

Consolidated Statements of Income



(in millions, except per-share data)	Year Ended December 31,		
	2012	2011	2010
Revenues			
Sales	\$ 6,578	\$ 7,126	\$ 7,234
Outsourcing, service and rentals	15,215	14,868	13,739
Finance income	597	632	660
Total Revenues	22,390	22,626	21,633
Costs and Expenses			
Cost of sales	4,362	4,697	4,741
Cost of outsourcing, service and rentals	10,802	10,269	9,195
Equipment financing interest	198	231	246
Research, development and engineering expenses	655	721	781
Selling, administrative and general expenses	4,288	4,497	4,594
Restructuring and asset impairment charges	153	33	483
Acquisition-related costs	–	–	77
Amortization of intangible assets	328	398	312
Curtailment gain	–	(107)	–
Other expenses, net	256	322	389
Total Costs and Expenses	21,042	21,061	20,818
Income Before Income Taxes and Equity Income	1,348	1,565	815
Income tax expense	277	386	256
Equity in net income of unconsolidated affiliates	152	149	78
Net Income	1,223	1,328	637
Less: Net income attributable to noncontrolling interests	28	33	31
Net Income Attributable to Xerox	\$ 1,195	\$ 1,295	\$ 606
Basic Earnings per Share	\$ 0.90	\$ 0.92	\$ 0.44
Diluted Earnings per Share	\$ 0.88	\$ 0.90	\$ 0.43

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

(in millions)	Year Ended December 31,		
	2012	2011	2010
Net Income	\$ 1,223	\$ 1,328	\$ 637
Less: Net income attributable to noncontrolling interests	28	33	31
Net Income Attributable to Xerox	\$ 1,195	\$ 1,295	\$ 606
Other Comprehensive Income (Loss), Net: ⁽¹⁾			
Translation adjustments, net	\$ 113	\$ (105)	\$ (35)
Unrealized (losses) gains, net	(63)	12	12
Changes in defined benefit plans, net	(561)	(636)	23
Other Comprehensive Loss, Net	(511)	(729)	–
Less: Other comprehensive loss, net attributable to noncontrolling interests	–	(1)	–
Other Comprehensive Loss, Net Attributable to Xerox	\$ (511)	\$ (728)	\$ –
Comprehensive Income, Net	\$ 712	\$ 599	\$ 637
Less: Comprehensive income, net attributable to noncontrolling interests	28	32	31
Comprehensive Income, Net Attributable to Xerox	\$ 684	\$ 567	\$ 606

⁽¹⁾ Refer to Note 20 – Other Comprehensive Income for gross components of other comprehensive income, reclassification adjustments out of accumulated other comprehensive income and related tax effects.

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Consolidated Balance Sheets

(in millions, except share data in thousands)	December 31,	
	2012	2011
Assets		
Cash and cash equivalents	\$ 1,246	\$ 902
Accounts receivable, net	2,866	2,600
Billed portion of finance receivables, net	152	166
Finance receivables, net	1,836	2,165
Inventories	1,011	1,021
Other current assets	1,162	1,058
Total current assets	8,273	7,912
Finance receivables due after one year, net	3,325	4,031
Equipment on operating leases, net	535	533
Land, buildings and equipment, net	1,556	1,612
Investments in affiliates, at equity	1,381	1,395
Intangible assets, net	2,783	3,042
Goodwill	9,062	8,803
Deferred tax assets, long-term	763	672
Other long-term assets	2,337	2,116
Total Assets	\$ 30,015	\$ 30,116
Liabilities and Equity		
Short-term debt and current portion of long-term debt	\$ 1,042	\$ 1,545
Accounts payable	1,913	2,016
Accrued compensation and benefits costs	741	757
Unearned income	438	432
Other current liabilities	1,776	1,631
Total current liabilities	5,910	6,381
Long-term debt	7,447	7,088
Pension and other benefit liabilities	2,958	2,487
Post-retirement medical benefits	909	925
Other long-term liabilities	778	861
Total Liabilities	18,002	17,742
Series A Convertible Preferred Stock	349	349
Common stock	1,239	1,353
Additional paid-in capital	5,622	6,317
Treasury stock, at cost	(104)	(124)
Retained earnings	7,991	7,046
Accumulated other comprehensive loss	(3,227)	(2,716)
Xerox shareholders' equity	11,521	11,876
Noncontrolling interests	143	149
Total Equity	11,664	12,025
Total Liabilities and Equity	\$ 30,015	\$ 30,116
Shares of common stock issued	1,238,696	1,352,849
Treasury stock	(14,924)	(15,508)
Shares of common stock outstanding	1,223,772	1,337,341

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Consolidated Statements of Cash Flows

(in millions)	Year Ended December 31,		
	2012	2011	2010
Cash Flows from Operating Activities:			
Net income	\$ 1,223	\$ 1,328	\$ 637
Adjustments required to reconcile net income to cash flows from operating activities:			
Depreciation and amortization	1,301	1,251	1,097
Provision for receivables	127	154	180
Provision for inventory	30	39	31
Deferred tax expense (benefit)	96	203	(2)
Undistributed equity in net income of unconsolidated affiliates	(90)	(86)	(37)
Stock-based compensation	125	123	123
Restructuring and asset impairment charges	153	33	483
Payments for restructurings	(144)	(218)	(213)
Contributions to defined benefit pension plans	(364)	(426)	(237)
Increase in accounts receivable and billed portion of finance receivables	(776)	(296)	(118)
Collections of deferred proceeds from sales of receivables	470	380	218
Increase in inventories	–	(124)	(151)
Increase in equipment on operating leases	(276)	(298)	(288)
Decrease in finance receivables	947	90	129
Increase in other current and long-term assets	(265)	(249)	(98)
Increase in accounts payable and accrued compensation	120	82	615
Decrease in other current and long-term liabilities	(71)	(22)	(9)
Net change in income tax assets and liabilities	42	89	229
Net change in derivative assets and liabilities	11	39	85
Other operating, net	(79)	(131)	52
Net cash provided by operating activities	2,580	1,961	2,726
Cash Flows from Investing Activities:			
Cost of additions to land, buildings and equipment	(388)	(338)	(355)
Proceeds from sales of land, buildings and equipment	9	28	52
Cost of additions to internal use software	(125)	(163)	(164)
Acquisitions, net of cash acquired	(276)	(212)	(1,734)
Other investing, net	19	10	23
Net cash used in investing activities	(761)	(675)	(2,178)
Cash Flows from Financing Activities:			
Net (payments) proceeds on debt	(108)	49	(3,056)
Payment of liability to subsidiary trust issuing preferred securities	–	(670)	–
Common stock dividends	(231)	(241)	(215)
Preferred stock dividends	(24)	(24)	(15)
Proceeds from issuances of common stock	44	44	183
Excess tax benefits from stock-based compensation	10	6	24
Payments to acquire treasury stock, including fees	(1,052)	(701)	–
Repurchases related to stock-based compensation	(42)	(27)	(15)
Distributions to noncontrolling interests	(69)	(22)	(22)
Net cash used in financing activities	(1,472)	(1,586)	(3,116)
Effect of exchange rate changes on cash and cash equivalents	(3)	(9)	(20)
Increase (decrease) in cash and cash equivalents	344	(309)	(2,588)
Cash and cash equivalents at beginning of year	902	1,211	3,799
Cash and Cash Equivalents at End of Year	\$ 1,246	\$ 902	\$ 1,211

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity

(in millions)	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	AOCL ⁽³⁾	Xerox Shareholders' Equity	Non-controlling Interests	Total Equity
Balance at December 31, 2009	\$ 871	\$ 2,493	\$ –	\$ 5,674	\$ (1,988)	\$ 7,050	\$ 141	\$ 7,191
Comprehensive income	–	–	–	606	–	606	31	637
ACS acquisition	490	3,825	–	–	–	4,315	–	4,315
Cash dividends declared-common stock ⁽¹⁾	–	–	–	(243)	–	(243)	–	(243)
Cash dividends declared-preferred stock ⁽²⁾	–	–	–	(21)	–	(21)	–	(21)
Stock option and incentive plans, net	37	262	–	–	–	299	–	299
Distributions to noncontrolling interests	–	–	–	–	–	–	(19)	(19)
Balance at December 31, 2010	\$ 1,398	\$ 6,580	\$ –	\$ 6,016	\$ (1,988)	\$ 12,006	\$ 153	\$12,159
Comprehensive income	–	–	–	1,295	(728)	567	32	599
Cash dividends declared-common stock ⁽¹⁾	–	–	–	(241)	–	(241)	–	(241)
Cash dividends declared-preferred stock ⁽²⁾	–	–	–	(24)	–	(24)	–	(24)
Contribution of common stock to U.S. pension plan	17	113	–	–	–	130	–	130
Stock option and incentive plans, net	11	128	–	–	–	139	–	139
Payments to acquire treasury stock, including fees	–	–	(701)	–	–	(701)	–	(701)
Cancellation of treasury stock	(73)	(504)	577	–	–	–	–	–
Distributions to noncontrolling interests	–	–	–	–	–	–	(36)	(36)
Balance at December 31, 2011	\$ 1,353	\$ 6,317	\$ (124)	\$ 7,046	\$ (2,716)	\$ 11,876	\$ 149	\$12,025
Comprehensive income	–	–	–	1,195	(511)	684	28	712
Cash dividends declared-common stock ⁽¹⁾	–	–	–	(226)	–	(226)	–	(226)
Cash dividends declared-preferred stock ⁽²⁾	–	–	–	(24)	–	(24)	–	(24)
Contribution of common stock to U.S. pension plan	15	115	–	–	–	130	–	130
Stock option and incentive plans, net	18	115	–	–	–	133	–	133
Payments to acquire treasury stock, including fees	–	–	(1,052)	–	–	(1,052)	–	(1,052)
Cancellation of treasury stock	(147)	(925)	1,072	–	–	–	–	–
Distributions to noncontrolling interests	–	–	–	–	–	–	(34)	(34)
Balance at December 31, 2012	\$ 1,239	\$ 5,622	\$ (104)	\$ 7,991	\$ (3,227)	\$ 11,521	\$ 143	\$11,664

⁽¹⁾ Cash dividends declared on common stock of \$0.0425 in each of the four quarters in 2012, 2011 and 2010.

⁽²⁾ Cash dividends declared on preferred stock of \$12.22 per share in the first quarter of 2010 and \$20 per share in each quarter thereafter in 2010, 2011 and 2012.

⁽³⁾ AOCL – Accumulated other comprehensive loss.

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