Fourth-Quarter 2010 Earnings Presentation

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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; the risk that we will not realize all of the anticipated benefits from the acquisition of Affiliated Computer Services, Inc.; our ability to recover capital investments; the risk that subcontractors, software vendors and utility and network providers will not perform in a timely, quality manner; the risk that multi-year contracts with governmental entities could be terminated prior to the end of the contract term; the risk that individually identifiable information of customers, clients and employees could be inadvertently disclosed or disclosed as a result of a breach of our security; 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 Reports on Form 10-Q for the quarters ended March 31, 2010, June 30, 2010 and September 30, 2010, and our 2009 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.

Fourth-Quarter Overview

- **Q4 adjusted EPS[1] of $0.29 per share, FY adjusted EPS[1] of $0.94 per share**
- **Q4 pro-forma revenue up 2% and 3% CC, up 42% on a GAAP basis**
  - Technology revenue flat, up 1 % CC
    - Solid activity performance across color product categories, improving post-sale metrics
  - Services up 5 %, 6 % CC on a pro-forma basis
    - Growth driven by BPO up 11 % and ITO up 5 %; improving trend in Document Outsourcing
    - Continued new signings momentum
- **Cost and expense management**
  - Continued YOY improvements driven by restructuring and cost synergies
  - Restructuring charge of $273M in Q4, $483M FY
  - Operating margin[1] of 10.4 %, up 1 pt YOY on a pro-forma basis
- **Balance sheet and cash flow performance**
  - Cash from operations $1.3B in Q4 and $2.7B FY, Free Cash Flow [1]$2.2B FY
  - Debt reduction[2] of $1.9B to $8.6B

Note: Q4 GAAP EPS of $0.12 and FY GAAP EPS of $0.43
Constant currency (CC) and pro-forma: see slide 16 for explanation of non-GAAP measures
[1]Adjusted EPS, operating margin, free cash flow: see slide 16 for explanation of non-GAAP measures
[2]Debt reduction as measured from ACS acquisition closing date

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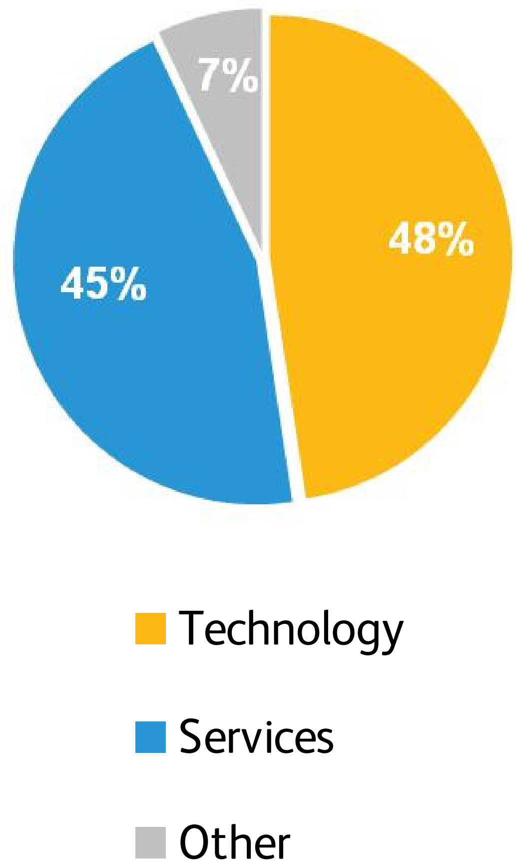
Revenue

(in millions)	2010 Q4	2010 Pro-forma
Total Revenue	$5,976	
Growth	*42%*	*2%*
CC Growth	*43%*	*3%*
Annuity	$ 4,778	
Growth	*56%*	*1%*
CC Growth	*57%*	*3%*
Annuity % of Revenue	***80%***	
Equipment	$ 1,198	
Growth	*4%*	*4%*
CC Growth	*6%*	*6%*

Segment Revenue Contribution



Constant currency (CC) and pro-forma: see slide 16 for explanation of non-GAAP measures
Annuity revenue represents service, outsourcing and rentals, supplies, paper and other sales and finance income

Metrics

MIF and Pages Growth - YOY

	Q3 '10	Q4 '10
Digital MIF	1 %	2 %
Color MIF	14 %	15 %
Digital Pages	(4) %	(2) %
Color Pages	9 %	11 %

Color

	Q4 '10	FY '10
Revenue	$1.8B	$6.4B
Revenue Growth (CC)	6 %	8 %
Color % of MIF	32 %	31 %
Color % of Pages	24 %	23 %

Services Signings Metrics (TCV)

	Q4 '10
Signings	$3.6B

	Q4 '10
Signings Growth TTM	13 %

MIF excludes printers, developing markets and GIS; Pages include estimates for developing markets, GIS and printers
Constant currency (CC): see slide 16 for explanation of non-GAAP measures
Signings: total contract value of new business signings and renewals signed in the quarter

Technology Segment

(in millions)	Q4 2010	% B/(W) YOY Act Cur	CC
Total Revenue	$2,845	Flat	1 %
Segment Profit	$332	10 %	
Segment Margin	11.7 %	1.2pts	

- Solid install and equipment revenue growth
- Post sale revenue metrics improve, expect further recovery in 2011
- 21 products launched in 2010
  - ColorQube™ 8570/8870
  - WorkCentre® 7545/7556, Xerox Color 550/560
  - Xerox Color 800 / 1000
- Revenue mix: 21 % Entry, 56 % Mid-range and 23 % High-end

Installs[1]

Entry

	Q4	FY
A4 Mono MFDs	25 %	46 %
A4 Color MFDs	27 %	39 %
Color Printers	4 %	4 %

Mid-Range

	Q4	FY
Mid-Range B&W MFDs	(2) %	4 %
Mid-Range Color MFDs	22 %	27 %

High-End

	Q4	FY
High-End B&W	(11) %	(8) %
High-End Color	19 %	26 %

Constant currency (CC): see slide 16 for explanation of non-GAAP measures

[1] Installs include units sold in Technology and Services segments

Services Segment

(in millions)	Q4 2010	Pro-forma % B/(W) YOY Act Cur	CC
Total Revenue	$2,711	5 %	6 %
Segment Profit	$324	10 %	
Segment Margin	12.0 %	0.5 pts	

- Revenue growth driven by 11 % growth in BPO with good contributions from:
  - Human resource services, healthcare payer, transportation and customer care
- ITO revenue grew 5 % driven by new business ramp
- Document Outsourcing improves, flat @ CC, driven by better usage
- Revenue mix: 54 % BPO, 33 % Document Outsourcing and 13 % ITO

Signings[1]

Business Process Outsourcing

Q4 2010 $2.3B

Information Technology Outsourcing

Q4 2010 $0.3B

Document Outsourcing

Q4 2010 $1.0B

Total Signings

Q4 2010 $3.6B

Signings Growth TTM 13 %

Constant currency (CC) and pro-forma: see slide 16 for explanation of non-GAAP measures

[1]Signings: total contract value of new business signings and renewals signed in the quarter

Earnings

(in millions, except per share data)	Q4 2010	FY 2010	Comments
Revenue	$ 5,976	$ 21,633	Pro-forma growth up 3 % CC in Q4 and FY
Gross Margin	33.6 %	34.4 %	Within range of 33 to 35 % with currency headwinds
RD&E	$ 193	$ 781	
SAG	$ 1,196	$ 4,594	Lower G&A and bad debts more than offset marketing investments
SAG % of Revenue	*20.0%*	*21.2%*	
Adjusted Operating Income[2]	**$619**	**$2,076**	Pro-forma increase $69M Q4 and $271M FY
Operating Income % of Revenue	*10.4%*	*9.6%*	Pro-forma improvement of 1pt Q4 and FY
Adjusted Other, net[1,2]	$ 68	$ 348	
Adjusted Equity Income[2]	$ 31	$ 116	Adjusted for $5M Q4 and $38M FY for Fuji Xerox restructuring
Adjusted Tax Rate[2]	30 %	31 %	
Adjusted Net Income – Xerox[2]	**$417**	**$1,296**	
Adjusted EPS[2]	**$ 0.29**	**$ 0.94**	High-end of guidance
Restructuring incl Fuji Xerox	0.12	0.26	Actions support op. margin improvements and offset cost and currency pressures
Amortization of intangible assets	0.04	0.14	
Loss on early extinguishment of debt	0.01	0.01	
Other Adjustments[2]	0.00	0.10	
GAAP EPS	**$ 0.12**	**$ 0.43**	

Constant currency (CC) and pro-forma: see slide 16 for explanation of non-GAAP measures

[1] Includes net income attributable to noncontrolling interest of $8M in Q4 and $31M FY

[2] Adjusted Operating Income, Adjusted Other, net, Adjusted Equity Income, Adjusted Net Income – Xerox, Adjusted Tax Rate and Adjusted EPS: see slide 16 for explanation of non-GAAP measures

Cash Flow

(in millions)	Q4 2010	FY 2010
Net Income	$ 179	$ 637
Depreciation and amortization	293	1,097
Restructuring and asset impairment charges	273	483
Restructuring payments	(65)	(213)
Contributions to pension benefit plans	(32)	(237)
Inventories	160	(151)
Accounts receivable and Billed portion of finance receivables*	303	100
Accounts payable and Accrued compensation	294	615
Other	137	554
Core Cash Flow	$ 1,542	$ 2,885
Equipment on operating leases	(94)	(288)
Finance Receivables	(141)	129
Cash from Operations	$ 1,307	$ 2,726
CAPEX (incl. internal use software)	(171)	(519)
Acquisitions	(60)	(1,734)
Other	15	75
Cash from Investing	$ (216)	$ (2,178)
Net Debt payments	(868)	(3,056)
Other	5	(60)
Cash from Financing	$ (863)	$ (3,116)
Change in Cash and Cash Equivalents	236	(2,588)
Ending Cash and Cash Equivalents	$ 1,211	$ 1,211

Q4 **Cash from Ops** of $1.3B and FY of $2.7B exceeds $2.6B guidance

Working Capital[1] source of $685M Q4 and $348M FY

Revenue growth drives **Finance Assets** use of cash of $235M Q4 and $159M FY

Core Cash Flow of $1.5B Q4 and $2.9B FY

CAPEX of $171M, $519M FY

Free Cash Flow of $1.1B and $2.2B FY

Debt[2] decreased in Q4 $889M and FY $1.9B[2] to $8.6B

[1]Working capital includes accounts receivable, accounts payable and inventory [2]Debt reduction as measured from ACS acquisition closing date
*Accounts Receivables includes collections of deferred proceeds from sales of receivables
Core Cash Flow and Free Cash Flow: see slide 16 for explanation of non-GAAP measures

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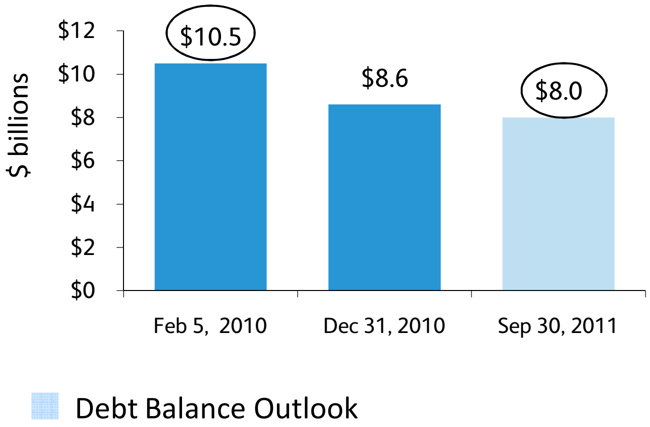
2011 Guidance

Debt Leverage



**$750M senior notes mature on Aug 15, 2011*

Debt as of 9/30/11*	$8B
Leverage	
Debt / EBITDA	2.3
Core	.6

Cash Flow

(in billions)	**2011**
Cash from Core Ops[1]	$2.8
CAPEX	$(0.6)
Free Core Cash Flow[1]	$2.2
Debt Reduction	$(0.6)
Dividends	$(0.3)
Available Cash	$1.0 - $1.2

Income Statement

	2011
Revenue Growth (pro-forma)	3 – 5 % @CC
Operating Margin[1]	~11 %
GAAP EPS	$0.90 - $0.95
Adjusted EPS[1]	$1.05 - $1.10

Key Messages

- Balanced Revenue Performance
  - Technology 2 - 3 % @ CC
  - Services 4 - 7 % @ CC
- Earnings Expansion to 11 % operating margin[1] and ~15 % EPS growth
- $2.8B Core Cash Flow[1], $2.2B Free Core Cash Flow[1]
- Debt at $8.0B
- Available cash of $1.0B - $1.2B in 2011 and $2.0B in 2012

Constant currency (CC) and pro-forma: see slide 16 for explanation of non-GAAP measures

[1]Operating Margin, Adjusted EPS, Cash from Core Ops, Free Core Cash Flow and Free Cash Flow: see slide 16 for explanation of non-GAAP measures

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Summary

2010 Performance

- Exceeded commitments on earnings and cash generation
- Strong services performance, realizing benefits from ACS acquisition
- Technology revenue and activity growth, innovative products launched in key segments
- Good execution on cost and expense yielding operating margin improvement

2011 Priorities

- Strengthen leadership in technology through competitively advantaged products and increased distribution
- Accelerate services business - capture significant BPO opportunity and continue improvements in ITO and document outsourcing
- Continued focus on cost and expense management
- Drive cash flow, reduce debt and return cash to shareholders

2011 guidance*

- Q1 Adjusted EPS $0.20 - $0.22, GAAP EPS $0.16 - $0.18
- FY Adjusted EPS $1.05 - $1.10, GAAP EPS $0.90 - $0.95

*Guidance - Adjusted EPS: see slide 16 for explanation of non-GAAP measures

Appendix

Restructuring and Synergy Update

Restructuring

2010 Pre-tax Savings	~ $140M
2011 Pre-tax Savings	~$270M
Annualized Pre-tax Savings	~ $475M

Annualized savings represent total savings from 2010 restructuring when all actions are fully implemented

Key Messages

- Improves cost base productivity by optimizing infrastructure in services and centralizing support functions
- Improves go to market by accelerating shifts in our business model to more indirect channels in certain geographies
- Accelerates achievement of costs synergies
- Leverages digital product reliability and system improvements
- Responds to adverse currency impact to cost
- Enables investments in the business

Synergy

2010 Pre-tax Profit	>$100M
2011 Pre-tax Profit	>$120M

Above are YOY increases in profit as a result of synergies and are net of investments to achieve synergies

- Well on track to meet Year 3 targets - cost and revenue
- Delivery and infrastructure drive 2011 savings
- Revenue synergies ramp but minimal contribution to profit

Additional Information

Business Model

	2011
Revenue Growth (pro-forma[1])	3– 5 % @ CC
Gross Margin	33 – 35 %
RD&E	3 %
SAG	20 – 21 %
Operating Margin[1]	11 %
Adj. EPS[1]	$1.05 - $1.10

Cash Flow

(in billions)	2011
Cash from Ops	$2.5
Finance Assets	$0.3
Cash from Core Ops[1]	$2.8
CAPEX	$(0.6)
Free Core Cash Flow[1]	$2.2
Debt Reduction	$(0.6)
Dividends	$(0.3)
Available Cash	$1.0 - $1.2

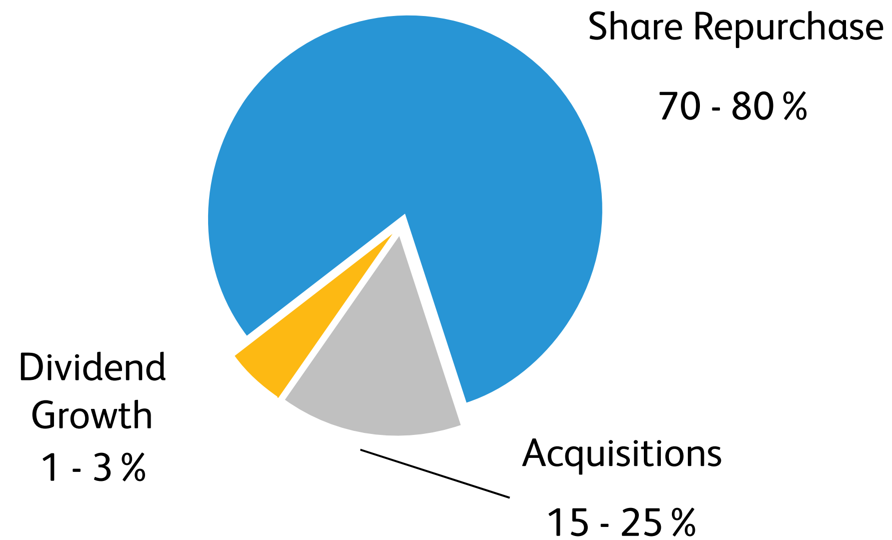
Financing Dynamics

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

Year End 2010

(in billions)	Fin. Assets	Debt
Financing	$ 7.2	$ 6.3
Core	-	$ 2.3
Total Xerox	$ 7.2	$ 8.6

Use of Available Cash



Constant currency (CC) and pro-forma: see slide 16 for explanation of non-GAAP measures

[1] Operating Margin, Adjusted EPS, Cash from Core Ops, Free Cash Flow from Core and Free Cash Flow: see slide 16 for explanation of non-GAAP measures

Revenue

	2009					2010									
(in millions)	Q1	Q2	Q3	Q4	FY	Q1[1]	Pro - forma	Q2	Pro - forma	Q3	Pro - forma	Q4	Pro - forma	FY	Pro - forma
Total Revenue	$ 3,554	$ 3,731	$ 3,675	$4,219	$ 15,179	$ 4,721		$ 5,508		$ 5,428		$ 5,976		$ 21,633	
Growth	(18%)	(18)%	(16)%	(3)%	(14%)	33%	5%	48%	2%	48%	2%	42%	2%	43%	3%
CC Growth	(12%)	(13)%	(14)%	(7)%	(11%)	30%	2%	49%	3%	50%	4%	43%	3%	43%	3%
Annuity	$ 2,784	$ 2,903	$ 2,873	$3,069	$ 11,629	$ 3,899		$ 4,578		$ 4,521		$ 4,778		$ 17,776	
Growth	(14%)	(14)%	(11)%	flat	(10%)	40%	4%	58%	Flat	57%	Flat	56%	1%	53%	1%
CC Growth	(8%)	(8)%	(9)%	(4)%	(7%)	37%	2%	59%	1%	59%	2%	57%	3%	53%	2%
Annuity % Revenue	78%	78%	78%	73%	77%	83%		83%		83%		80%		82%	
Equipment	$ 770	$ 828	$ 802	$1,150	$ 3,550	$ 822		$ 930		$ 907		$ 1,198		$ 3,857	
Growth	(30%)	(29)%	(29)%	(11)%	(24%)	7%	7%	12%	12%	13%	13%	4%	4%	9%	9%
CC Growth	(26%)	(25)%	(28)%	(15)%	(23%)	4%	4%	14%	14%	15%	15%	6%	6%	10%	10%

Constant currency and pro-forma: see slide 16 for explanation of non-GAAP measures

[1] Q1 2010 results include only a partial quarter of ACS results, from the ACS acquisition date of February 5, 2010 to March 31, 2010

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" / "Free Core Cash Flow": To better understand the trends in our business, we believe that it is helpful to adjust Cash Flows from Operations and Core Cash Flows (see below) to subtract amounts for 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 reinvestment in long-lived assets. 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.

"Cash from Core Operations" / "Core Cash Flow": To better understand the trends in our business, we believe that it is helpful to adjust cash flows to exclude the effect of investments made in finance receivables and on-lease equipment. These investments are viewed as income-producing assets and are important to the growth of our business. In addition, since these investments are effectively funded through debt they do not require the use of operating cash flows or free cash flows (see above). Management believes that excluding the effect of investments made in finance receivables and on-lease equipment provides investors an additional perspective on cash flow from operating activities.

Non-GAAP Financial Measures

"Adjusted Earnings Measures": To better understand the trends in our business and the impact of the ACS acquisition, we believe it is necessary to adjust the following amounts determined in accordance with GAAP to exclude the effects of the certain items as well as their related income tax effects:

- Net income and Earnings per share ("EPS")
- Effective tax rate
- Equity Income
- Other expenses, net
- Operating income and margin

The above have been adjusted for the following items:

- Restructuring and asset impairment charges (including those incurred by Fuji Xerox): Restructuring and asset impairment charges consist of costs primarily related to severance and benefits for employees terminated pursuant to formal restructuring and workforce reduction plans. We exclude these charges because we believe that these historical costs do not reflect expected future operating expenses and do not contribute to a meaningful evaluation of our current or past operating performance. In addition, such charges are inconsistent in amount and frequency. Such charges are expected to yield future benefits and savings with respect to our operational performance.
- Acquisition related costs: We incurred significant expenses in connection with our acquisition of ACS which we generally would not have otherwise incurred in the periods presented as a part of our continuing operations. Acquisition related costs include transaction and integration costs, which represent external incremental costs directly related to completing the acquisition and the integration of ACS and Xerox. We believe it is useful for investors to understand the effects of these costs on our total operating expenses.
- Amortization of intangible assets: The amortization of intangible assets is driven by our acquisition activity which can vary in size, nature and timing as compared to other companies within our industry and from period to period. Accordingly, due to the incomparability of acquisition activity among companies and from period to period, we believe exclusion of the amortization associated with intangible assets acquired through our acquisitions allows investors to better compare and understand our results. The use of intangible assets contributed to our revenues earned during the periods presented and will contribute to our future period revenues as well. Amortization of intangible assets will recur in future periods.
- Other discrete, unusual or infrequent costs and expenses: In addition, we have also excluded the following additional items given the discrete, unusual or infrequent nature of these items on our results of operations for the period – 1) loss on early extinguishment of debt(Q4); 2) ACS shareholder litigation settlement (Q2); 3) Venezuela devaluation costs (Q1); and 4) Medicare subsidy tax law change (income tax effect only) (Q1). We believe exclusion of these items allows investors to better understand and analyze the results for the period as compared to prior periods as well as expected trends in our business.

Non-GAAP Financial Measures

"Pro-Forma Basis": To better understand the trends in our business, we discuss our 2010 operating results by comparing them against adjusted 2009 results which include ACS historical results for the comparable period. Accordingly, we have included ACS's 2009 estimated results for the comparable period, October 1st through December 31st, in our reported 2009 results. We refer to comparisons against these adjusted 2009 results as "pro-forma" basis comparisons. ACS 2009 historical results have been adjusted to reflect fair value adjustments related to property, equipment and computer software as well as customer contract costs. In addition, adjustments were made for deferred revenue, exited businesses and other material non-recurring costs associated with the acquisition. We believe comparisons on a pro-forma basis are more meaningful than the actual comparisons given the size and nature of the ACS acquisition. We believe the pro-forma basis comparisons allow investors to have a better understanding and additional perspective of the expected trends in our business as well as the impact of the ACS acquisition on the Company's operations.

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. Our non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable GAAP measures and should be read only in conjunction with our consolidated financial statements prepared in accordance with GAAP. Our management regularly uses our supplemental non-GAAP financial measures internally to understand, manage and evaluate our business and make operating decisions. These non-GAAP measures are among the primary factors management uses in planning for and forecasting future periods. Compensation of our executives is based in part on the performance of our business based on these non-GAAP measures.

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 the following slides.

Q4 GAAP EPS to Adjusted EPS Track

	Three Months Ended December 31, 2010	
(in millions; except per share amounts)	**Net Income**	**EPS**
Reported	**$ 171**	**$ 0.12**
Adjustments:		
Xerox and Fuji Xerox restructuring charge	178	0.12
Acquisition-related costs	5	-
Amortization of intangible assets	53	0.04
Loss on early extinguishment of debt	10	0.01
	246	0.17
Adjusted	**$ 417**	**$ 0.29**

Average shares for the calculation of adjusted EPS for the fourth quarter 2010 were 1,458 million and include 27 million shares associated with the Series A convertible preferred stock and therefore the quarterly dividend of $6 million is excluded. We evaluate the dilutive effect of the Series A convertible preferred stock on an "if-converted" basis.

FY GAAP EPS to Adjusted EPS Track

(in millions; except per share amounts)	Year Ended December 31, 2010 Net Income	EPS
Reported	**$ 606**	**$ 0.43**
Adjustments:		
Xerox and Fuji Xerox restructuring charge	355	0.26
Acquisition-related costs	58	0.04
Amortization of intangible assets	194	0.14
ACS shareholders litigation settlement	36	0.03
Venezuela devaluation costs	21	0.02
Medicare subsidy tax law change	16	0.01
Loss on early extinguishment of debt	10	0.01
	690	0.51
Adjusted	**$ 1,296**	**$ 0.94**
Weighted average shares for adjusted EPS		1,378

Average shares for the calculation of adjusted EPS for the full year 2010 were 1,378 million and include a pro-rata portion of 27 million shares associated with the Series A convertible preferred stock and therefore the 2010 dividends of $21 million are excluded. We evaluate the dilutive effect of the Series A convertible preferred stock on an "if-converted" basis.

GAAP EPS to Adjusted EPS Guidance Track

	Earnings Per Share	
	Q1 2011	**FY 2011**
GAAP EPS	**$0.16 - $0.18**	**$0.90 - $0.95**
<u>Adjustments:</u>		
Amortization of intangible assets	0.04	0.15
	0.04	0.15
Adjusted EPS	**$0.20 - $0.22**	**$1.05 - $1.10**

Q4 Adjusted Operating Income/Margin

(in millions)	Three Months Ended December 31, 2010 Amount	Revenue	Margin
Pre-tax Income/Margin - Reported	$ 177	$ 5,976	3.0 %
<u>Adjustments:</u>			
Xerox restructuring charge	273		
Acquisition-related costs	9		
Amortization of intangible assets	85		
Other expenses, net	75		
Operating Income/Margin - Adjusted	**$ 619**	**$ 5,976**	**10.4%**

FY Adjusted Operating Income/Margin

	Year Ended December 31, 2010		
(in millions)	Amount	Revenue	Margin
Pre-tax Income/Margin - Reported	$ 815	$ 21,633	3.8 %
<u>Adjustments:</u>			
Xerox restructuring charge	483		
Acquisition-related costs	77		
Amortization of intangible assets	312		
Other expenses, net	389		
Operating Income/Margin - Adjusted	**$ 2,076**	**$ 21,633**	**9.6%**

Q4/FY Adjusted Other, net

(in millions)	Three Months Ended December 31, 2010	Year Ended December 31, 2010
Other expenses, net - Reported	$ 75	$ 389
Adjustments:		
ACS shareholders litigation settlement	-	(36)
Venezuela devaluation costs	-	(21)
Loss on early extinguishment of debt	(15)	(15)
Net income attributable to noncontrolling interests	8	31
Other expenses, net - Adjusted	**$ 68**	**$ 348**

Q4 Adjusted Effective Tax Rate

(in millions)	Three Months Ended December 31, 2010 Pre-Tax Income	Income Tax Expense	Effective Tax Rate
Reported	**$ 177**	**$ 24**	**13.6%**
Adjustments:			
Xerox restructuring charge	273	100	
Acquisition-related costs	9	4	
Amortization of intangible assets	85	32	
Loss on early extinguishment of debt	15	5	
Adjusted	**$ 559**	**$ 165**	**29.5%**

FY Adjusted Effective Tax Rate

(in millions)	Pre-Tax Income	Income Tax Expense	Effective Tax Rate
	Year Ended December 31, 2010		
Reported	**$ 815**	**$ 256**	**31.4%**
Adjustments:			
Xerox restructuring charge	483	166	
Acquisition-related costs	77	19	
Amortization of intangible assets	312	118	
Venezuela devaluation costs	21	-	
Medicare subsidy tax law change	-	(16)	
ACS shareholders litigation settlement	36	-	
Loss on early extinguishment of debt	15	5	
Adjusted	**$ 1,759**	**$ 548**	**31.2%**

Q4/FY Adjusted Equity Income

(in millions)	Three Months Ended December 31, 2010	Three Months Ended December 31, 2009	Year Ended December 31, 2010	Year Ended December 31, 2009
Equity Income - Reported	$ 26	$ 27	$ 78	$ 41
Adjustment:				
Fuji Xerox restructuring charge	5	6	38	46
Equity Income - Adjusted	**$ 31**	**$ 33**	**$ 116**	**$ 87**

Q4/FY Free Cash Flow

(in millions)	Three Months Ended December 31, 2010	Year Ended December 31, 2010
Cash from Operations - Reported	$ 1,307	$ 2,726
Adjustments:		
Cost of additions to land, buildings and equipment	(121)	(355)
Cost of additions to internal use software	(50)	(164)
Free Cash Flow	**$ 1,136**	**$ 2,207**

Q4/FY Core Cash Flow

(in millions)	Three Months Ended December 31, 2010	Year Ended December 31, 2010
Cash from Operations - Reported	$ 1,307	$ 2,726
Adjustments:		
Increase (decrease) in finance receivables	141	(129)
Increase in equipment on operating leases	94	288
Core Cash Flow	**$ 1,542**	**$ 2,885**

2011 Core Cash Flow Guidance

(in millions)	Full Year 2011
Cash from Operations - Reported	$ 2,500
<u>Adjustment:</u>	
Adjustment for Finance receivables and Equipment on operating leases	300
Core Cash Flow	**$ 2,800**
<u>Adjustment:</u>	
Cost of additions to land, buildings and equipment and Cost of additions to internal use software	(600)
Core Free Cash Flow	**$ 2,200**

Q4 Pro-forma Reconciliation

Total Xerox:

(in millions)	As Reported 2010	As Reported 2009	Pro-forma 2009 (1)	Change	Pro-forma Change
	Three Months Ended December 31,				
Revenue Category					
Equipment sales	$ 1,198	$ 1,150	$ 1,150	4 %	4 %
Supplies, paper and other	867	845	891	3 %	(3 %)
Sales	2,065	1,995	2,041	4 %	1 %
Service, outsourcing and rentals	3,749	2,047	3,646	83 %	3 %
Finance income	162	177	177	(8 %)	(8 %)
Total Revenues	**$ 5,976**	**$ 4,219**	**$ 5,864**	**42%**	**2%**
Service, outsourcing and rentals	**$ 3,749**	**$ 2,047**	**$ 3,646**	**83%**	**3%**
Add: Finance income	162	177	177		
Add: Supplies, paper and other sales	867	845	891		
Annuity Revenue	**$ 4,778**	**$ 3,069**	**$ 4,714**	**56%**	**1%**

NOTES:

(1) Pro-forma reflects ACS's 2009 estimated results from October 1st through December 31st in 2009 adjusted to reflect fair value adjustments related to property, equipment and computer software as well as customer contract costs. In addition, adjustments were made for deferred revenue, exited businesses and other material non-recurring costs associated with the acquisition.

FY Pro-forma Reconciliation

Total Xerox:

(in millions)	As Reported 2010	As Reported 2009	Pro-forma 2009 [1]	Change	Pro-forma Change
	Year Ended December 31,				
Revenue Category					
Equipment sales	$ 3,857	$ 3,550	$ 3,550	9 %	9 %
Supplies, paper and other	3,377	3,096	3,234	9 %	4 %
Sales	7,234	6,646	6,784	9 %	7 %
Service, outsourcing and rentals	13,739	7,820	13,585	76 %	1 %
Finance income	660	713	713	(7 %)	(7 %)
Total Revenues	**$ 21,633**	**$ 15,179**	**$ 21,082**	**43%**	**3%**
Service, outsourcing and rentals	**$ 13,739**	**$ 7,820**	**$ 13,585**	**76%**	**1%**
Add: Finance income	660	713	713		
Add: Supplies, paper and other sales	3,377	3,096	3,234		
Annuity Revenue	**$ 17,776**	**$ 11,629**	**$ 17,532**	**53%**	**1%**

NOTES:

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Q4 Operating Margin Pro-forma Reconciliation

Total Xerox:

(in millions)	As Reported 2010	As Reported 2009	Pro-forma 2009 (1)	Change	Pro-forma Change
	Three Months Ended December 31,				
Pre-tax Income	**$ 177**	**$ 194**	**$ 365**		
Adjustments:					
Xerox restructuring charge	273	(3)	(3)		
Acquisition related costs	9	63	77		
Amortization of intangible assets	85	16	16		
Other expenses, net	75	62	95		
Adjusted Operating Income	**$ 619**	**$ 332**	**$ 550**		
Pre-tax Income Margin	**3.0%**	**4.6%**	**6.2%**	**(1.6) pts**	**(3.2) pts**
Adjusted Operating Margin	**10.4%**	**7.9%**	**9.4%**	**2.5 pts**	**1.0 pts**

NOTES:

(1) Pro-forma reflects ACS's 2009 estimated results from October 1st through December 31st in 2009 adjusted to reflect fair value adjustments related to property, equipment and computer software as well as customer contract costs. In addition, adjustments were made for deferred revenue, exited businesses and other material non-recurring costs associated with the acquisition.

FY Operating Margin Pro-forma Reconciliation

Total Xerox:

(in millions)	As Reported 2010	As Reported 2009	Pro-forma 2009 (1)	Change	Pro-forma Change
	Year Ended December 31,				
Pre-tax Income	**$ 815**	**$ 627**	**$ 1,267**		
Adjustments:					
Xerox restructuring charge	483	(8)	(8)		
Acquisition related costs	77	72	104		
Amortization of intangible assets	312	60	60		
Other expenses, net	389	285	382		
Adjusted Operating Income	**$ 2,076**	**$ 1,036**	**$ 1,805**		
Pre-tax Income Margin	**3.8%**	**4.1%**	**6.0%**	**(0.3) pts**	**(2.2) pts**
Adjusted Operating Margin	**9.6%**	**6.8%**	**8.6%**	**2.8 pts**	**1.0 pts**

NOTES:

(1) Pro-forma reflects ACS's 2009 estimated results from February 5th through December 31st in 2009 adjusted to reflect fair value adjustments related to property, equipment and computer software as well as customer contract costs. In addition, adjustments were made for deferred revenue, exited businesses and other material non-recurring costs associated with the acquisition.

Q4 Segment Pro-forma Reconciliation

Services Segment:

(in millions)	As Reported 2010	As Reported 2009	Pro-forma 2009 (1)	Change	Pro-forma Change
	Three Months Ended December 31,				
Document Outsourcing	$ 890	$ 904	$ 904	(2 %)	(2 %)
Business Processing Outsourcing	1,478	24	1,330	*	11 %
Information Technology Outsourcing	357	-	339	-	5 %
Less: Intra-Segment Eliminations	(14)	-	-	-	-
Total Revenue - Services	**$ 2,711**	**$ 928**	**$ 2,573**	**192%**	**5%**
Segment Profit - Services	**$ 324**	**$ 81**	**$ 295**	**300%**	**10%**
Segment Margin - Services	**12.0%**	**8.7%**	**11.5%**	**3.3 pts**	**0.5 pts**

* Percent change not meaningful.

NOTES:

(1) Pro-forma reflects ACS's 2009 estimated results from October 1st through December 31st in 2009 adjusted to reflect fair value adjustments related to property, equipment and computer software as well as customer contract costs. In addition, adjustments were made for deferred revenue, exited businesses and other material non-recurring costs associated with the acquisition.

FY Segment Pro-forma Reconciliation

Services Segment:

(in millions)	As Reported 2010	As Reported 2009	Pro-forma 2009 [1]	Change	Pro-forma Change
	Year Ended December 31,				
Document Outsourcing	$ 3,297	$ 3,382	$ 3,382	(3 %)	(3 %)
Business Processing Outsourcing	5,112	94	4,751	*	8 %
Information Technology Outsourcing	1,249	-	1,246	-	-
Less: Intra-Segment Eliminations	(21)	-	-	-	-
Total Revenue - Services	**$ 9,637**	**$ 3,476**	**$ 9,379**	**177%**	**3%**
Segment Profit - Services	**$ 1,132**	**$ 231**	**$ 1,008**	**390%**	**12%**
Segment Margin - Services	**11.7%**	**6.6%**	**10.7%**	**5.1 pts**	**1.0 pts**

* Percent change not meaningful.

NOTES:

(1) Pro-forma reflects ACS's 2009 estimated results from February 5th through December 31st in 2009 adjusted to reflect fair value adjustments related to property, equipment and computer software as well as customer contract costs. In addition, adjustments were made for deferred revenue, exited businesses and other material non-recurring costs associated with the acquisition.