

**Xerox Financial Model**  
(unaudited)

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

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

<sup>1</sup> Amounts include reclassifications for the effects of adopting Fin 46R.

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

	2002					2003				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
<b>Revenues</b>										
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
<b>Total Revenues</b>	<b>3,858</b>	<b>3,952</b>	<b>3,793</b>	<b>4,246</b>	<b>15,849</b>	<b>3,757</b>	<b>3,920</b>	<b>3,732</b>	<b>4,292</b>	<b>15,701</b>
<b>Cost of Revenue</b>										
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
<b>Total Cost of Revenue</b>	<b>2,263</b>	<b>2,249</b>	<b>2,189</b>	<b>2,364</b>	<b>9,065</b>	<b>2,171</b>	<b>2,237</b>	<b>2,166</b>	<b>2,441</b>	<b>9,015</b>
<b>Gross Profit</b>										
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
<b>Gross Profit</b>	<b>1,595</b>	<b>1,703</b>	<b>1,604</b>	<b>1,882</b>	<b>6,784</b>	<b>1,586</b>	<b>1,683</b>	<b>1,566</b>	<b>1,851</b>	<b>6,686</b>
<b>Research, development &amp; engineering</b>	<b>243</b>	<b>263</b>	<b>239</b>	<b>235</b>	<b>980</b>	<b>247</b>	<b>246</b>	<b>240</b>	<b>229</b>	<b>962</b>
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
<b>Total Selling, administrative and general exp.</b>	<b>1,169</b>	<b>1,110</b>	<b>1,023</b>	<b>1,135</b>	<b>4,437</b>	<b>1,020</b>	<b>1,089</b>	<b>1,028</b>	<b>1,112</b>	<b>4,249</b>
Non-financing interest expense <sup>1</sup>	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
<b>Total Other, net</b>	<b>137</b>	<b>155</b>	<b>133</b>	<b>168</b>	<b>593</b>	<b>458</b>	<b>202</b>	<b>156</b>	<b>60</b>	<b>876</b>
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	-	-	-	-	-	-	-	-	-	-
<b>Total Costs and Expenses</b>	<b>3,958</b>	<b>3,830</b>	<b>3,647</b>	<b>4,310</b>	<b>15,745</b>	<b>3,904</b>	<b>3,810</b>	<b>3,589</b>	<b>3,962</b>	<b>15,265</b>
<b>Income (Loss) before Income Taxes (benefits),</b>										
<b>Equity Income and Cumulative Effect of Change in Accounting Principle</b>	(100)	122	146	(64)	104	(147)	110	143	330	436
Income Taxes (benefits) <sup>1</sup>	(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
<b>Income(Loss) from Continuing Operations before</b>										
<b>Cumulative effect of change in accounting principle</b>	(51)	87	99	19	154	(66)	86	118	222	360
<b>Cumulative effect of change in accounting principle, net of tax</b>	(63)	-	-	-	(63)	-	-	-	-	-
<b>Gain on sale of ContentGuard, net of income taxes of \$26</b>	-	-	-	-	-	-	-	-	-	-
<b>Discontinued Ops, net</b>	-	-	-	-	-	-	-	-	-	-
<b>Net Income/(Loss)</b>	<b>(114)</b>	<b>87</b>	<b>99</b>	<b>19</b>	<b>91</b>	<b>(66)</b>	<b>86</b>	<b>118</b>	<b>222</b>	<b>360</b>
<b>Preferred Dividends/</b>	- Basic	-	-	(63)	(10)	(73)	(10)	(11)	(25)	(71)
<b>Other</b>	- Diluted	-	13	(63)	(10)	(73)	(10)	(11)	(25)	(65)
<b>Adjusted Average Shares</b>	- Basic	726	728	734	737	731	742	747	792	769
	- Diluted	726	913	825	820	807	742	808	851	828
<b>Earnings Per Share</b>	- Basic	(0.16)	0.12	0.05	0.01	0.02	(0.10)	0.10	0.12	0.25
	- Diluted	(0.16)	0.11	0.04	0.01	0.02	(0.10)	0.09	0.11	0.22
<b>Key Ratios:</b>										
<b>Gross Margins</b>	- Sales	36.2%	40.2%	36.7%	39.4%	38.2%	37.6%	38.1%	36.5%	38.2%
	- Service/Outsourcing/Rentals	42.3%	43.4%	45.1%	47.3%	44.5%	43.2%	44.5%	43.8%	45.7%
	- Financing	65.2%	59.6%	56.7%	57.7%	59.9%	63.3%	63.4%	63.5%	64.5%
	- Total	41.3%	43.1%	42.3%	44.3%	42.8%	42.2%	42.9%	42.0%	43.1%
<b>SAG as a % of Revenue</b>		30.3%	28.1%	27.0%	26.7%	28.0%	27.1%	27.8%	27.5%	25.9%
<b>Tax Rate</b>		37.7%	37.7%	37.7%	37.7%	37.7%	37.7%	37.7%	37.7%	30.7%
<b>Other Data:</b>										
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
<b>Ending Xerox Employment</b>	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.

<sup>1</sup> Amounts include reclassifications for the effects of adopting Fin 46R.

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(unaudited)

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

	2004					2005					2006	
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1	
<b>Revenues</b>												
Sales	1,681	1,759	1,652	2,167	7,259	1,694	1,827	1,721	2,158	7,400	1,666	
Service, outsourcing, rentals	1,908	1,860	1,834	1,927	7,529	1,849	1,874	1,822	1,881	7,426	1,816	
Finance income	238	234	230	232	934	228	220	216	211	875	213	
<b>Total Revenues</b>	<b>3,827</b>	<b>3,853</b>	<b>3,716</b>	<b>4,326</b>	<b>15,722</b>	<b>3,771</b>	<b>3,921</b>	<b>3,759</b>	<b>4,250</b>	<b>15,701</b>	<b>3,695</b>	
<b>Cost of Revenue</b>												
Cost of sales	1,083	1,082	1,003	1,377	4,545	1,047	1,170	1,108	1,370	4,695	1,075	
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	1,060	
Equipment finance interest	89	86	85	85	345	86	83	81	76	326	76	
<b>Total Cost of Revenue</b>	<b>2,274</b>	<b>2,220</b>	<b>2,137</b>	<b>2,554</b>	<b>9,185</b>	<b>2,195</b>	<b>2,336</b>	<b>2,206</b>	<b>2,491</b>	<b>9,228</b>	<b>2,211</b>	
<b>Gross Profit</b>												
Sales gross profit	598	677	649	790	2,714	647	657	613	788	2,705	591	
Service, outsourcing, rentals gross profit	806	808	785	835	3,234	787	791	805	836	3,219	756	
Finance gross profit	149	148	145	147	589	142	137	135	135	549	137	
<b>Gross Profit</b>	<b>1,553</b>	<b>1,633</b>	<b>1,579</b>	<b>1,772</b>	<b>6,537</b>	<b>1,576</b>	<b>1,585</b>	<b>1,553</b>	<b>1,759</b>	<b>6,473</b>	<b>1,484</b>	
<b>Research, development &amp; engineering</b>	<b>222</b>	<b>228</b>	<b>234</b>	<b>230</b>	<b>914</b>	<b>225</b>	<b>242</b>	<b>242</b>	<b>234</b>	<b>943</b>	<b>225</b>	
Bad Debt Expense	44	35	21	10	110	19	15	20	18	72	20	
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	963	
<b>Total Selling, administrative and general exp.</b>	<b>1,036</b>	<b>1,050</b>	<b>1,036</b>	<b>1,081</b>	<b>4,203</b>	<b>1,009</b>	<b>1,046</b>	<b>1,011</b>	<b>1,044</b>	<b>4,110</b>	<b>983</b>	
Non-financing interest expense <sup>1</sup>	95	84	91	93	363	61	62	55	53	231	54	
Aggregate Exchange (gains) / losses	8	18	20	27	73	16	(6)	-	(5)	5	14	
Amortization of Goodwill and intangibles	9	9	9	10	37	9	10	10	9	38	10	
All other, net	(25)	(61)	3	(21)	(104)	(118)	(80)	141	7	(50)	(10)	
<b>Total Other, net</b>	<b>87</b>	<b>50</b>	<b>123</b>	<b>109</b>	<b>369</b>	<b>(32)</b>	<b>(14)</b>	<b>206</b>	<b>64</b>	<b>224</b>	<b>68</b>	
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	-	-	-	-	-	-	-	-	-	-	-	
<b>Total Costs and Expenses</b>	<b>3,625</b>	<b>3,581</b>	<b>3,553</b>	<b>3,998</b>	<b>14,757</b>	<b>3,482</b>	<b>3,804</b>	<b>3,682</b>	<b>3,903</b>	<b>14,871</b>	<b>3,487</b>	
<b>Income (Loss) before Income Taxes (benefits), Equity Income and Cumulative Effect of Change in Accounting Principle</b>	<b>202</b>	<b>272</b>	<b>163</b>	<b>328</b>	<b>965</b>	<b>289</b>	<b>117</b>	<b>77</b>	<b>347</b>	<b>830</b>	<b>208</b>	
Income Taxes (benefits) <sup>1</sup>	67	91	62	120	340	116	(233)	29	83	(5)	47	
Equity in Net Income of Unconsol. Affil.	30	27	62	32	151	37	20	23	18	98	39	
<b>Income(Loss) from Continuing Operations before Cumulative effect of change in accounting principle</b>	<b>165</b>	<b>208</b>	<b>163</b>	<b>240</b>	<b>776</b>	<b>210</b>	<b>370</b>	<b>71</b>	<b>282</b>	<b>933</b>	<b>200</b>	
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	-	
<b>Net Income/(Loss)</b>	<b>248</b>	<b>208</b>	<b>163</b>	<b>240</b>	<b>859</b>	<b>210</b>	<b>423</b>	<b>63</b>	<b>282</b>	<b>978</b>	<b>200</b>	
<b>Preferred Dividends/ Other</b>	<b>(24)</b>	<b>(21)</b>	<b>(14)</b>	<b>(14)</b>	<b>(73)</b>	<b>(14)</b>	<b>(15)</b>	<b>(14)</b>	<b>(15)</b>	<b>(58)</b>	<b>(14)</b>	
- Diluted	(4)	11	-	9	45	1	-	(14)	-	1	1	
<b>Adjusted Average Shares</b>	<b>799</b>	<b>817</b>	<b>841</b>	<b>879</b>	<b>834</b>	<b>959</b>	<b>960</b>	<b>962</b>	<b>951</b>	<b>957</b>	<b>927</b>	
- Diluted	968	1,046	969	1,048	1,047	1,050	1,048	973	1,039	1,045	1,017	
<b>Earnings Per Share</b>	<b>0.28</b>	<b>0.23</b>	<b>0.18</b>	<b>0.26</b>	<b>0.94</b>	<b>0.20</b>	<b>0.43</b>	<b>0.05</b>	<b>0.28</b>	<b>0.96</b>	<b>0.20</b>	
- Diluted	0.25	0.21	0.17	0.24	0.86	0.20	0.40	0.05	0.27	0.94	0.20	
<b>Key Ratios:</b>												
<b>Gross Margins</b>	- Sales	35.6%	38.5%	39.3%	36.5%	37.4%	38.2%	36.0%	35.6%	36.5%	36.6%	35.5%
- Service/Outsourcing/Rentals	42.2%	43.4%	42.8%	43.2%	43.0%	42.6%	42.2%	44.2%	44.4%	43.3%	41.6%	
- Financing	62.6%	63.2%	63.0%	63.4%	63.1%	62.3%	62.3%	62.5%	64.0%	62.7%	64.3%	
- Total	40.6%	42.4%	42.5%	41.0%	41.6%	41.8%	40.4%	41.3%	41.4%	41.2%	40.2%	
<b>SAG as a % of Revenue</b>	27.1%	27.3%	27.9%	25.0%	26.7%	26.8%	26.7%	26.9%	24.6%	26.2%	26.6%	
<b>Tax Rate</b>	33.2%	33.5%	38.0%	36.6%	35.2%	40.1%	n/m	37.7%	23.9%	n/m	22.6%	
<b>Other Data:</b>												
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)	-	-	-	-	-	-	-	-	-	-	-	
<b>Ending Xerox Employment</b>	<b>60,592</b>	<b>60,001</b>	<b>59,262</b>	<b>58,098</b>	<b>58,098</b>	<b>57,989</b>	<b>57,300</b>	<b>56,276</b>	<b>55,229</b>	<b>55,229</b>	<b>55,084</b>	

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

<sup>1</sup> Amounts include reclassifications for the effects of adopting Fin 46R.

n/m - percent not meaningful

**Xerox Corporation Business Segment Performance**  
(unaudited)

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

	2004					2005					2006
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1
<b>Revenues</b>											
Production	1,094	1,122	1,067	1,307	4,590	1,072	1,125	1,058	1,285	4,540	1,035
Office	1,857	1,869	1,819	2,082	7,627	1,829	1,914	1,848	2,027	7,618	1,804
Developing Markets	420	417	406	464	1,707	412	440	446	514	1,812	436
Other	456	445	424	473	1,798	458	442	407	424	1,731	420
<b>Total Revenues</b>	<b>3,827</b>	<b>3,853</b>	<b>3,716</b>	<b>4,326</b>	<b>15,722</b>	<b>3,771</b>	<b>3,921</b>	<b>3,759</b>	<b>4,250</b>	<b>15,701</b>	<b>3,695</b>
Memo: Color Revenues	957	1,025	975	1,231	4,188	1,097	1,200	1,189	1,443	4,929	1,214
<b>Operating Profit</b>											
Production	82	122	105	202	511	101	79	73	174	427	67
Office	169	187	182	241	779	192	173	189	265	819	160
Developing Markets	19	6	4	6	35	10	19	18	17	64	17
Other	(32)	17	(43)	(67)	(125)	109	66	(14)	(10)	151	3
<b>Operating Profit</b>	<b>238</b>	<b>332</b>	<b>248</b>	<b>382</b>	<b>1,200</b>	<b>412</b>	<b>337</b>	<b>266</b>	<b>446</b>	<b>1,461</b>	<b>247</b>
<b>Operating Margin</b>											
Production	7.5%	10.9%	9.8%	15.5%	11.1%	9.4%	7.0%	6.9%	13.5%	9.4%	6.5%
Office	9.1%	10.0%	10.0%	11.6%	10.2%	10.5%	9.0%	10.2%	13.1%	10.8%	8.9%
Developing Markets	4.5%	1.4%	1.0%	1.3%	2.1%	2.4%	4.3%	4.0%	3.3%	3.5%	3.9%
Other	(7.0%)	3.8%	(10.1%)	(14.2%)	(7.0%)	23.8%	14.9%	(3.4%)	(2.4%)	8.7%	0.7%
<b>Operating Margin</b>	<b>6.2%</b>	<b>8.6%</b>	<b>6.7%</b>	<b>8.8%</b>	<b>7.6%</b>	<b>10.9%</b>	<b>8.6%</b>	<b>7.1%</b>	<b>10.5%</b>	<b>9.3%</b>	<b>6.7%</b>