

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 12, 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 consolidated 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 the complete unaudited consolidated statements of operations and other selected financial data for each of the quarters in the year ended December 31, 2001 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. This Current Report on Form 8-K also supplements and corrects Registrant's Current Report on Form 8-K dated July 11, 2002, in which the 2001 quarterly data shown on the line entitled "Other expenses, net" has been adjusted to the amounts shown below.

FOUR QUARTERS IN REVIEW

Consolidated Statements of Operations and Other Selected Financial Data
(Unaudited)
In millions, except per-share data

| | 2001 | | | | |
|--|---------------------------------------|--|---------------------------------------|----------------------------|----------------------|
| | First Quarter ----- Restated | Second Quarter ----- Restated | Third Quarter ----- Restated | Fourth Quarter ----- | Full Year ---- |
| Consolidated Statements of Operations: | | | | | |
| Sales | \$ 1,858 | \$ 1,858 | \$ 1,708 | \$ 2,012 | \$ 7,443 |
| Service, outsourcing and rentals | 2,134 | 2,139 | 2,071 | 2,092 | 8,436 |
| Finance income | 292 | 286 | 273 | 278 | 1,129 |
| | ----- | ----- | ----- | ----- | ----- |
| Total Revenues | 4,291 | 4,283 | 4,052 | 4,382 | 17,008 |
| Cost of sales (1) | 1,377 | 1,301 | 1,239 | 1,253 | 5,170 |
| Cost of service, outsourcing and rentals | 1,292 | 1,183 | 1,183 | 1,222 | 4,880 |
| Equipment financing interest (2) | 130 | 125 | 107 | 95 | 457 |
| Research and development expenses | 251 | 257 | 257 | 232 | 997 |
| Selling, administrative and general expenses (3) | 1,149 | 1,220 | 1,175 | 1,184 | 4,728 |
| Restructuring and asset impairment charges | 129 | 295 | 63 | 228 | 715 |
| Gain on sale of half of interest in Fuji Xerox | (769) | -- | -- | (4) | (773) |
| Gain on affiliate's sale of stock | -- | -- | -- | (4) | (4) |
| Other expense, net | 86 | 174 | 126 | 87 | 473 |
| | ----- | ----- | ----- | ----- | ----- |
| Total Costs and Expenses (1) | 3,645 | 4,555 | 4,150 | 4,293 | 16,643 |
| Income (Loss) before income taxes (benefits), equity income, minorities' interests, extraordinary gain and cumulative effect of change in accounting principle | 646 | (272) | (98) | 89 | 365 |
| Income taxes (benefits) | 430 | (132) | (74) | 261 | 485 |
| | ----- | ----- | ----- | ----- | ----- |
| Income (Loss) before equity income, minorities' interests, extraordinary gain and cumulative effect of change in accounting principle | 216 | (140) | (24) | (172) | (120) |
| Equity in net income of unconsolidated affiliates | 3 | 31 | -- | 19 | 53 |
| Minorities' interest in earnings of subsidiaries | (7) | (10) | (9) | (16) | (42) |
| | ----- | ----- | ----- | ----- | ----- |
| Income (Loss) before extraordinary gain and cumulative effect of change in accounting principle | 212 | (119) | (33) | (169) | (109) |
| Extraordinary gain on extinguishment of debt, net of taxes | 17 | 18 | 1 | 4 | 40 |
| Cumulative effect of change in accounting principle | (2) | -- | -- | -- | (2) |
| | ----- | ----- | ----- | ----- | ----- |
| Net Income (Loss) | \$ 227 | \$ (101) | \$ (32) | \$ (165) | \$ (71) |
| | ===== | ===== | ===== | ===== | ===== |

2001

| | First Quarter ----- Restated | Second Quarter ----- Restated | Third Quarter ----- Restated | Fourth Quarter ----- | Full Year ----- |
|--|---------------------------------------|--|---------------------------------------|----------------------------|-----------------------|
| Other Selected Financial Data: | | | | | |
| Details of other expenses, net: | | | | | |
| Non-financing interest expense (2) | \$ 155 | \$ 141 | \$ 48 | \$ 102 | \$ 446 |
| Currency (gains) losses, net | (64) | 13 | 59 | (37) | (29) |
| Amortization of goodwill and intangibles | 23 | 22 | 21 | 28 | 94 |
| Asset sale losses, net | 2 | 4 | 2 | 2 | 10 |
| Interest income | (24) | (23) | (24) | (30) | (101) |
| All other, net | (6) | 17 | 20 | 22 | 53 |
| | ----- | ----- | ----- | ----- | ----- |
| Total other expenses, net | \$ 86 | \$ 174 | \$ 126 | \$ 87 | \$ 473 |
| | ===== | ===== | ===== | ===== | ===== |

Common Shares Outstanding (in millions):

| | | | | | |
|---|-----|-----|-----|-----|-----|
| Average common shares outstanding during the period for basic (loss) earnings per share | 680 | 701 | 718 | 722 | 704 |
| Average common shares outstanding during the period for diluted (loss) earnings per share | 782 | 701 | 718 | 722 | 704 |

Earnings (Loss) per Share:

| | | | | | |
|-----------------------------------|---------|-----------|-----------|-----------|-----------|
| Basic earnings (loss) per share | \$ 0.32 | \$ (0.14) | \$ (0.05) | \$ (0.23) | \$ (0.12) |
| Diluted earnings (loss) per share | \$ 0.29 | \$ (0.14) | \$ (0.05) | \$ (0.23) | \$ (0.12) |

Other data:

| | | | | | |
|--|-------|--------|-------|--------|--------|
| Restructuring and asset impairment charges (after taxes) | \$ 81 | \$ 222 | \$ 47 | \$ 157 | \$ 507 |
| 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) |
| Accrued dividends on ESOP preferred stock(4) | (12) | -- | -- | -- | (12) |

- (1) The first through fourth quarters include inventory charges of \$0, \$24, \$5 and \$13, respectively associated with restructuring actions. These are in addition to all other inventory charges occurring in the applicable 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) The first through fourth quarters include bad debt expense of \$84, \$93, \$151 and \$110, respectively.
- (4) Accrued dividends on ESOP preferred stock are deducted from net income (loss) in determining net income (loss) available to common shareholders which is used in the earnings per share calculation.

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

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

Date: July 12, 2002