Goodwill and intangibles | | | 50 | 86 | 23 | 22 | 21 | 28 | 94 |
| All other, net | | | 89 | 34 | (35) | (7) | 15 | 9 | (17) |
| Total Other, net | | | 575 | 588 | 79 | 169 | 147 | 115 | 510 |
| Restructuring and asset impairment charges | | | 12 | 475 | 129 | 295 | 63 | 228 | 715 |
| Gain on sale of half of interest in Fuji Xerox | | | - | - | (769) | - | - | (4) | (773) |
| Gain on sale of China operations | | | - | (200) | - | - | - | - | - |
| Gain on affiliates' sales of stock, net | | | - | (21) | - | - | - | (4) | (4) |
| Purchased in-process research and development | | | - | 27 | - | - | - | - | - |
| Total Costs and Expenses | | | 17,775 | 19,182 | 3,638 | 4,550 | 4,171 | 4,321 | 16,680 |
| Income (Loss) before Income Taxes (benefits) | | | | | | | | | |
| Equity Income and Cumulative Effect of Change in Accounting Principle | | | 1,220 | (431) | 653 | (267) | (119) | 61 | 328 |
| Income Taxes (benefits) ¹ | | | 424 | (92) | 432 | (129) | (50) | 220 | 473 |
| Equity in Net Income of Unconsol. Affil | | | 48 | 66 | 3 | 31 | - | 19 | 53 |
| Income(Loss) from Continuing Operations before | | | | | | | | | |
| Cumulative effect of change in accounting principle | 893 | 23 | 844 | (273) | 224 | (107) | (69) | (140) | (92) |
| Cumulative effect of change in accounting principle, net of tax: | - | - | - | - | (2) | - | - | - | (2) |
| Discontinued Ops, net | - | (190) | - | - | - | - | - | - | - |
| Net Income/(Loss) | 893 | (167) | 844 | (273) | 222 | (107) | (69) | (140) | (94) |
| Preferred Dividends/ | | | | (46) | (12) | - | - | - | (12) |
| Other | | | | (46) | (12) | - | - | - | (12) |
| Adjusted Average Shares | | | | 668 | 680 | 701 | 718 | 722 | 704 |
| | | | | 668 | 782 | 701 | 718 | 722 | 704 |
| Earnings Per Share | | | | | | | | | |
| - Basic | 1.30 | (0.32) | 1.20 | (0.48) | 0.31 | (0.15) | (0.10) | (0.19) | (0.15) |
| - Diluted | 1.24 | (0.32) | 1.17 | (0.48) | 0.28 | (0.15) | (0.10) | (0.19) | (0.15) |
| Key Ratios: | | | | | | | | | |
| Gross Margins | | | | | | | | | |
| - Sales | 39.5% | 40.5% | 37.2% | 31.2% | 27.0% | 30.6% | 28.4% | 38.6% | 31.3% |
| - Service/Outsourcing/Rentals | 48.4% | 46.6% | 44.7% | 41.1% | 39.5% | 44.7% | 42.9% | 41.6% | 42.2% |
| - Financing | 58.6% | 58.2% | 63.0% | 57.1% | 55.5% | 56.3% | 60.8% | 65.8% | 59.5% |
| - Total | 44.8% | 44.3% | 42.3% | 37.4% | 35.1% | 39.3% | 38.0% | 41.8% | 38.6% |
| SAG as a % of Revenue | 29.8% | 28.3% | 27.4% | 29.4% | 26.8% | 28.5% | 29.0% | 27.0% | 27.8% |
| Tax Rate | | | 34.6% | 19.1% | 65.7% | 49.2% | 42.9% | 266.3% | 126.1% |
| Other Data: | | | | | | | | | |
| Restructuring and Asset Impairment Charges (after taxes) | | | | 339 | 81 | 222 | 47 | 157 | 507 |
| Gain on Sale of Half of Interest in Fuji Xerox (after taxes) | | | | - | (300) | - | - | (4) | (304) |
| Gain on Sale of China Operations | | | | (119) | - | - | - | - | - |
| Unhedged Aggregate Exchange (Gains)/Losses (after taxes) | | | | (69) | (44) | 10 | 38 | (25) | (21) |
| Early Extinguishment of Debt (after taxes) | | | | - | - | - | - | - | - |
| Ending Xerox Employment | 91,500 | 92,700 | 94,600 | 92,500 | 88,200 | 85,600 | 83,300 | 78,900 | 78,900 |

Note: Certain reclassifications of prior year amounts have been made to conform to the current year presentation

¹ Amounts include reclassifications for the effects of adopting Fin 46R.

Xerox Financial History
 (unaudited)

(in \$ millions, except per-share data)

| | 2002 | | | | | 2003 | | | | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | Q1 | Q2 | Q3 | Q4 | FY | Q1 | Q2 | Q3 | Q4 | FY |
| Revenues | | | | | | | | | | |
| Sales | 1,583 | 1,662 | 1,593 | 1,914 | 6,752 | 1,589 | 1,696 | 1,603 | 2,082 | 6,970 |
| Service, outsourcing, rentals | 2,011 | 2,040 | 1,953 | 2,093 | 8,097 | 1,917 | 1,970 | 1,885 | 1,962 | 7,734 |
| Finance income | 264 | 250 | 247 | 239 | 1,000 | 251 | 254 | 244 | 248 | 997 |
| Total Revenues | 3,858 | 3,952 | 3,793 | 4,246 | 15,849 | 3,757 | 3,920 | 3,732 | 4,292 | 15,701 |
| Cost of Revenue | | | | | | | | | | |
| Cost of sales | 1,010 | 994 | 1,009 | 1,159 | 4,172 | 991 | 1,050 | 1,018 | 1,287 | 4,346 |
| Cost of service, outsourcing, rentals | 1,161 | 1,154 | 1,073 | 1,104 | 4,492 | 1,088 | 1,094 | 1,059 | 1,066 | 4,307 |
| Equipment finance interest | 92 | 101 | 107 | 101 | 401 | 92 | 93 | 89 | 88 | 362 |
| Total Cost of Revenue | 2,263 | 2,249 | 2,189 | 2,364 | 9,065 | 2,171 | 2,237 | 2,166 | 2,441 | 9,015 |
| Gross Profit | | | | | | | | | | |
| Sales gross profit | 573 | 668 | 584 | 755 | 2,580 | 598 | 646 | 585 | 795 | 2,624 |
| Service, outsourcing, rentals gross profit | 850 | 886 | 880 | 989 | 3,605 | 829 | 876 | 826 | 896 | 3,427 |
| Finance gross profit | 172 | 149 | 140 | 138 | 599 | 159 | 161 | 155 | 160 | 635 |
| Gross Profit | 1,595 | 1,703 | 1,604 | 1,882 | 6,784 | 1,586 | 1,683 | 1,566 | 1,851 | 6,686 |
| Research, development & engineering | 243 | 263 | 239 | 235 | 980 | 247 | 246 | 240 | 229 | 962 |
| Bad Debt Expense | 103 | 68 | 87 | 74 | 332 | 56 | 74 | 53 | 41 | 224 |
| Selling, administrative and general exp. (Excl Bad Debts) | 1,066 | 1,042 | 936 | 1,061 | 4,105 | 964 | 1,015 | 975 | 1,071 | 4,025 |
| Total Selling, administrative and general exp. | 1,169 | 1,110 | 1,023 | 1,135 | 4,437 | 1,020 | 1,089 | 1,028 | 1,112 | 4,249 |
| Non-financing interest expense ¹ | 126 | 105 | 127 | 136 | 494 | 146 | 148 | 127 | 103 | 524 |
| Aggregate Exchange (gains) / losses | 24 | 33 | 12 | 8 | 77 | 1 | (21) | 12 | 19 | 11 |
| Amortization of Goodwill and intangibles | 10 | 9 | 9 | 9 | 37 | 9 | 9 | 9 | 9 | 36 |
| All other, net | (23) | 8 | (15) | 15 | (15) | 302 | 66 | 8 | (71) | 305 |
| Total Other, net | 137 | 155 | 133 | 168 | 593 | 458 | 202 | 156 | 60 | 876 |
| Restructuring and asset impairment charges | 146 | 53 | 63 | 408 | 670 | 8 | 37 | 11 | 120 | 176 |
| Gain on sale of half of interest in Fuji Xerox | - | - | - | - | - | - | - | - | - | - |
| Gain on sale of China operations | - | - | - | - | - | - | - | - | - | - |
| Gain on affiliates' sales of stock, net | - | - | - | - | - | - | (1) | (12) | - | (13) |
| Purchased in-process research and development | - | - | - | - | - | - | - | - | - | - |
| Total Costs and Expenses | 3,958 | 3,830 | 3,647 | 4,310 | 15,745 | 3,904 | 3,810 | 3,589 | 3,962 | 15,265 |
| Income (Loss) before Income Taxes (benefits), | | | | | | | | | | |
| Equity Income and Cumulative Effect of Change in Accounting Principle | (100) | 122 | 146 | (64) | 104 | (147) | 110 | 143 | 330 | 436 |
| Income Taxes (benefits) ¹ | (38) | 50 | 64 | (72) | 4 | (67) | 40 | 38 | 123 | 134 |
| Equity in Net Income of Unconsol. Affil. | 11 | 15 | 17 | 11 | 54 | 14 | 16 | 13 | 15 | 58 |
| Income(Loss) from Continuing Operations before | | | | | | | | | | |
| Cumulative effect of change in accounting principle | (51) | 87 | 99 | 19 | 154 | (66) | 86 | 118 | 222 | 360 |
| Cumulative effect of change in accounting principle, net of tax | (63) | - | - | - | (63) | - | - | - | - | - |
| Gain on sale of ContentGuard, net of income taxes of \$26 | - | - | - | - | - | - | - | - | - | - |
| Discontinued Ops, net | - | - | - | - | - | - | - | - | - | - |
| Net Income/(Loss) | (114) | 87 | 99 | 19 | 91 | (66) | 86 | 118 | 222 | 360 |
| Preferred Dividends/ | - | - | (63) | (10) | (73) | (10) | (11) | (25) | (25) | (71) |
| Other | - | 13 | (63) | (10) | (73) | (10) | (11) | (25) | 10 | (65) |
| Adjusted Average Shares | | | | | | | | | | |
| - Basic | 726 | 728 | 734 | 737 | 731 | 742 | 747 | 792 | 794 | 769 |
| - Diluted | 726 | 913 | 825 | 820 | 807 | 742 | 808 | 851 | 1,045 | 828 |
| Earnings Per Share | | | | | | | | | | |
| - Basic | (0.16) | 0.12 | 0.05 | 0.01 | 0.02 | (0.10) | 0.10 | 0.12 | 0.25 | 0.38 |
| - Diluted | (0.16) | 0.11 | 0.04 | 0.01 | 0.02 | (0.10) | 0.09 | 0.11 | 0.22 | 0.36 |
| Key Ratios: | | | | | | | | | | |
| Gross Margins | | | | | | | | | | |
| - Sales | 36.2% | 40.2% | 36.7% | 39.4% | 38.2% | 37.6% | 38.1% | 36.5% | 38.2% | 37.6% |
| - Service/Outsourcing/Rentals | 42.3% | 43.4% | 45.1% | 47.3% | 44.5% | 43.2% | 44.5% | 43.8% | 45.7% | 44.3% |
| - Financing | 65.2% | 59.6% | 56.7% | 57.7% | 59.9% | 63.3% | 63.4% | 63.5% | 64.5% | 63.7% |
| - Total | 41.3% | 43.1% | 42.3% | 44.3% | 42.8% | 42.2% | 42.9% | 42.0% | 43.1% | 42.6% |
| SAG as a % of Revenue | 30.3% | 28.1% | 27.0% | 26.7% | 28.0% | 27.1% | 27.8% | 27.5% | 25.9% | 27.1% |
| Tax Rate | 37.7% | 37.7% | 37.7% | 37.7% | 37.7% | 37.7% | 37.7% | 37.7% | 37.3% | 30.7% |
| Other Data: | | | | | | | | | | |
| Restructuring and Asset Impairment Charges (after taxes) | 101 | 41 | 49 | 280 | 471 | 5 | 23 | 7 | 76 | 111 |
| Gain on Sale of Half of Interest in Fuji Xerox (after taxes) | - | - | - | - | - | - | - | - | - | - |
| Gain on Sale of China Operations | - | - | - | - | - | - | - | - | - | - |
| Gain on Sale of ContentGuard | - | - | - | - | - | - | - | - | - | - |
| Gain on Sale of Scansoft (after taxes) | - | - | - | - | - | - | - | - | - | - |
| Gain on Sale of Integric (after taxes) | - | - | - | - | - | - | - | - | - | - |
| Gain on Return of Fuji Xerox Pension Obligation (after taxes) | - | - | - | - | - | - | - | - | - | - |
| Unhedged Aggregate Exchange (Gains)/Losses (after taxes) | 22 | 24 | - | - | 46 | - | - | - | - | - |
| Early Extinguishment of Debt (after taxes) | - | - | - | - | - | - | 45 | - | - | 45 |
| Ending Xerox Employment | 74,600 | 72,400 | 69,900 | 67,800 | 67,800 | 64,700 | 63,900 | 62,800 | 61,085 | 61,085 |

Xerox Financial History
(unaudited)

(in \$ millions, except per-share data)

| | 2004 | | | | | 2005 | | | | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | Q1 | Q2 | Q3 | Q4 | FY | Q1 | Q2 | Q3 | Q4 | FY |
| Revenues | | | | | | | | | | |
| Sales | 1,681 | 1,759 | 1,652 | 2,167 | 7,259 | 1,694 | 1,827 | 1,721 | 2,158 | 7,400 |
| Service, outsourcing, rentals | 1,908 | 1,860 | 1,834 | 1,927 | 7,529 | 1,849 | 1,874 | 1,822 | 1,881 | 7,426 |
| Finance income | 238 | 234 | 230 | 232 | 934 | 228 | 220 | 216 | 211 | 875 |
| Total Revenues | 3,827 | 3,853 | 3,716 | 4,326 | 15,722 | 3,771 | 3,921 | 3,759 | 4,250 | 15,701 |
| Cost of Revenue | | | | | | | | | | |
| Cost of sales | 1,083 | 1,082 | 1,003 | 1,377 | 4,545 | 1,047 | 1,170 | 1,108 | 1,370 | 4,695 |
| Cost of service, outsourcing, rentals | 1,102 | 1,052 | 1,049 | 1,092 | 4,295 | 1,062 | 1,083 | 1,017 | 1,045 | 4,207 |
| Equipment finance interest | 89 | 86 | 85 | 85 | 345 | 86 | 83 | 81 | 76 | 326 |
| Total Cost of Revenue | 2,274 | 2,220 | 2,137 | 2,554 | 9,185 | 2,195 | 2,336 | 2,206 | 2,491 | 9,228 |
| Gross Profit | | | | | | | | | | |
| Sales gross profit | 598 | 677 | 649 | 790 | 2,714 | 647 | 657 | 613 | 788 | 2,705 |
| Service, outsourcing, rentals gross profit | 806 | 808 | 785 | 835 | 3,234 | 787 | 791 | 805 | 836 | 3,219 |
| Finance gross profit | 149 | 148 | 145 | 147 | 589 | 142 | 137 | 135 | 135 | 549 |
| Gross Profit | 1,553 | 1,633 | 1,579 | 1,772 | 6,537 | 1,576 | 1,585 | 1,553 | 1,759 | 6,473 |
| Research, development & engineering | 222 | 228 | 234 | 230 | 914 | 225 | 242 | 242 | 234 | 943 |
| Bad Debt Expense | 44 | 35 | 21 | 10 | 110 | 19 | 15 | 20 | 18 | 72 |
| Selling, administrative and general exp. (Excl Bad Debts) | 992 | 1,015 | 1,015 | 1,071 | 4,093 | 990 | 1,031 | 991 | 1,026 | 4,038 |
| Total Selling, administrative and general exp. | 1,036 | 1,050 | 1,036 | 1,081 | 4,203 | 1,009 | 1,046 | 1,011 | 1,044 | 4,110 |
| Non-financing interest expense ¹ | 95 | 84 | 91 | 93 | 363 | 61 | 62 | 55 | 53 | 231 |
| Aggregate Exchange (gains) / losses | 8 | 18 | 20 | 27 | 73 | 16 | (6) | - | (5) | 5 |
| Amortization of Goodwill and intangibles | 9 | 9 | 9 | 10 | 37 | 9 | 10 | 10 | 9 | 38 |
| All other, net | (25) | (61) | 3 | (21) | (104) | (118) | (80) | 141 | 7 | (50) |
| Total Other, net | 87 | 50 | 123 | 109 | 369 | (32) | (14) | 206 | 64 | 224 |
| Restructuring and asset impairment charges | 6 | 33 | 23 | 24 | 86 | 85 | 194 | 17 | 70 | 366 |
| Gain on sale of half of interest in Fuji Xerox | - | - | - | - | - | - | - | - | - | - |
| Gain on sale of China operations | - | - | - | - | - | - | - | - | - | - |
| Gain on affiliates' sales of stock, net | - | - | - | - | - | - | - | - | - | - |
| Purchased in-process research and development | - | - | - | - | - | - | - | - | - | - |
| Total Costs and Expenses | 3,625 | 3,581 | 3,553 | 3,998 | 14,757 | 3,482 | 3,804 | 3,682 | 3,903 | 14,871 |
| Income (Loss) before Income Taxes (benefits), | | | | | | | | | | |
| Equity Income and Cumulative Effect of | | | | | | | | | | |
| Change in Accounting Principle | 202 | 272 | 163 | 328 | 965 | 289 | 117 | 77 | 347 | 830 |
| Income Taxes (benefits) ¹ | 67 | 91 | 62 | 120 | 340 | 116 | (233) | 29 | 83 | (5) |
| Equity in Net Income of Unconsol. Affil. | 30 | 27 | 62 | 32 | 151 | 37 | 20 | 23 | 18 | 98 |
| Income(Loss) from Continuing Operations before | | | | | | | | | | |
| Cumulative effect of change in accounting | | | | | | | | | | |
| principle | 165 | 208 | 163 | 240 | 776 | 210 | 370 | 71 | 282 | 933 |
| Cumulative effect of change in accounting principle, net of tax | - | - | - | - | - | - | - | (8) | - | (8) |
| Gain on sale of ContentGuard, net of income taxes of \$26 | 83 | - | - | - | 83 | - | - | - | - | - |
| Discontinued Operations, net of taxes | - | - | - | - | - | - | 53 | - | - | 53 |
| Net Income/(Loss) | 248 | 208 | 163 | 240 | 859 | 210 | 423 | 63 | 282 | 978 |
| Preferred Dividends/ | | | | | | | | | | |
| Other | (24) | (21) | (14) | (14) | (73) | (14) | (15) | (14) | (15) | (58) |
| - Diluted | (4) | 11 | - | 9 | 45 | 1 | - | (14) | - | 1 |
| Adjusted Average Shares | | | | | | | | | | |
| - Basic | 799 | 817 | 841 | 879 | 834 | 959 | 960 | 962 | 951 | 957 |
| - Diluted | 968 | 1,046 | 969 | 1,048 | 1,047 | 1,050 | 1,048 | 973 | 1,039 | 1,045 |
| Earnings Per Share | | | | | | | | | | |
| - Basic | 0.28 | 0.23 | 0.18 | 0.26 | 0.94 | 0.20 | 0.43 | 0.05 | 0.28 | 0.96 |
| - Diluted | 0.25 | 0.21 | 0.17 | 0.24 | 0.86 | 0.20 | 0.40 | 0.05 | 0.27 | 0.94 |
| Key Ratios: | | | | | | | | | | |
| Gross Margins | | | | | | | | | | |
| - Sales | 35.6% | 38.5% | 39.3% | 36.5% | 37.4% | 38.2% | 36.0% | 35.6% | 36.5% | 36.6% |
| - Service/Outsourcing/Rentals | 42.2% | 43.4% | 42.8% | 43.2% | 43.0% | 42.6% | 42.2% | 44.2% | 44.4% | 43.3% |
| - Financing | 62.6% | 63.2% | 63.0% | 63.4% | 63.1% | 62.3% | 62.3% | 62.5% | 64.0% | 62.7% |
| - Total | 40.6% | 42.4% | 42.5% | 41.0% | 41.6% | 41.8% | 40.4% | 41.3% | 41.4% | 41.2% |
| SAG as a % of Revenue | 27.1% | 27.3% | 27.9% | 25.0% | 26.7% | 26.8% | 26.7% | 26.9% | 24.6% | 26.2% |
| Tax Rate | 33.2% | 33.5% | 38.0% | 36.6% | 35.2% | 40.1% | n/m | 37.7% | 23.9% | n/m |
| Other Data: | | | | | | | | | | |
| Restructuring and Asset Impairment Charges (after taxes) | 4 | 22 | 16 | 13 | 55 | 55 | 130 | 11 | 51 | 247 |
| Tax benefit from finalization of 1996 - 1998 IRS Tax Audit - Continuing Operations (after taxes) | - | - | - | - | - | - | 290 | - | - | 290 |
| Finalization of 1996 - 1998 IRS Tax Audit Discontinued Operations Income (after taxes) | - | - | - | - | - | - | 53 | - | - | 53 |
| Provisions for Litigation Matters (after taxes) | - | - | - | - | - | - | - | 79 | - | 79 |
| Losses on Hurricane Katrina (after taxes) | - | - | - | - | - | - | - | 9 | - | 9 |
| Changes in Accounting Principles (WEEE/FIN 47) (after taxes) | - | - | - | - | - | - | - | 26 | - | 26 |
| Gain on Sale of ContentGuard (after taxes) | 83 | - | - | - | 83 | - | - | - | - | - |
| Gain on Sale of Scansoft (after taxes) | - | 30 | - | - | 30 | - | - | - | - | - |
| Gain on Sale of Integic (after taxes) | - | - | - | - | - | 58 | - | - | - | 58 |
| Gain on Return of Fuji Xerox Pension Obligation (after taxes) | - | - | 38 | - | 38 | - | - | - | - | - |
| Early Extinguishment of Debt (after taxes) | - | - | - | - | - | - | - | - | - | - |
| UK Tax Settlement | - | - | - | - | - | - | - | - | - | 0 |
| Ending Xerox Employment | 60,592 | 60,001 | 59,262 | 58,098 | 58,098 | 57,989 | 57,300 | 56,276 | 55,229 | 55,229 |

Note: Certain reclassifications of prior year amounts have been made to conform to the current year presentation.

¹ Amounts include reclassifications for the effects of adopting Fin 46R.

n/m - percent not meaningful

Xerox Financial History
 (unaudited)

(In \$ millions, except per-share data)

| | 2006 | | | | | 2007 | | | | |
|--|-------------------------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|--------------|---------------|
| | Q1 | Q2 | Q3 | Q4 | FY | Q1 | Q2 | Q3 | Q4 | FY |
| Revenues | | | | | | | | | | |
| Sales | 1,666 | 1,882 | 1,736 | 2,180 | 7,464 | 1,707 | 1,976 | 2,030 | 2,479 | 8,192 |
| Service, outsourcing, rentals | 1,816 | 1,884 | 1,900 | 1,991 | 7,591 | 1,924 | 2,027 | 2,068 | 2,195 | 8,214 |
| Finance income | 213 | 211 | 208 | 208 | 840 | 205 | 205 | 204 | 208 | 822 |
| Total Revenues | 3,695 | 3,977 | 3,844 | 4,379 | 15,895 | 3,836 | 4,208 | 4,302 | 4,882 | 17,228 |
| Cost of Revenue | | | | | | | | | | |
| Cost of sales | 1,075 | 1,200 | 1,142 | 1,386 | 4,803 | 1,084 | 1,286 | 1,316 | 1,568 | 5,254 |
| Cost of service, outsourcing, rentals | 1,060 | 1,068 | 1,083 | 1,117 | 4,328 | 1,118 | 1,148 | 1,183 | 1,258 | 4,707 |
| Equipment finance interest | 76 | 76 | 75 | 78 | 305 | 78 | 79 | 79 | 80 | 316 |
| Total Cost of Revenue | 2,211 | 2,344 | 2,300 | 2,581 | 9,436 | 2,280 | 2,513 | 2,578 | 2,906 | 10,277 |
| Gross Profit | | | | | | | | | | |
| Sales gross profit | 591 | 682 | 594 | 794 | 2,661 | 623 | 690 | 714 | 911 | 2,938 |
| Service, outsourcing, rentals gross profit | 756 | 816 | 817 | 874 | 3,263 | 806 | 879 | 885 | 937 | 3,507 |
| Finance gross profit | 137 | 135 | 133 | 130 | 535 | 127 | 126 | 125 | 128 | 506 |
| Gross Profit | 1,484 | 1,633 | 1,544 | 1,798 | 6,459 | 1,556 | 1,695 | 1,724 | 1,976 | 6,951 |
| Research, development & engineering | 225 | 230 | 230 | 237 | 922 | 218 | 223 | 233 | 238 | 912 |
| Bad Debt Expense | 20 | 21 | 30 | 16 | 87 | 27 | 39 | 27 | 41 | 134 |
| Selling, administrative and general exp. (Excl Bad Debts) | 963 | 999 | 955 | 1,004 | 3,921 | 927 | 1,042 | 1,064 | 1,145 | 4,178 |
| Total Selling, administrative and general exp. | 983 | 1,020 | 985 | 1,020 | 4,008 | 954 | 1,081 | 1,091 | 1,186 | 4,312 |
| Non-financing interest expense ¹ | 54 | 60 | 63 | 62 | 239 | 58 | 70 | 75 | 60 | 263 |
| Aggregate Exchange (gains) / losses | 14 | 10 | 7 | 8 | 39 | 3 | (1) | (8) | 14 | 8 |
| Amortization of Goodwill and intangibles | 10 | 10 | 10 | 11 | 41 | 6 | 10 | 13 | 13 | 42 |
| All other, net | (10) | 2 | 48 | (23) | 17 | (10) | (1) | (1) | (6) | (18) |
| Total Other, net | 68 | 82 | 128 | 58 | 336 | 57 | 78 | 79 | 81 | 295 |
| Restructuring and asset impairment charges | - | 36 | 110 | 239 | 385 | (2) | (2) | (3) | 1 | (6) |
| Gain on sale of half of interest in Fuji Xerox | - | - | - | - | - | - | - | - | - | - |
| Gain on sale of China operations | - | - | - | - | - | - | - | - | - | - |
| Gain on affiliates' sales of stock, net | - | - | - | - | - | - | - | - | - | - |
| Purchased in-process research and development | - | - | - | - | - | - | - | - | - | - |
| Total Costs and Expenses | 3,487 | 3,712 | 3,753 | 4,135 | 15,087 | 3,507 | 3,893 | 3,978 | 4,412 | 15,790 |
| Income (Loss) before Income Taxes (benefits), | | | | | | | | | | |
| Equity Income and Cumulative Effect of | | | | | | | | | | |
| Change in Accounting Principle | 208 | 265 | 91 | 244 | 808 | 329 | 315 | 324 | 470 | 1,438 |
| Income Taxes (benefits) ¹ | 47 | 22 | (416) | 59 | (288) | 102 | 76 | 97 | 125 | 400 |
| Equity in Net Income of Unconsol. Affil. | 39 | 17 | 29 | 29 | 114 | 6 | 27 | 27 | 37 | 97 |
| Income(Loss) from Continuing Operations before | | | | | | | | | | |
| Cumulative effect of change in accounting | | | | | | | | | | |
| principle | 200 | 260 | 536 | 214 | 1,210 | 233 | 266 | 254 | 382 | 1,135 |
| Cumulative effect of change in accounting principle, net of tax | - | - | - | - | - | - | - | - | - | - |
| Gain on sale of ContentGuard, net of income taxes of \$2€ | - | - | - | - | - | - | - | - | - | - |
| Discontinued Operations, net of taxes | - | - | - | - | - | - | - | - | - | - |
| Net Income/(Loss) | 200 | 260 | 536 | 214 | 1,210 | 233 | 266 | 254 | 382 | 1,135 |
| Preferred Dividends/ | - Basic | (14) | (15) | - | (29) | - | - | - | - | - |
| Other | - Diluted | 1 | - | - | 1 | - | 1 | - | - | 1 |
| Adjusted Average Shares | - Basic | 927 | 914 | 975 | 959 | 945 | 939 | 932 | 923 | 935 |
| | - Diluted | 1,017 | 1,002 | 989 | 977 | 962 | 957 | 951 | 942 | 953 |
| Earnings Per Share | - Basic | 0.20 | 0.27 | 0.55 | 0.22 | 0.25 | 0.28 | 0.27 | 0.41 | 1.21 |
| | - Diluted | 0.20 | 0.26 | 0.54 | 0.22 | 0.24 | 0.28 | 0.27 | 0.41 | 1.19 |
| Key Ratios: | | | | | | | | | | |
| Gross Margins | - Sales | 35.5% | 36.2% | 34.2% | 36.4% | 35.7% | 36.5% | 34.9% | 35.2% | 35.9% |
| | - Service/Outsourcing/Rentals | 41.6% | 43.3% | 43.0% | 43.9% | 43.0% | 41.9% | 43.4% | 42.8% | 42.7% |
| | - Financing | 64.3% | 64.0% | 63.9% | 62.5% | 63.7% | 62.0% | 61.5% | 61.3% | 61.5% |
| | - Total | 40.2% | 41.1% | 40.2% | 41.1% | 40.6% | 40.6% | 40.3% | 40.1% | 40.5% |
| SAG as a % of Revenue | | 26.6% | 25.6% | 25.6% | 23.3% | 25.2% | 24.9% | 25.7% | 25.4% | 24.3% |
| Tax Rate | | 22.6% | 8.3% | -457.1% | 24.2% | -35.6% | 31.0% | 24.1% | 29.9% | 26.6% |
| Other Data: | | | | | | | | | | |
| Restructuring and Asset Impairment Charges (after taxes) | - | 25 | 72 | 160 | 257 | (2) | (2) | (2) | 1 | (5) |
| Tax benefit from finalization of 1996 - 1998 IRS Tax Audit - Continuing Operations (after taxes) | - | - | - | - | - | - | - | - | - | - |
| Finalization of 1996 - 1998 IRS Tax Audit Discontinued Operations Income (after taxes) | - | - | - | - | - | - | - | - | - | - |
| Provisions for Litigation Matters (after taxes) | - | - | 68 | - | 68 | - | - | - | - | - |
| Losses on Hurricane Katrina (after taxes) | - | (2) | (2) | (1) | (5) | - | - | - | - | - |
| Changes in Accounting Principles (WEEE/FIN 47) (after taxes) | - | - | - | - | - | - | - | - | - | - |
| Gain on Sale of ContentGuard (after taxes) | - | - | - | - | - | - | - | - | - | - |
| Gain on Sale of Scansoft (after taxes) | - | - | - | - | - | - | - | - | - | - |
| Gain on Sale of Integic (after taxes) | - | - | - | - | - | - | - | - | - | - |
| Gain on Return of Fuji Xerox Pension Obligation (after taxes) | - | - | - | - | - | - | - | - | - | - |
| Early Extinguishment of Debt (after taxes) | - | 9 | - | 1 | 10 | - | - | - | - | - |
| UK Tax Settlement | - | 46 | (448) | - | (402) | - | - | - | - | - |
| Ending Xerox Employment | | 55,084 | 55,071 | 54,882 | 53,747 | 53,747 | 53,166 | 58,097 | 57,133 | 57,362 |

Note: Certain reclassifications of prior year amounts have been made to conform to the current year presentation.

¹ Amounts include reclassifications for the effects of adopting Fin 46R.

n/m - percent not meaningful

Xerox Financial History
 (unaudited)

(in \$ millions, except per-share data)

| | | 2008 | | | | |
|---|-------------------------------|--------------|--------------|--------------|----------|---------------|
| | | Q1 | Q2 | Q3 | Q4 | FY |
| Revenues | | | | | | |
| Sales | | 2,013 | 2,119 | 2,047 | | 6,179 |
| Service, outsourcing, rentals | | 2,113 | 2,207 | 2,126 | | 6,446 |
| Finance income | | 209 | 207 | 197 | | 613 |
| Total Revenues | | 4,335 | 4,533 | 4,370 | - | 13,238 |
| Cost of Revenue | | | | | | |
| Cost of sales | | 1,319 | 1,400 | 1,340 | | 4,059 |
| Cost of service, outsourcing, rentals | | 1,231 | 1,275 | 1,241 | | 3,747 |
| Equipment finance interest | | 80 | 79 | 75 | | 234 |
| Total Cost of Revenue | | 2,630 | 2,754 | 2,656 | - | 8,040 |
| Gross Profit | | | | | | |
| Sales gross profit | | 694 | 719 | 707 | | 2,120 |
| Service, outsourcing, rentals gross profit | | 882 | 932 | 885 | | 2,699 |
| Finance gross profit | | 129 | 128 | 122 | | 379 |
| Gross Profit | | 1,705 | 1,779 | 1,714 | - | 5,198 |
| Research, development & engineering | | | | | | |
| | | 221 | 223 | 228 | | 672 |
| Bad Debt Expense | | | | | | |
| | | 28 | 35 | 45 | | 108 |
| Selling, administrative and general exp. (Excl Bad Debts) | | | | | | |
| | | 1,096 | 1,135 | 1,093 | | 3,324 |
| Total Selling, administrative and general exp. | | 1,124 | 1,170 | 1,138 | - | 3,432 |
| Non-financing interest expense¹ | | | | | | |
| | | 54 | 65 | 71 | | 190 |
| Aggregate Exchange (gains) / losses | | | | | | |
| | | 19 | 2 | 9 | | 30 |
| Amortization of Goodwill and intangibles | | | | | | |
| | | 13 | 13 | 14 | | 40 |
| All other, net | | | | | | |
| | | 789 | (2) | 2 | | 789 |
| Total Other, net | | 875 | 78 | 96 | - | 1,049 |
| Restructuring and asset impairment charges | | | | | | |
| | | 3 | 63 | 14 | | 80 |
| Gain on sale of half of interest in Fuji Xerox | | | | | | |
| | | - | - | - | | - |
| Gain on sale of China operations | | | | | | |
| | | - | - | - | | - |
| Gain on affiliates' sales of stock, net | | | | | | |
| | | - | - | - | | - |
| Purchased in-process research and development | | | | | | |
| | | - | - | - | | - |
| Total Costs and Expenses | | 4,853 | 4,288 | 4,132 | - | 13,273 |
| Income (Loss) before Income Taxes (Benefits), | | | | | | |
| Equity Income and Cumulative Effect of | | | | | | |
| Change in Accounting Principle | | (518) | 245 | 238 | - | (35) |
| Income Taxes (benefits)¹ | | (246) | 59 | 15 | | (172) |
| Equity in Net Income of Unconsol. Affil. | | 28 | 29 | 35 | | 92 |
| Income(Loss) from Continuing Operations before | | | | | | |
| Cumulative effect of change in accounting | | | | | | |
| principle | | (244) | 215 | 258 | - | 229 |
| Cumulative effect of change in accounting principle, net of tax | | - | - | - | - | - |
| Gain on sale of ContentGuard, net of income taxes of \$2€ | | - | - | - | - | - |
| Discontinued Operations, net of taxes | | - | - | - | - | - |
| Net Income/(Loss) | | (244) | 215 | 258 | - | 229 |
| Preferred Dividends/ | | | | | | |
| Other | | | | | | |
| | - Basic | | | | | |
| | - Diluted | | | | | |
| Adjusted Average Shares | | | | | | |
| | - Basic | 911 | 890 | 871 | | 891 |
| | - Diluted | 911 | 903 | 887 | | 902 |
| Earnings Per Share | | | | | | |
| | - Basic | (0.27) | 0.24 | 0.30 | | 0.26 |
| | - Diluted | (0.27) | 0.24 | 0.29 | | 0.25 |
| Key Ratios: | | | | | | |
| Gross Margins | | | | | | |
| | - Sales | 34.5 % | 33.9 % | 34.5 % | #DIV/0! | 34.3 % |
| | - Service/Outsourcing/Rentals | 41.7 % | 42.2 % | 41.6 % | #DIV/0! | 41.9 % |
| | - Financing | 61.7 % | 61.8 % | 61.9 % | #DIV/0! | 61.8 % |
| | - Total | 39.3 % | 39.2 % | 39.2 % | #DIV/0! | 39.3 % |
| SAG as a % of Revenue | | 25.9 % | 25.8 % | 26.0 % | #DIV/0! | 25.9 % |
| Tax Rate | | 47.5 % | 24.1 % | 6.3 % | #DIV/0! | 491.4 % |
| Other Data: | | | | | | |
| Restructuring and Asset Impairment Charges (after taxes) | | 3 | 43 | 9 | | 55 |
| Tax benefit from finalization of 1996 - 1998 IRS Tax Audit - Continuing Operations (after taxes) | | - | - | - | | - |
| Finalization of 1996 - 1998 IRS Tax Audit Discontinued Operations Income (after taxes) | | - | - | - | | - |
| Provisions for Litigation Matters (after taxes) | | 491 | - | - | | 491 |
| Losses on Hurricane Katrina (after taxes) | | - | - | - | | - |
| Changes in Accounting Principles (WEEE/FIN 47) (after taxes) | | - | - | - | | - |
| Gain on Sale of ContentGuard (after taxes) | | - | - | - | | - |
| Gain on Sale of Scansoft (after taxes) | | - | - | - | | - |
| Gain on Sale of Integic (after taxes) | | - | - | - | | - |
| Gain on Return of Fuji Xerox Pension Obligation (after taxes) | | - | - | - | | - |
| Early Extinguishment of Debt (after taxes) | | - | - | - | | - |
| UK Tax Settlement | | - | - | - | | - |
| Ending Xerox Employment | | 57,522 | 58,017 | 57,368 | | 57,368 |

Note: Certain reclassifications of prior year amounts have been made to conform to the current year presentation.

¹ Amounts include reclassifications for the effects of adopting Fin 46R.

n/m - percent not meaningful

**Xerox Financial History
(unaudited)**

| (in \$ millions) | 2008 | | | | |
|-------------------------|--------------|--------------|--------------|----------------|---------------|
| | Q1 | Q2 | Q3 | Q4 | FY |
| Revenues | | | | | |
| Production | 1,271 | 1,337 | 1,272 | | 3,880 |
| Office | 2,447 | 2,526 | 2,446 | | 7,419 |
| Other | 617 | 670 | 652 | | 1,939 |
| Total Revenues | 4,335 | 4,533 | 4,370 | - | 13,238 |
| Memo: Color Revenues | 1,602 | 1,700 | 1,636 | | 4,938 |
| Operating Profit | | | | | |
| Production | 101 | 87 | 83 | | 271 |
| Office | 265 | 279 | 260 | | 804 |
| Other | (40) | (16) | (46) | | (102) |
| Operating Profit | 326 | 350 | 297 | - | 973 |
| Operating Margin | | | | | |
| Production | 7.9% | 6.5% | 6.5% | #DIV/0! | 7.0% |
| Office | 10.8% | 11.0% | 10.6% | #DIV/0! | 10.8% |
| Other | (6.5%) | (2.4%) | (7.1%) | #DIV/0! | (5.3%) |
| Operating Margin | 7.5% | 7.7% | 6.8% | #DIV/0! | 7.4% |

| (in \$ millions) | 2004 | | | | |
|-------------------------|--------------|--------------|--------------|--------------|---------------|
| | Q1 | Q2 | Q3 | Q4 | FY |
| Revenues | | | | | |
| Production | 1,094 | 1,122 | 1,067 | 1,307 | 4,590 |
| Office | 1,857 | 1,869 | 1,819 | 2,082 | 7,627 |
| Developing Markets | 420 | 417 | 406 | 464 | 1,707 |
| Other | 456 | 445 | 424 | 473 | 1,798 |
| Total Revenues | 3,827 | 3,853 | 3,716 | 4,326 | 15,722 |
| Memo: Color Revenues | 957 | 1,025 | 975 | 1,231 | 4,188 |
| Operating Profit | | | | | |
| Production | 82 | 122 | 105 | 202 | 511 |
| Office | 169 | 187 | 182 | 241 | 779 |
| Developing Markets | 19 | 6 | 4 | 6 | 35 |
| Other | (32) | 17 | (43) | (67) | (125) |
| Operating Profit | 238 | 332 | 248 | 382 | 1,200 |
| Operating Margin | | | | | |
| Production | 7.5% | 10.9% | 9.8% | 15.5% | 11.1% |
| Office | 9.1% | 10.0% | 10.0% | 11.6% | 10.2% |
| Developing Markets | 4.5% | 1.4% | 1.0% | 1.3% | 2.1% |
| Other | (7.0%) | 3.8% | (10.1%) | (14.2%) | (7.0%) |
| Operating Margin | 6.2% | 8.6% | 6.7% | 8.8% | 7.6% |

| 2005 | | | | |
|--------------|--------------|--------------|--------------|---------------|
| Q1 | Q2 | Q3 | Q4 | FY |
| 1,072 | 1,125 | 1,058 | 1,285 | 4,540 |
| 1,829 | 1,914 | 1,848 | 2,027 | 7,618 |
| 412 | 440 | 446 | 514 | 1,812 |
| 458 | 442 | 407 | 424 | 1,731 |
| 3,771 | 3,921 | 3,759 | 4,250 | 15,701 |
| 1,097 | 1,200 | 1,189 | 1,443 | 4,929 |
| 101 | 79 | 73 | 174 | 427 |
| 192 | 173 | 189 | 265 | 819 |
| 10 | 19 | 18 | 17 | 64 |
| 109 | 66 | (14) | (10) | 151 |
| 412 | 337 | 266 | 446 | 1,461 |
| 9.4% | 7.0% | 6.9% | 13.5% | 9.4% |
| 10.5% | 9.0% | 10.2% | 13.1% | 10.8% |
| 2.4% | 4.3% | 4.0% | 3.3% | 3.5% |
| 23.8% | 14.9% | (3.4%) | (2.4%) | 8.7% |
| 10.9% | 8.6% | 7.1% | 10.5% | 9.3% |

| 2006 | | | | |
|--------------|--------------|--------------|--------------|---------------|
| Q1 | Q2 | Q3 | Q4 | FY |
| 1,035 | 1,134 | 1,088 | 1,322 | 4,579 |
| 1,804 | 1,927 | 1,849 | 2,045 | 7,625 |
| 436 | 469 | 478 | 555 | 1,938 |
| 420 | 447 | 429 | 457 | 1,753 |
| 3,695 | 3,977 | 3,844 | 4,379 | 15,895 |
| 1,214 | 1,364 | 1,379 | 1,623 | 5,578 |
| 67 | 88 | 73 | 175 | 403 |
| 160 | 213 | 183 | 276 | 832 |
| 17 | 34 | 28 | 45 | 124 |
| 3 | (13) | 15 | 26 | 31 |
| 247 | 322 | 299 | 522 | 1,390 |
| 6.5% | 7.8% | 6.7% | 13.2% | 8.8% |
| 8.9% | 11.1% | 9.9% | 13.5% | 10.9% |
| 3.9% | 7.2% | 5.9% | 8.1% | 6.4% |
| 0.7% | (2.9%) | 3.5% | 5.7% | 1.8% |
| 6.7% | 8.1% | 7.8% | 11.9% | 8.7% |

| 2007 | | | | |
|--------------|--------------|--------------|--------------|---------------|
| Q1 | Q2 | Q3 | Q4 | FY |
| 1,194 | 1,281 | 1,286 | 1,554 | 5,315 |
| 2,105 | 2,327 | 2,384 | 2,657 | 9,473 |
| - | - | - | - | - |
| 537 | 600 | 632 | 671 | 2,440 |
| 3,836 | 4,208 | 4,302 | 4,882 | 17,228 |
| 1,423 | 1,531 | 1,564 | 1,843 | 6,356 |
| 119 | 111 | 126 | 206 | 562 |
| 259 | 267 | 259 | 330 | 1,115 |
| - | - | - | - | - |
| (16) | (31) | (25) | (17) | (89) |
| 362 | 347 | 360 | 519 | 1,588 |
| 10.0% | 8.7% | 9.8% | 13.3% | 10.6% |
| 12.3% | 11.5% | 10.9% | 12.4% | 11.8% |
| - | - | - | - | - |
| (3.0%) | (5.2%) | (4.0%) | (2.5%) | (3.7%) |
| 9.4% | 8.2% | 8.4% | 10.6% | 9.2% |