



Xerox Financial Model
(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 ²			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, Cumulative Effect of Change in Accounting Principle and Noncontrolling Interests			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 and Noncontrolling Interests	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)
Less: Net Income attributable to Noncontrolling Interests²					<<Data not available>>				
Net Income (Loss) attributable to Xerox Corporation	893	(167)	844	(273)	222	(107)	(69)	(140)	(94)
Preferred Dividends/ Other	- Basic			(46)	(12)	-	-	-	(12)
	- Diluted			(46)	(12)	-	-	-	(12)
Adjusted Average Shares	- Basic			668	680	701	718	722	704
	- Diluted			668	782	701	718	722	704
Earnings Per Share	- Basic	1.30	(0.32)	1.20	(0.48)	0.31	(0.15)	(0.10)	(0.15)
	- Diluted	1.24	(0.32)	1.17	(0.48)	0.28	(0.15)	(0.10)	(0.15)
Key Ratios:									
Gross Margins	- Sales	39.5%	40.5%	37.2%	31.2%	27.0%	30.6%	28.4%	31.3%
	- Service/Outsourcing/Rentals	48.4%	46.6%	44.7%	41.1%	39.5%	44.7%	42.9%	42.2%
	- Financing	58.6%	58.2%	63.0%	57.1%	55.5%	56.3%	60.8%	59.5%
	- Total	44.8%	44.3%	42.3%	37.4%	35.1%	39.3%	38.0%	38.6%
SAG as a % of Revenue		29.8%	28.3%	27.4%	29.4%	26.8%	28.5%	29.0%	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

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.

² Amounts include reclassifications for the effects of adopting FAS 160



(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 ²	(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, Cumulative Effect of Change											
in Accounting Principle and Noncontrolling Interests	(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 and Noncontrolling Interests	(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	
Less: Net Income attributable to Noncontrolling Interests²						<<Data not available>>					
Net Income (Loss) attributable to Xerox Corporation	(114)	87	99	19	91	(66)	86	118	222	360	
Preferred Dividends/											
Other	- Basic	-	-	(63)	(10)	(73)	(10)	(11)	(25)	(25)	(71)
	- Diluted	-	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 Integic (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	

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.

² Amounts include reclassifications for the effects of adopting FAS 160

(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 ²	(25)	(61)	3	(21)	(104)	(120)	(87)	140	2	(65)	
Total Other, net	87	50	123	109	369	(34)	(21)	205	59	209	
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	3,480	3,797	3,681	3,898	14,856	
Income (Loss) before Income Taxes (Benefits), Equity Income, Cumulative Effect of Change in Accounting Principle and Noncontrolling Interests	202	272	163	328	965	291	124	78	352	845	
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 and Noncontrolling Interests	165	208	163	240	776	212	377	72	287	948	
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	212	430	64	287	993	
Less: Net Income attributable to Noncontrolling Interests ²	<<Data not available>>					2	7	1	5	15	
Net Income (Loss) attributable to Xerox Corporation	248	208	163	240	859	210	423	63	282	978	
Preferred Dividends/ Other	- Basic - Diluted	(24) (4)	(21) 11	(14) -	(14) 9	(73) 45	(14) 1	(15) -	(14) (14)	(15) -	(58) 1
Adjusted Average Shares	- Basic - Diluted	799 968	817 1,046	841 969	879 1,048	834 1,047	959 1,050	960 1,048	962 973	951 1,039	957 1,045
Earnings Per Share	- Basic - Diluted	0.28 0.25	0.23 0.21	0.18 0.17	0.26 0.24	0.94 0.86	0.20 0.20	0.43 0.40	0.05 0.05	0.28 0.27	0.96 0.94
Key Ratios:											
Gross Margins	- Sales - Service/Outsourcing/Rentals - Financing - Total	35.6% 42.2% 62.6% 40.6%	38.5% 43.4% 63.2% 42.4%	39.3% 42.8% 63.0% 42.5%	36.5% 43.2% 63.4% 41.0%	37.4% 43.0% 63.1% 41.6%	38.2% 42.6% 62.3% 41.8%	36.0% 42.2% 62.3% 40.4%	35.6% 44.2% 62.5% 41.3%	36.5% 44.4% 64.0% 41.4%	36.6% 43.3% 62.7% 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%	39.9%	n/m	37.2%	23.6%	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 (after taxes)	-	-	-	-	-	-	-	-	-	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.

² Amounts include reclassifications for the effects of adopting FAS 160

n/m - percent not meaningful

(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 ²	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 ²	(12)	(3)	43	(33)	(5)	(16)	(8)	(8)	(16)	(48)	
Total Other, net	66	77	123	48	314	51	71	72	71	265	
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	3,485	3,707	3,748	4,125	15,065	3,501	3,886	3,971	4,402	15,760	
Income (Loss) before Income Taxes (Benefits)											
Equity Income, Cumulative Effect of Change in Accounting Principle and Noncontrolling Interests	210	270	96	254	830	335	322	331	480	1,468	
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 and Noncontrolling Interests	202	265	541	224	1,232	239	273	261	392	1,165	
Cumulative effect of change in accounting principle, net of tax	-	-	-	-	-	-	-	-	-	-	
Gain on sale of ContentGuard, net of income taxes of \$26	-	-	-	-	-	-	-	-	-	-	
Discontinued Operations, net of taxes	-	-	-	-	-	-	-	-	-	-	
Net Income (Loss)	202	265	541	224	1,232	239	273	261	392	1,165	
Less: Net Income attributable to Noncontrolling Interests²	2	5	5	10	22	6	7	7	10	30	
Net Income (Loss) attributable to Xerox Corporation	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%	36.7%	35.9%
	- Service/Outsourcing/Rentals	41.6%	43.3%	43.0%	43.9%	43.0%	41.9%	43.4%	42.8%	42.7%	42.7%
	- Financing	64.3%	64.0%	63.9%	62.5%	63.7%	62.0%	61.5%	61.3%	61.5%	61.6%
	- Total	40.2%	41.1%	40.2%	41.1%	40.6%	40.6%	40.3%	40.1%	40.5%	40.3%
SAG as a % of Revenue		26.6%	25.6%	25.6%	23.3%	25.2%	24.9%	25.7%	25.4%	24.3%	25.0%
Tax Rate		22.4%	8.1%	-433.3%	23.2%	-34.7%	30.4%	23.6%	29.3%	26.0%	27.2%
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 (after taxes)	-	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.

² Amounts include reclassifications for the effects of adopting FAS 160

n/m - percent not meaningful



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

	2008					2009					
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	
Revenues											
Sales	2,013	2,119	2,047	2,146	8,325	1,494	1,602	1,555		4,651	
Service, outsourcing, rentals	2,113	2,207	2,126	2,039	8,485	1,880	1,951	1,942		5,773	
Finance income	209	207	197	185	798	180	178	178		536	
Total Revenues	4,335	4,533	4,370	4,370	17,608	3,554	3,731	3,675	-	10,960	
Cost of Revenue											
Cost of sales	1,319	1,400	1,340	1,460	5,519	1,004	1,065	1,031		3,100	
Cost of service, outsourcing, rentals	1,231	1,275	1,241	1,182	4,929	1,100	1,100	1,113		3,313	
Equipment finance interest	80	79	75	71	305	69	68	67		204	
Total Cost of Revenue	2,630	2,754	2,656	2,713	10,753	2,173	2,233	2,211	-	6,617	
Gross Profit											
Sales gross profit	694	719	707	686	2,806	490	537	524		1,551	
Service, outsourcing, rentals gross profit	882	932	885	857	3,556	780	851	829		2,460	
Finance gross profit	129	128	122	114	493	111	110	111		332	
Gross Profit	1,705	1,779	1,714	1,657	6,855	1,381	1,498	1,464	-	4,343	
Research, development & engineering	221	223	228	212	884	204	202	209		615	
Bad Debt Expense	28	34	45	80	187	69	81	59		209	
Selling, administrative and general exp. (Excl Bad Debts)	1,096	1,136	1,093	1,022	4,347	935	932	948		2,815	
Total Selling, administrative and general exp.	1,124	1,170	1,138	1,102	4,534	1,004	1,013	1,007	-	3,024	
Non-financing interest expense ¹	54	65	71	72	262	61	63	64		188	
Aggregate Exchange (gains) / losses	19	2	9	4	34	20	1	5		26	
Amortization of Goodwill and intangibles	13	13	14	14	54	14	15	15		44	
All other, net ²	780	(11)	(7)	(25)	737	2	8	8		18	
Total Other, net	866	69	87	65	1,087	97	87	92	-	276	
Restructuring and asset impairment charges	3	63	14	349	429	(2)	(1)	(2)		(5)	
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	4,844	4,279	4,123	4,441	17,687	3,476	3,534	3,517	-	10,527	
Income (Loss) before Income Taxes (Benefits), Equity Income, Cumulative Effect of Change in Accounting Principle and Noncontrolling Interests	(509)	254	247	(71)	(79)	78	197	158	-	433	
Income Taxes (Benefits) ¹	(246)	59	15	(59)	(231)	19	59	44		122	
Equity in Net Income (Loss) of Unconsol. Affil.	28	29	35	21	113	(10)	9	15		14	
Income (Loss) from Continuing Operations before Cumulative effect of change in accounting principle and Noncontrolling Interests	(235)	224	267	9	265	49	147	129	-	325	
Cumulative effect of change in accounting principle, net of tax	-	-	-	-	-	-	-	-		-	
Gain on sale of ContentGuard, net of income taxes of \$26	-	-	-	-	-	-	-	-		-	
Discontinued Operations, net of taxes	-	-	-	-	-	-	-	-		-	
Net Income (Loss)	(235)	224	267	9	265	49	147	129	-	325	
Less: Net Income attributable to Noncontrolling Interests²	9	9	9	8	35	7	7	6		20	
Net Income (Loss) attributable to Xerox Corporation	(244)	215	258	1	230	42	140	123	-	305	
Preferred Dividends/ Other	- Basic	-	-	-	-	-	-	-		-	
	- Diluted	-	-	-	-	-	-	-		-	
Adjusted Average Shares	- Basic	911	890	871	867	885	867	870	871	870	
	- Diluted	911	903	887	875	896	878	879	883	875	
Earnings (Loss) Per Share	- Basic	(0.27)	0.24	0.30	-	0.26	0.05	0.16	0.14	0.35	
	- Diluted	(0.27)	0.24	0.29	-	0.26	0.05	0.16	0.14	0.35	
Key Ratios:											
Gross Margins	- Sales	34.5%	33.9%	34.5%	32.0%	33.7%	32.8%	33.5%	33.7%	#DIV/0!	33.3%
	- Service/Outsourcing/Rentals	41.7%	42.2%	41.6%	42.0%	41.9%	41.5%	43.6%	42.7%	#DIV/0!	42.6%
	- Financing	61.7%	61.8%	61.9%	61.6%	61.8%	61.7%	61.8%	62.4%	#DIV/0!	61.9%
	- Total	39.3%	39.2%	39.2%	37.9%	38.9%	38.9%	40.2%	39.8%	#DIV/0!	39.6%
SAG as a % of Revenue		25.9%	25.8%	26.0%	25.2%	25.7%	28.2%	27.2%	27.4%	#DIV/0!	27.6%
Tax Rate		48.3%	23.2%	6.1%	83.1%	292.4%	24.4%	29.9%	27.8%	#DIV/0!	28.2%
Other Data:											
Restructuring and Asset Impairment Charges (after taxes)	-	43	9	240	292	-	-	-		-	
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 Integric (after taxes)	-	-	-	-	-	-	-	-		-	
Gain on Return of Fuji Xerox Pension Obligation (after taxes)	-	-	-	-	-	-	-	-		-	
Early Extinguishment of Debt (after taxes)	-	-	-	-	-	-	-	-		-	
UK Tax Settlement (after taxes)	-	-	-	-	-	-	-	-		-	
Acquisition related costs (after taxes)	-	-	-	-	-	-	-	8		8	
Equipment write-off (after taxes)	-	-	-	24	24	-	-	-		-	
Ending Xerox Employment	57,522	58,017	57,368	57,072	57,072	55,626	54,692	54,077		54,077	

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.

² Amounts include reclassifications for the effects of adopting FAS 160

n/m - percent not meaningful



Xerox Corporation Business Segment Performance
(unaudited)

(in \$ millions)

	2008					2009				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Revenues										
Production	1,271	1,337	1,272	1,357	5,237	1,053	1,095	1,092		3,240
Office	2,447	2,526	2,446	2,409	9,828	2,011	2,126	2,070		6,207
Other	617	670	652	604	2,543	490	510	513		1,513
Total Revenues	4,335	4,533	4,370	4,370	17,608	3,554	3,731	3,675	-	10,960
Memo: Color Revenues	1,602	1,700	1,636	1,731	6,669	1,365	1,456	1,411		4,232
Operating Profit (Loss)										
Production	101	87	83	123	394	40	51	59		150
Office	265	279	260	258	1,062	138	229	201		568
Other	(40)	(16)	(46)	(63)	(165)	(90)	(66)	(71)		(227)
Operating Profit (Loss)	326	350	297	318	1,291	88	214	189	-	491
Operating Margin	7.5%	7.7%	6.8%	7.3%	7.3%	2.5%	5.7%	5.1%	#DIV/0!	4.5%

(in \$ millions)

	2004					2005					2006					2007				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Revenues																				
Production	1,094	1,122	1,067	1,307	4,590	1,072	1,125	1,058	1,285	4,540	1,035	1,134	1,088	1,322	4,579	1,194	1,281	1,286	1,554	5,315
Office	1,857	1,869	1,819	2,082	7,627	1,829	1,914	1,848	2,027	7,618	1,804	1,927	1,849	2,045	7,625	2,105	2,327	2,384	2,657	9,473
Developing Markets	420	417	406	464	1,707	412	440	446	514	1,812	436	469	478	555	1,938	-	-	-	-	-
Other	456	445	424	473	1,798	458	442	407	424	1,731	420	447	429	457	1,753	537	600	632	671	2,440
Total Revenues	3,827	3,853	3,716	4,326	15,722	3,771	3,921	3,759	4,250	15,701	3,695	3,977	3,844	4,379	15,895	3,836	4,208	4,302	4,882	17,228
Memo: Color Revenues	957	1,025	975	1,231	4,188	1,097	1,200	1,189	1,443	4,929	1,214	1,364	1,379	1,623	5,578	1,423	1,531	1,564	1,843	6,356
Operating Profit (Loss)																				
Production	82	122	105	202	511	101	79	73	174	427	67	88	73	175	403	119	111	126	206	562
Office	169	187	182	241	779	192	173	189	265	819	160	213	183	276	832	259	267	259	330	1,115
Developing Markets	19	6	4	6	35	10	19	18	17	64	17	34	28	45	124	-	-	-	-	-
Other	(32)	17	(63)	(67)	(125)	109	66	(14)	(10)	151	3	(13)	15	26	31	(16)	(31)	(25)	(17)	(89)
Operating Profit (Loss)	238	332	248	382	1,200	412	337	266	446	1,461	247	322	299	522	1,390	362	347	360	519	1,588
Operating Margin	7.5%	10.9%	9.8%	15.5%	11.1%	9.4%	7.0%	6.9%	13.5%	9.4%	6.5%	7.8%	6.7%	13.2%	8.8%	10.0%	8.7%	9.8%	13.3%	10.6%
Production	9.1%	10.0%	10.0%	11.6%	10.2%	10.5%	9.0%	10.2%	13.1%	10.8%	8.9%	11.1%	9.9%	13.5%	10.9%	12.3%	11.5%	10.9%	12.4%	11.8%
Office	4.5%	1.4%	1.0%	1.3%	2.1%	2.4%	4.3%	4.0%	3.3%	3.5%	3.9%	7.2%	5.9%	8.1%	6.4%	-	-	-	-	-
Developing Markets	(7.0%)	3.8%	(10.1%)	(14.2%)	(7.0%)	23.8%	14.9%	(3.4%)	(2.4%)	8.7%	0.7%	(2.9%)	3.5%	5.7%	1.8%	(3.0%)	(5.2%)	(4.0%)	(2.5%)	(3.7%)
Other	6.2%	8.6%	6.7%	8.8%	7.6%	10.9%	8.6%	7.1%	10.5%	9.3%	6.7%	8.1%	7.8%	11.9%	8.7%	9.4%	8.2%	8.4%	10.6%	9.2%