

Xerox Corporation – Financial Profile

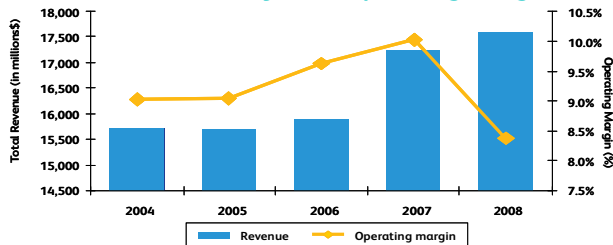
Financial Strategy

- Grow total revenue through annuity business model
- Balance cost / gross profit margin, SAG and R,D&E to deliver expanded earnings
- Generate strong cash flow
- Maximize shareholder value

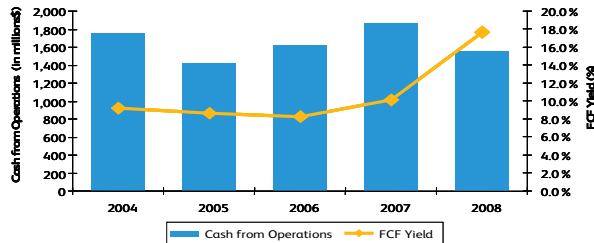
Achieve consistent, predictable and sustainable results that deliver shareholder value

Track Record of Delivery

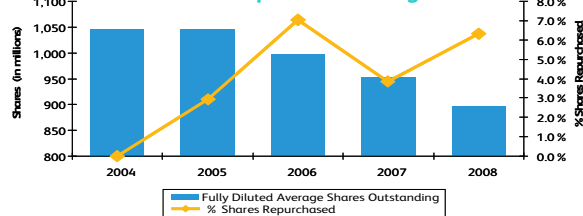
Revenue and Adjusted Operating Margin¹



Adjusted Cash from Operations¹ and Adjusted FCF Yield¹



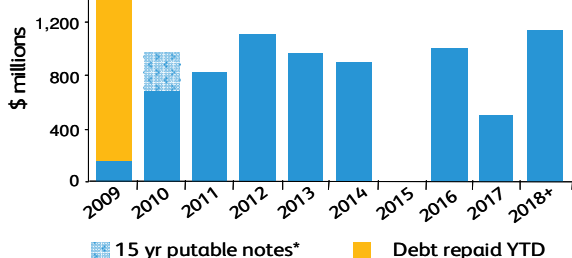
Share Repurchase Progress



Adjusted EPS¹ Growth



Balanced Debt Maturities Debt Ladder



■ 15 yr puttable notes* ■ Debt repaid YTD

1 - See Non-GAAP Financial Measures for explanation

2 - Dividend yield as of the end of the reporting period

3 - MIF (Machines in Field) excludes printers, developing markets & GIS. Digital revenue excludes GIS. Pages includes estimates for developing markets, GIS and printers.

Q3 2009 Overview

GAAP EPS \$0.14 per share (above expectations of 10-12 cents)

Total Revenue continues to be impacted by economic environment; down 16%, 14% CC¹

- Post-sale down 11%, 9% CC¹
- Equipment down 29%, 28% CC¹
- Declines largely consistent with Q1 & Q2

Strong costs and expense performance

- Gross Margin improved 0.6 points YOY to 39.8%
- SAG percent of revenue 27.4%, lower by \$131M YOY
- Flow-through of restructuring and cost actions savings

Solid balance sheet and cash flow performance

- Cash from operations \$610M
- Cash Balance \$1.2B
- YTD debt reduction of \$938M, on track for more than \$1B debt reduction in 2009

Q4 / FY 2009 Guidance

Full-year guidance increased

- Q4 earnings \$0.20 - \$0.22¹
- FY earnings \$0.55 - \$0.57¹
- FY cash from operations ~\$1.7B

(in millions, except per share data)	FY 2008	Q3 '09	YTD 2009
Income Statement	Actual	Actual	Actual
Revenue	\$17,608	\$3,675	\$10,960
Adjusted Gross Margin ¹	39.2%	39.8%	39.6%
R,D&E	\$884	\$209	\$615
R,D&E % Revenue	5.0%	5.7%	5.6%
SAG	\$4,534	\$1,007	\$3,024
SAG % Revenue	25.7%	27.4%	27.6%
Other, Net (incl. noncontrolling interests)	\$1,122	\$98	\$296
Restructuring	\$429	(\$2)	(\$5)
Adjusted Net Income - Xerox¹	\$985	\$123	\$305
Equity Income	\$113	\$15	\$14
Adjusted Effective Tax Rate ¹	23%	28%	28%
Adjusted EPS¹	\$1.10	\$0.14	\$0.35
After Tax Adjustments:			
Restructuring	(\$0.27)		
Equipment write off	(\$0.03)		
Provision for Litigation, Net	(\$0.54)		
GAAP EPS	\$0.26	\$0.14	\$0.35

Other Metrics	FY 2008	Q3 '09	YTD 2009
Cash & Cash Equivalents	\$1.2B	\$1.2B	\$1.2B
Adjusted Cash from Operations ¹	\$1,554M	\$610M	\$1,241M
Annualized Dividend Yield ²	2.13%	2.20%	2.20%
Credit Rating			
Moody's	Baa2	Baa2	Baa2
Standard & Poors ("S&P")	BBB	BBB	BBB
Fitch	BBB	BBB	BBB

Post Sale³

	FY '08		Q3 '09	
	Color	Digital	Color	Digital
Revenue @ CC ¹	8%	2%	(4)%	(8)%
MIF	33%	6%	20%	1%
Pages	24%	1%	7%	(6)%

Non-GAAP Financial Measures

"Adjusted Net Income and EPS": To better understand the trends in our business, we believe that it is helpful to adjust diluted earnings per share and net income to exclude the effects associated with the following items:

- Restructuring charges – 2004, 2005, 2006 and 2008.
- Fuji Xerox Restructuring charges - 2009 (Q1).
- 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: MPI – 2005; Brazil – 2006; and securities-related litigation matters – 2008.
- Charges related to the termination of our 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 an equipment write-off – 2008.

Management believes that excluding the effects of these items enables investors to better understand and analyze our results and provides a better measure of comparability given the discrete nature of these charges. 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 Tables 3 and 5.

"Constant Currency": To better understand trends in our business we believe that it is helpful to adjust revenue to exclude the impact of change in the translation of foreign currencies into U.S. dollars. We refer to this adjusted revenue as "constant currency." Currencies for developing market countries (Latin America, Brazil, Middle East, India, Eurasia and Central Europe) that we operate in are reported at actual exchange rates for both actual and constant revenue growth rates because (1) these countries historically have had volatile currency and inflationary environments and (2) our subsidiaries in these countries have historically taken pricing actions to mitigate the impact of inflation and devaluation. Management believes the constant currency measure provides investors an additional perspective on revenue trends. Currency impact can be determined as the difference between actual growth rates and constant currency growth rates as reported in the applicable area.

"Adjusted Gross Margin"/"Adjusted Operating Income"/"Adjusted Operating Margin": To better understand trends in our business, we believe it is helpful to adjust these items for the fourth quarter and full year 2008 to exclude the effect of charges associated with an equipment write-off. Management believes that excluding the effect of this charge will enable investors to better understand and analyze the current periods' results and provide a better basis for assessing future trends because of the discrete nature of the equipment write-off charge. 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 Tables 1 and 4.

"Free Cash Flow": To better understand the trends in our business, we believe that it is helpful to adjust cash flows from operations to exclude amounts for certain capital expenditures including internal use software. Management believes this measure gives investors an additional perspective on cash flow from operating activities in excess of amounts required for reinvestments. It provides a measure of our ability to fund acquisitions, dividends and share repurchase. It also is used to measure our yield on market capitalization. See reconciliation of Cash from Operations to Free Cash Flow in Table 2.

"Adjusted Cash from Operations" / "Adjusted Free Cash Flow": To better understand the trends in our business, we believe that it is helpful to adjust Cash from Operations / Free Cash Flow to exclude the fourth quarter 2008 net payments made for the securities-related litigation matters. Management believes that excluding the effects of these payments helps investors better understand and analyze the current periods' results given the nature and size of the payments and their relation to prior period events. A reconciliation of these non-GAAP financial measures and the most directly comparable measures calculated and presented in accordance with GAAP is set forth on Table 2.

"Adjusted Effective Tax Rate": To better understand the trends in our business, we believe that it is helpful to adjust the effective tax rate for the fourth quarter and full year 2008 to exclude: (1) the tax effects of the first quarter 2008 securities-related litigation provision (full year); (2) the second, third and fourth quarter 2008 restructuring and asset impairment charges (fourth quarter and full year); (3) the fourth quarter equipment write-off charge (fourth quarter and full year); and (4) the benefit from the settlement of certain previously unrecognized tax benefits (full year). Management believes that excluding the tax effects of these items will enable investors to better understand and analyze the current periods' effective tax rate given the discrete nature of these items in the respective 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 Table 6.

"Guidance/Full year 2009 Guidance": We have provided our outlook without including fourth quarter costs associated with the acquisition of ACS, which cannot be specifically quantified at this time.

All 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. 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 in the relevant tables.

Non-GAAP Reconciliation

(in millions)	2004	2005	2006	2007	2008
Revenue	\$15,722	\$15,701	\$15,895	\$17,228	\$17,608
Income before Income Taxes and Equity Income (Pre-tax Income)	\$965	\$830	\$808	\$1,438	(\$114)
Restructuring and asset impairment charges	86	366	385	(6)	429
Other expenses, net	369	224	336	295	1,122
Equipment write-off					39
Adjusted Operating Income	\$1,420	\$1,420	\$1,529	\$1,727	\$1,476
Pre-tax Income margin	6.1%	5.3%	5.1%	8.3%	-0.6%
Adjusted Operating margin	9.0%	9.0%	9.6%	10.0%	8.4%

(in millions)	2004	2005	2006	2007	2008
Cash from Operations	\$1,750	\$1,420	\$1,617	\$1,871	\$939
Payments for securities litigation, net					615
Adjusted Cash from Operations	\$1,750	\$1,420	\$1,617	\$1,871	\$1,554
CAPEX (including internal use software)	252	237	294	359	335
Free Cash Flow (FCF)	\$1,498	\$1,183	\$1,323	\$1,512	\$604
Adjusted Free Cash Flow	\$1,498	\$1,183	\$1,323	\$1,512	\$1,219
Market Capitalization ¹	16,262	13,642	16,038	14,849	6,892
Adjusted FCF Yield	9.2%	8.7%	8.2%	10.2%	17.7%

¹ Year-end Share price x Shares of common stock outstanding

Diluted EPS	2004	2005	2006	2007	2008
As Reported	\$0.86	\$0.94	\$1.22	\$1.19	\$0.26
Adjustments					
Restructuring and asset impairment charges	\$0.05	\$0.24	\$0.25		\$0.27
Integic Gain		(\$0.06)			
ContentGuard Gain	(\$0.08)				
Tax Audit Benefits		(\$0.34)	(\$0.50)		
Litigation Matters		\$0.08	\$0.07		\$0.54
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			
Equipment write-off					\$0.03
Adjusted EPS	\$0.79	\$0.90	\$1.05	\$1.19	\$1.10

	As Reported	Equipment Write-off	As Adjusted
FY 2008:			
(in millions)			
Revenue	\$ 17,608		\$ 17,608
Cost of revenue	10,753	(39)	10,714
Gross Profit	6,855	39	6,894
Gross Margin	38.9%		39.2%

	FY 2008	
	Net Income	EPS
Adjusted Net Income/ EPS		
(in millions; except per share amounts)		
As Reported	\$ 230	\$ 0.26
Adjustments:		
Q4 2008 Restructuring and asset impairment charges	240	0.27
Q4 2008 Equipment write-off	24	0.03
Q1 2008 Provision for litigation matters	491	0.54
As Adjusted	\$ 985	\$ 1.10

	FY 2008		
	Pre-tax Income	Income Taxes	Tax Rate
Adjusted Tax Rate			
(in millions)			
As Reported	\$ (114)	\$ (231)	202.6%
Adjustments:			
Q2, Q3, Q4 2008 Restructuring and asset impairment charges	426	134	
Q4 2008 Equipment write-off	39	15	
Q1 2008 Provision for litigation matters	795	304	
Tax settlements	-	41	
As Adjusted	\$ 1,146	\$ 263	22.9%



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