

First-Quarter 2009 Earnings Presentation

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Forward-Looking Statements

This presentation 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 unprecedented volatility in the global economy; 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 savings from restructuring actions; 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 2008 Annual Report on Form 10-K 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

- Q1 EPS of 5 cents
 - In line with updated guidance provided March 20
- Challenging economy significantly impacted Q1 results
 - Pressure on hardware and supplies sales
 - Declines in developing markets
 - Continued negative impact from currency
- Conservative expectations for economy in 2009. Priorities:
 - Drive cash generation
 - Capture restructuring and cost/expense savings
- Strengthening industry leadership
 - Expanded technology and services portfolio
 - Launch breakthrough solid ink platform
- Continued focus on strong balance sheet and cash flow

First-Quarter Overview

GAAP EPS \$0.05 per share

- Adjusted EPS¹ \$0.07, excludes \$0.02 Fuji Xerox restructuring

Total revenue impacted by economic environment; down 18%, 12% CC

- Post sale down 14 %, 8 % CC driven by lower supplies revenue and developing markets
- Equipment down 30 %, 26 % CC

Gross margin 38.9%

- Impacted by transaction currency and lower supplies sales

SAG percent of revenue 28.2%

- SAG lower by \$120M driven by restructuring cost actions and currency

Solid balance sheet and cash flow performance

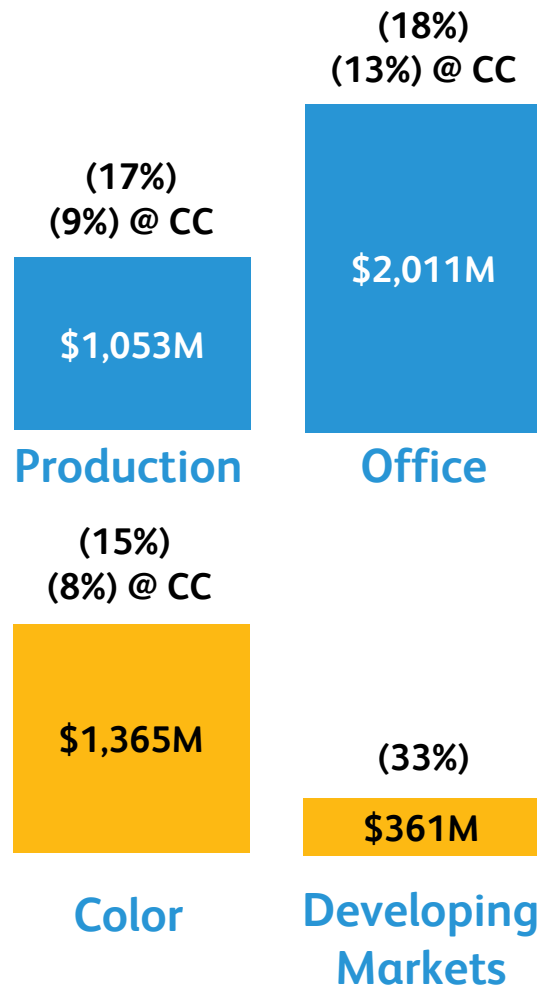
- Cash from operations \$22M consistent with 2008 and on track, driven by working capital
- Debt down \$485M from Q4 2008

5 ¹Adjusted Diluted EPS: see slide 21 for explanation of non-GAAP measures
Constant currency (CC): see slide 21 for explanation of non-GAAP measures



Business Metrics

Revenue Growth



Overview

- **Equipment down 26% at CC in Q1**
 - Impact of global economic declines
- **Post Sale down 8% at CC in Q1**
 - Driven by lower supplies and paper sales
 - Install base growth offset by page volume declines
- **Continued inventory management in indirect channels**
- **Install activity declines in most segments**
 - Significant pressure in developing markets
 - iGen4 demand strong

Larry Zimmerman

Earnings

(in millions, except per share data)

Q1 2009

Revenue	\$ 3,554	Economic impact on equipment, supplies, indirect channel inventory management
Gross Margin	38.9 %	Mix and transaction currency
R,D&E	\$ 204	Benefits from cost actions
SAG	\$ 1,004	Benefits from restructuring cost actions and currency
<i>SAG % of Revenue</i>	28.2 %	
Operating Income	\$ 173	Cost improvements drive Operating Income
<i>Operating Income % of Revenue</i>	4.9 %	
Other, net ²	\$104	Driven by interest expense and currency
Net Income	\$ 42	
Equity Loss	\$ (10)	\$38M Fuji Xerox lower performance, includes \$22M Fuji Xerox restructuring
Tax Rate	24.4 %	Prior year adjusted tax rate was 20 % ¹
GAAP EPS	\$ 0.05	Compared to guidance of 3 to 5 cents
After Tax Adjustments		
Q1 '09 Fuji Xerox Restructuring	\$ 0.02	
Adjusted Diluted EPS¹	\$ 0.07	

Cash Flow

(in millions, except per share data)

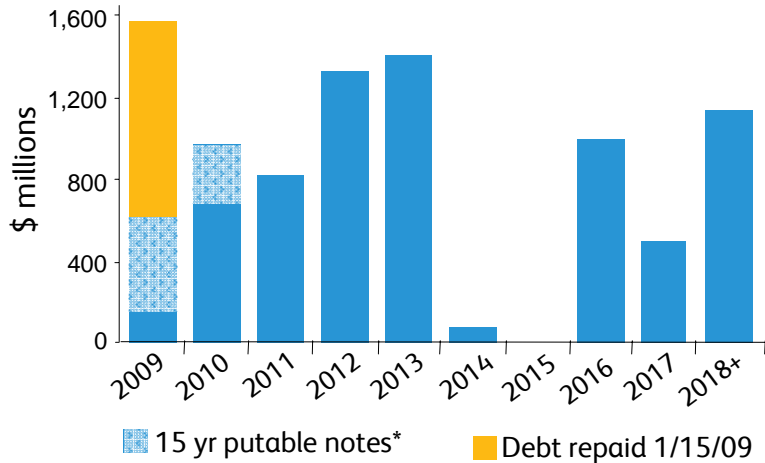
	<u>Q1 2009</u>	<u>Q1 2008</u>
Net Income	\$ 42	\$ (244)*
Depreciation and amortization	169	145
Restructuring payments	(87)	(37)
Inventories	(105)	(129)
Accounts Receivable and Billed Portion of Finance Receivables	167	(28)
Accounts Payable and Accrued Compensation	(168)	(183)
Finance Receivables	113	124
Equipment on Operating Leases	(63)	(77)
Other	(46)	481*
Cash from Operations	\$ 22	\$ 52
CAPEX	(65)	(71)
Acquisitions	(145)	(4)
Other	3	10
Cash from Investing	\$ (207)	\$ (65)
Net Debt Payments	(442)	158
Other	(40)	(408)
Cash from Financing	\$ (482)	\$ (250)
Change in Cash and Cash Equivalents	(680)	(257)
Ending Cash and Cash Equivalents	\$ 549	\$ 842

- **FY on track for \$1.3B Cash from Operations** driven by working capital improvements and cost actions
- **Inventory and Accounts Payable** use of cash but improved from last year. On track for significant FY improvement.
- **Accounts Receivable** source of \$167M of cash
- **CAPEX** on track for \$300M FY
- \$900M of term debt repaid, revolver balance at \$749M
- Net \$485M reduction in debt

9 *Q1 2008 net income includes an after tax charge of \$491M related to a securities litigation provision. An equivalent offsetting amount was recorded in cash from operations as no litigation payments were made in Q1 2008.

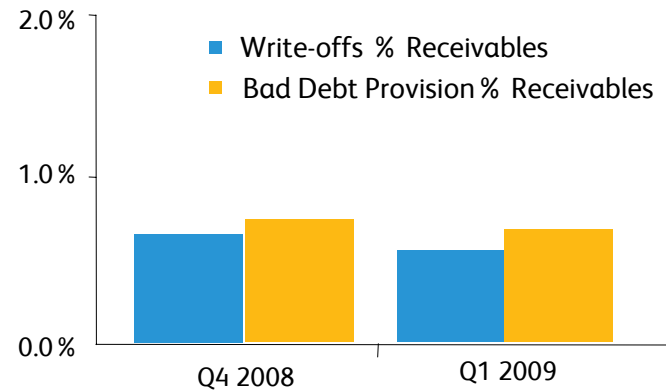


Balanced Debt Maturities* Debt Ladder



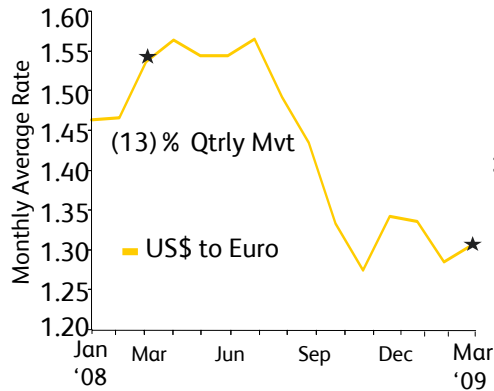
Receivables

Provisions and write-offs as a % of Receivables in line with Q4

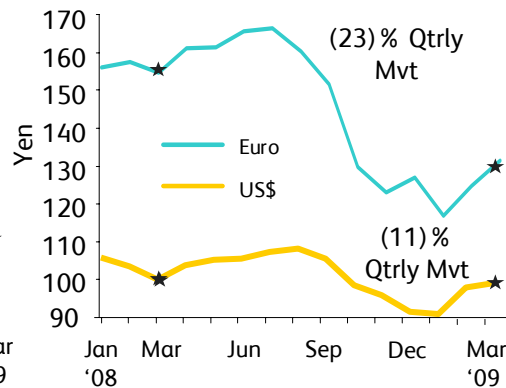


Currency

Translation US\$ to Euro



Transaction US\$ and Euro to Yen



Capital Structure

- Cash flow from Operations ~\$1.3B
- CAPEX \$300M / Dividend \$150M
- Debt reduced by over \$1B
- \$2B Credit Facility / Amended
- Capital markets open and available

10 *2009 assumes \$439M put under private placement in Q3 (final maturity 2022) and 2010 assumes \$257M put under private placements (final maturity 2023). 2009 includes 1/15/09 repayment of senior notes of approximately \$900M



First-Quarter Post-Sale Revenue

(in millions)

	Q1 2009
Post Sale	\$ 2,784
Growth ¹	(14 %)
CC* Growth	(8 %)

Post Sale at CC*

Q1 2008	\$3,237		
Finance income	195	(14)	(0.4) %
Outsourcing	795	(22)	(0.7) %
Service and rental	1,157	(42)	(1.3) %
Paper	262	(58)	(1.8) %
Supplies and other	583	(109)	(3.4) %
Q1 2009	\$2,992	(7.6)%	
<i>DMO</i>	287	(93)	(2.9)%

- Post-sale revenue impacted primarily by lower supplies and paper sales
- Tight inventory management
- Developing markets post sale down 24 %
- MIF stable but volumes down

Q1 2009 Post Sale Key Indicators

	Color	Total Digital
Revenue @ CC	(3) %	(7) %
MIF	27 %	3 %
Pages	16 %	(4) %

11 *Constant currency (CC): see slide 21 for explanation of non-GAAP measures. ¹Actual growth - Finance income (0.9)%; Outsourcing (2.5)%; Service and rental (4.0)%; Paper (2.5)%; and Supplies and other (4.0)%
MIF (Machines in Field) exclude printers, developing markets & GIS. Digital revenue excludes GIS. Pages includes estimates for developing markets, GIS and printers



Anne Mulcahy

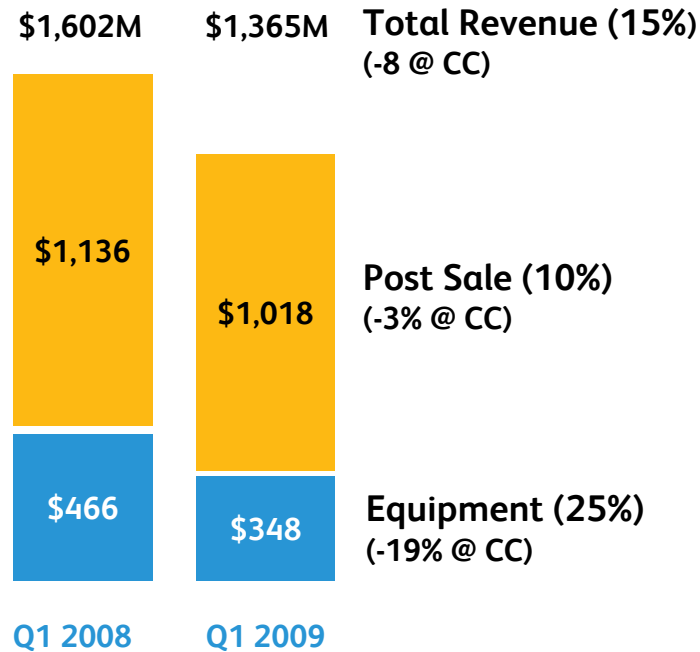
Expectations

- Flow through from restructuring and cost actions
 - \$550M in savings
- Cash in line with full-year expectations
 - Driven by working capital and cost actions
- New products and services: affordability and cost savings proposition
- Full-year 2009 guidance, current conditions lead to \$0.50 - \$0.55
 - Q2 2009 \$0.10 - \$0.12

Supplemental Slides

Color Performance

Total Color Revenue



Quarterly Color Trends

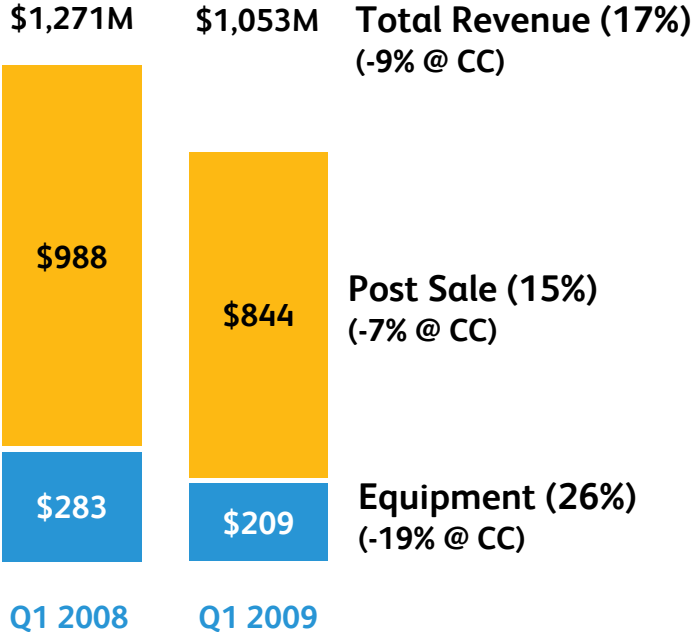
	Q1 2007	Q1 2008	Q1 2009
Color Revenue:			
% of Post Sale	34%	37%	39%
% of Equipment	48%	48%	53%
% of Total Revenue	37%	40%	42%
Color Pages:			
Growth	29%	32%	16%
% of Total Pages	11%	14%	19%

15 Constant currency: see slide 21 for explanation of non-GAAP measures
 Color revenue excludes GIS results
 Color pages exclude GIS, developing markets and printers in 2007 and 2008



Production Segment

Production Revenue



Production Overview – Q1

Performance impacted by worsening economic environment

Equipment declines driven by lower activity

Lower page volumes impact post sale, but MIF growth remains positive

iGen growth positive

Install Growth¹

	Q1 2009
Production Monochrome	(29%)
Production Color	(6%)

16 Constant currency: see slide 21 for explanation of non-GAAP measures

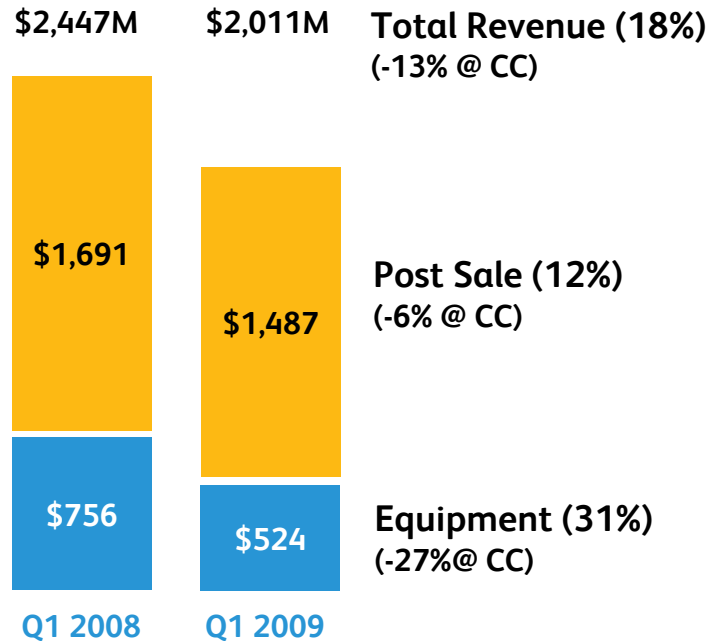
Beginning in 2008, developing markets results are included in the results of the Production, Office and Other segments

¹Install growth includes Xerox-branded product shipments to GIS



Office Segment

Office Revenue



Office Overview – Q1

Performance impacted by worsening economic environment

Equipment declines driven by lower activity especially through channels

Segment 1 performance driven by developing markets

Lower supplies sales drive post sale decline

MIF growth remains positive

Install Growth¹

	Q1 2009
Office B&W Copiers/MFDs	(45%)
Segments 1 (11-20) ppm	(85%)
Segments 2-5 (21-90) ppm ²	9%
Office Color MFDs	(21%)
Color Printers	(22%)

Constant currency: see slide 21 for explanation of non-GAAP measures

17 Beginning in 2008, developing markets results are included in the results of the Production, Office and Other segments

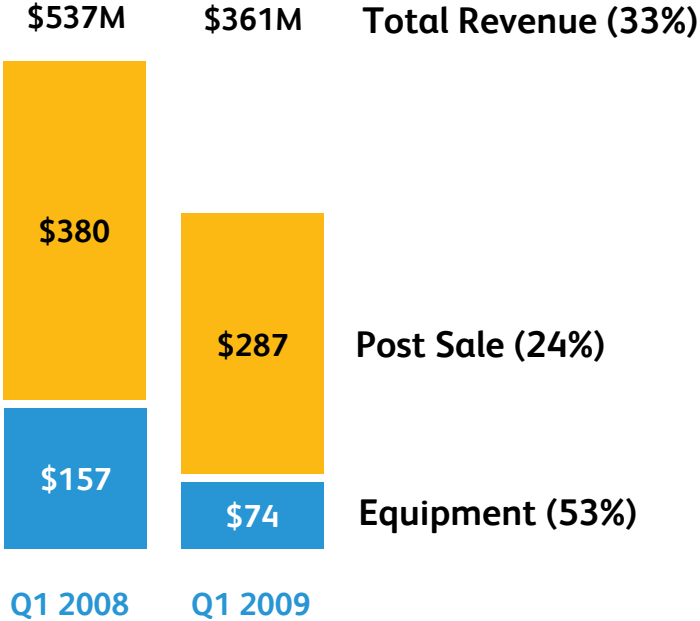
¹Install growth includes Xerox-branded product shipments to GIS

²Segments 2-5 (21-90) ppm includes 95 ppm, segment 6 device with an embedded controller



Developing Markets

Developing Markets Revenue



Developing Markets Overview – Q1

Performance significantly impacted by worsening economic environment

Lower equipment and supplies inventory held by distributors

Decline impacted by significant currency movement in Q1

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



Cost Action Status

2008 Restructuring

2009 Savings Objective \$250M
Q1 2009 Savings ~ \$ 60M

SAG: realigned marketing, HR and training infrastructure; reductions in Finance, IT

Gross Margin

- Technical service and managed services efficiencies
- Site consolidation

R,D&E: Integrated development and engineering

2009 Incremental Cost Actions

2009 Savings Objective \$300M
Minimal benefit Q1

- \$100M – transportation and product cost
- \$100M – labor related savings
 - Hiring freeze / capture attrition
 - No salary increases
 - Suspend US 401(k) match / equivalent actions internationally
- \$100M – travel, facilities, other non-labor

Appendix

Non-GAAP Financial Measures

“Constant Currency”: To better understand trends in our 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 revenue as “constant currency.” Currencies for developing market countries (Latin America, Brazil, Middle East, India, Eurasia and Central-Eastern 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.

“Adjusted EPS”: To better understand the trends in our business, we believe that it is helpful to adjust diluted earnings per share for the first quarter 2009 to exclude the effect of the first quarter 2009 Fuji Xerox restructuring. Management believes that excluding the effects of these items enables investors to better understand and analyze the current periods’ results and provides a better measure of comparability given the discrete nature of these charges. 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 22.

“Adjusted Effective Tax Rate”: The effective tax rate for the first quarter 2008 is discussed in this presentation using a non-GAAP financial measure that excludes the effect of charges associated with securities-related litigation matters. Management believes that it is helpful to exclude this effect to better understand, analyze and compare the prior period’s income tax expense and effective tax rate to the current period amounts given the discrete nature and size of this item in the prior 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 23.

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.

Adjusted Diluted EPS Reconciliation

Adjusted Diluted EPS	Q1 2009	
	Net Income	EPS
(in millions, except per share data)		
As Reported	\$ 42	\$ 0.05
Adjustments:		
Fuji Xerox Restructuring	22	0.02
As Adjusted	<u>\$ 64</u>	<u>\$ 0.07</u>

Adjusted Effective Tax Rate Reconciliation

Adjusted Tax Rate	Q1 2008		
	Pre-tax Income	Income Taxes	Tax Rate
(in millions)			
As Reported	\$ (509)	\$ (246)	48.3 %
Provision for securities litigation matters	795	304	
As Adjusted	<u>\$ 286</u>	<u>\$ 58</u>	<u>20.3 %</u>