

# 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 3.

**“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 3.

**“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 slides 4 and 8.

**“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 6 and 7.

**“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 5.

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 % <sup>1</sup>	3 % <sup>1</sup>
Growth % (Actual Currency)	(1) %	2 %	6 % <sup>1</sup>	6 % <sup>1</sup>

## 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 %

# Non-GAAP Reconciliation

## Free Cash Flow / Free Cash Flow per share

(in millions, except share data in thousands)

	2005	2006	2007
<b>Income from continuing operations</b>	<b>\$ 933</b>	<b>\$ 1,210</b>	<b>\$ 1,135</b>
Adj. Weighted Average Shares Outstanding	1,045,353	996,522	952,941
<b>Diluted Earnings per share</b>	<b>\$ 0.90</b>	<b>\$ 1.22</b>	<b>\$ 1.19</b>
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)
<b>Free Cash Flow (FCF)</b>	<b>\$ 1,183</b>	<b>\$ 1,323</b>	<b>\$ 1,512</b>
Adj. Weighted Average Shares Outstanding	1,045,353	996,522	952,941
<b>Free Cash Flow per share</b>	<b>\$ 1.13</b>	<b>\$ 1.33</b>	<b>\$ 1.59</b>

# Non-GAAP Reconciliation

## Q3 YTD 2008 Adjusted Effective Tax Rate

<u>(in millions)</u>	Nine Months Ended September 30, 2008		
	<u>Pre-Tax Income</u>	<u>Income Taxes</u>	<u>Effective 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
<b>Adjustments</b>					
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
<b>Adjusted Diluted EPS</b>	<b>\$0.79</b>	<b>\$0.90</b>	<b>\$1.05</b>	<b>\$1.19</b>	<b>\$0.80</b>

# 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>

# Non-GAAP Reconciliation

## Full Year 2009 Free Cash Flow per share expectations

(in millions, except share data in millions)

	Full Year 2009	
Cash flow from operations	\$ 1,700	\$ 1,900
Capital expenditures, including internal use software	(275)	(275)
<b>Free Cash Flow (FCF)</b>	<b>\$ 1,425</b>	<b>\$ 1,625</b>
Adj. Weighted Average Shares	885	885
<b>Free Cash Flow per share (rounded)</b>	<b>\$ 1.60</b>	<b>\$ 1.85</b>