

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of  
The Securities Exchange Act of 1934

Date of Report (date of earliest event reported):

July 11, 2002

XEROX CORPORATION

(Exact name of registrant as specified in its charter)

New York  
(State or other  
jurisdiction of  
incorporation)

1-4471  
(Commission File Number)

16-0468020  
(IRS Employer  
Identification No.)

800 Long Ridge Road

P. O. Box 1600

Stamford, Connecticut 06904-1600

(Address of principal executive offices)(Zip Code)

Registrant's telephone number,  
including area code:

(203) 968-3000

Not Applicable

(Former name or former address, if changed since last report)

Item 5. Other Events.

On April 11, 2002, Registrant reached a settlement with the Securities and Exchange Commission (SEC) relating to matters that had been under investigation by the SEC since June 2000. In connection with the settlement, Registrant agreed to restate its financial statements as of and for the years ended December 31, 1997 through 2000 and to undertake a review of its material internal controls and accounting policies. Registrant also restated its consolidated financial statements for the first three quarters of 2001. The restated consolidated financial statements were filed with the SEC in Registrant's Annual Report on Form 10-K for the Year Ended December 31, 2001 ("2001 Form 10-K Report") and Registrant's Quarterly Report on Form 10-Q for the Quarter Ended March 31, 2002 ("March 2002 Form 10-Q Report").

The restated consolidated financial statements reflect adjustments which are corrections of errors made in the application of U.S. generally accepted accounting principles (GAAP) and include (i) adjustments related to the application of the provisions of Statement of Financial Accounting Standards No. 13 "Accounting for Leases" and (ii) adjustments that arose as a result of other errors in the application of GAAP. All dollar and per share amounts have been revised, as appropriate for the effects of such restatement.

This Current Report on Form 8-K provides key financial data (unaudited) for each of the quarters in the year ended December 31, 2001 and for the quarter ended March 31, 2002 which is supplemental to the financial data contained in Registrant's 2001 Form 10-K Report and Registrant's March 2002 Form 10-Q Report.

FIVE QUARTERS IN REVIEW  
(Unaudited)  
In millions, except per-share data

	2001				2002	
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year	First Quarter
	Restated	Restated	Restated			
<b>Operations:</b>						
Sales	\$ 1,865	\$ 1,858	\$ 1,708	\$ 2,012	\$ 7,443	\$ 1,583
Service, outsourcing and rentals	2,134	2,139	2,071	2,092	8,436	2,011
Finance income	292	286	273	278	1,129	264
<b>Total Revenues</b>	<b>\$ 4,291</b>	<b>\$ 4,283</b>	<b>\$ 4,052</b>	<b>\$ 4,382</b>	<b>\$17,008</b>	<b>\$ 3,858</b>
Cost of sales (1)	\$ 1,377	\$ 1,301	\$ 1,239	\$ 1,253	\$ 5,170	\$ 1,025
Cost of service, outsourcing and rentals	1,292	1,183	1,183	1,222	4,880	1,159
Equipment financing interest (2)	130	125	107	95	457	92
<b>Total Cost of Sales (1)</b>	<b>\$ 2,799</b>	<b>\$ 2,609</b>	<b>\$ 2,529</b>	<b>\$ 2,570</b>	<b>\$10,507</b>	<b>\$ 2,276</b>
Research and development expenses	\$ 251	\$ 257	\$ 257	\$ 232	\$ 997	\$ 230
Selling, administrative and general expenses (3)	1,149	1,220	1,175	1,184	4,728	1,169
Restructuring and asset impairment charges	129	295	63	228	715	146
Gain on sale of half of interest in Fuji Xerox	(769)	--	--	(4)	(773)	--
Other expenses, net	93	184	132	64	473	90
Currency (gains) losses, net (4)	(64)	13	59	(37)	(29)	24
Non-financing interest expense (2) (4)	155	141	48	102	446	81
(Loss) Income before income taxes (benefits), equity income, minorities' interests, extraordinary gain, and cumulative effect of change in accounting principle	646	(272)	(98)	89	365	(53)
(Loss) Income before extraordinary gain and cumulative effect of change in accounting principle	212	(119)	(33)	(169)	(109)	(46)
<b>Net (loss) income</b>	<b>\$ 227</b>	<b>\$ (101)</b>	<b>\$ (32)</b>	<b>\$ (165)</b>	<b>\$ (71)</b>	<b>\$ (46)</b>
<b>Financial Position:</b>						
Cash and cash equivalents	\$ 2,777	\$ 2,176	\$ 2,425	\$ 3,990	\$ 3,990	\$ 4,747
Accounts receivable, net	2,105	2,040	2,043	1,896	1,896	1,882
Finance receivables, net	10,393	9,866	9,885	9,678	9,678	9,397

Inventories	1,811	1,625	1,594	1,364	1,364	1,283
Total Assets	28,234	26,539	26,934	27,689	27,689	27,755

	2001					2002
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year	First Quarter
	Restated	Restated	Restated			
<b>Consolidated Capitalization:</b>						
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Short-term debt and current portion of						
long-term debt	\$ 3,303	\$ 3,035	\$ 3,168	\$ 6,637	\$ 6,637	\$ 6,704
Long-term debt	14,701	13,547	13,593	10,128	10,128	10,712
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Total Debt	\$ 18,004	\$16,582	\$16,761	\$16,765	\$16,765	\$ 17,416
	=====	=====	=====	=====	=====	=====
Common Shareholders' Equity	\$ 1,962	\$ 1,958	\$ 1,978	\$ 1,820	\$ 1,820	\$ 1,713
Total Capitalization(5)	\$ 21,132	\$19,692	\$19,882	\$20,815	\$20,815	\$ 21,353
Common Shares Outstanding (in millions):						
Average common shares outstanding during the						
period for basic (loss) earnings per share	680	701	718	722	704	726
Average common shares outstanding during the						
period for diluted (loss) earnings per share	782	701	718	722	704	726
(Loss) Earnings per Share:						
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Basic (loss) earnings per Share	\$ 0.32	\$(0.14)	\$(0.05)	\$(0.23)	\$(0.12)	\$(0.06)
Diluted (loss) earnings per Share	\$ 0.29	\$(0.14)	\$(0.05)	\$(0.23)	\$(0.12)	\$(0.06)
Other data:						
Restructuring and asset impairment charges						
(after taxes)	\$ 81	\$ 222	\$ 47	\$ 157	\$ 507	\$ 101
Gain on sale of half of interest in						
Fuji Xerox (after taxes)	(300)	--	--	(4)	(304)	--
Currency (gains) losses, net (after taxes)	(44)	10	38	(25)	(21)	22

(1) Includes inventory charges of \$0, \$24, \$5, \$13 and \$2, respectively associated with restructuring actions. These are in addition to all other inventory charges occurring in the period.

(2) Third quarter 2001 interest expense includes a net gain of \$46 from the mark-to-market valuation of interest rate swaps required to be recorded as a result of applying Statement of Financial Accounting Standard No. 133 "Derivatives and Hedging" (SFAS No. 133) accounting rules. Similarly, fourth quarter 2001 interest expense reflects a net loss of \$17 from the mark-to-market valuation of interest rate swaps in accordance with SFAS No. 133 accounting rules. The overall decline in interest expense beginning in the third quarter 2001 primarily reflects lower interest rates as compared to prior periods.

(3) Includes bad debt expense of \$84, \$93, \$151, \$110 and \$103, respectively.

(4) Included in Other expenses, net.

(5) Calculated as the total of short term debt and current portion of long term debt, long term debt, deferred ESOP benefits, minorities' interest in equity of subsidiaries, obligation for equity put options, Company-obligated, mandatorily redeemable preferred securities of subsidiary trusts holding solely subordinated debentures of the Company, preferred stock, common stock, including additional paid in capital, retained earnings and accumulated other comprehensive loss.

Segment data is as follows:

	2001 (6)					2002
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year	First Quarter
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<b>Revenue:</b>						
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Production	\$1,449	\$1,484	\$1,391	\$1,559	\$ 5,883	\$1,318
Office	1,741	1,732	1,641	1,796	6,910	1,638
DMO	504	512	487	523	2,026	448

SOHO	123	96	111	80	410	70
Other	474	459	422	424	1,779	384
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Total Revenue	\$4,291	\$4,283	\$4,052	\$4,382	\$17,008	\$3,858
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Segment profit (loss):

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Production	\$ 112	\$ 101	\$ 73	\$ 180	\$ 466	\$ 105
Office	47	98	63	157	365	91
DMO	(70)	5	(12)	(48)	(125)	(5)
SOHO	(79)	(84)	(54)	22	(195)	27
Other	(1)	(42)	(101)	35	(109)	(112)
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Total segment profit (loss)	\$ 9	\$ 78	\$ (31)	\$ 346	\$ 402	\$ 106
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Segment margin:

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Production	7.7%	6.8%	5.2%	11.5%	7.9%	8.0%
Office	2.7%	5.7%	3.8%	8.7%	5.3%	5.6%
DMO	(13.9)%	1.0%	(2.5)%	(9.2)%	(6.2)%	(1.1)%
SOHO	(64.2)%	(87.5)%	(48.6)%	27.5%	(47.6)%	38.6%
Other	(0.2)%	(9.2)%	(23.9)%	8.3%	(6.1)%	(29.2)%
Total segment margin	0.2%	1.8%	(0.8)%	7.9%	2.4%	2.7%

(6) For purposes of comparability, 2001 segment information has been adjusted to reflect a change in measurement of segment profit or loss that was enacted in 2002. The nature of the changes related primarily to corporate expense and other allocations associated with internal reorganizations made in 2002, as well as decisions concerning direct applicability of certain overhead expenses to the segments. The adjustments increased (decreased) full year 2001 revenues as follows: Production-(\$16), Office - (\$16), DMO - (\$1), SOHO -\$3 and Other- \$30. The full year 2001 segment profit was increased (decreased) as follows: Production - \$12, Office - \$24, DMO - \$32, SOHO - \$2 and Other - (\$70).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, Registrant has duly authorized this report to be signed on its behalf by the undersigned duly authorized.

XEROX CORPORATION

/s/ GARY R. KABURECK

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By: GARY R. KABURECK  
Assistant Controller and  
Chief Accounting Officer

Date: July 11, 2002