

Financial Overview

Larry Zimmerman

Executive Vice President & CFO

Today's Discussion

Business Model Fundamentals

Performance

Business Model

Cash Generation

Current Environment Questions

Business Model Fundamentals

Annuity Model

- + 70 % recurring revenue

Driven by:

- Equipment installs
- Machine population
- Pages
- Color pages
- Services

Cash Generation

- Consistent cash flow from operations
- Driven by recurring revenue
- Modest capital investment
- Return to shareholders:
 - Acquisitions
 - Share repurchase
 - Dividend

Expanded Earnings

- Modest revenue growth
- Ability to drive cost efficiencies to balance gross profit / expense
- Share repurchase leverage
- Accretive acquisitions

Performance

Annuity Performance

	'05	'06	'07	Q3 YTD '08
Annuity Revenue	\$11.2B	\$11.4B	\$12.5B	\$9.9B
Growth % (CC*)	(1)%	2%	3% ¹	3% ¹
	Q3 YTD '08			
Digital MIF Growth ²	6%			
Digital Page Growth ²	2%			
Color % Pages	16%			
Services Annuity Growth	6%			

Cash Generation

(in millions, except per share data)

	'05	'06	'07
Cash from Operations	\$1,420	\$1,617	\$1,871
Capital Investments	\$237	\$294	\$359
Free Cash Flow³	\$1,183	\$1,323	\$1,512
Free Cash Flow per share³	\$1.13	\$1.33	\$1.59

Shareholder Value

(in millions)

	'05	'06	'07	Q3 YTD '08
Acquisitions	-	\$229	\$1,600	\$153
Share Repurchase	\$432	\$1,068	\$631	\$802
Dividends	-	-	-	\$116

EPS⁴ Performance



*Constant Currency (CC): see slides 15 and 16 for explanation of non-GAAP measures; ¹Adjusted for GIS results: see slides 15 and 16 for explanation of non-GAAP measures

²Total Digital pages (includes estimates for DMO, GIS and printers), Machines in Fields (MIF) exclude printers, DMO & GIS

³ Free Cash Flow / Free Cash Flow per share: see slides 15 and 16 for explanation of non-GAAP measures

⁴Adjusted diluted EPS: see slides 15 and 16 for explanation of non-GAAP measures

Q3 2008 Year-to-Date Performance

(in millions, except per share data)	Q3 YTD '08	Q3 YTD '07	
Revenue	\$ 13,238	\$12,346	Driven by annuity growth
Gross Margin	39.3 %	40.3 %	Lower gross margin driven by channel and geographic mix
R,D&E % of Revenue	5.1 %	5.5 %	Consistent investment levels
SAG % of Revenue	25.9 %	25.3 %	Investments in coverage and marketing initiatives – stay the course
Adjusted Tax Rate	24 % ¹	28 %	Lower driven by geographic mix of income
Adjusted Diluted EPS	\$ 0.80 ²	\$0.79	Excludes litigation

Maintained our investment in distribution and coverage for 2008

¹Adjusted Tax Rate: see slides 15 and 16 for explanation of non-GAAP measures

²Adjusted Diluted EPS: see slides 15 and 16 for explanation of non-GAAP measures

Business Model Principles

- Modest revenue growth driven by annuity
- Over 70 % of revenue from Post Sale
- Global company – over 50 % of revenue generated from customers outside the U.S.
- Accretive acquisitions to drive organic growth
- Balance gross profit margin with expense ratio
- Modest increase in selling and R,D&E investments
- Expand earnings 10 to 15 %

	<u>'08</u>	<u>'09</u>	<u>Steady State</u>
Revenue at CC*	1%	1%	3 - 5%
GPM	39 - 40%	39 - 40%	39 - 41%
SG&A	25%	24 - 25%	23 - 24%
R,D&E	5%	4 - 5%	4%
ROS ¹	8%	8 - 9%	10 - 12%

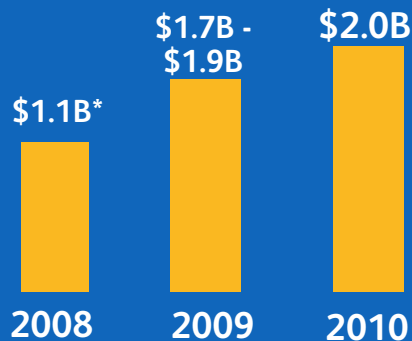
*Constant Currency (CC): see slides 15 and 16 for explanation of non-GAAP measures

¹ROS = (profit before tax + equity income) / total revenue

Cash Generation

- Investment Grade
- Deliver and grow cash consistent with earnings
- Conservative approach to use of cash
- Improving market conditions will provide further flexibility

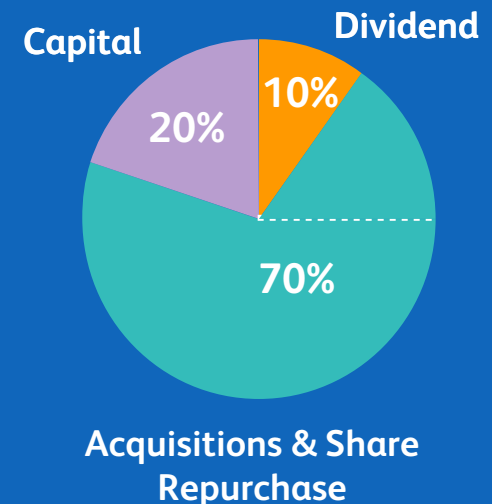
Core Cash Flow²



Conservative approach

	Cash	Debt
9/30/08 - Cash / Debt	\$0.9B	\$8.2B
Q4'08 / 2009 Cash flow	\$2.7B	
Q4'08 Litigation	\$(0.3)B	
Q4'08 / 2009 CAPEX	\$(0.4)B	
Q4'08 / 2009 Dividend	\$(0.2)B	
'09 Debt Payment	\$(1.6)B ¹	\$(1.6)B ¹
12/31/09 - Cash / Debt	\$1.1B	\$6.6B

Use of Core Cash Flow²



Cash flow from operations exceeds operational requirements and debt maturities

*2008 Core Cash Flow guidance reflects estimated impact from litigation

¹Includes \$448 puttable in 2009 ²Core Cash Flow: see slides 15 and 16 for explanation of non-GAAP measures

Current Environment Questions

Have you seen any increase in bad debt write-offs?

What are the 2009 pension expectations?

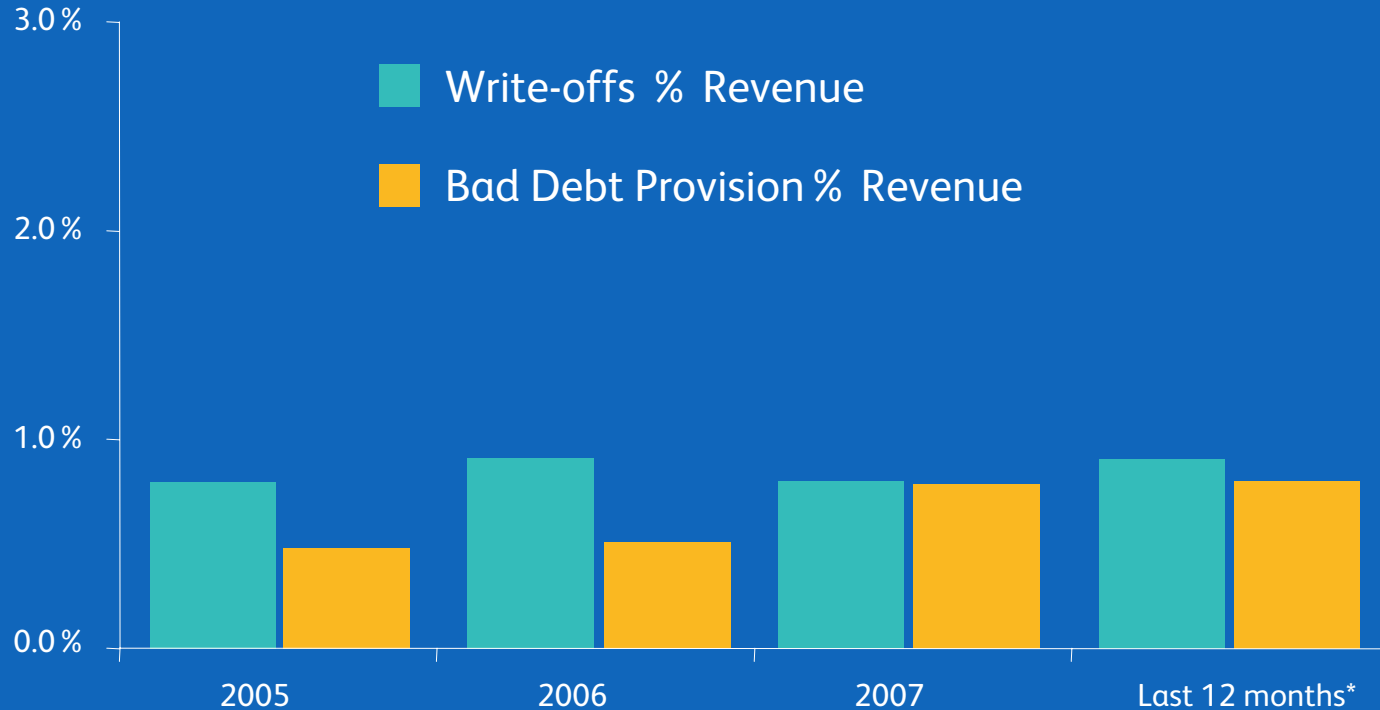
How will you meet 2009 capital requirements?

How does currency impact your results?

Can you give us your thinking on 2009 expectations?

Have you seen any increase in bad debt write-offs?

Receivables



Provision and write-off ratios remain in historical ranges

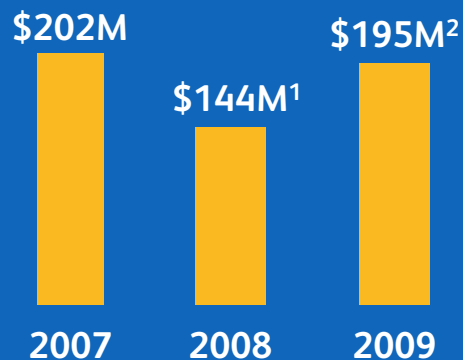
What are the 2009 pension expectations?

Basic Assumptions:

- Discount rate
- Return on assets
- Settlements
- Service life

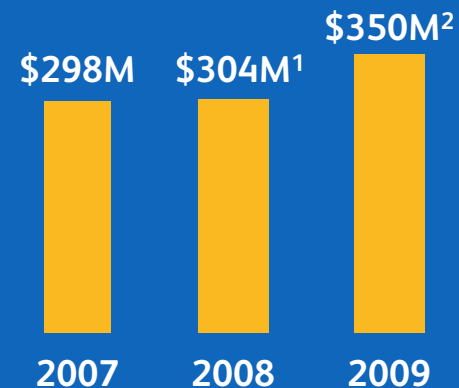
Expense*

- Recognizes long term nature of pensions, allows for smoothing effect



Cash Funding

- Local law / regulatory requirements
- Smoothing effect is less



How will you meet 2009 capital requirements?

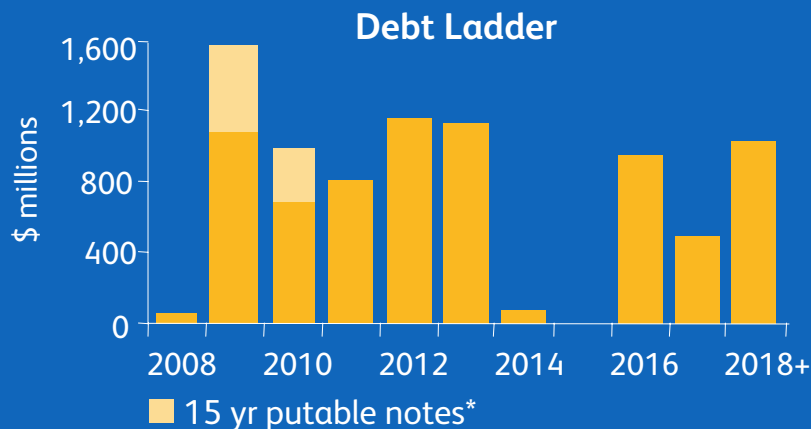
- Cash flow
 - \$873M on hand 9/30/08
 - Strong Q4 cash generation
- \$2 billion Revolving Credit Facility thru 2012
 - \$248M drawn at 9/30/08
- \$750 million available under secured borrowing line

Use of Cash

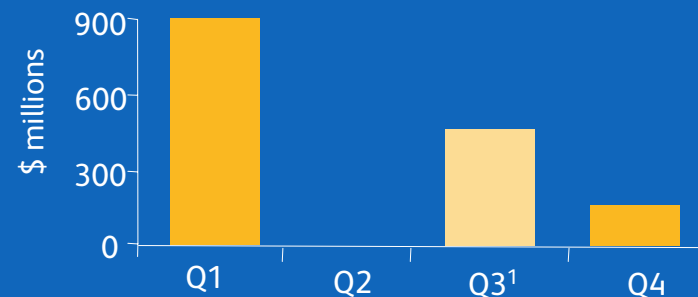
	Cash	Debt
9/30/08 - Cash / Debt	\$0.9B	\$8.2B
Q4'08 / 2009 Cash flow	\$2.7B	
Q4'08 Litigation	\$(0.3)B	
Q4'08 / 2009 CAPEX	\$(0.4)B	
Q4'08 / 2009 Dividend	\$(0.2)B	
'09 Debt Payment	\$(1.6)B ¹	\$(1.6)B ¹
12/31/09 - Cash / Debt	\$1.1B	\$6.6B

Balanced Debt Maturities*

Supports \$8.1B finance receivables portfolio



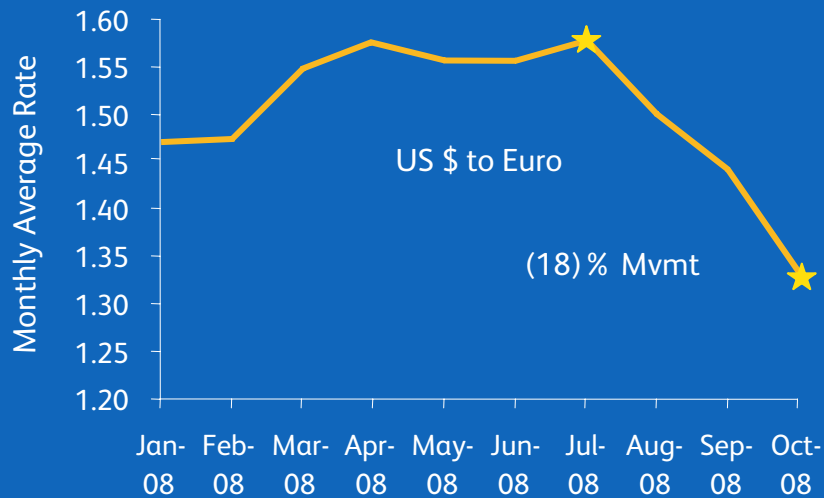
2009 Debt Maturities



How does currency impact your results?

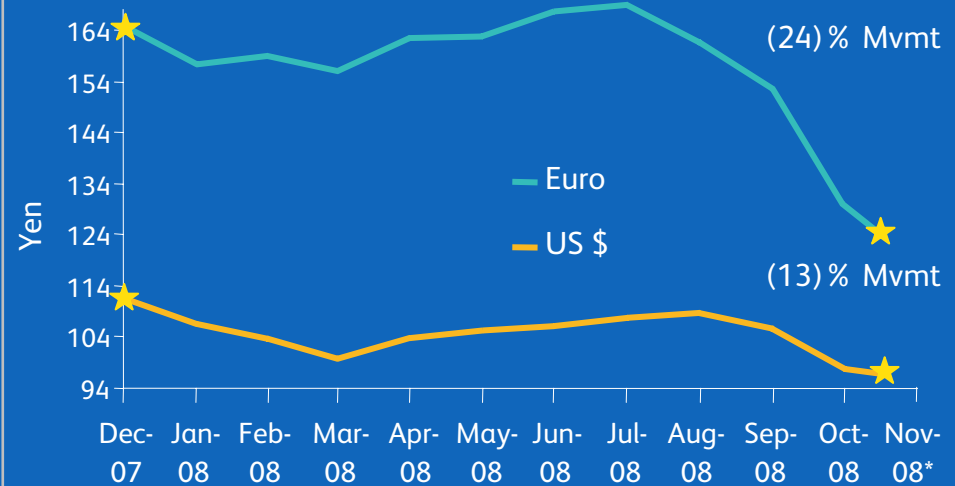
Translation

- Conversion of functional currency to US Dollars



Transaction

- Cost of Sales
 - Largest exposure is Yen given sourcing from Asia



Can you give us your thinking on 2009 expectations?

Tailwinds

- Over 70 % annuity revenue
- \$200M restructuring savings
- Expansive offerings delivering customer savings
- Expanded distribution
- Balance sheet
 - Lease vs. capital investments
- Price leverage
- Share repurchase leverage

Headwinds

- Economic conditions
- Currency
- Product / Geographic mix effect on Gross Margin

Guidance

	Q4 2008	2009 Range
EPS	\$0.34 ¹ - \$0.36 ¹	\$1.14 - \$1.25
Transaction Currency Exposure	\$0.02 - \$0.03	\$0.10 - \$0.15
Free Cash Flow per share ²		\$1.60 - \$1.85

¹Adjusted Diluted EPS: see slides 15 and 16 for explanation of non-GAAP measures

²Free Cash Flow per share: see slides 15 and 16 for explanation of non-GAAP measures

Key Messages

Business Model fundamentals performing

- Annuity / recurring revenue
- Cash generation

Well positioned with offerings and distribution

Restructuring protects downside with opportunity for upside in current environment

We continue to set our expectations high on delivering Shareholder Value while recognizing economic and currency impacts

Non-GAAP Measures

“Constant Currency”: To understand trends in the business, we believe that it is helpful to adjust revenue to exclude the impact of changes in the translation of foreign currencies into U.S. dollars. We refer to this adjusted growth as “constant currency”. Currencies for our developing market countries (Latin America, Brazil, the Middle East, India, Eurasia and Central-Eastern Europe) are reflected at actual exchange rates for both actual and constant revenue growth rates, since these countries generally have volatile currency and inflationary environments, and our operations in these countries have historically implemented pricing actions to recover the impact of inflation and devaluation. Management believes the constant currency measure gives investors an additional perspective of revenue trends. The currency impact can be determined as the difference between actual growth rates and constant currency growth rates as reported on slide 17.

“Annuity Performance - Growth %”: We show the annuity revenue growth for 2007 and Q3 2008 Year-to-Date using non-GAAP financial measures. To understand trends in the business, we believe that it is helpful to adjust the revenue growth rates to illustrate the impact of the acquisition of GIS by including their estimated revenue for the comparable 2006 and 2007 periods – prior to their acquisition (GIS was acquired in May 2007). We refer to this adjusted revenue as “as adjusted” annuity revenue in the following reconciliation tables. Management believes these measures give investors an additional perspective on revenue trends, as well as the impact to the Company of the acquisition of GIS. A reconciliation of these non-GAAP financial measures and the most directly comparable financial measures calculated and presented in accordance with GAAP is set forth on slide 17.

“Free Cash Flow”: This non-GAAP measure represents cash flows from operations less amounts for capital expenditures including internal use software. Management believes this measure gives investors an additional perspective of cash flow from operations in excess of amounts required for reinvestments. It provides a measure of our ability to fund acquisitions, repay debt, pay dividends and repurchase shares. **“Free Cash Flow per share”:** This non-GAAP measure is calculated by dividing Free Cash Flow by our diluted shares outstanding. Management believes this measure allows us to benchmark and make relative comparisons of our Free Cash Flow generation against other companies in our industry and market, since it allows us to measure Free Cash Flow relative to our market capitalization and stock price. Free cash flow per share is solely used by management as a means to assess the Company’s Free Cash Flow and should not be construed as an amount that accrues directly to the shareholders benefit. A reconciliation of these non-GAAP financial measures and the most directly comparable measures calculated and presented in accordance with GAAP are set forth on slide 18.

“Cash from Core Operations; Core Cash Flow”: This measure of cash flows excludes the effect of investments made in finance receivables and on-lease equipment, which are the basis for growth in our leasing operation. These investments are viewed as income-producing assets and are important to the growth of our business. Management believes this measure gives investors an additional perspective of cash flow from operating activities before consideration of amounts required for reinvestment.

Non-GAAP Measures

“Adjusted Diluted EPS”: Earnings per share (EPS) for the periods 2004 through 2006 as well as for the Q3 2008 year-to-date, Q4 2008 and 2008 full-year expectations are discussed in this presentation using non-GAAP financial measures that exclude the effects associated with the following items:

Restructuring charges – 2004, 2005, 2006 and 2008.

The benefits from the sale of our equity interest in Integic Corporation – 2005.

The benefits from the sale of our ContentGuard subsidiary – 2004.

The tax benefits from the finalization of tax audits – 2005 and 2006.

Charges relating to the following litigation matters: Berger – 2003; MPI – 2005; and Brazil – 2006.

Charges related to the termination of the 2003 credit facility - 2006.

The benefit from a Fuji Xerox pension settlement – 2004.

Charges related to losses from Hurricane Katrina, the EU Waste Directive and an accounting change - 2005.

Charges associated with our securities-related litigation matters – 2008.

Management believes that these non-GAAP financial measures of EPS provide an additional means of analyzing our 2008 results for the year and Q3 2008 year-to-date on a consistent basis with the comparable periods from 2004 to 2007 given the discrete nature of the above noted items. However, these non-GAAP financial measures of EPS should be viewed in addition to, and not as a substitute for, the Company’s reported results prepared in accordance with GAAP. A reconciliation of these non-GAAP financial measures and the most directly comparable financial EPS measures calculated and presented in accordance with GAAP are set forth on slides 20 and 21.

“Adjusted Tax Rate”: The effective tax rate for the Q3 2008 year-to-date period is discussed in this presentation using a non-GAAP financial measure that excludes the effects of charges associated with securities related litigation matters; the Q2 and Q3 2008 restructurings as well as the benefit from the settlement of certain previously unrecognized tax benefits. Management believes that it is helpful to exclude these effects to better understand and analyze the current period’s effective tax rate given the discrete nature of these items in the period. A reconciliation of this non-GAAP financial measure and the most directly comparable financial measure calculated and presented in accordance with GAAP is set forth on slide 19.

Management believes that these non-GAAP financial measures provide an additional means of analyzing the current periods’ results against the corresponding prior periods’ results. However, these non-GAAP financial measures should be viewed in addition to, and not as a substitute for, the Company’s reported results prepared in accordance with GAAP.

Non-GAAP Reconciliation

Annuity Performance – Growth % Actual and Constant Currency

	'05	'06	'07	Q3 YTD '08
Annuity Revenue	\$11.2B	\$11.4B	\$12.5B	\$9.9B
Growth % (Constant Currency)	(1) %	2 %	3 % ¹	3 % ¹
Growth % (Actual Currency)	(1) %	2 %	6 % ¹	6 % ¹

Annuity Performance – Growth %

(in millions)	Nine Months Ended September 30,		% Change	Currency	% Change at Constant Currency
	2008	2007			
Annuity Revenue:					
As Reported	9,855	9,118	8 %	(3 %)	5 %
As Adjusted	9,855	9,324	6 %	(3 %)	3 %

(in millions)	Twelve Months Ended December 31,		% Change	Currency	% Change at Constant Currency
	2007	2006			
Annuity Revenue:					
As Reported	12,475	11,438	9 %	(3 %)	6 %
As Adjusted	12,475	11,812	6 %	(3 %)	3 %

Annuity Revenue = Post Sale, Other & Finance Income

¹Adjusted for GIS results: see slides 15 and 16 for explanation of non-GAAP measures

Non-GAAP Reconciliation

Free Cash Flow / Free Cash Flow per share

(in millions, except share data in thousands)

	2005	2006	2007
Income from continuing operations	\$ 933	\$ 1,210	\$ 1,135
Adj. Weighted Average Shares Outstanding	1,045,353	996,522	952,941
Diluted Earnings per share	\$ 0.90	\$ 1.22	\$ 1.19
Income from continuing operations	\$ 933	\$ 1,210	\$ 1,135
Adjustments required to reconcile net income to cash flows from operating activities	\$ 487	\$ 407	\$ 736
Cash flow from operations	\$ 1,420	\$ 1,617	\$ 1,871
Capital expenditures	(181)	(215)	(236)
Internal use software	(56)	(79)	(123)
Free Cash Flow (FCF)	\$ 1,183	\$ 1,323	\$ 1,512
Adj. Weighted Average Shares Outstanding	1,045,353	996,522	952,941
Free Cash Flow per share	\$ 1.13	\$ 1.33	\$ 1.59

Non-GAAP Reconciliation

Q3 YTD 2008 Adjusted Effective Tax Rate

	Nine Months Ended September 30, 2008		
(in millions)	<u>Pre-Tax</u> <u>Income</u>	<u>Income</u> <u>Taxes</u>	<u>Effective</u> <u>Tax Rate</u>
As Reported	\$ (35)	\$ (172)	491.4%
Restructuring	77	25	
Tax Settlements	-	41	
Litigation	795	304	
As Adjusted	<u>\$ 837</u>	<u>\$ 198</u>	<u>23.7%</u>

Non-GAAP Reconciliation

Adjusted Diluted EPS

<u>Diluted EPS</u>	2004	2005	2006	2007	Q3 YTD 2008
As Reported	\$0.86	\$0.94	\$1.22	\$1.19	\$0.25
Adjustments					
Restructuring and asset impairment charges	\$0.05	\$0.24	\$0.25		
Integic Gain		(\$0.06)			
ContentGuard Gain	(\$0.08)				
Tax Audit Benefits		(\$0.34)	(\$0.50)		
Litigation Matters		\$0.08	\$0.07		
Write-off of Debt Issue Costs			\$0.01		
Fuji Xerox Pension Settlement Gain	(\$0.04)				
EU Waste Directive		\$0.02			
Hurricane Katrina Loss		\$0.01			
Accounting Change		\$0.01			
Securities-related Litigation Matters					\$0.55
Adjusted Diluted EPS	\$0.79	\$0.90	\$1.05	\$1.19	\$0.80

Non-GAAP Reconciliation

Q4 2008 and FY 2008 Adjusted Diluted EPS Expectations

	Q4 2008	Full Year 2008
GAAP EPS	<u>\$0.03 - \$0.05</u>	<u>\$0.28 - \$0.30</u>
Q1 '08 Litigation		\$0.55
Q4 '08 Restructuring	\$0.31	\$0.31
Adjusted Diluted EPS	<u><u>\$0.34 - \$0.36</u></u>	<u><u>\$1.14 - \$1.16</u></u>

