Third-Quarter 2008 Earnings Presentation

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Forward-Looking Statements

This release contains "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. The words "anticipate," "believe," "estimate," "expect," "intend," "will," "should" and similar expressions, as they relate to us, are intended to identify forward-looking statements. These statements reflect management's current beliefs, assumptions and expectations and are subject to a number of factors that may cause actual results to differ materially. These factors include but are not limited to the risk that we will not realize all of the anticipated benefits from our 2007 acquisition of Global Imaging Systems, Inc. (GIS); the risk that unexpected costs will be incurred; the outcome of litigation and regulatory proceedings to which we may be a party; actions of competitors; changes and developments affecting our industry; quarterly or cyclical variations in financial results; development of new products and services; interest rates and cost of borrowing; our ability to protect our intellectual property rights; our ability to maintain and improve cost efficiency of operations, including actions with respect to the approximately $400 million pre-tax restructuring charge or 31 cents per share anticipated in the fourth quarter 2008; changes in foreign currency exchange rates; changes in economic conditions, political conditions, trade protection measures, licensing requirements and tax matters in the foreign countries in which we do business; reliance on third parties for manufacturing of products and provision of services; and other factors that are set forth in the "Risk Factors" section, the "Legal Proceedings" section, the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section and other sections of our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2008 and June 30, 2008 and our 2007 Annual Report filed with the Securities and Exchange Commission. The company assumes no obligation to update any forward-looking statements as a result of new information or future events or developments, except as required by law.

Anne Mulcahy

Business Dynamics

Challenges

- U.S. and U.K. large enterprises
- Pressure on Production business

Business Model resiliency and flexibility

- Over 70 % of revenues recurring; buffers revenue risk
- Geographic and market diversity
- Strong and resilient cash flow; modest capital requirements
- Focusing on operational improvements through additional restructuring

Balance sheet remains strong

- Consistent cash flow – $260M in Q3, $754M YTD
- Seasonally strong Q4 cash flow ahead
- Investment grade credit rating

Third-Quarter Overview

Earnings of $0.29 per share

Total revenue stable from previous quarters - up 2%, Flat CC

- Post-sale up 3 % , 2 % CC
- Equipment down (3) % , (4) % CC

Margin pressure offset by lower tax rate

- Gross margin 39.2 % ; mix and price pressure continue
- SAG percent of revenue 26 %

Balance sheet and cash flow performance remain strong

- $260M cash from operations

Constant currency (CC): see slides 24 and 25 for explanation of non-GAAP measures

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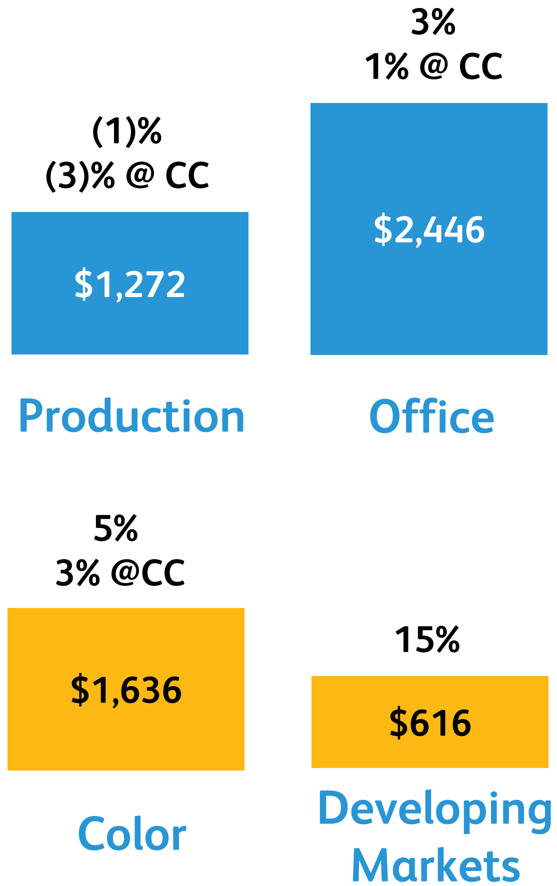
Business Metrics

Revenue Growth



Geographic Overview

U.S. and U.K. large enterprise account pressure

Global Imaging Systems remains strong

Overall Europe stable

Developing markets continue to deliver consistent growth

Activity Summary[1]

	Q3 2008	YTD
Production Monochrome	(11%)	(4%)
Production Color	4%	(1%)
Office B&W Copiers/MFDs	15%	19%
Office Color MFDs	23%	32%
Color Printers	2%	15%

Constant currency (CC): see slides 24 and 25 for explanation of non-GAAP measures

[1]Install growth includes Xerox-branded product shipments to GIS

Larry Zimmerman

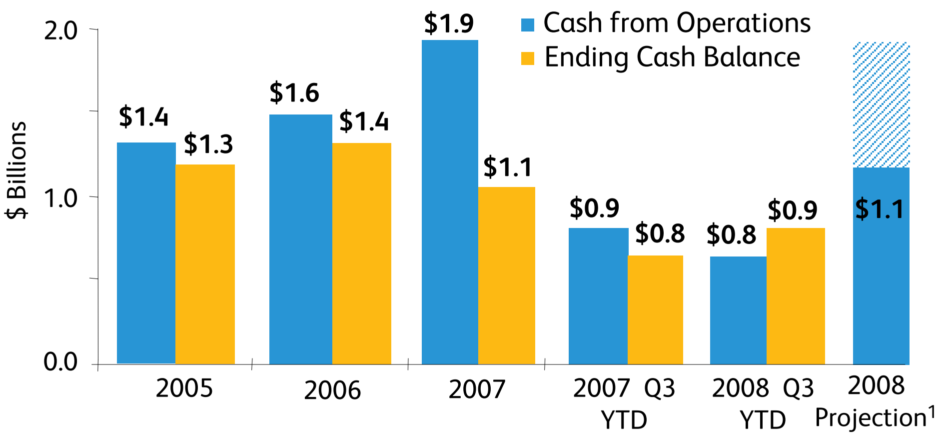
Cash Flow

(in millions)	Q3 2008	YTD 2008
Net income	$ 258	$ 229
Depreciation and amortization	175	498
Provisions for receivables and inventory	65	173
Provision for litigation, net	-	795
Restructuring and asset impairment charges	14	80
Cash payments for restructurings	(33)	(92)
Contributions to pension benefit plans	(205)	(271)
Net change in A/R and billed portion of F/R	(60)	(128)
Net change in inventories	(10)	(175)
Net change in accounts payable and accrued compensation	94	(49)
Net change in income tax assets and liabilities	(15)	(302)
Other, net	(41)	(81)
Cash from Core Operations*	**$ 242**	**$ 677**
Increase in equipment on operating leases	(81)	(242)
Decrease in finance receivables	99	319
Cash from Operations	**$ 260**	**$ 754**
CAPEX (incl. internal use software)	(85)	(244)
Acquisitions, net of cash acquired	(11)	(153)
Net change in escrow and other restricted investments	(266)	(403)
Other cash from investing	6	94
Cash from Investing	**$ (356)**	**$ (706)**
Net debt payments on secured financings	(45)	(192)
Net cash proceeds on other debt	329	900
Payments to acquire treasury stock, including fees	(92)	(804)
Dividends on common stock	(37)	(116)
Other, net	(2)	(39)
Cash from Financing	**$ 153**	**$ (251)**
Change in cash and cash equivalents	30	(226)
Ending Cash and Cash Equivalents	**$ 873**	**$ 873**

**Cash from core operations: see slides 24 and 25 for explanation of non-GAAP measures*

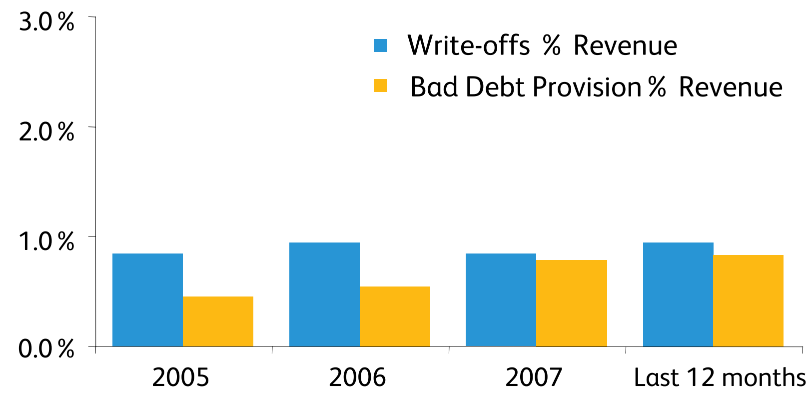
Balance Sheet and Cash Generation

Strong Cash from Operations and Ending Cash Balances



Receivables

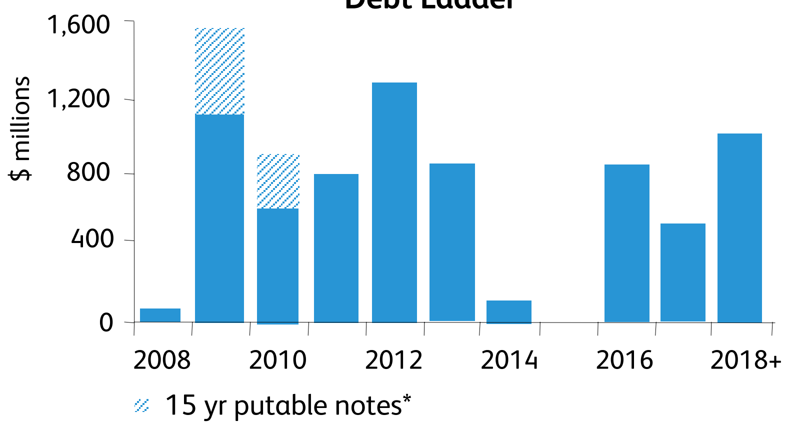
Provisions and write-off ratios remain in historical ranges



Balanced Debt Maturities*

Supports $8.1B finance receivables portfolio

Debt Ladder



Liquidity

- $2 billion Revolving Credit Facility thru 2012
  - $248M drawn at 9/30/08
- $750M available under secured borrowing line
- $1.4 billion senior note offering in April 2008
- $250M private placement notes closed Sep 2008
- Q3 ending cash $873M
- Debt Maturities balanced; $1B due over next nine months
- Strong fourth quarter cash projection

**2009 assumes $448M put under private placement in Q3 (final maturity 2022) and 2010 assumes $278M put under private placements (final maturity 2023)*

[1]2008 cash from operations projection shaded area reflects estimated impact from litigation

Earnings

(in millions, except per share data)	Q3 2008	Q3 2007	
Revenue	$ 4,370	$ 4,302	Continued modest growth led by post sale recurring revenue
Gross Margin	39.2 %	40.1 %	Lower gross margin but stable sequentially
R,D&E	$ 228	$ 233	Consistent investment
R,D&E % of Revenue	*5.2%*	*5.4%*	
SAG	$ 1,138	$ 1,091	Sustained marketing investments in support of growth areas
SAG % of Revenue	*26.0%*	*25.4%*	
Other, Net	$ 96	$ 79	$(17)M impact from currency
Restructuring	$ 14	$ (3)	Incremental U.S. actions
Net Income	**$ 258**	**$ 254**	
Equity Income	$ 35	$ 27	
Tax Rate	6 %	30 %	24 %[1] excluding tax settlements
Diluted EPS	**$ 0.29**	**$ 0.27**	

[1] *Adjusted tax rate : see slides 24 and 25 for explanation of non-GAAP measures*

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Q4 Restructuring

Significant opportunities exist in $17B+ cost and expense base

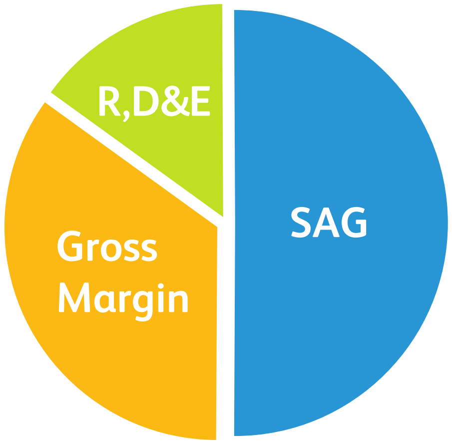
Enables margin stability and sustained investment in growth

Focus areas:

- Improving efficiency and effectiveness of infrastructure: Marketing, Finance, HR & Training
- Capturing efficiencies in technical services, managed services and supply chain & manufacturing infrastructure
- Optimizing development and engineering resources

Approximate Q4 Charge	~$400M
Approximate 2009 Savings	~$200M

Targeted Focus Areas



- Minimal impact to customer facing sales resources

Annuity Scorecard

2008 YTD
Post Sale Leading Indicators

Digital Revenue	↑ 6%
Digital MIF	↑ 6%
Digital Pages[1]	↓ 1%
Total Digital Pages[2]	↑ 2%

Color Revenue	↑ 14%
Color MIF	↑ 34%
Color Pages[1]	↑ 28%
Total Color Pages[2]	↑ 26%

B&W Digital Rev	flat
B&W Digital MIF	flat
B&W Digital Pages[1]	↓ 5%
Total B&W Digital Pages[2]	↓ 2%

	FY 2005	FY 2006	FY 2007	YTD 2008
Color % Revenue	27%	31%	35%	37%
Color % of MIF	10%	13%	17%	22%
Color % of Pages	7%	9%	12%	16%
Services Annuity Growth	↑ 1%	↑ 6%	↑ 8%	↑ 6%
Post Sale % of Total Revenue	71%	72%	72%	74%

MIF (Machines in Field) & page data exclude printers, DMO & GIS.
All revenue measures with the exception of post sale % of total revenue exclude GIS
[1] 2008 YOY growth is based on updated methodology, applies to US pages.
[2] Total pages includes estimates for DMO, GIS and printers.

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Guidance

Q4 Assumptions

- Current environment continues into 2009
- Continued pressure on margins
- Benefit from Q3 product launches and restructuring actions
- Strong seasonal cash flow

Q4 EPS $ 0.03 - $0.05

- Adjusted Q4 EPS $0.34 - $0.36 excluding restructuring[1]

[1]*Adjusted diluted EPS: see slides 24 and 25 for explanation of non-GAAP measures*

Summary

- Revenue stability due to global strength
- Annuity model demonstrates resiliency during difficult times
- Cash flow and balance sheet remain strong
- Restructuring enables positioning for 2009

Earnings Expectations

	Actual	Guidance	
	Q3 08	Q4 08	FY 08
GAAP EPS	$0.29	$0.03 - $0.05	$0.28 - $0.30
Litigation			$0.55
Q4 Restructuring		$0.31	$0.31
Adjusted Diluted EPS[1]	**$0.29**	**$0.34 – $0.36**	**$1.14 – $1.16**

[1]*Adjusted diluted EPS: see slides 24 and 25 for explanation of non-GAAP measures*

Supplemental Slides

Revenue

(in millions)	2008 Q1	Adjusted[1]	Q2	Adjusted[1]	Q3
Total Revenue	$ 4,335		$ 4,533		$ 4,370
Growth	13%	5%	8%	5%	2%
CC Growth*	9%	1%	4%	1%	--%
Post Sale	$ 3,237		$ 3,373		$ 3,245
Growth	11%	6%	10%	8%	3%
CC Growth*	7%	2%	6%	4%	2%
Equipment	$ 1,098		$ 1,160		$ 1,125
Growth	18%	2%	2%	(2%)	(3%)
CC Growth*	13%	(2%)	(2%)	(5%)	(4%)

*Constant currency: see slides 24 and 25 for explanation of non-GAAP measures

[1]Adjusted Q1 2008 & Q2 2008: The percentage point impacts reflect the revenue growth YOY after including GIS' results from first and second quarter 2007. See slides 24 and 25 for explanation of non-GAAP measures

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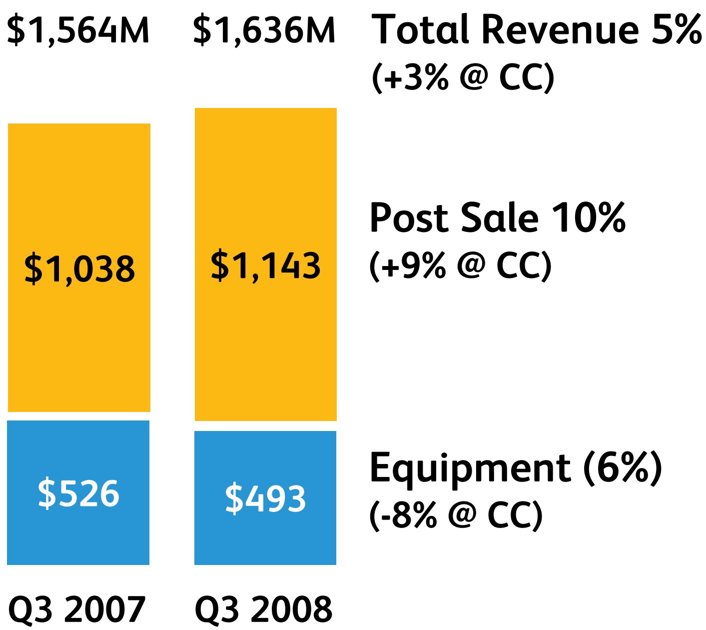
Color Performance

Total Color Revenue



Color Trends

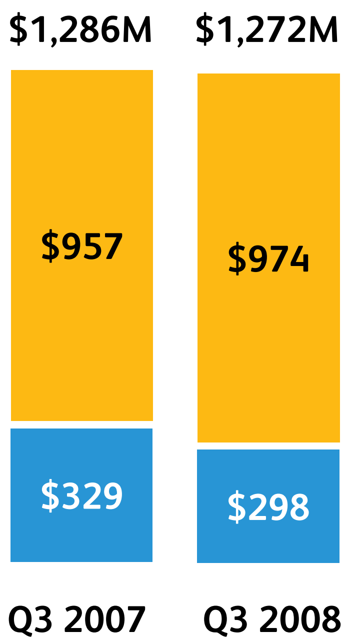
	Q3 2006	Q3 2007	Q3 2008
Color Revenue:			
% of Post Sale	31%	35%	37%
% of Equipment	48%	51%	50%
% of Total Revenue	36%	39%	40%
Color Pages:			
Growth	35%	32%	27%
% of Total Pages	10%	13%	17%

- Color 40 % of total revenue, 17 % of total pages
- Color revenue impacted by weakness in the U.S.

Constant currency: see slides 24 and 25 for explanation of non-GAAP measures
Color revenue excludes GIS results
Color pages exclude GIS, DMO and printers

Production Segment

Production Revenue



Total Revenue (1%)
(-3% @ CC)

Post Sale 2%
(Flat @ CC)

Equipment (9%)
(-11% @ CC)

Production Overview

Production revenue impacted by weakness in the U.S.

Developing Markets equipment revenue up 13 % ; total revenue up 13 %

Color activity improvement driven by new products

- Xerox iGen4® Press
- Xerox 700 digital color press
- Color continuous feed

Install Growth[1]

	Q3 2008	YTD
Production Monochrome	(11%)	(4%)
Production Color	4%	(1%)

Constant currency: see slides 24 and 25 for explanation of non-GAAP measures
DMO results are included in the results of the Production, Office and Other segments
[1]Install growth includes Xerox-branded product shipments to GIS

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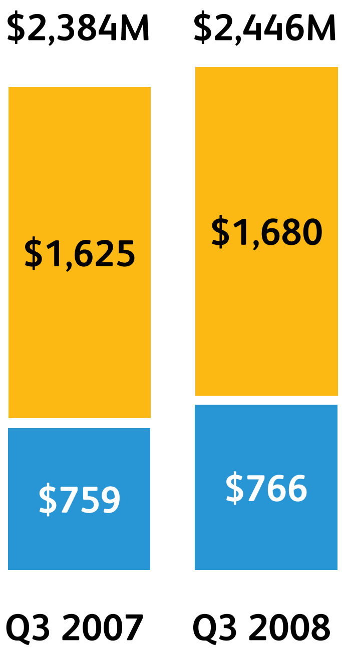
Office Segment

Office Revenue



Total Revenue 3%
(+1% @ CC)

Post Sale 3%
(+2% @ CC)

Equipment 1%
(Flat @ CC)

Install Growth[1]

	Q3 2008	YTD
Office B&W Copiers/MFDs	15%	19%
Segments 1-2 (11-30) ppm	16%	21%
Segments 3-5 (31-90) ppm[2]	9%	6%
Office Color MFDs	23%	32%
Color Printers	2%	15%

Office Overview

Global Imaging delivers strong results

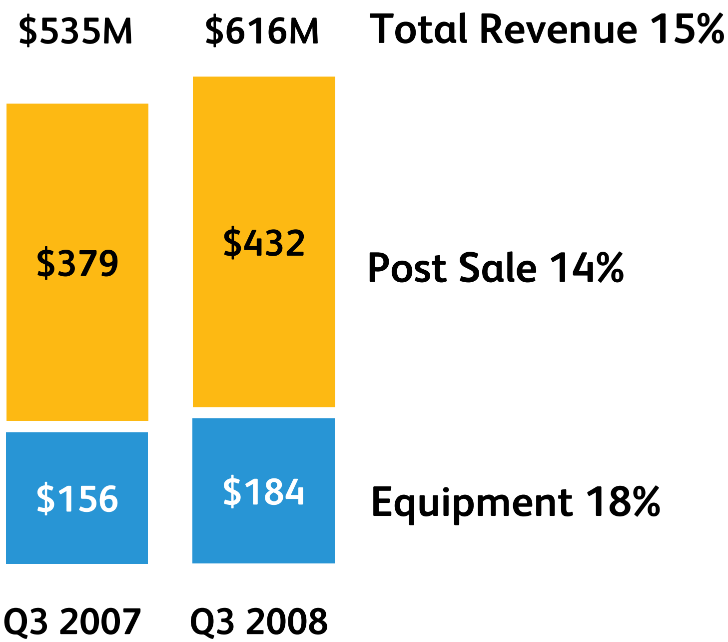
Developing Markets equipment revenue up 23 % ; total revenue up 15 %

Continue to deliver solid activity growth despite weakness in U.S. enterprise accounts

Constant currency: see slides 24 and 25 for explanation of non-GAAP measures
DMO results are included in the results of the Production, Office and Other segments
[1]Install growth includes Xerox-branded product shipments to GIS
[2]Segments 3-5 (31-90) ppm includes 95 ppm, segment 6 device with an embedded controller

Developing Markets Operations

DMO Revenue



DMO Overview

Strong performance across all regions

Equipment sales increasing in both Production and Office

- Marketing investments yielding good results

Post-sale growth driven by supplies and managed services

Beginning in 2008, DMO results are not reported as a separate segment, but are included within the results of the Production, Office and Other segments

Appendix

Non-GAAP Financial Measures

"Adjusted Diluted EPS": Diluted earnings per share for the 2008 fourth quarter and full year expectations are discussed in this release using a non-GAAP financial measure that excludes the effect of restructuring charges and charges associated with our securities-related litigation matters (full year only). Management believes that it is helpful to exclude these effects to better understand and analyze the current period's results given the discrete nature the charges and with respect to the litigation its relation to prior year events.. 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 16.

"**Adjusted Effective Tax Rate**": The effective tax rate for the third quarter 2008 is discussed in this presentation using a non-GAAP financial measure that excludes the benefit to taxes relating to the settlement of certain previously unrecognized tax benefits and the effect of charges associated with restructuring. 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 26.

"Adjusted Revenue": We discussed the revenue growth for the first and second quarter of 2008 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 2007 periods. We refer to this adjusted revenue as "as adjusted" 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 that was completed in May 2007. 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 slides 27 and 28.

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 Financial 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 the applicable slides.

“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. See reconciliation of cash from core operations to cash flow from operations on slide 8.

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.

Q3 2008 Adjusted Effective Tax Rate Reconciliation

(in millions)	Three Months Ended September 30. 2008 Pre-Tax Income		Income Taxes		Effective Tax Rate
As Reported	$	238	$	15	6.3 %
Restructuring	$	14	$	5	
Tax Settlements	$	-	$	41	
As Adjusted	$	252	$	61	24.2 %

Q1 2008 Non-GAAP Reconciliation

(in millions)	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007	% Change	Currency	% Change at Constant Currency*
Equipment Sales Revenue:					
As Reported	$ 1,098	$ 931	18 %	(5 %)	13 %
As Adjusted	$ 1,098	$ 1,078	2 %	(4 %)	(2 %)
Post Sale Revenue:					
As Reported	$ 3,237	$ 2,905	11 %	(4 %)	7 %
As Adjusted	$ 3,237	$ 3,052	6 %	(4 %)	2 %
Total Revenues:					
As Reported	$ 4,335	$ 3,836	13 %	(4 %)	9 %
As Adjusted	$ 4,335	$ 4,130	5 %	(4 %)	1 %

Revenue “As Adjusted” adds GIS' results for Q1 2007 to our 2007 reported revenue.

*See slides 24 and 25 for explanation of non-GAAP measure

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Q2 2008 Non-GAAP Reconciliation

(in millions)	Three Months Ended June 30, 2008		Three Months Ended June 30, 2007		% Change	Currency	% Change at Constant Currency*
Equipment Sales Revenue:							
As Reported	$	1,160	$	1,141	2 %	(4 %)	(2 %)
As Adjusted	$	1,160	$	1,179	(2 %)	(3 %)	(5 %)
Post Sale Revenue							
As Reported	$	3,373	$	3,067	10 %	(4 %)	6 %
As Adjusted	$	3,373	$	3,126	8 %	(4 %)	4 %
Total Revenues:							
As Reported	$	4,533	$	4,208	8 %	(4 %)	4 %
As Adjusted	$	4,533	$	4,305	5 %	(4 %)	1 %

Revenue “As Adjusted” includes a full quarter of GIS’ results for Q2 2007.

See slides 24 and 25 for explanation of non-GAAP measure

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