



Xerox Canada Inc.

Alternative Annual Financial Information (Unaudited)

As at and for the year ending
December 31, 2009



Xerox Canada Inc.
5650 Yonge Street
Toronto, Ontario
M2M 4G7
<http://www.xerox.ca>



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XEROX CANADA INC.
ALTERNATIVE ANNUAL FINANCIAL INFORMATION
(UNAUDITED)

1. Pursuant to an order granted to Xerox Canada Inc. by the Canadian securities regulators on April 18, 2008, Xerox Canada Inc. has been exempted from substantially all of its Canadian continuous disclosure obligations, including the requirement to prepare and file annual audited consolidated financial statements, subject to certain conditions. One of the conditions of the order provides that, in lieu of annual audited consolidated financial statements, Xerox Canada Inc. is to file on or before the 90th day after the end of its financial year, (i) a consolidated income statement, statement of retained earnings and cash flow statement for (a) the most recently completed financial year, and (b) the financial year immediately preceding the most recently completed financial year, and (ii) a consolidated balance sheet as at the end of each of the periods referred to in (i) above, in each case unaudited and without notes or management's discussion and analysis of operations and financial condition, but otherwise prepared in accordance with the accounting principles as utilized by Xerox Corporation for the relevant period and accompanied by a notice indicating that the information has not been reviewed by an auditor (the "Alternative Annual Financial Information"). For the periods set forth in the Alternative Annual Financial Information for the financial year ended December 31, 2009 on the following pages, Xerox Corporation prepared its financial statements in accordance with generally accepted accounting principles in the United States. Certain of the 2008 comparative figures have been reclassified to conform to classifications adopted in the current year.
2. The Alternative Annual Financial Information presented on the following pages has not been audited or reviewed by an auditor.
3. The Alternative Annual Financial Information of Xerox Canada Inc. and its consolidated subsidiaries (collectively, "XCI") is consolidated into the audited financial statements of Xerox Corporation. Certain amounts reflected in the following financial information relate to transactions between XCI and Xerox Corporation or its subsidiaries other than XCI (collectively, "XC"). Such transactions include: sales of colour toner by XCI to XC; purchases of equipment, parts and supplies by XCI from XC; royalties paid by XCI to XC; research and customer administration centre costs recovered by XCI from XC; and loans and dividends made to XC. These transactions between XCI and XC are eliminated in preparation of the audited consolidated financial statements of XC.
4. Except for the Alternative Annual Financial Information presented on the following pages, XCI is relying on the continuous disclosure documents filed by XC, including the audited consolidated financial statements of XC as at and for the financial year ended December 31, 2009. Copies of these documents can be found on SEDAR at www.sedar.com under the profile for Xerox Corporation, at XC's Investor Relations website at www.xerox.com/investor, and at the U.S. Securities and Exchange Commission (EDGAR) website at www.sec.gov/edgar.shtml.

**XEROX CANADA INC.
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)**

(Canadian dollars in thousands)	December 31, 2009	December 31, 2008
ASSETS		
Cash and cash equivalents	\$ 258,318	\$ 70,621
Accounts receivable, net	69,603	104,159
Billed portion of finance receivables, net	20,199	23,278
Finance receivables, net	276,601	286,231
Inventories, net	53,209	71,538
Due from related parties	-	270,060
Other current assets	17,762	15,366
Total current assets	695,692	841,253
Finance receivables due after one year, net	591,976	621,775
Equipment on operating leases, net	38,203	37,146
Land, buildings and equipment, net	89,553	96,859
Goodwill	52,755	52,755
Other long-term assets	8,071	6,805
Total Assets	\$ 1,476,250	1,656,593
LIABILITIES		
Accounts payable	\$ 37,188	\$ 30,629
Accrued compensation and benefits costs	33,516	31,563
Current future income taxes	25,737	21,555
Due to related parties	65,516	57,553
Other current liabilities	55,708	47,405
Total current liabilities	217,665	188,705
Non-current future income taxes	25,209	49,479
Pension and other benefit liabilities	127,570	111,866
Post-retirement medical benefits	117,844	92,949
Other long-term liabilities	7,550	13,405
Total Liabilities	495,838	456,404
SHAREHOLDERS' EQUITY		
Share capital, including additional paid-in-capital	75,394	75,411
Retained earnings	1,030,432	1,218,655
Accumulated other comprehensive loss	(125,414)	(93,877)
Total Shareholders' Equity	980,412	1,200,189
Total Liabilities and Shareholders' Equity	\$ 1,476,250	\$ 1,656,593

On behalf of the Board of Directors



KEVIN WARREN
Chairman, President and
Chief Executive Officer



GARY KABURECK
Board Member

XEROX CANADA INC.
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

(Canadian dollars in thousands, except per share data)	2009	2008
REVENUES		
Sales	\$ 411,408	\$ 447,561
Service, outsourcing and rentals	503,129	504,389
Finance income	104,851	109,601
Intercompany	122,065	106,379
Total revenues	1,141,453	1,167,930
COSTS AND OTHER DEDUCTIONS		
Cost of sales	311,605	323,295
Cost of service, outsourcing and rentals	357,834	341,171
Cost of intercompany revenue	110,118	97,560
Selling, administrative and general expenses	266,273	272,899
Restructuring charges	2,851	21,114
Other income, net	(1,764)	(5,470)
Total costs and other deductions	1,046,917	1,050,570
EARNINGS BEFORE INCOME TAXES	94,536	117,360
Income tax expense	8,885	32,934
NET INCOME	\$ 85,651	\$ 84,426
NET EARNINGS PER CLASS A AND CLASS B SHARES	\$ 2.73	\$ 2.71
WEIGHTED AVERAGE NUMBER OF CLASS A AND CLASS B SHARES	30,680,754	30,681,287

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
(UNAUDITED)

(Canadian dollars in thousands)	2009	2008
Retained earnings at beginning of period	\$ 1,218,655	\$ 1,264,316
Dividends declared on class A shares	(271,892)	(128,500)
Dividends declared on class B shares	(203)	(253)
Dividends declared on preference shares	(1,779)	(1,334)
Net income	85,651	84,426
RETAINED EARNINGS AT END OF PERIOD	\$ 1,030,432	\$ 1,218,655

XEROX CANADA INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(Canadian dollars in thousands)	2009	2008
Cash Flows from Operating Activities		
Net income	\$ 85,651	\$ 84,426
Adjustments required to reconcile net income to cash flows from operating activities:		
Depreciation and amortization	43,138	39,935
Provisions for receivables and inventory	35,798	20,085
Deferred tax benefit	(7,432)	(12,800)
Net loss on sale of property, plant and equipment	26	-
Restructuring charges	2,851	21,114
Payments for restructurings	(14,286)	(11,251)
Contributions to pension benefit plans	(18,310)	(27,069)
Decrease in accounts receivable and billed portion of finance receivables	28,361	8,702
Decrease (increase) in inventories	12,980	(22,806)
Increase in equipment on operating leases	(26,481)	(20,228)
Decrease in finance receivables	16,111	17,170
Increase in other current and long-term assets	(1,565)	(1,374)
Increase in accounts payable and accrued compensation	8,389	3,692
Net change in income tax assets and liabilities	(1,282)	(5,151)
Decrease in due to related parties	8,024	9,624
Increase in other current and long-term liabilities	24,618	11,224
Other, net	2,342	(961)
Net cash provided by operating activities	198,933	114,332
Cash Flows from Investing Activities		
Cost of additions to land, buildings and equipment	(8,095)	(14,249)
Decrease (increase) in due from related parties	270,000	(270,000)
Net cash provided by (used in) investing activities	261,905	(284,249)
Cash Flows from Financing Activities		
Dividends on class A shares	(271,892)	(128,500)
Dividends on class B shares	(203)	(237)
Dividends on preference shares	(1,779)	(1,780)
Net cash used in financing activities	(273,874)	(130,517)
Effect of exchange rate changes on cash and cash equivalents	733	412
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	187,697	(300,022)
Cash and cash equivalents at beginning of period	70,621	370,643
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 258,318	\$ 70,621