Second-Quarter 2009 Earnings Presentation

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July 23, 2009

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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 Quarterly Report on Form 10-Q for the quarter ended March 31, 2009 and 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.

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Business Dynamics

- **Strong execution on cost initiatives offset revenue declines to deliver EPS of $0.16**
- **Good progress on 2009 priorities**
  - Drive cash generation - $609M operating cash flow
  - Capture restructuring and cost/expense savings – GM and operating expenses improved
- **Economic environment continues to impact results**
  - Sales environment remains challenging especially internationally
  - Page volumes remain pressured
  - Currency headwinds continue
- **Competitive position strengthened**
  - Eight products launched in Q2 including ColorQube™ solid ink platform
  - Xerox recognized as the leader in Managed Print Services

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Second-Quarter Overview

GAAP EPS $0.16 per share

Total revenue impacted by economic environment; down 18%, 13% CC

- Post sale down 14 % , 8 % CC driven by lower supplies revenue and developing markets
- Equipment down 29 % , 25 % CC
- Sequentially revenue grew 5 % Q1 to Q2

Strong cost and expense performance

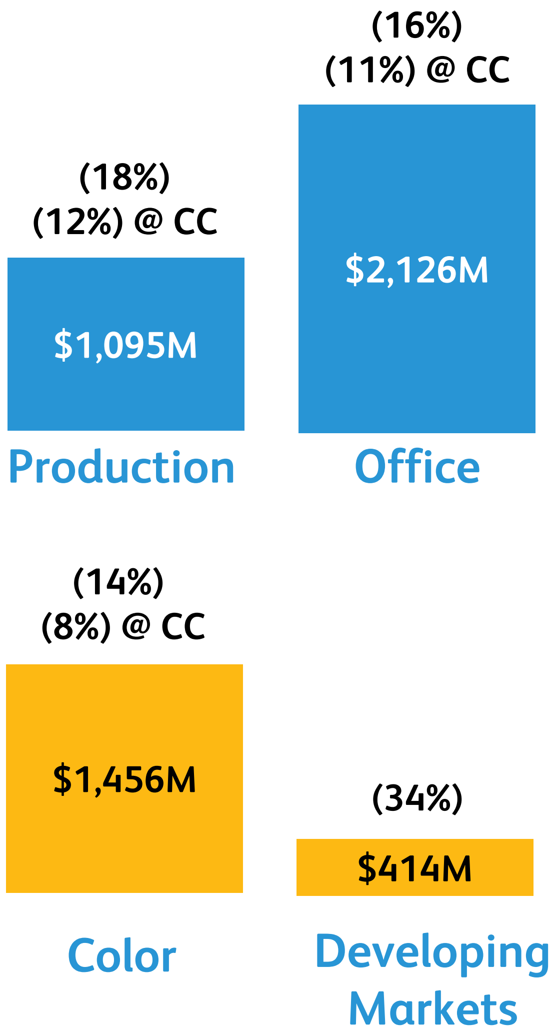
- Gross margin improved 1 point YOY to 40.2 %
- SAG percent of revenue 27.2 % , lower by $157M YOY
- Flow-through of savings from restructuring and cost actions

Solid balance sheet and cash flow performance

- Cash from operations $609M, increasing guidance to ~$1.5B FY given current performance
- Cash balance of $1.2B increased $672M
- On track for $1B debt reduction in 2009
- $750M note issuance pre-funds balance of year debt maturities

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

Revenue



Overview

- **Sequential revenue improvement**
- **Install base stable:** digital install base up 2 %
- **Services annuity resilience:** down 4 % @ CC* YTD
  - Win rate >50 %
- **Developing markets remains pressured**
- **Office**
  - Lower channel equipment and supplies sales continues
  - Segment 2-5 installs up 10 %
  - Operating margin of 10.8 % flat YOY, up 4 pts from Q1
  - 8 products launched in Q2 including ground breaking ColorQube Solid Ink Platform
- **Production**
  - Impacted by product mix and mono page volume declines
  - Production color installs up 2 % , iGen remains strong
  - Operating margin of 4.7 % up sequentially

Constant currency (CC): see slide 21 for explanation of non-GAAP measures
Color revenue excludes GIS.
**Services annuity down 11% actual currency*

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Larry Zimmerman

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Earnings

(in millions, except per share data)	Q2 2009	
Revenue	$ 3,731	Impacted by global economic conditions but higher sequentially
Gross Margin	40.2 %	Cost improvements and mix offset transaction currency
RD&E	$ 202	Benefits from expense actions
SAG	$ 1,013	Expense actions drive sequential improvement in SAG % of Revenue
SAG % of Revenue	*27.2%*	
Operating Income	**$ 284**	
Operating Income % of Revenue	*7.6%*	
Other, net[1]	$ 94	
Net Income - Xerox	**$ 140**	Cost and expense improvements drive Income and Earnings
Equity Income	$ 9	$21M Fuji Xerox lower performance, includes $9M Fuji Xerox restructuring
Tax Rate	29.9 %	
GAAP EPS	**$ 0.16**	Compared to guidance of $ 0.10 - $ 0.12

[1] *Includes net income attributable to noncontrolling interest of $7M*

Cash Flow

(in millions, except per share data)	Q2 2009	YTD 2009
Net Income	$ 147	$ 196
Depreciation and amortization	168	337
Restructuring payments	(78)	(165)
Inventories	187	82
Accounts Receivable and Billed Portion of Finance Receivables	138	305
Accounts Payable and Accrued Compensation	(105)	(273)
Finance Receivables	118	231
Equipment on Operating Leases	(64)	(127)
Other	98	45
Cash from Operations	**$ 609**	**$ 631**
CAPEX (incl. internal use software)	(39)	(104)
Acquisitions	-	(145)
Other	3	6
Cash from Investing	**$ (36)**	**$ (243)**
Net Debt Payments / Proceeds	136	(306)
Other	(54)	(94)
Cash from Financing	**$ 82**	**$ (400)**
Change in Cash and Cash Equivalents	672	(8)
Ending Cash and Cash Equivalents	**$ 1,221**	**$ 1,221**

Increasing guidance from $1.3B to ~$1.5B FY Cash from Operations driven by working capital improvements and cost actions

Free Cash Flow[1] per share $0.60 YTD, $1.45 FY forecast

Inventory source of $187M of cash

Accounts receivable source of $138M of cash

CAPEX (incl. internal use software) forecast at $225M FY

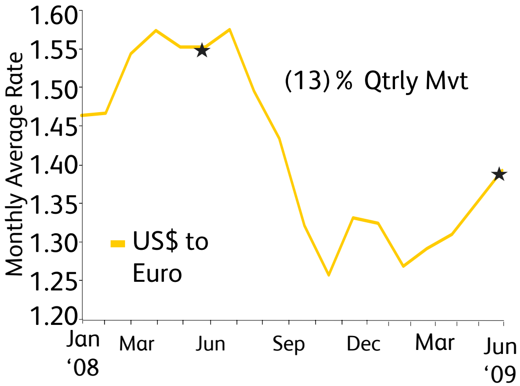
$750M issued in senior unsecured notes

$1B **debt reduction** forecast for FY

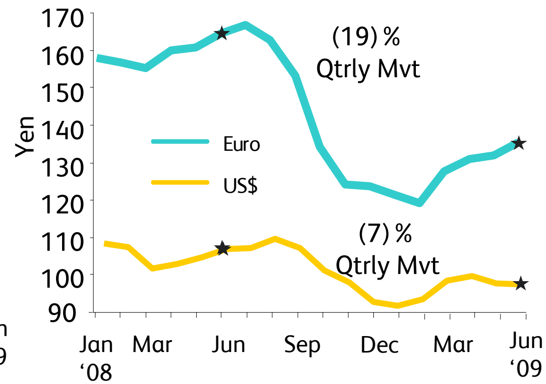
[1] *Free Cash Flow: see slide 21 for explanation of non-GAAP measures*

Currency

Translation
US$ to Euro

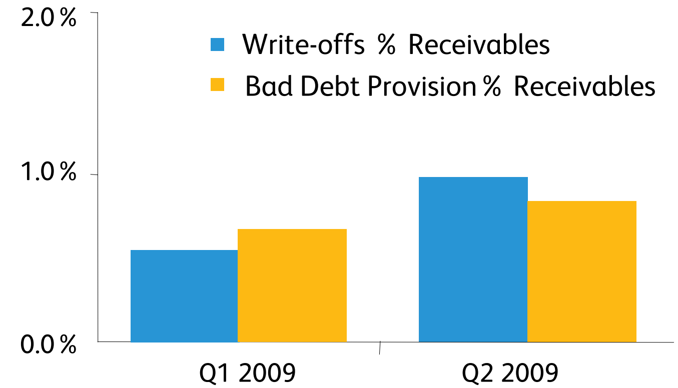


Transaction
US$ and Euro to Yen



Receivables

Provisions and write-offs as a % of Receivables remains less than 1 %

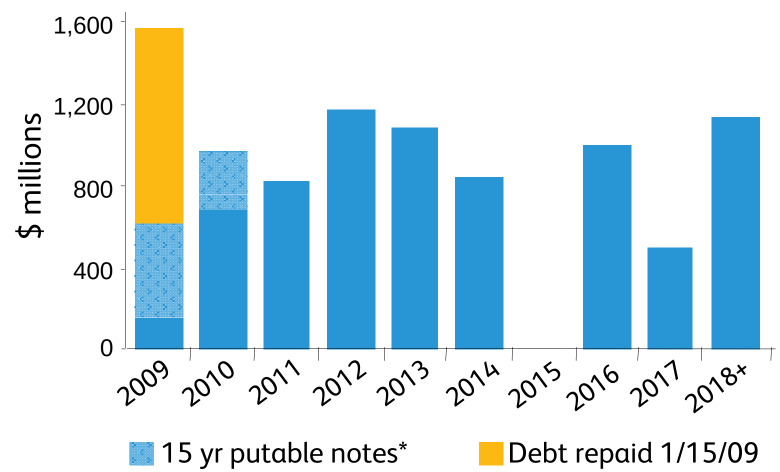


Financing Dynamics

- Xerox's value proposition includes leasing of Xerox equipment
- Maintain 7:1 leverage ratio of debt to equity on these finance assets

$ billions	Fin. Assets	Debt
Financing	$ 7.6	$ 6.6
Core	-	$ 1.4
Total Xerox	$ 7.6	$ 8.0

Balanced Debt Maturities*
Debt Ladder



*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

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Second-Quarter Post-Sale Revenue

(in millions)	Q1 2009	Q2 2009
Post Sale	**$ 2,784**	**$ 2,903**
Growth[1]	(14 %)	(14 %)
CC* Growth	(8 %)	(8 %)

Post Sale at CC*

Q2 2008		**$3,373**	
Finance income	192	(15)	(0.4) %
Outsourcing	815	(38)	(1.1) %
Service and rental	1,194	(52)	(1.5) %
Paper	265	(69)	(2.1) %
Supplies and other	623	(110)	(3.3) %
Q2 2009		**$3,089**	**(8.4)%**
Developing Markets	*326*	*(111)*	*(3.3)%*

- Lower unbundled supplies and paper sales continue to drive decline
- Developing markets post sale down 25 %
- Core annuity relatively resilient - down 4 % @ CC
  - Reflects economy driven 5 % page volume decline
- Install base stable – color leverage continues

Q2 2009 Post Sale Key Indicators

	Color	Total Digital
Revenue @ CC	(3) %	(7) %
MIF (Install Base)	23 %	2 %
Pages	12 %	(5) %

**Constant currency (CC): see slide 21 for explanation of non-GAAP measures. [1]Actual growth weighted impact: Finance income (0.8) % ; Outsourcing (2.7) % ; Service and rental (4.0) % ; Paper (2.6) % ; and Supplies and other (3.8) %*
MIF (Machines in Field) exclude printers, developing markets & GIS. Color and digital revenue excludes GIS.
Pages includes estimates for developing markets, GIS and printers

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Expectations

Q2 results demonstrate good execution

- Confident in full-year guidance

Cash ahead of expectations

- Driven by working capital and cost actions

Q3 seasonally weaker

- Focus remains on cash and cost savings

Strengthening competitive position

- Investments in technology and services

Full-year 2009 guidance remains $0.50 - $0.55

- Q3 2009 $0.10 - $0.12

Supplemental Slides

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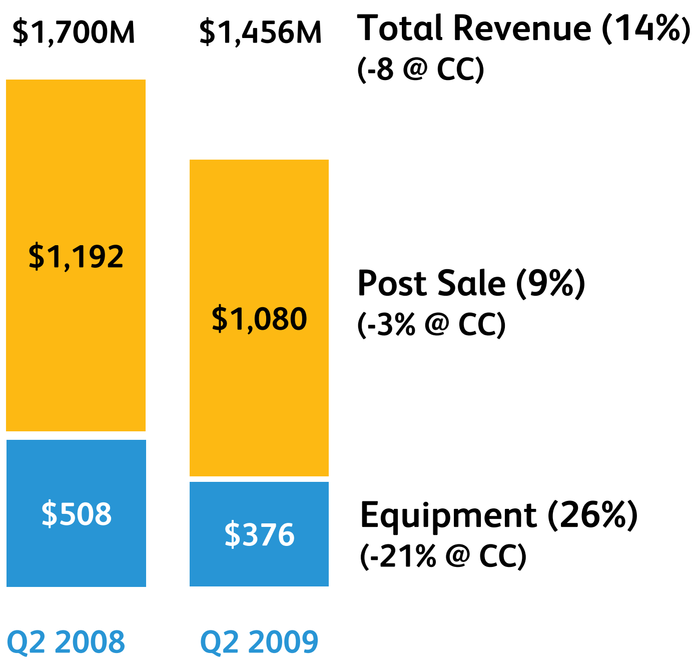
Color Performance

Total Color Revenue



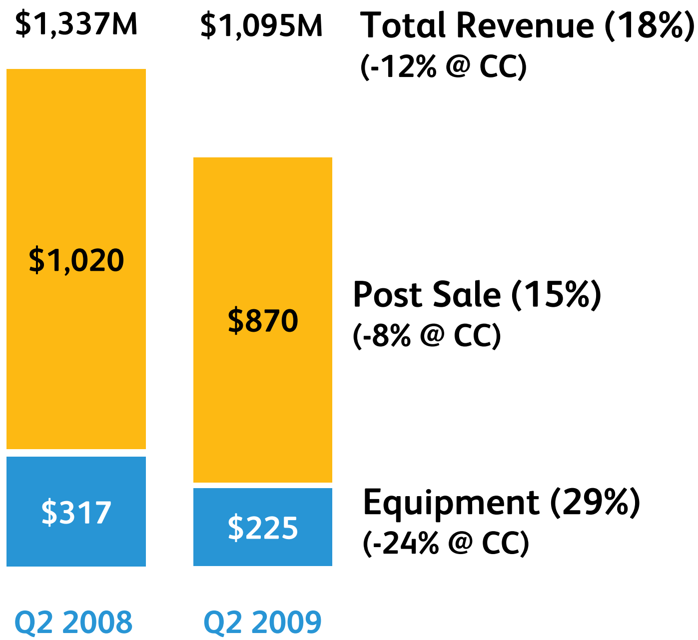
Quarterly Color Trends

	Q2 2007	Q2 2008	Q2 2009
Color Revenue:			
% of Post Sale	34%	37%	40%
% of Equipment	48%	50%	53%
% of Total Revenue	38%	40%	43%
Color Pages:			
Growth	30%	28%	12%
% of Total Pages	12%	16%	20%

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 – Q2

- Impacted by product mix and mono page volume declines
- Production color installs up 2 %, iGen remains strong
- Operating margin of 4.7 % up sequentially

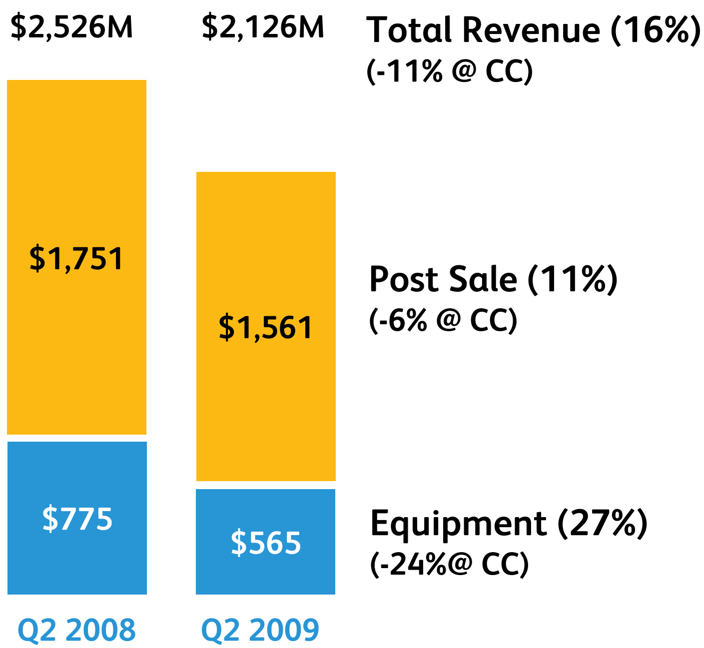
Install Growth[1]

	Q2 2009	YTD 2009
Production Monochrome	(24%)	(26%)
Production Color	2%	(2%)

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

Office Segment

Office Revenue



Office Overview – Q2

- Lower channel equipment and supplies sales continues
- Segment 2-5 installs up 10 %
- Operating margin of 10.8 % flat YOY, up 4 pts from Q1
- 8 products launched in Q2 including ground breaking ColorQube Solid Ink Platform

Install Growth[1]

	Q2 2009	YTD 2009
Office B&W Copiers/MFDs	(39%)	(43%)
Segments 1 (11-20) ppm	(84%)	(84%)
Segments 2-5 (21-90) ppm[2]	10%	9%
Office Color MFDs	(21%)	(21%)
Color Printers	(42%)	(34%)

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
[1]Install growth includes Xerox-branded product shipments to GIS
[2]Segments 2-5 (21-90) ppm includes 95 ppm, segment 6 device with an embedded controller

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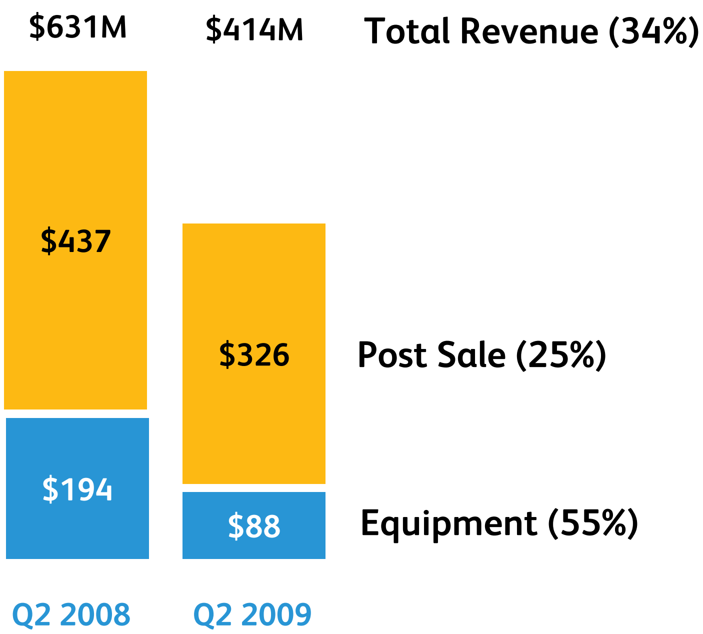
Developing Markets

Developing Markets Revenue



Developing Markets Overview – Q2

- Results consistent with Q1
- Economic environment remains weak especially in Russia and Eurasia
- Currency continues to negatively impact the results

 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
Q2 2009 Savings	~ $ 80M

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

Gross Margin

- Technical service and managed services efficiencies
- Site consolidation

RD&E: Integrated development and engineering

2009 Incremental Cost Actions

2009 Savings Objective	$300M
Q2 2009 Savings	~ $100M

- $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.

“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. **“Free Cash Flow per share”:** This non-GAAP measure is calculated by dividing Free Cash Flow by our diluted shares outstanding. Management believes this measures allows us to benchmark and make relative comparisons of our Free Cash Flow generation against other companies in our industry and market, since it allows us to measure Free Cash Flow relative to our market capitalization and stock price. Free cash flow per share is solely used by management as a means to assess the Company’s Free Cash Flow and should not be construed as an amount that accrues directly to the shareholders benefit. A reconciliation of these non-GAAP financial measures and the most directly comparable measures calculated and presented in accordance with GAAP are set forth on slide 22.

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.

Free Cash Flow / Free Cash Flow Per Share Reconciliation

(in millions, except per share data. Shares in thousands)	Six Months Ended June 30, 2009	Full Year 2009 Estimate
Cash from Operations	$ 631	$ 1,500
CAPEX (including internal use software)	104	225
Free Cash Flow (FCF)	$ 527	$ 1,275
Adj. Weighted Average Shares Outstanding	877,248	881,000
Free Cash Flow per share	$ 0.60	$ 1.45

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