

Xerox Canada Inc.

Alternative Interim Financial Information (Unaudited)

As at and for the three and nine month periods
ended September 30, 2010



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XEROX CANADA INC.
ALTERNATIVE INTERIM 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 interim unaudited consolidated financial statements, Xerox Canada Inc. is to file on or before the 45th day after the end of its interim periods, (i) a consolidated balance sheet as at the end of the interim period and a balance sheet as at the end of the immediately preceding financial year, and (ii) a consolidated income statement, statement of retained earnings and cash flow statement, all for the year-to-date interim period, and comparative financial information for the corresponding year-to-date interim period in the immediately preceding financial year, and (iii) for interim periods other than the first interim period in the financial year, a consolidated income statement and cash flow statement for the three month period ending on the last day of the interim period and comparative financial information for the corresponding period in the preceding financial year, 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 Interim Financial Information"). For the periods set forth in the Alternative Interim Financial Information on the following pages, Xerox Corporation prepared its financial statements in accordance with the generally accepted accounting principles in the United States. Certain of the 2009 comparative figures have been reclassified to conform to classifications adopted in the current year.
2. The Alternative Interim Financial Information presented on the following pages has not been audited or reviewed by an auditor.
3. The Alternative Interim 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 toner to XC; purchases of equipment, parts and supplies from XC; royalties paid to XC; research and customer administration centre costs recovered from XC; and dividends made to XC. These transactions between XCI and XC are eliminated in preparation of the audited consolidated financial statements of Xerox Corporation.
4. Except for the Alternative Interim Financial Information presented on the following pages, XCI is relying on the continuous disclosure documents filed by Xerox Corporation, including the audited consolidated financial statements of Xerox Corporation as at and for the financial year ended December 31, 2009 and the unaudited consolidated financial statements of Xerox Corporation as at and for the interim period ended September 30, 2010. Copies of these documents can be found on SEDAR at www.sedar.com under the profile for Xerox Corporation, at Xerox Corporation'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 STATEMENTS OF INCOME
(UNAUDITED)

(Canadian dollars in thousands, except share data)	Three months ended		Nine months ended	
	September 30		September 30	
	2010	2009	2010	2009
REVENUES				
Sales	\$ 92,008	\$ 89,163	\$ 280,941	\$ 275,091
Service, outsourcing and rentals	124,675	119,721	382,756	366,459
Finance income	23,843	25,409	74,588	78,505
Intercompany	31,172	32,407	96,077	99,743
Total revenues	271,698	266,700	834,362	819,798
COSTS AND OTHER DEDUCTIONS				
Cost of sales	70,238	67,540	210,941	215,782
Cost of service, outsourcing and rentals	90,041	85,999	272,901	261,219
Cost of intercompany revenue	28,420	26,838	87,425	89,301
Selling, administrative and general expenses	65,705	60,762	198,738	187,253
Restructuring charges	362	-	7,941	2,851
Other (income) deductions, net	568	(801)	3,251	(2,307)
Total costs and other deductions	255,334	240,338	781,197	754,099
EARNINGS BEFORE INCOME TAXES	16,364	26,362	53,165	65,699
Income tax expense	1,193	9,188	8,622	20,113
NET INCOME	\$ 15,171	\$ 17,174	\$ 44,543	\$ 45,586
NET EARNINGS PER CLASS A AND CLASS B SHARES	\$ 0.50	\$ 0.56	\$ 1.41	\$ 1.43
WEIGHTED AVERAGE NUMBER OF CLASS A AND CLASS B SHARES	30,362,423	30,680,555	30,362,688	30,680,863

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
(UNAUDITED)

(Canadian dollars in thousands)	Three months ended		Nine months ended	
	September 30		September 30	
	2010	2009	2010	2009
Retained earnings at beginning of period	\$ 1,036,571	\$ 1,165,147	\$ 1,030,432	\$ 1,218,655
Dividends declared on class A shares	-	(116,000)	(21,951)	(196,000)
Dividends declared on class B shares	(32)	(62)	(157)	(203)
Dividends declared on preference shares	-	-	(1,779)	(1,779)
Discount on Share redemptions	-	-	622	-
Net income	15,171	17,174	44,543	45,586
RETAINED EARNINGS AT END OF PERIOD	\$ 1,051,710	\$ 1,066,259	\$ 1,051,710	\$ 1,066,259

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

(Canadian dollars in thousands)	September 30, 2010	December 31, 2009
ASSETS		
Cash and cash equivalents	\$ 273,930	\$ 258,318
Accounts receivable, net	58,749	69,603
Billed portion of finance receivables, net	9,494	20,199
Finance receivables, net	257,745	276,601
Inventories, net	49,777	53,209
Prepaid contracts with related party	20,071	-
Other current assets	58,102	17,762
Total current assets	727,868	695,692
Finance receivables due after one year, net	550,960	591,976
Equipment on operating leases, net	40,001	38,203
Land, buildings and equipment, net	83,276	89,553
Goodwill	52,755	52,755
Other long-term assets	7,930	8,071
Total Assets	\$ 1,462,790	1,476,250
LIABILITIES		
Accounts payable	\$ 39,312	\$ 37,188
Accrued compensation and benefits costs	23,414	33,516
Current future income taxes	26,249	25,737
Due to related parties	30,660	65,516
Other current liabilities	56,009	55,708
Total current liabilities	175,644	217,665
Non-current future income taxes	27,543	25,209
Pension and other benefit liabilities	138,377	127,570
Post-retirement medical benefits	122,412	117,844
Other long-term liabilities	6,898	7,550
Total Liabilities	470,874	495,838
SHAREHOLDERS' EQUITY		
Share capital, including additional paid-in-capital	68,908	75,394
Retained earnings	1,051,710	1,030,432
Accumulated other comprehensive loss	(128,702)	(125,414)
Total Shareholders' Equity	991,916	980,412
Total Liabilities and Shareholders' Equity	\$ 1,462,790	\$ 1,476,250

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

(Canadian dollars in thousands)	Three months ended		Nine months ended	
	September 30		September 30	
	2010	2009	2010	2009
Cash Flows from Operating Activities				
Net income	\$ 15,171	\$ 17,174	\$ 44,543	\$ 45,586
Adjustments required to reconcile net income to cash flows from operating activities:				
Depreciation and amortization	10,574	11,030	31,230	32,125
Provisions for receivables and inventory	8,410	7,579	24,677	24,299
Deferred tax expense (benefit)	2,033	(1,206)	4,894	(3,968)
Restructuring charges	362	-	7,941	2,851
Payments for restructurings	(2,970)	(3,548)	(10,627)	(11,094)
Contributions to pension benefit plans	(6,887)	(4,007)	(15,437)	(13,946)
Decrease (increase) in accounts receivable and billed portion of finance receivables	13,010	(1,919)	16,749	16,939
Decrease (increase) in inventories	1,487	(120)	(1,430)	10,618
Increase in equipment on operating leases	(9,615)	(6,066)	(20,745)	(19,122)
Decrease in finance receivables	14,809	14,722	41,724	40,837
Decrease (increase) in other current and long-term assets	(27,040)	877	(30,889)	(1,160)
Increase (decrease) in accounts payable and accrued compensation	7,112	2,402	(8,397)	(3,819)
Net change in income tax assets and liabilities	(1,292)	10,855	(5,920)	18,596
Net change in due to/from related parties	20,291	7,380	(53,800)	(20,955)
Increase in other current and long-term liabilities	18,858	6,878	34,122	12,931
Other, net	(11,622)	(7,374)	(10,434)	(7,304)
Net cash from operating activities	52,691	54,657	48,201	123,414
Cash Flows from Investing Activities				
Cost of additions to land, buildings and equipment	(648)	(425)	(3,074)	(5,585)
Decrease in due from related parties	-	-	-	90,000
Net cash from (used in) investing activities	(648)	(425)	(3,074)	84,415
Cash Flows from Financing Activities				
Dividends on class A shares	-	(116,000)	(21,951)	(196,000)
Dividends on class B shares	(32)	(62)	(157)	(203)
Dividends on preference shares	-	-	(1,779)	(1,779)
Redemption of Class B shares	(2)	(14)	(5,863)	(14)
Net cash used in financing activities	(34)	(116,076)	(29,750)	(197,996)
Effect of exchange rate changes on cash and cash equivalents	103	102	235	740
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	52,112	(61,742)	15,612	10,573
Cash and cash equivalents at beginning of period	221,818	142,936	258,318	70,621
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 273,930	\$ 81,194	\$ 273,930	\$ 81,194