

Xerox Financial Model
(unaudited)



(in \$ millions, except per-share data)

	2014	2015					2016					2017				
	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Revenues																
Sales	5,214	1,107	1,205	1,132	1,230	4,674	1,003	1,126	1,057	1,133	4,319	936	1,010	981	1,146	4,073
Services, maintenance and rentals	7,078	1,610	1,634	1,569	1,632	6,445	1,529	1,585	1,489	1,524	6,127	1,442	1,483	1,443	1,530	5,898
Financing	387	90	87	85	84	346	83	82	83	77	325	76	74	73	71	294
Total Revenues	12,679	2,807	2,926	2,786	2,946	11,465	2,615	2,793	2,629	2,734	10,771	2,454	2,567	2,497	2,747	10,265
Cost of Revenue																
Cost of sales	3,227	664	766	712	780	2,922	614	696	647	700	2,657	567	619	594	711	2,491
Cost of services, maintenance and rentals	4,202	976	954	937	964	3,831	950	953	913	909	3,725	900	884	882	914	3,580
Cost of financing	140	33	32	33	32	130	33	32	32	31	128	33	33	33	34	133
Total Cost of Revenue	7,569	1,673	1,752	1,682	1,776	6,883	1,597	1,681	1,592	1,640	6,510	1,500	1,536	1,509	1,659	6,204
Gross Profit																
Sales gross profit	1,987	443	439	420	450	1,752	389	430	410	433	1,662	369	391	387	435	1,582
Services, maintenance and rentals gross profit	2,876	634	680	632	668	2,614	579	632	576	615	2,402	542	599	561	616	2,318
Financing gross profit	247	57	55	52	52	216	50	50	51	46	197	43	41	40	37	161
Gross Profit	5,110	1,134	1,174	1,104	1,170	4,582	1,018	1,112	1,037	1,094	4,261	954	1,031	988	1,088	4,061
Research, development & engineering	531	130	127	126	128	511	126	119	118	113	476	118	106	108	114	446
Bad Debt Expense	49	19	14	13	3	49	12	10	13	2	37	13	9	8	3	33
Selling, administrative and general exp. (Excl Bad Debts)	3,084	719	720	665	712	2,816	689	681	651	637	2,658	651	634	640	673	2,598
Total Selling, administrative and general exp.	3,133	738	734	678	715	2,865	701	691	664	639	2,695	664	643	648	676	2,631
Non-financing interest expense	226	53	54	53	56	216	54	42	42	43	181	36	24	29	30	119
Aggregate Exchange losses / (gains)	6	4	(5)	2	1	2	4	(1)	4	6	13	3	1	-	-	4
All other, net	(47)	(13)	11	6	(27)	(23)	(13)	7	4	8	6	15	9	(12)	6	18
Total Other, net	185	44	60	61	30	195	45	48	50	57	200	54	34	17	36	141
Restructuring and related costs	106	11	9	11	(4)	27	100	47	25	92	264	120	40	36	24	220
Amortization of intangible assets	65	16	15	15	14	60	14	16	14	14	58	14	15	12	12	53
Total Costs and Expenses	11,589	2,612	2,697	2,573	2,659	10,541	2,583	2,602	2,463	2,555	10,203	2,470	2,374	2,330	2,521	9,695
Income (Loss) before Income Taxes & Equity Income	1,090	195	229	213	287	924	32	191	166	179	568	(16)	193	167	226	570
Income Taxes	198	40	48	47	58	193	(2)	18	28	18	62	(24)	43	18	444	481
Equity in net income of unconsolidated affiliates	142	16	25	40	28	109	34	26	40	27	127	40	20	30	25	115
Income from Continuing Operations	1,034	171	206	206	257	840	68	199	178	188	633	48	170	179	(193)	204
Income (Loss) from discontinued operations, net of tax	(16)	41	(193)	(237)	15	(374)	(35)	(38)	8	(1,028)	(1,093)	(6)	-	3	6	3
Net Income (Loss)	1,018	212	13	(31)	272	466	33	161	186	(840)	(460)	42	170	182	(187)	207
Less: Net Income attributable to Noncontrolling Interests	23	5	5	3	5	18	2	3	3	3	11	2	4	3	3	12
Net Income (Loss) Attributable to Xerox	995	207	8	(34)	267	448	31	158	183	(843)	(471)	40	166	179	(190)	195
Amounts Attributable to Xerox																
Net income from continuing operations	1,011	166	201	203	252	822	66	196	175	185	622	46	166	176	(196)	192
Income (Loss) from discontinued operations, net of tax	(16)	41	(193)	(237)	15	(374)	(35)	(38)	8	(1,028)	(1,093)	(6)	-	3	6	3
Net Income (Loss) Attributable to Xerox	995	207	8	(34)	267	448	31	158	183	(843)	(471)	40	166	179	(190)	195

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	2014 FY	2015					2016					2017					
		Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	
Preferred Dividends/	- Basic	24	6	6	6	6	24	6	6	6	6	24	4	3	4	3	14
Other	- Diluted *	24	6	6	6	-	24	6	6	6	6	24	4	-	-	3	14
Weighted Average Shares	- Basic	289	277	272	261	253	266	253	253	253	254	253	254	254	255	255	254
	- Diluted *	293	282	276	263	262	269	255	256	256	257	256	256	263	263	255	257
Earnings Per Share	- Basic:																
	Continuing operations	3.42	0.58	0.72	0.75	0.97	3.00	0.24	0.75	0.66	0.71	2.36	0.17	0.64	0.68	(0.78)	0.70
	Discontinued operations	(0.05)	0.14	(0.71)	(0.91)	0.06	(1.41)	(0.14)	(0.15)	0.03	(4.06)	(4.31)	(0.03)	-	0.01	0.02	0.01
	<u>Total Basic Earnings (Loss) per Share</u>	<u>3.37</u>	<u>0.72</u>	<u>0.01</u>	<u>(0.16)</u>	<u>1.03</u>	<u>1.59</u>	<u>0.10</u>	<u>0.60</u>	<u>0.69</u>	<u>(3.35)</u>	<u>(1.95)</u>	<u>0.14</u>	<u>0.64</u>	<u>0.69</u>	<u>(0.76)</u>	<u>0.71</u>
	- Diluted:																
	Continuing operations	3.37	0.57	0.71	0.75	0.96	2.97	0.23	0.75	0.66	0.70	2.33	0.16	0.63	0.67	(0.78)	0.70
	Discontinued operations	(0.05)	0.14	(0.70)	(0.91)	0.06	(1.39)	(0.13)	(0.15)	0.03	(4.00)	(4.26)	(0.02)	-	0.01	0.02	0.01
	<u>Total Diluted Earnings (Loss) per Share</u>	<u>3.32</u>	<u>0.71</u>	<u>0.01</u>	<u>(0.16)</u>	<u>1.02</u>	<u>1.58</u>	<u>0.10</u>	<u>0.60</u>	<u>0.69</u>	<u>(3.30)</u>	<u>(1.93)</u>	<u>0.14</u>	<u>0.63</u>	<u>0.68</u>	<u>(0.76)</u>	<u>0.71</u>
Key Ratios - GAAP:																	
Gross Margins	- Sales	38.1%	40.0%	36.4%	37.1%	36.6%	37.5%	38.8%	38.2%	38.8%	38.2%	38.5%	39.4%	38.7%	39.4%	38.0%	38.8%
	- Services/Maintenance/Rentals	40.6%	39.4%	41.6%	40.3%	40.9%	40.6%	37.9%	39.9%	38.7%	40.4%	39.2%	37.6%	40.4%	38.9%	40.3%	39.3%
	- Financing	63.8%	63.3%	63.2%	61.2%	61.9%	62.4%	60.2%	61.0%	61.4%	59.7%	60.6%	56.6%	55.4%	54.8%	52.1%	54.8%
	- Total	40.3%	40.4%	40.1%	39.6%	39.7%	40.0%	38.9%	39.8%	39.4%	40.0%	39.6%	38.9%	40.2%	39.6%	39.6%	39.6%
SAG as a % of Revenue		24.7%	26.3%	25.1%	24.3%	24.3%	25.0%	26.8%	24.7%	25.3%	23.4%	25.0%	27.1%	25.0%	26.0%	24.6%	25.6%
Tax Rate		18.2%	20.5%	21.0%	22.1%	20.2%	20.9%	-6.3%	9.4%	16.9%	10.1%	10.9%	150.0%	22.3%	10.8%	196.5%	84.4%
Ending Xerox Employment		NA	NA	NA	NA	NA	40,000	NA	NA	NA	NA	37,600	37,200	36,900	36,100	35,300	35,300

*For those periods that exclude the preferred stock dividend the average shares for the calculations of diluted EPS include 7 million shares associated with our Series A or Series B convertible preferred stock.

**Xerox Financial Model - Non-GAAP basis
(unaudited)**

The Xerox Financial Model – Non-GAAP basis is adjusted to exclude non-service retirement related costs, restructuring and related costs as well as amortization of intangibles.



(in \$ millions, except per-share data)

	2014	2015					2016					2017				
	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Revenues																
Sales	5,214	1,107	1,205	1,132	1,230	4,674	1,003	1,126	1,057	1,133	4,319	936	1,010	981	1,146	4,073
Services, maintenance and rentals	7,078	1,610	1,634	1,569	1,632	6,445	1,529	1,585	1,489	1,524	6,127	1,442	1,483	1,443	1,530	5,898
Financing	387	90	87	85	84	346	83	82	83	77	325	76	74	73	71	294
Total Revenues	12,679	2,807	2,926	2,786	2,946	11,465	2,615	2,793	2,629	2,734	10,771	2,454	2,567	2,497	2,747	10,265
Cost of Revenue																
Cost of sales	3,198	661	765	711	778	2,915	611	695	644	699	2,649	565	617	592	709	2,483
Cost of services, maintenance and rentals	4,202	963	951	928	953	3,795	936	942	903	903	3,684	879	872	869	893	3,513
Cost of financing	140	33	32	33	32	130	33	32	32	31	128	33	33	33	34	133
Total Cost of Revenue	7,540	1,657	1,748	1,672	1,763	6,840	1,580	1,669	1,579	1,633	6,461	1,477	1,522	1,494	1,636	6,129
Gross Profit																
Sales gross profit	2,016	446	440	421	452	1,759	392	431	413	434	1,670	371	393	389	437	1,590
Services, maintenance and rentals gross profit	2,876	647	683	641	679	2,650	593	643	586	621	2,443	563	611	574	637	2,385
Financing gross profit	247	57	55	52	52	216	50	50	51	46	197	43	41	40	37	161
Gross Profit	5,139	1,150	1,178	1,114	1,183	4,625	1,035	1,124	1,050	1,101	4,310	977	1,045	1,003	1,111	4,136
Research, development & engineering	518	123	126	120	123	492	118	113	111	109	451	110	102	103	106	421
Bad Debt Expense	49	19	14	13	3	49	12	10	13	2	37	13	9	8	3	33
Selling, administrative and general exp. (Excl Bad Debts)	3,047	700	715	651	696	2,762	668	667	637	629	2,601	620	615	623	633	2,491
Total Selling, administrative and general exp.	3,096	719	729	664	699	2,811	680	677	650	631	2,638	633	624	631	636	2,524
Non-financing interest expense	226	53	54	53	56	216	54	42	42	43	181	36	24	29	30	119
Aggregate Exchange losses / (gains)	6	4	(5)	2	1	2	4	(1)	4	6	13	3	1	-	-	4
All other, net	(47)	(13)	11	6	(27)	(23)	(13)	7	4	8	6	2	9	(12)	(1)	(2)
Total Other, net	185	44	60	61	30	195	45	48	50	57	200	41	34	17	29	121
Total Costs and Expenses	11,339	2,543	2,663	2,517	2,615	10,338	2,423	2,507	2,390	2,430	9,750	2,261	2,282	2,245	2,407	9,195
Income before Income Taxes & Equity Income	1,340	264	263	269	331	1,127	192	286	239	304	1,021	193	285	252	340	1,070
Income Taxes	332	65	63	69	73	270	41	53	55	64	213	53	77	49	89	268
Equity in Net Income of Unconsol. Affil.	145	17	26	42	28	113	34	27	42	27	130	40	23	36	26	125
Income from Continuing Operations	1,153	216	226	242	286	970	185	260	226	267	938	180	231	239	277	927
Less: Net Income attributable to Noncontrolling Interests	23	5	5	3	5	18	2	3	3	3	11	2	4	3	3	12
Net Income from Continuing Operations Attributable to Xerox	1,130	211	221	239	281	952	183	257	223	264	927	178	227	236	274	915

**Xerox Financial Model - Non-GAAP basis
(unaudited)**

The Xerox Financial Model – Non-GAAP basis is adjusted to exclude non-service retirement related costs, restructuring and related costs as well as amortization of intangibles.



(in \$ millions, except per-share data)

	2014	2015					2016					2017				
	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Earnings Per Share																
Continuing Operations:																
Preferred Dividends - Adjusted EPS *	-	(6)	(6)	(6)	-	(24)	(6)	-	(6)	-	(24)	-	-	-	-	-
Adjusted Earnings per Share	3.77	0.73	0.78	0.88	1.08	3.45	0.69	0.98	0.84	1.00	3.53	0.67	0.87	0.89	1.04	3.48
Adjusted Weighted Average Shares *	300	282	276	263	262	269	255	262	256	264	256	263	263	263	264	263
Key Ratios - Adjusted:																
Gross Margins																
- Sales	38.7%	40.3%	36.5%	37.2%	36.7%	37.6%	39.1%	38.3%	39.1%	38.3%	38.7%	39.6%	38.9%	39.7%	38.1%	39.0%
- Services/Maintenance/Rentals	40.6%	40.2%	41.8%	40.9%	41.6%	41.1%	38.8%	40.6%	39.4%	40.7%	39.9%	39.0%	41.2%	39.8%	41.6%	40.4%
- Financing	63.8%	63.3%	63.2%	61.2%	61.9%	62.4%	60.2%	61.0%	61.4%	59.7%	60.6%	56.6%	55.4%	54.8%	52.1%	54.8%
- Total	40.5%	41.0%	40.3%	40.0%	40.2%	40.3%	39.6%	40.2%	39.9%	40.3%	40.0%	39.8%	40.7%	40.2%	40.4%	40.3%
Adjusted Operating Margin	13.2%	11.6%	11.9%	13.4%	13.2%	12.5%	10.4%	12.9%	12.6%	14.2%	12.5%	11.2%	13.3%	12.2%	14.4%	12.8%
SAG as a % of Revenue	24.4%	25.6%	24.9%	23.8%	23.7%	24.5%	26.0%	24.2%	24.7%	23.1%	24.5%	25.8%	24.3%	25.3%	23.2%	24.6%
Adjusted Effective Tax Rate	24.8%	24.6%	24.0%	25.7%	22.1%	24.0%	21.4%	18.5%	23.0%	21.1%	20.9%	27.5%	27.0%	19.4%	26.2%	25.0%
Non-GAAP Adjustments:																
Restructuring and related costs	106	11	9	11	(4)	27	100	47	25	92	264	120	40	36	24	220
Amortization of intangible assets	65	16	15	15	14	60	14	16	14	14	58	14	15	12	12	53
Non-service retirement-related costs	79	42	10	30	34	116	46	32	34	19	131	62	37	37	62	198
Restructuring and other costs - Fuji Xerox	3	1	1	2	-	4	-	1	2	-	3	-	3	6	1	10
Proxy Related Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9	9
Loss on Extinguishment of Debt	-	-	-	-	-	-	-	-	-	-	-	13	-	-	7	20
Remeasurement of unrecognized tax positions	-	-	-	-	-	-	-	-	-	-	-	(16)	-	-	-	(16)
Tax on adjusted items	(90)	(25)	(15)	(22)	(15)	(77)	(43)	(35)	(27)	(46)	(151)	(61)	(34)	(31)	(45)	(171)
US Tax Act	-	-	-	-	-	-	-	-	-	-	-	-	-	-	400	400
Deferred tax liability adjustment	(44)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-GAAP Adjustments	119	45	20	36	29	130	117	61	48	79	305	132	61	60	470	723

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Xerox Financial Model
(unaudited)



(in \$ millions)

	2016					2017					2017 YOY CC % Change				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Revenue															
Entry	94	102	97	95	388	88	92	86	100	366	(5.5)%	(8.6)%	(12.7)%	4.1%	(5.8)%
Mid-range	347	415	362	401	1,525	317	342	334	410	1,403	(7.0)%	(16.3)%	(8.5)%	(0.2)%	(8.1)%
High-end	99	126	108	150	483	93	106	97	161	457	(3.7)%	(13.9)%	(11.8)%	3.9%	(5.8)%
Other	2	7	6	8	23	4	6	4	11	25	NM	NM	NM	NM	NM
Total Equipment Revenue	542	650	573	654	2,419	502	546	521	682	2,251	(5.7)%	(14.6)%	(10.0)%	1.5%	(7.2)%
N. America	1,542	1,654	1,597	1,627	6,420	1,473	1,534	1,514	1,601	6,122	(4.8)%	(6.9)%	(5.7)%	(2.1)%	(4.9)%
International	919	982	880	955	3,736	852	895	853	1,001	3,601	(1.5)%	(4.6)%	(5.1)%	(1.2)%	(3.1)%
Other	154	157	152	152	615	129	138	130	145	542	(16.2)%	(12.1)%	(14.5)%	(4.6)%	(11.9)%
Total Revenue	2,615	2,793	2,629	2,734	10,771	2,454	2,567	2,497	2,747	10,265	(4.3)%	(6.4)%	(5.9)%	(2.0)%	(4.7)%
Installs															
Entry A4 MFPs															
Color	1%	(9)%	16%	(8)%	(1)%	15%	24%	23%	32%	24%					
B&W	(16)%	2%	(12)%	(19)%	(12)%	1%	10%	26%	34%	18%					
Mid-range															
Color	1%	6%	7%	-	3%	-	(15)%	-	14%	-					
B&W	(14)%	(14)%	(24)%	(13)%	(16)%	(24)%	(14)%	(11)%	1%	(12)%					
High-end															
Color	56%	14%	6%	3%	16%	(15)%	(9)%	(2)%	(5)%	(8)%					
B&W	(8)%	(21)%	(1)%	(18)%	(13)%	(25)%	(34)%	(32)%	(10)%	(25)%					

Notes:

Entry installations exclude OEM sales; Mid-range and High-end color installations exclude Fuji Xerox digital front-end sales

CC = Constant Currency