

**Xerox Financial History**  
 (unaudited)

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

	1997	1998	1999	2000	2001				
	FY	FY	FY	FY	Q1	Q2	Q3	Q4	FY
<b>Revenues</b>									
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
<b>Total Revenues</b>	<b>17,457</b>	<b>18,777</b>	<b>18,995</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	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
<b>Total Cost of Revenue</b>			<b>10,964</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	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
<b>Gross Profit</b>			<b>8,031</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>266</b>	<b>268</b>	<b>274</b>	<b>250</b>	<b>1,058</b>
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
<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>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	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)
<b>Total Other, net</b>			<b>575</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	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	-	-	-	-	-
<b>Total Costs and Expenses</b>			<b>17,775</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)</b>									
Equity Income and Cumulative Effect of Change in Accounting Principle			1,220	(431)	653	(267)	(119)	61	328
Income Taxes (benefits) <sup>1</sup>			424	(92)	432	(129)	(50)	220	473
Equity in Net Income of Unconsol. Affil			48	66	3	31	-	19	53
<b>Income(Loss) from Continuing Operations before</b>									
<b>Cumulative effect of change in accounting principle</b>	893	23	844	(273)	224	(107)	(69)	(140)	(92)
<b>Cumulative effect of change in accounting principle, net of tax:</b>									
Discontinued Ops, net	-	(190)	-	-	(2)	-	-	-	(2)
<b>Net Income/(Loss)</b>	<b>893</b>	<b>(167)</b>	<b>844</b>	<b>(273)</b>	<b>222</b>	<b>(107)</b>	<b>(69)</b>	<b>(140)</b>	<b>(94)</b>
<b>Preferred Dividends/</b>				(46)	(12)	-	-	-	(12)
<b>Other</b>				(46)	(12)	-	-	-	(12)
<b>Adjusted Average Shares</b>				668	680	701	718	722	704
				668	782	701	718	722	704
<b>Earnings Per Share</b>									
- 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)
<b>Key Ratios:</b>									
<b>Gross Margins</b>									
- 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%
<b>SAG as a % of Revenue</b>	29.8%	28.3%	27.4%	29.4%	26.8%	28.5%	29.0%	27.0%	27.8%
<b>Tax Rate</b>			34.6%	19.1%	65.7%	49.2%	42.9%	266.3%	126.1%
<b>Other Data:</b>									
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)				-	-	-	-	-	-
<b>Ending Xerox Employment</b>	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

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

**Xerox Financial History**  
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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>	-	-	(63)	(10)	(73)	(10)	(11)	(25)	(25)	(71)
<b>Other</b>	-	13	(63)	(10)	(73)	(10)	(11)	(25)	10	(65)
<b>Adjusted Average Shares</b>										
- Basic	726	728	734	737	731	742	747	792	794	769
- Diluted	726	913	825	820	807	742	808	851	1,045	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	0.38
- Diluted	(0.16)	0.11	0.04	0.01	0.02	(0.10)	0.09	0.11	0.22	0.36
<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%	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%
<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%	27.1%
<b>Tax Rate</b>	37.7%	37.7%	37.7%	37.7%	37.7%	37.7%	37.7%	37.7%	37.3%	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 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
<b>Ending Xerox Employment</b>	<b>74,600</b>	<b>72,400</b>	<b>69,900</b>	<b>67,800</b>	<b>67,800</b>	<b>64,700</b>	<b>63,900</b>	<b>62,800</b>	<b>61,085</b>	<b>61,085</b>

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 (unaudited)

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

	2004					2005				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
<b>Revenues</b>										
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
<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>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
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
<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>Gross Profit</b>										
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
<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>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>
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
<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>
Non-financing interest expense <sup>1</sup>	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)
<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>
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>Income (Loss) before Income Taxes (benefits),</b>										
<b>Equity Income and Cumulative Effect of</b>										
<b>Change in Accounting Principle</b>	202	272	163	328	965	289	117	77	347	830
Income Taxes (benefits) <sup>1</sup>	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
<b>Income(Loss) from Continuing Operations before</b>										
<b>Cumulative effect of change in accounting</b>										
<b>principle</b>	165	208	163	240	776	210	370	71	282	933
<b>Cumulative effect of change in accounting principle, net of tax</b>	-	-	-	-	-	-	-	(8)	-	(8)
<b>Gain on sale of ContentGuard, net of income taxes of \$26</b>	83	-	-	-	83	-	-	-	-	-
<b>Discontinued Operations, net of taxes</b>	-	-	-	-	-	-	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>Preferred Dividends/</b>										
<b>Other</b>	(24)	(21)	(14)	(14)	(73)	(14)	(15)	(14)	(15)	(58)
- Diluted	(4)	11	-	9	45	1	-	(14)	-	1
<b>Adjusted Average Shares</b>										
- 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
<b>Earnings Per Share</b>										
- 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
<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%
- 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%
<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%
<b>Tax Rate</b>	33.2%	33.5%	38.0%	36.6%	35.2%	40.1%	n/m	37.7%	23.9%	n/m
<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)	-	-	-	-	-	-	-	-	-	-
UK Tax Settlement	-	-	-	-	-	-	-	-	-	0
<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>

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 Financial History  
 (unaudited)

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

	2006					2007				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
<b>Revenues</b>										
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
<b>Total Revenues</b>	<b>3,695</b>	<b>3,977</b>	<b>3,844</b>	<b>4,379</b>	<b>15,895</b>	<b>3,836</b>	<b>4,208</b>	<b>4,302</b>	<b>4,882</b>	<b>17,228</b>
<b>Cost of Revenue</b>										
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
<b>Total Cost of Revenue</b>	<b>2,211</b>	<b>2,344</b>	<b>2,300</b>	<b>2,581</b>	<b>9,436</b>	<b>2,280</b>	<b>2,513</b>	<b>2,578</b>	<b>2,906</b>	<b>10,277</b>
<b>Gross Profit</b>										
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
<b>Gross Profit</b>	<b>1,484</b>	<b>1,633</b>	<b>1,544</b>	<b>1,798</b>	<b>6,459</b>	<b>1,556</b>	<b>1,695</b>	<b>1,724</b>	<b>1,976</b>	<b>6,951</b>
<b>Research, development &amp; engineering</b>	<b>225</b>	<b>230</b>	<b>230</b>	<b>237</b>	<b>922</b>	<b>218</b>	<b>223</b>	<b>233</b>	<b>238</b>	<b>912</b>
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
<b>Total Selling, administrative and general exp.</b>	<b>983</b>	<b>1,020</b>	<b>985</b>	<b>1,020</b>	<b>4,008</b>	<b>954</b>	<b>1,081</b>	<b>1,091</b>	<b>1,186</b>	<b>4,312</b>
Non-financing interest expense <sup>1</sup>	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)
<b>Total Other, net</b>	<b>68</b>	<b>82</b>	<b>128</b>	<b>58</b>	<b>336</b>	<b>57</b>	<b>78</b>	<b>79</b>	<b>81</b>	<b>295</b>
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	-	-	-	-	-	-	-	-	-	-
<b>Total Costs and Expenses</b>	<b>3,487</b>	<b>3,712</b>	<b>3,753</b>	<b>4,135</b>	<b>15,087</b>	<b>3,507</b>	<b>3,893</b>	<b>3,978</b>	<b>4,412</b>	<b>15,790</b>
<b>Income (Loss) before Income Taxes (benefits),</b>										
Equity Income and Cumulative Effect of Change in Accounting Principle	208	265	91	244	808	329	315	324	470	1,438
Income Taxes (benefits) <sup>1</sup>	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
<b>Income(Loss) from Continuing Operations before</b>										
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	-	-	-	-	-	-	-	-	-	-
<b>Net Income/(Loss)</b>	<b>200</b>	<b>260</b>	<b>536</b>	<b>214</b>	<b>1,210</b>	<b>233</b>	<b>266</b>	<b>254</b>	<b>382</b>	<b>1,135</b>
<b>Preferred Dividends/</b>	- Basic	(14)	(15)	-	(29)	-	-	-	-	-
<b>Other</b>	- Diluted	1	-	-	1	-	1	-	-	1
<b>Adjusted Average Shares</b>	- Basic	927	914	975	959	945	939	932	923	935
	- Diluted	1,017	1,002	989	977	962	957	951	942	953
<b>Earnings Per Share</b>	- 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
<b>Key Ratios:</b>										
<b>Gross Margins</b>	- 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%
<b>SAG as a % of Revenue</b>		26.6%	25.6%	25.6%	23.3%	25.2%	24.9%	25.7%	25.4%	24.3%
<b>Tax Rate</b>		22.6%	8.3%	-457.1%	24.2%	-35.6%	31.0%	24.1%	29.9%	26.6%
<b>Other Data:</b>										
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)	-	-	-	-	-
<b>Ending Xerox Employment</b>		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.

<sup>1</sup> 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
<b>Revenues</b>						
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
<b>Total Revenues</b>		<b>4,335</b>	<b>4,533</b>	<b>4,370</b>	<b>-</b>	<b>13,238</b>
<b>Cost of Revenue</b>						
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
<b>Total Cost of Revenue</b>		<b>2,630</b>	<b>2,754</b>	<b>2,656</b>	<b>-</b>	<b>8,040</b>
<b>Gross Profit</b>						
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
<b>Gross Profit</b>		<b>1,705</b>	<b>1,779</b>	<b>1,714</b>	<b>-</b>	<b>5,198</b>
<b>Research, development &amp; engineering</b>						
		221	223	228		672
<b>Bad Debt Expense</b>						
		28	35	45		108
<b>Selling, administrative and general exp. (Excl Bad Debts)</b>						
		1,096	1,135	1,093		3,324
<b>Total Selling, administrative and general exp.</b>		<b>1,124</b>	<b>1,170</b>	<b>1,138</b>	<b>-</b>	<b>3,432</b>
<b>Non-financing interest expense<sup>1</sup></b>						
		54	65	71		190
<b>Aggregate Exchange (gains) / losses</b>						
		19	2	9		30
<b>Amortization of Goodwill and intangibles</b>						
		13	13	14		40
<b>All other, net</b>						
		789	(2)	2		789
<b>Total Other, net</b>		<b>875</b>	<b>78</b>	<b>96</b>	<b>-</b>	<b>1,049</b>
<b>Restructuring and asset impairment charges</b>						
		3	63	14		80
<b>Gain on sale of half of interest in Fuji Xerox</b>						
		-	-	-		-
<b>Gain on sale of China operations</b>						
		-	-	-		-
<b>Gain on affiliates' sales of stock, net</b>						
		-	-	-		-
<b>Purchased in-process research and development</b>						
		-	-	-		-
<b>Total Costs and Expenses</b>		<b>4,853</b>	<b>4,288</b>	<b>4,132</b>	<b>-</b>	<b>13,273</b>
<b>Income (Loss) before Income Taxes (Benefits),</b>						
<b>Equity Income and Cumulative Effect of</b>						
<b>Change in Accounting Principle</b>		(518)	245	238	-	(35)
<b>Income Taxes (benefits)<sup>1</sup></b>		(246)	59	15		(172)
<b>Equity in Net Income of Unconsol. Affil.</b>		28	29	35		92
<b>Income(Loss) from Continuing Operations before</b>						
<b>Cumulative effect of change in accounting</b>						
<b>principle</b>		(244)	215	258	-	229
<b>Cumulative effect of change in accounting principle, net of tax</b>		-	-	-	-	-
<b>Gain on sale of ContentGuard, net of income taxes of \$2€</b>		-	-	-	-	-
<b>Discontinued Operations, net of taxes</b>		-	-	-	-	-
<b>Net Income/(Loss)</b>		<b>(244)</b>	<b>215</b>	<b>258</b>	<b>-</b>	<b>229</b>
<b>Preferred Dividends/</b>						
<b>Other</b>						
	- Basic					
	- Diluted					
<b>Adjusted Average Shares</b>						
	- Basic	911	890	871		891
	- Diluted	911	903	887		902
<b>Earnings Per Share</b>						
	- Basic	(0.27)	0.24	0.30		0.26
	- Diluted	(0.27)	0.24	0.29		0.25
<b>Key Ratios:</b>						
<b>Gross Margins</b>						
	- 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 %
<b>SAG as a % of Revenue</b>		25.9 %	25.8 %	26.0 %	#DIV/0!	25.9 %
<b>Tax Rate</b>		47.5 %	24.1 %	6.3 %	#DIV/0!	491.4 %
<b>Other Data:</b>						
<b>Restructuring and Asset Impairment Charges (after taxes)</b>		3	43	9		55
<b>Tax benefit from finalization of 1996 - 1998 IRS Tax Audit - Continuing Operations (after taxes)</b>		-	-	-		-
<b>Finalization of 1996 - 1998 IRS Tax Audit Discontinued Operations Income (after taxes)</b>		-	-	-		-
<b>Provisions for Litigation Matters (after taxes)</b>		491	-	-		491
<b>Losses on Hurricane Katrina (after taxes)</b>		-	-	-		-
<b>Changes in Accounting Principles (WEEE/FIN 47) (after taxes)</b>		-	-	-		-
<b>Gain on Sale of ContentGuard (after taxes)</b>		-	-	-		-
<b>Gain on Sale of Scansoft (after taxes)</b>		-	-	-		-
<b>Gain on Sale of Integic (after taxes)</b>		-	-	-		-
<b>Gain on Return of Fuji Xerox Pension Obligation (after taxes)</b>		-	-	-		-
<b>Early Extinguishment of Debt (after taxes)</b>		-	-	-		-
<b>UK Tax Settlement</b>		-	-	-		-
<b>Ending Xerox Employment</b>		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.

<sup>1</sup> 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
<b>Revenues</b>					
Production	1,271	1,337	1,272		3,880
Office	2,447	2,526	2,446		7,419
Other	617	670	652		1,939
<b>Total Revenues</b>	<b>4,335</b>	<b>4,533</b>	<b>4,370</b>	-	<b>13,238</b>
Memo: Color Revenues	1,602	1,700	1,636		4,938
<b>Operating Profit</b>					
Production	101	87	83		271
Office	265	279	260		804
Other	(40)	(16)	(46)		(102)
<b>Operating Profit</b>	<b>326</b>	<b>350</b>	<b>297</b>	-	<b>973</b>
<b>Operating Margin</b>					
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%)
<b>Operating Margin</b>	<b>7.5%</b>	<b>7.7%</b>	<b>6.8%</b>	<b>#DIV/0!</b>	<b>7.4%</b>

(in \$ millions)	2004				
	Q1	Q2	Q3	Q4	FY
<b>Revenues</b>					
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
<b>Total Revenues</b>	<b>3,827</b>	<b>3,853</b>	<b>3,716</b>	<b>4,326</b>	<b>15,722</b>
Memo: Color Revenues	957	1,025	975	1,231	4,188
<b>Operating Profit</b>					
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)
<b>Operating Profit</b>	<b>238</b>	<b>332</b>	<b>248</b>	<b>382</b>	<b>1,200</b>
<b>Operating Margin</b>					
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%)
<b>Operating Margin</b>	<b>6.2%</b>	<b>8.6%</b>	<b>6.7%</b>	<b>8.8%</b>	<b>7.6%</b>

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
<b>3,771</b>	<b>3,921</b>	<b>3,759</b>	<b>4,250</b>	<b>15,701</b>
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
<b>412</b>	<b>337</b>	<b>266</b>	<b>446</b>	<b>1,461</b>
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%
<b>10.9%</b>	<b>8.6%</b>	<b>7.1%</b>	<b>10.5%</b>	<b>9.3%</b>

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
<b>3,695</b>	<b>3,977</b>	<b>3,844</b>	<b>4,379</b>	<b>15,895</b>
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
<b>247</b>	<b>322</b>	<b>299</b>	<b>522</b>	<b>1,390</b>
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%
<b>6.7%</b>	<b>8.1%</b>	<b>7.8%</b>	<b>11.9%</b>	<b>8.7%</b>

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
<b>3,836</b>	<b>4,208</b>	<b>4,302</b>	<b>4,882</b>	<b>17,228</b>
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)
<b>362</b>	<b>347</b>	<b>360</b>	<b>519</b>	<b>1,588</b>
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%)
<b>9.4%</b>	<b>8.2%</b>	<b>8.4%</b>	<b>10.6%</b>	<b>9.2%</b>