

exchange

CEO Anne Mulcahy Announces Stock Buyback as Part of Positive Quarterly Report

Xerox will repurchase up to \$500 million in shares of common stock as added proof that the company's balance sheet is strong enough to make strategic investments in providing value to its customers and in delivering increased returns to its shareholders. [Read more.](#)

Continuing to Test the Limits of Productivity in Document Management for the Office

The innovations are too many to list here. For speed, ease and productivity no company tops what Xerox offers in smarter document management to the office setting. [Read more.](#)



Personalize and Energize Your Direct Marketing

Understanding individual customer dynamics is the key to direct-marketing success. Xerox Global Services can help you turn the useful information within your customer database into direct marketing that is more powerful and more profitable. [Read more.](#)

Give Your Recipient a Break by Using These Tips for Better Remote emailing

Staying connected is more important than ever – and becoming impossible to ignore. Use our tips and etiquette to help you and your recipient get the most out of your wireless email messages. [Read more.](#)

Cheers! To the Winner of a Much-needed Corporate Makeover

For the second year, Xerox and *Entrepreneur* magazine, as part of its co-sponsored national contest, have selected a most deserving, if esthetically challenged, growing business for a design and technology makeover. [Read more.](#)

Inventive Students Benefit from Competition and Creative Thinking

Once again, Xerox teams up with By Kids For Kids to sponsor the "Invent-A-Toy World Games" national competition. It's the chance for enterprising kids to build and market their inventions – and be rewarded for it. [Read more.](#)

Environmentally Responsible, Sustainable Growth is a Huge Priority

Our eleventh annual *Environment, Health and Safety Progress Report* highlights Xerox's environmentally friendly product portfolio and ongoing commitment to the environment. [Read more.](#)

Continuing to Drive Profitable Growth in Printing Industry

New products and services make the powerful argument that perhaps the one and only document company any printer needs is the one that's also the leader in innovation. [Read more.](#)

Letter from the CEO



Dear Valued Customer,

Xerox just released its third quarter financial results. You can find details at <http://www.xerox.com/investor>.

Here are the highlights:

- Adjusted earnings per share of 18 cents – excluding 13 cents of restructuring and previously disclosed charges
- Revenue growth of 1 percent including a 22-percent hike in color revenue
- Improvements in gross margins; reductions in selling, administrative and general (SAG) expenses; and continuing reduction in our debt
- And a quarter-ending cash and short-term investments balance of \$1.6 million.

In short, we met expectations by delivering another quarter of positive performance with revenue growth and earnings expansion. Significantly, our board of directors has authorized the repurchase of up to \$500 million of Xerox common stock. This is another proof point that we have a strong balance sheet – so strong, in fact, that we are able to make strategic investments in providing value for you and in delivering increased returns to our shareholders. By the way, this is our first stock buyback plan in eight years.

So thank you for your continued loyalty and your business. It means a great deal to all of us at Xerox, and it enables us to keep investing in the development of offerings that will help you reduce costs, grow your revenue, streamline your work processes and create value for your customers.

In this issue of **exchange**, you will find articles on how Xerox and By Kids For Kids has launched a nationwide contest to nurture the budding inventor in every child, tips on how to get the most out of handheld wireless devices, several production and office product launches and more.

We'd love to hear from you. If you have a comment, question, or suggestion, just click on [feedback](#).

Thanks for your business. We all feel honored that you have placed your trust in us – and we're focused on continuing to earn that trust.

Sincerely,

A handwritten signature in black ink that reads "Anne M. Mulcahy". The signature is written in a cursive, flowing style.

Anne M. Mulcahy
Chairman and CEO

Offering Something New in Office Products Is Nothing New to Xerox

At \$549, Phaser 3500 Offers Small and Medium Businesses Even Faster Speed at an Even Lower Cost

Xerox has introduced a new network printer starting at \$549 that offers faster speeds and more powerful features than similarly priced models from Hewlett-Packard and others.

With first-page-out in 10 seconds and 1,200 dots-per-inch resolution, the **Phaser® 3500** black-and-white laser printer operates at up to 35 pages-per-minute (ppm), is designed to accommodate up to 25 networked users and is priced \$100 less than HP's 35-ppm offering.



The Phaser 3500 is available worldwide through Xerox resellers, authorized sales agents, dealers, direct sales, concessionaires, 1-800-ASK-XEROX and online at www.xerox.com/direct.

Phaser 7400 Delivers Color Pages Faster, and Costs Less Than HP

At a starting price of \$2,999, the **Phaser® 7400** printer runs 33% faster and costs \$550 less than the closest comparable competitive model from Hewlett-Packard. It allows small- and medium-sized businesses to turn out high-quality spreadsheets, brochures, presentations and other business-critical documents at 36 color or 40 black-and-white pages per minute.



The Phaser 7400 is available worldwide through Xerox authorized resellers, distributors, authorized sales agents, dealers, direct sales, concessionaires, via 1-800-ASK-XEROX and at www.xerox.com/direct.

Why MFPs Are Changing the Way IT Thinks About Document Management

For innovative ideas on how multifunction printers (MFPs) can allow you to work smarter not harder, we invite you to watch an informative 30-minute [webcast](#).

What should you look for beyond the product spec sheets? How can you use these devices to improve the intelligence and direction of your company's information infrastructure?

You'll hear answers to these questions and more from the experts at Buyers Laboratory Inc., Industry Analysts Inc., IDC, and from Brian Bissett, editor of the MFP Report. Complete a short survey at the end of the broadcast, and you'll be eligible to win a Xerox WorkCentre® C2424.

For general information on Xerox MFPs, go to www.xerox.com/office or call 1-800-ASK-XEROX, ext. 637.

Offering Something New in Office Products Is Nothing New to Xerox (cont'd)

Three Multifunction Printing and Copying Systems Featuring Exceptional Print Quality

For the office setting, Xerox has launched a family of three 33-ppm black-and-white printing and copying products: a multifunction system, a digital copier and a digital copier/printer.

For customers who want to consolidate stand-alone equipment, the **WorkCentre® Pro 133** monochrome MFP offers best-in-class media support from 16 lb. to 110 lb. and print quality of up to 1200 x 1200 dots per inch. These multifunction systems can handle a number of jobs at once, which, for example, would allow an office worker to scan a document while a print job is running.



Along with the WorkCentre Pro 133, the **CopyCentre® 133** stand-alone digital copier and the **WorkCentre® 133** copier/printer, which offer copying and printing with optional fax, further expand Xerox's line of multifunction systems available through resellers and dealers.



All three systems use Xerox's patented emulsion aggregation (EA) toner, which standardizes the size and shape of toner particles so that prints and copies have a sharper image quality and fine-line text. EA toner uses an environmentally friendly manufacturing process that uses an estimated 25% less energy than conventional toner.

The CopyCentre 133, WorkCentre 133, and WorkCentre Pro 133 are available in North America through Xerox authorized dealers and resellers and in developing markets. For more information about these and other Xerox office products and services, visit www.xerox.com/office or call 1-800-ASK-XEROX.

The Industry's First Color Devices to Earn Internationally Recognized Standard for Security

For six of its color copiers and multifunction systems, Xerox has earned the Common Criteria Certification, which is the international standard in information security. The recognition makes Xerox the only document-services company that can bring to high-quality color documents a high level of security validated by independent experts.

Developed by the National Information Assurance Partnership, a federal government initiative created to meet the IT security-testing needs of individuals and industry, the certification is critically important to suppliers to the government, military, healthcare, legal and financial sectors that are required to comply with strict security regulations.

Most IT products used within the U.S. Department of Defense must carry Common Criteria Certification to ensure that their systems maintain a proper level of confidentiality, integrity and authentication. To receive the certification, office products go through rigorous evaluation and testing in the NIAP-approved Common Criteria Testing Laboratories.

For ongoing updates on security at Xerox, visit www.xerox.com/security.

The Power to Personalize Drives Measurable Results in Direct Marketing

Most marketers have long known that list selection is 70% of any successful direct-marketing effort. But most would also agree that understanding customer dynamics within those lists is the real key to success. Even consumers on the same list have different demographic profiles, income levels and lifestyle preferences that drive their buying behavior. Direct marketers miss or ignore these differences at their peril. Their ability to create individualized and relevant communication has a significant impact on the results of any direct-marketing (DM) campaign.

Make It Personal!

Personalization goes far beyond a customer's name and address to include facts about each individual customer or customer segment. These may refer to past purchases, product or service preferences, topics of interest and promotional offers for products or services that they are most likely to purchase.

If your company has invested in Customer Relationship Management software, you probably have a treasure-trove of information waiting to be put to profitable use. And with data-analytics software, it is relatively easy to mine customer data, segment your customer base to identify your most valuable customers, and implement direct-marketing programs tailored to them.

The Results

When a campaign is executed properly, the results speak for themselves. Market research experts Romano & Broudy report that personalized and relevant full-color direct-marketing materials have a profound effect on customer response and purchase behavior, including:

- 34% faster rate of response
- 48% increase in repeat orders
- 25% greater average value of each order
- 32% increase in overall revenue.

It's clear that personalization is what today's successful companies are doing to differentiate themselves.

How Xerox Global Services Can Help

From business process re-engineering to systems implementation, XGS can help differentiate your offerings in a crowded marketplace. XGS provides a complete suite of offerings that include comprehensive marketing-communication consultation aimed at creating cost-effective, hard-hitting sales and marketing material. By providing expertise to measurably improve customer communications, we complement the services provided by your creative and direct-marketing agencies. To learn more about how we can improve your personalized direct-marketing programs, talk to your Xerox account representative and download this [white paper](#) that offers new ways to think about how to communicate with your customers.

eMail Etiquette and Tips for You and Your BlackBerry

To boost productivity, many companies have armed their people with hand-held wireless email devices, such as BlackBerrys. While staying connected in an increasingly wireless world is more important than ever, these devices create their own set of challenges. Here are some tips that can help you overcome some of these challenges and get the most out of your wireless email.



- **Keep it simple.** Use straight text. Avoid graphics, links or unnecessary formatting.
- **Make the font size no less than 12 points.** Especially in an attached document, fonts can look very small.
- **Avoid Word document attachments whenever possible.** Include the content of short memos in the email text.
- **Don't embed links to web sites.** To your recipients, they will appear as very long lines of code. If you need to include a web link, put it at the end of your note.
- **Keep your notes short and to the point.**
- **Whenever possible, write the entire message in the subject line.** Follow it with "EOM," shorthand for "end of message."
- **For longer messages, make the subject line meaningful.** Provide a useful preview of the content.
- **Don't send messages that contain animation, graphics or HTML code.** These include elaborate electronic signatures.
- **Avoid lengthy legal disclaimers,** unless they are absolutely necessary.
- **Avoid ALL CAPITAL LETTERS.** Besides being harder to read, messages in all-caps appear to be shouting.
- **Don't include a distribution list in the To: or CC: fields.** For a long distribution list, use the BCC: field.

Local Brewer Bubbles Up as Winner of Nationwide Makeover Contest

Once again, Xerox and *Entrepreneur* magazine set out on its nationwide quest to find a growing business that was giving back to its community but was also in dire need of a design and technology makeover.

And the winner is... Sprecher Brewing Company of Milwaukee, makers of fine microbrewed beers and gourmet sodas and noted corporate citizen. The problem is that they had completely left their office environment behind. Dark paneled walls, unproductive printers, chairs from the 70s – puh-leez!

Enter Thom Filicia of NBC/Bravo's Emmy Award-winning show *Queer Eye*, and voila! Sprecher now boasts colorful and comfortable interiors, efficient Xerox document systems and all new office furniture from The HON Company. In just two weeks, crews transformed the dark, dreary office into a productive, inviting workspace. The newly renovated office was revealed in August on NBC's Today



Show, and results of the makeover will be featured in a special section of the November issue of *Entrepreneur* magazine.

Xerox evaluated the brewery's office work processes and determined the best mix of hardware and software to improve workflow and meet the company's document-management needs. The resulting technology recipe: a combination of color and black-and-white printers and multifunction systems, Xerox flat-panel computer monitors, a Xerox digital projector and various software and content management programs. Among the products installed were a Xerox **WorkCentre® Pro 128** advanced multifunction system that copies, faxes and scans, and a **WorkCentre® M20i** basic multifunction system.



To help the brewery digitally file all of its poorly organized paperwork, Xerox installed **DocuShare®** software, a web-based document- and content-management system.

It will help Sprecher organize and archive files, track document versions for artwork and marketing materials and boost collaboration among both office employees and people in the field.

Thanks to Thom Filicia's facelift, employees will no longer be greeted by stained carpet, dangling wires and dull lighting. Incorporating Sprecher's logo colors, the office now has light-yellow walls and red carpeting, complemented by softer lighting and more natural light, to make the office brighter and livelier. And the new furniture from The HON Company completes the upscale, professional look.



By Kids For Kids and Xerox Spur Competition and Creative Thinking Among Inventive Students

The "Invent-A-Toy World Games" national competition, launched by By Kids For Kids (BKFK) and Xerox in September encourages kids to submit their big ideas for a chance to see those inventions come to life on retail shelves across America.




Now in its second year, the competition, which requires no entry fee, seeks the most innovative ideas for the next generation of toys, games or sporting goods. Interested kids ages 5 through 19 must submit their entries, in writing, through www.bkfk.com no later than January 16, 2006. Winners will be announced in June 2006 at the International Licensing Show in New York City.

The "Chester Award" -- named after Chester Carlson, the creator of xerography who himself was a young inventor and entrepreneur -- will be given to the kids whose inventions offer the greatest marketing potential and consumer appeal.

All winners will be given a licensing contract from BKFK, legal support to patent their invention (if patentable), professional expertise to bring the product to market, approximately \$1,000 worth of Xerox technology and a \$5,000 U.S. savings bond. The winners will also direct a \$1,000 savings bond to the teacher of their choice.

Teachers Encouraged to Promote Inventive Thinking

BKFK and Xerox also have unveiled an "Inventive Thinking" toolkit, designed for teachers to assist children in developing new inventions in the classroom. Targeted toward grades 3 through 12, the toolkit is designed to encourage teachers to develop new science programs and materials to promote critical and creative thinking and problem solving. Each Inventive Thinking toolkit contains a teacher's guide, a student guide, an interactive learning DVD with sections for educators and students, an Inventive Thinking game poster and an example of a kid-invented product.

Serving as educational advisor to the toolkit's development has been  **SCHOLASTIC**, the worldwide children's publishing, education and media company, which will be distributing more than 10,000 of the kits free of charge to classrooms across the country. There will be an emphasis on reaching out to traditionally underserved communities to help these youth get more excited about a future in science.

Report Tracks Xerox's Progress on Environmentally Responsible, Sustainable Growth

In our recently released *2005 Environment, Health and Safety Progress Report*, Xerox has emphasized the company's environmentally friendly product portfolio and ongoing efforts to deliver "waste-free products from waste-free facilities."

The report – its eleventh annual – reveals how Xerox is moving forward on a number of important goals, including our pledge to reduce greenhouse gas emissions by 10% from 2002 to 2012. And it reports that 97% of the company's eligible new products have met the requirements of the international ENERGY STAR® and Canada's Environmental Choice. By selling ENERGY STAR products and reusing parts, the company conserved 1.4 million megawatt hours of electricity in 2004 – enough to light about 1.1 million homes for a year!

Xerox's environmental program embraces the entire product life cycle. We source paper from environmentally sound suppliers, design equipment with parts and subsystems that can be reused, and are working to eliminate hazardous substances in products.

In addition, Xerox products are designed to help you meet your business's sustainability objectives. Equipment is energy-efficient and, to conserve paper, includes features for automatic two-sided printing. Toner cartridges and other supplies are designed to be recycled. And technologies exclusive to Xerox, such as solid ink, generate 95% less consumable waste than with comparable laser printers.

Our new **WorkCentre® C2424** solid ink color multifunction system achieves nearly 100% ink-transfer efficiency. And our **Nuvera™** digital production family comes with technologies that extend the life of machine components and make scans with low-power xenon lamps instead of lamps containing mercury.



As a further indication of its commitment to the protection of the environment and the health and safety of its customers, employees and neighbors, Xerox recently joined the Business Roundtable's new "S.E.E. Change" initiative, which calls for corporations to adopt or strengthen business strategies that support environmentally responsible, sustainable growth.

For a copy of the 11th annual Progress Report, visit www.xerox.com/environment

Suite of All-Digital Systems Will Drive Profitable Growth in Printing Industry

Xerox Nuvera Line Offers Fastest Model Yet

Xerox has debuted the fastest products yet from its Nuvera™ black-and-white technology platform: the 144-page-per-minute (ppm) **Xerox Nuvera 144** and **Xerox Nuvera 144 MX** Digital Production Systems.



At 144-ppm – a 20 percent increase over the next fastest Xerox Nuvera model – the Xerox Nuvera 144 and 144 MX digital systems offer a more powerful print controller and more advanced finishing options, including booklet makers and binders, for print applications such as manuals, personalized marketing pieces, and financial documents with magnetic ink.

The Xerox Nuvera 144 and Xerox Nuvera 144 MX Digital Production Systems are available in North America, Europe and developing markets. For more information, visit www.xerox.com/products or call 1-800-ASK-XEROX.

New Servers Bolster Entry-Level Color Offerings

Xerox also is strengthening its entry-level color offerings by equipping its 50-ppm **DocuColor® 250** digital printer/copier with a choice of three professional-class color servers from Xerox, Creo Inc. and EFI. And Xerox is extending the EFI and Creo server options to its 40-ppm DocuColor 240 digital printer/copier. The new servers control and drive images to the Xerox print engines with the speed and color-management capabilities required by commercial print shops, graphic communications firms and in-house printing operations.



For more information about the DocuColor 240/250 digital printer/copiers, visit www.xerox.com or call 1-800-ASK-XEROX.

Suite of All-Digital Systems Will Drive Profitable Growth in Printing Industry (cont'd)



Improving Offset and Digital Workflow

By integrating digital printing within offset environments, Xerox has made it even easier for printers to maximize their investments in existing offset technology. By using the Xerox **FreeFlow Digital Workflow Collection** and Heidelberg's **Prinect**

Workflow Management System, print shops can now choose the ideal print process — either digital or offset or a combination of both, which results in a more efficient and profitable operation.

For more information about the Xerox FreeFlow Digital Workflow Collection, [click here](#) or call 1-800-ASK-XEROX.

Xerox's Fastest Continuous-Feed Printers Now Equipped with Magnetic Ink

Magnetic Ink Character Recognition (MICR) is used for the numbers and symbols typically seen at the bottom of checks and negotiable documents that are the routing information for automatic processing in the banking system by MICR readers.

Xerox's fastest printers, the **DocuPrint® 1050** and **DocuPrint® 525 Continuous Feed**, can now produce documents with magnetic ink, allowing data centers, central reprographic departments and graphic communications firms to quickly produce these checks, insurance settlements, invoices and rebate coupons.

The Xerox DocuPrint 1050 and 525 MX Continuous Feed digital printers are available in North America through the Xerox direct sales force. For more information about MX Continuous Feed digital printers, [click here](#) or call 1-800-ASK-XEROX.

At Your Command, 24/7



Xerox continues to expand its successful remote services program, including a 24/7 "command center" that now provides monitoring and maintenance support to **Xerox DocuColor 7000 and 8000** Digital Presses. Using data delivered through the Internet, Xerox experts can help customers identify potential printing problems and deliver a quick and accurate diagnosis through real-time data analysis. For more information on Xerox remote service offerings, [click here](#).

Feedback

We want your **feedback**. To make your job as easy as possible, we're committed to providing you with the most timely and useful information about Xerox. Please take a moment to let us know what you think of **exchange** by sending us an e-mail. Your comments, which will be held in the strictest of confidence, will help improve content and style and spur ideas for future articles.