



Second-Quarter 2014 Earnings Presentation

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July 25, 2014



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: changes in economic conditions, political conditions, trade protection measures, licensing requirements and tax matters in the United States and in the foreign countries in which we do business; changes in foreign currency exchange rates; actions of competitors; our ability to obtain adequate pricing for our products and services and to maintain and improve cost efficiency of operations, including savings from restructuring actions and the relocation of our service delivery centers; the risk that multi-year contracts with governmental entities could be terminated prior to the end of the contract term; the risk in the hiring and retention of qualified personnel; the risk that unexpected costs will be incurred; the risk that subcontractors, software vendors and utility and network providers will not perform in a timely, quality manner; our ability to recover capital investments; the risk that our Services business could be adversely affected if we are unsuccessful in managing the ramp-up of new contracts; development of new products and services; our ability to protect our intellectual property rights; our ability to expand equipment placements; 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; service interruptions; interest rates, cost of borrowing and access to credit markets; reliance on third parties, including subcontractors, for manufacturing of products and provision of services; our ability to drive the expanded use of color in printing and copying; the outcome of litigation and regulatory proceedings to which we may be a party; 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 Report on Form 10-Q for the quarter ended March 31, 2014 and our 2013 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.

Xerox Direction

- Grow revenue
- Generate profits in line with industry's best
- Strengthen and differentiate the portfolio
- Support customers and our people
- Allocate capital to enhance shareholder returns

Annuity 85%
of Total Revenue

Services 57%
of Total Revenue

Second-Quarter Overview

Adjusted EPS¹ of 27 cents, GAAP EPS² of 22 cents

Total revenue of \$5.3B, down 2% or 2.5% CC¹

Services revenue up 2% or 1% CC¹; margin of 8.6%

- Revenue growth improving, driven by BPO
- Margin increased sequentially excluding government healthcare non-cash impairment

Document Technology revenue down 6% or 7% CC¹; margin of 14.4%

- Revenue in-line with expectations; challenging compare from prior year ConnectKey launch
- Profit expansion driven by continued operational discipline

Operating margin¹ of 9.7%, up 30 bps YOY

Cash from operations of \$325M in Q2, \$611M for first half

- Share repurchase of \$204M in Q2, \$479M for first half
- Acquisitions of \$227M in Q2, \$281M for first half

¹Adjusted EPS, Constant Currency (CC) and Operating Margin: see slide 22 for explanation of non-GAAP measures

²GAAP EPS from Continuing Operations

Earnings

(in millions, except per share data)

	Q2 2014	B/(W)	Comments
Revenue	\$ 5,292	\$ (99)	Services up 2%, Document Technology down 6%
Gross Margin	30.8%	(0.7) pts	
RD&E	\$ 142	\$ 7	
SAG	\$ 972	\$ 69	
<i>SAG % of Revenue</i>	18.4%	0.9 pts	
Adjusted Operating Income¹	\$ 514	\$ 7	Growth in Operating Profit driven by Document Technology
<i>Operating Income % of Revenue</i>	9.7%	0.3 pts	
Adjusted Other, net ¹	\$ 112	\$ (14)	Restructuring \$5M higher YOY and O(I)D \$9M higher YOY
Equity Income	\$ 33	\$ (3)	
Adjusted Tax Rate ¹	27.7%	(3.6) pts	Compares to prior year tax rate of 24.1%
Adjusted Net Income – Xerox¹	\$ 322	\$ (23)	
Adjusted EPS¹	\$ 0.27	Flat	High-end of 25 to 27 cents guidance
Amortization of intangible assets	0.05	(0.01)	
GAAP EPS²	\$ 0.22	\$(0.01)	

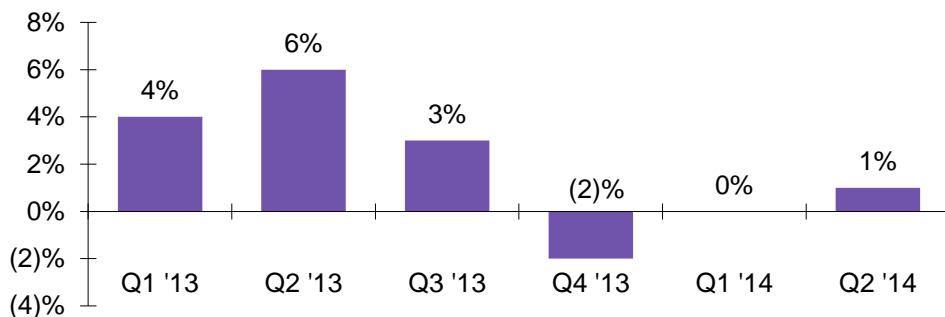
¹Adjusted Operating Income, Adjusted Other, net, Adjusted Tax Rate, Adjusted Net Income – Xerox and Adjusted EPS: see slide 22 for explanation of non-GAAP measures

²GAAP EPS from Continuing Operations

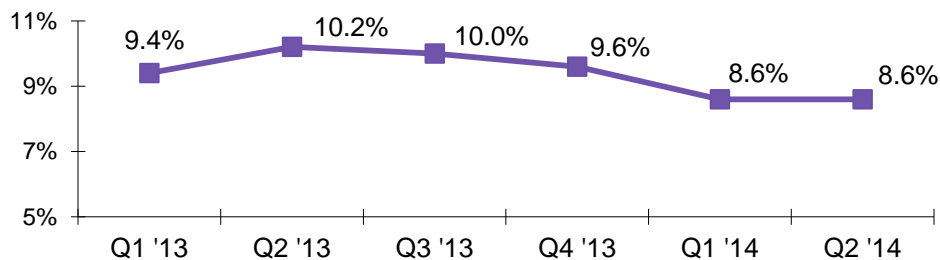
Services Segment

(in millions)	Q2 2014	% B/(W) YOY	
		Act Cur	CC ¹
Total Revenue	\$2,992	2%	1%
Segment Profit	\$257	(15)%	
Segment Margin	8.6%	(1.6) pts	

Revenue Growth Trend (CC¹)



Segment Margin Trend



Revenue continues to improve

Margin flat sequentially

- Includes 60 basis point negative impact from non-cash HIX platform impairment

Five-Plank Strategy benefits ramp second half

Signings

- BPO/ITO renewal rate of 63%, below target due to TX Medicaid loss
- New business signings² improved sequentially, down 4% YOY driven by ITO
- Total signings impacted by fewer renewal decisions

Signings (TCV)

	Q2
Business Process Outsourcing	\$2.0
Document Outsourcing	\$0.7
Information Technology Outsourcing	\$0.1
Total	\$2.8B
YOY Growth	(25)%
TTM Growth	(14)%

¹Constant currency (CC): see slide 22 for explanation of non-GAAP measures

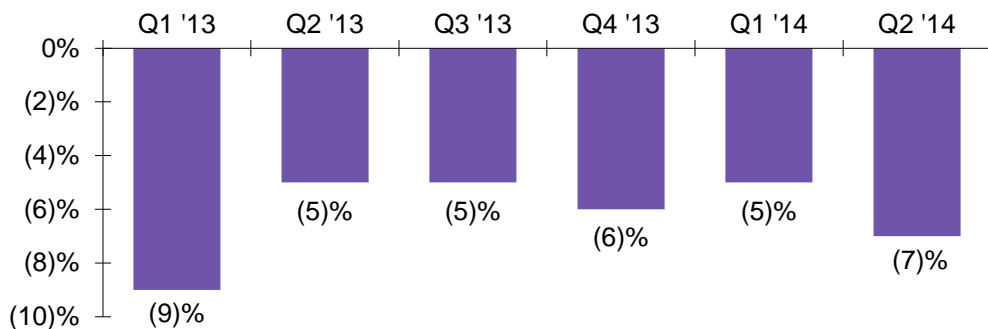
²New Business Signings = ARR (Annual Recurring Revenue) + NRR (Non-Recurring Revenue)

Note: Historical data updated to reflect Truckload Management Services divestiture and reclassification to Discontinued Operations

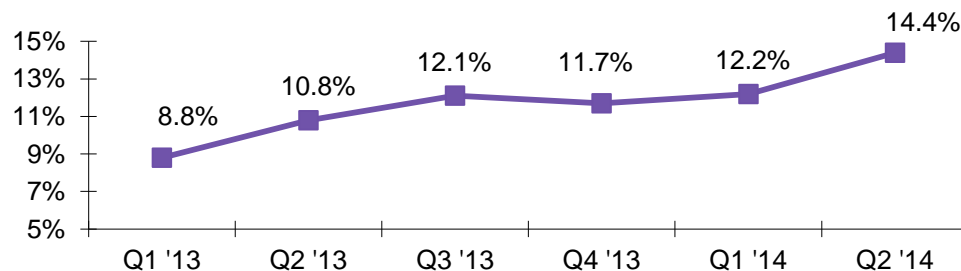
Document Technology Segment

(in millions)	Q2	% B/(W) YOY	
	2014	Act Cur	CC ¹
Total Revenue	\$2,125	(6)%	(7)%
Segment Profit	\$306	25%	
Segment Margin	14.4%	3.6 pts	

Revenue Growth Trend (CC¹)



Segment Margin Trend



Strong segment profit growth and margin

- Driven by significant cost actions, favorable mix, pension and currency

Revenue and activity impacted by challenging compare

- Equipment revenue drove the higher Q2 decline, annuity improved sequentially
- First half revenue down 5%, 6% CC¹

Upcoming product launches across the portfolio benefits second half activity

Entry Installs

	Q2
A4 Mono MFDs	(38)%
A4 Color MFDs	(18)%
Color Printers	5%

Mid-Range Installs

Mid-Range B&W MFDs	(21)%
Mid-Range Color MFDs	(2)%

High-End Installs

High-End B&W	(16)%
High-End Color ²	(28)%

¹Constant currency (CC): see slide 22 for explanation of non-GAAP measures

²High-end color install growth impacted by high digital front end (DFE) sales to Fuji Xerox, High-end down 16% in Q2 excluding DFE's.

Cash Flow

(in millions)	Q2 2014	H1 2014
Net Income	\$ 272	\$ 558
Depreciation and amortization	376	721
Restructuring and asset impairment charges	38	65
Restructuring payments	(36)	(72)
Contributions to defined benefit pension plans	(68)	(105)
Inventories	(43)	(103)
Accounts receivable and Billed portion of finance receivables ¹	(44)	(163)
Accounts payable and Accrued compensation	(96)	(88)
Equipment on operating leases	(66)	(123)
Finance receivables ¹	39	96
Other	(47)	(175)
Cash from Operations	\$ 325	\$ 611
Cash from Investing	\$ (326)	\$ (446)
Cash from Financing	\$ (561)	\$ (910)
Change in Cash and Cash Equivalents	(560)	(757)
Ending Cash and Cash Equivalents	\$ 1,007	\$ 1,007

Cash From Ops \$325M

- First half of \$611M, up \$165M YOY
- Underlying Cash from Ops² \$437M in Q2, \$846M for first half

First half working capital improves

- 2014 more balanced, with continued progress on improving cash conversion

CAPEX \$123M

Acquisitions \$227M

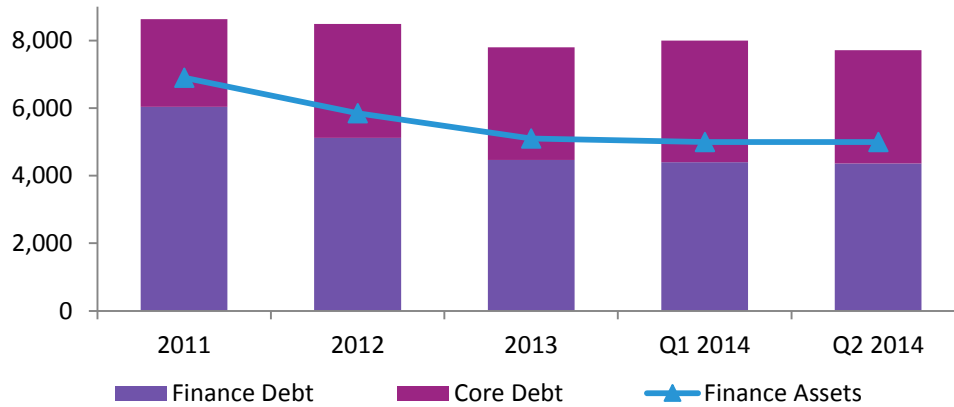
Share Repurchase of \$204M and \$73M of Common Stock Dividends

¹Accounts receivable includes collections of deferred proceeds from sales of receivables and finance receivables includes collections on beneficial interest from sales of finance receivables

²See Underlying Cash Flow slide in Appendix

Capital Structure

Debt and Finance Asset Trend (in millions)



Financing and Leverage

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

Q2 2014

(in billions)	Fin. Assets	Debt
Financing	\$5.0	\$ 4.4
Core	—	<u>\$ 3.3</u>
Total Xerox	\$ 5.0	\$ 7.7

Core debt level managed to maintain investment grade

Over half of Xerox debt supports finance assets

Retired \$1.1B May note and issued \$700M in senior notes

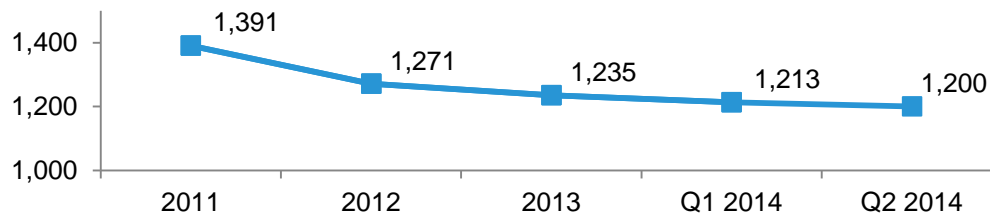
- \$400M at 2.8% due 2020 and \$300M at 3.8% due 2024

Continue to expect to end 2014 with ~\$7.8B of debt

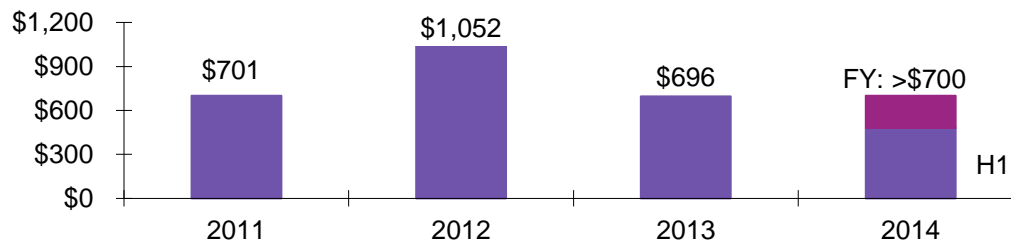
Capital Allocation Enhances Shareholder Returns

Share Repurchase Program

Shares Outstanding (ending fully diluted¹, in millions)

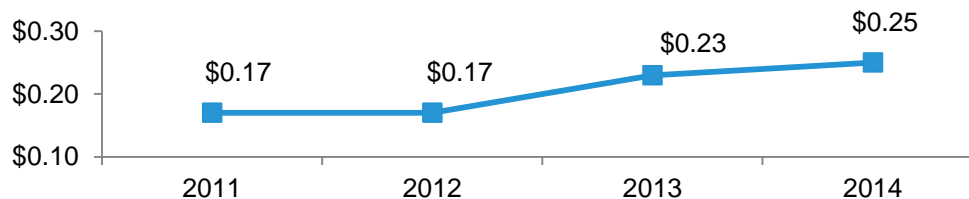


Shares Repurchased (\$M)



Dividend Program

Dividend per share (annualized)



Repurchased \$479M shares in first half

Continue to expect to do at least \$700M FY in share repurchase

Quarterly common dividend at 6.25 cents per share² following April increase

Expect ~\$300M in dividend payments Full Year

¹Ending fully diluted: see slide 22 for explanation of non-GAAP measures

²Dividend increase effective for common dividend payable on April 30, 2014

Summary

Growing operating profit with strong cash flow

- Document Technology delivering strong profitability and in-line revenue
- Improving Services revenue and margin outside government healthcare

Executing on Services profitability and growth initiatives

- Driving cost efficiencies throughout business and making progress on resolving challenges in government healthcare
- Improved level of acquisitions

Cash flow supports capital deployment objectives

EPS guidance

- Q3 Adjusted EPS¹ \$0.25 - \$0.27, GAAP EPS² \$0.21 - \$0.23
 - Includes approximately 2 cents restructuring
- FY Adjusted EPS¹ \$1.09 - \$1.13, GAAP EPS² \$0.92 - \$0.96

¹Guidance - Adjusted EPS: see slide 22 for explanation of non-GAAP measures

²GAAP EPS from Continuing Operations

Appendix

Healthcare Back-up

Services Margin - GHS Impairment Impact

	Q2 '14
Services Margin excl impairment	9.2%
GHS non-cash impairment (net) ¹	(0.6)%
Services Margin reported	8.6%

- Two thirds of GHS revenue has operating margin >10%

Healthcare Overview

(estimated FY 2014)	Revenue	As a % of		Margin
		Services	Xerox	
Total Healthcare*	\$2.3B	19%	11%	
Government (GHS)	\$0.9B	7%	4%	Pressured
Commercial (Payer & Provider)	\$1.4B	12%	7%	>10%

* Excludes private exchange revenue which is included in Xerox's Buck consulting results

Market leader in Medicaid – as new platform matures, profitability will improve - well positioned to retain and win new business

- Recently awarded New York
- Texas Medicaid to run-off : ~\$40M quarterly revenue at lower margin

Successful in five of six Health Insurance Exchanges - providing services in support of exchanges – well positioned to grow

- Working with Nevada on transition plan onto the Federal Exchange
- Q2 GHS non-cash impairment associated with HIX platform

Market leader in both Payer and Provider - well positioned to help customers adapt to market shifts

- 100% of top 20 managed U.S. healthcare plans are clients
- 1,700 hospitals served globally
- Commercial Healthcare revenue up over 10% with margin over 10% in Q2

Differentiated offering in emerging private exchange market

2014 Guidance

2014

Revenue Growth @ CC	Low-single digit decline
Services	Low-single digit growth
Document Technology	Mid-single digit decline
Adjusted EPS ¹ (incl restructuring)	\$1.09 - \$1.13
GAAP EPS	\$0.92 - \$0.96
<hr/>	
Cash From Operations	\$1.8 - \$2.0B
CAPEX	\$ 0.5B
Free Cash Flow	\$1.3 - \$1.5B
<hr/>	
Share Repurchase	>\$700M
Acquisitions	<\$500M
Dividend	~\$300M

Revenue

- Document Technology trending as expected
- Services growth anticipated to show low-single digits growth in second half

Earnings

- Expect FY EPS of \$1.09 to \$1.13
- Drivers
 - Margin upside in Document Technology offsets Services pressure
 - FY Tax Rate of 24% to 26%
 - Fewer shares

Cash flow guidance remains \$1.8 - \$2.0B

Note: Revenue growth guidance excluding potential divestitures

¹Adjusted for amortization of intangible assets

Constant Currency (CC), Adjusted EPS and Free Cash Flow: see slide 22 for explanation of non-GAAP measures

Revenue Trend

	2012		2013				2014		
(in millions)	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	YTD
Total Revenue	\$21,693	\$5,192	\$5,391	\$5,250	\$5,557	\$21,390	\$5,110	\$5,292	\$10,402
<i>Growth</i>	(1)%	(2)%	1%	Flat	(3)%	(1)%	(2)%	(2)%	(2)%
<i>CC¹ Growth</i>	Flat	(2)%	1%	(1)%	(4)%	(2)%	(2)%	(3)%	(2)%
Annuity	\$18,217	\$ 4,468	\$4,536	\$4,439	\$4,588	\$18,031	\$4,395	\$4,511	\$8,906
<i>Growth</i>	1%	(1)%	1%	Flat	(3)%	(1)%	(2)%	(1)%	(1)%
<i>CC¹ Growth</i>	2%	(1)%	1%	(1)%	(3)%	(1)%	(2)%	(1)%	(2)%
Annuity % Revenue	84%	86%	84%	85%	83%	84%	86%	85%	86%
Equipment	\$3,476	\$724	\$855	\$811	\$969	\$3,359	\$715	\$781	\$1,496
<i>Growth</i>	(10)%	(11)%	1%	1%	(4)%	(3)%	(1)%	(9)%	(5)%
<i>CC¹ Growth</i>	(8)%	(11)%	1%	Flat	(5)%	(4)%	(2)%	(9)%	(6)%

Note: 2012, 2013 and Q1 2014 Services revenue are revised to remove the Truckload Management Services (TMS) business revenues that were reclassified to discontinued operations

¹Constant currency: see slide 22 for explanation of non-GAAP measures

Segment Revenue Trend

	2012		2013				2014		
(in millions)	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	YTD
Services	\$11,484	\$2,909	\$2,946	\$2,932	\$3,027	\$11,814	\$2,912	\$2,992	\$5,904
<i>Growth</i>	6%	4%	5%	3%	(1)%	3%	<i>Flat</i>	2%	1%
<i>CC¹ Growth</i>	7%	4%	6%	3%	(2)%	3%	<i>Flat</i>	1%	0%
Document Technology	\$9,462	\$2,135	\$2,263	\$2,159	\$2,351	\$8,908	\$2,045	\$2,125	\$4,170
<i>Growth</i>	(8)%	(9)%	(5)%	(4)%	(6)%	(6)%	(4)%	(6)%	(5)%
<i>CC¹ Growth</i>	(6)%	(9)%	(5)%	(5)%	(6)%	(6)%	(5)%	(7)%	(6)%
Other	\$747	\$148	\$182	\$159	\$179	\$668	\$153	\$175	\$328
<i>Growth</i>	(7)%	(14)%	(5)%	(6)%	(16)%	(11)%	3%	(4)%	(1)%
<i>CC¹ Growth</i>	(6)%	(14)%	(5)%	(8)%	(17)%	(11)%	3%	(4)%	(1)%

Note: 2012, 2013 and Q1 2014 Services revenue are revised to remove the Truckload Management Services (TMS) business revenues that were reclassified to discontinued operations

¹Constant currency: see slide 22 for explanation of non-GAAP measures

Metrics Reference

Signings and Renewal Rate

	H1
Business Process Outsourcing	\$4.1
Document Outsourcing	\$1.3
Information Technology Outsourcing	\$0.3
Total	\$5.7B
Signings Growth YOY	(22)%
Signings Growth TTM	(14)%
	H1
Renewal Rate (BPO and ITO)	74%

Install, MIF and Page Growth

	H1
Entry Installs	
A4 Mono MFDs	(23)%
A4 Color MFDs	(1)%
Color Printers	3%
Mid-Range Installs	
Mid-Range B&W MFDs	(18)%
Mid-Range Color MFDs	2%
High-End Installs	
High-End B&W	(15)%
High-End Color ¹	(7)%
	H1
Digital MIF	2%
Color MIF	13%
Digital Pages	(3)%
Color Pages	6%
Color Revenue (CC ²)	(1)%

Installs, color revenue, pages and MIF include both the Document Technology and Services segments. Color revenue and color pages reflect revenue and pages from color capable devices.

¹High-end color install growth impacted by high digital front end (DFE) sales to Fuji Xerox, High-end up 7% YTD excluding DFE's.

²Constant currency: see slide 22 for explanation of non-GAAP measures

Underlying Cash Flow

(in millions)	Q1 2014	Q2 2014	June YTD 2014	Estimated FY 2014	Q1 2013	Q2 2013	June YTD 2013	FY 2013
Operating Cash Flow (OCF)	\$286	\$325	\$611	\$1.8 - \$2.0B	(\$87)	\$533	\$446	\$2.4B
Adjustments:								
Cash From F/R Sales	-	-	-	-	-	-	-	\$(0.6)B
Impact from prior F/R Sales ¹	\$123	\$112	\$235	\$0.4B	\$89	\$58	\$147	\$0.3B
Underlying OCF²	\$409	\$437	\$846	\$2.2 - \$2.4B	\$2	\$591	\$593	\$2.1B

¹Represents cash that would have been collected if we had not sold finance receivables. Net of collections on beneficial interest.

²Underlying OCF is reported OCF adjusted for the impacts of Finance Receivable sales: see slide 22 for explanation of non-GAAP measures

Discontinued Operations Summary

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Revenues	<u>\$ 7</u>	<u>\$ 144</u>	<u>\$ 17</u>	<u>\$ 308</u>
Income from operations	\$ -	\$ 2	\$ -	\$ 7
Loss on disposal	<u>(2)</u>	<u>(23)</u>	<u>-</u>	<u>(23)</u>
Net loss before income taxes	(2)	(21)	-	(16)
Income tax expense	<u>2</u>	<u>2</u>	<u>2</u>	<u>4</u>
Loss from discontinued operations, net of tax	<u>\$ (4)</u>	<u>\$ (23)</u>	<u>\$ (2)</u>	<u>\$ (20)</u>
Diluted earnings per share from discontinued operations	<u>\$ -</u>	<u>\$ (0.02)</u>	<u>\$ -</u>	<u>\$ (0.02)</u>
Total diluted earnings per share, inclusive of discontinued operations	<u>\$ 0.22</u>	<u>\$ 0.21</u>	<u>\$ 0.45</u>	<u>\$ 0.44</u>

Note: 2013 Discontinued Operations includes the results related to our North American and European Paper businesses which we sold in 2013. In addition, 2013 and 2014 Discontinued Operations includes the results related to our Truckload Management Services business which we sold in Q2 of 2014.

Discontinued Operations Restatement Summary

(in millions)	Q1	Q2	Q3	Q4	2013 FY	2014 Q1
Services Segment Revenue	\$ 2,909	\$ 2,946	\$ 2,932	\$ 3,027	\$ 11,814	\$ 2,912
Total Performance Revenue	\$ 5,192	\$ 5,391	\$ 5,250	\$ 5,557	\$ 21,390	\$ 5,110
Services Segment Profit	\$ 272	\$ 301	\$ 292	\$ 290	\$ 1,155	\$ 250
Total Segment Profit	\$ 389	\$ 484	\$ 498	\$ 528	\$ 1,899	\$ 449
Services Segment Margin	9.4%	10.2%	10.0%	9.6%	9.8%	8.6%
Total Segment Margin	7.5%	9.0%	9.5%	9.5%	8.9%	8.8%

Detailed above is the restatement for Services Segment and Total Segment results by quarter for 2014 and 2013 related to the sale of our Truckload Management Services (TMS) business in May 2014. The entire restated income statement for these periods can be found in the financial model included on our website at <http://news.xerox.com/investors/materials>.

Non-GAAP Measures

Non-GAAP Financial Measures

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

- Net income and Earnings per share (“EPS”)
- Effective tax rate

In 2014 and 2013, we adjusted for the 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.

We also calculate and utilize an Operating income and margin earnings measure by adjusting our pre-tax income and margin amounts to exclude certain items. In addition to the amortization of intangible assets, operating income and margin also exclude Other expenses, net as well as Restructuring and asset impairment charges. Other expenses, net is primarily comprised of non-financing interest expense and also includes certain other non-operating costs and expenses. Restructuring and asset impairment charges consist of costs primarily related to severance and benefits for employees pursuant to formal restructuring and workforce reduction plans. Such charges are expected to yield future benefits and savings with respect to our operational performance. We exclude these amounts in order to evaluate our current and past operating performance and to better understand the expected future trends in our business.

“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.

Non-GAAP Financial Measures

“Services Margin excluding impairment”: In the second quarter 2014, we present the Services segment margin excluding the negative impact from the non-cash HIX platform impairment charge of 0.6%. The non-cash HIX platform impairment charge was a significant discrete and unusual charge in the second quarter 2014 that was primarily related to a HIX contract cancellation in Nevada. We believe exclusion of this item allows investors to better understand and analyze the Services segment results for the period as compared to prior periods as well as the expected trends in this segment. A reconciliation of this non-GAAP financial measure and the most directly comparable measure calculated and presented in accordance with GAAP is set forth in the slide entitled “Healthcare Back-up”.

“Free Cash Flow”: To better understand the trends in our business, we believe that it is helpful to adjust cash flows from operations to exclude 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. 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. A reconciliation of this non-GAAP financial measure and the most directly comparable measure calculated and presented in accordance with GAAP is set forth in the slide entitled “2014 Guidance”.

“Underlying Cash Flow”: To better understand the trends in our business, we believe that it is helpful to adjust cash flows from operations for the cash flow impacts from our sales of finance receivables. The sale of finance receivables has a significant impact on operating cash flows in the period of sale as well as in subsequent periods due to the amounts sold as well as the long term nature of these receivables. In addition to providing a better understanding of the underlying trends in cash flows from operations, management believes this measure gives investors an additional perspective on comparing and analyzing the year-over-year changes in our cash flows as well as the impacts of these sales on cash flows in the period. A reconciliation of this non-GAAP financial measure and the most directly comparable measure calculated and presented in accordance with GAAP is set forth in the slide entitled “Underlying Cash Flows”.

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.

Unless otherwise noted, reconciliations 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.

Q2 GAAP EPS to Adjusted EPS Track

(in millions; except per share amounts)	Three Months Ended June 30, 2014		Three Months Ended June 30, 2013	
	Net Income	EPS	Net Income	EPS
Reported⁽¹⁾	\$ 270	\$ 0.22	\$ 294	\$ 0.23
Adjustments:				
Amortization of intangible assets	52	0.05	51	0.04
Adjusted	\$ 322	\$ 0.27	\$ 345	\$ 0.27
Weighted average shares for adjusted EPS ⁽²⁾		1,208		1,287
Fully diluted shares at end of period ⁽³⁾		1,200		

(1) Net Income and EPS from continuing operations attributable to Xerox.

(2) Average shares for the calculation of adjusted EPS include 27 million of shares associated with the Series A convertible preferred stock and therefore the related quarterly dividend was excluded.

(3) Represents common shares outstanding at June 30, 2014 as well as shares associated with our Series A convertible preferred stock plus dilutive potential common shares as used for the calculation of diluted earnings per share in the second quarter 2014.

GAAP EPS to Adjusted EPS Guidance Track

	Earnings Per Share Guidance	
	Q3 2014	FY 2014
GAAP EPS from Continuing Operations	\$0.21 - \$0.23	\$0.92 - \$0.96
<u>Adjustments:</u>		
Amortization of intangible assets	0.04	0.17
Adjusted EPS	<u><u>\$0.25 - \$0.27</u></u>	<u><u>\$1.09 - \$1.13</u></u>

Note: GAAP and Adjusted EPS guidance includes anticipated restructuring

Q2 Adjusted Operating Income/Margin

(in millions)	Three Months Ended June 30, 2014			Three Months Ended June 30, 2013		
	Profit	Revenue	Margin	Profit	Revenue	Margin
Reported pre-tax income(1)	\$ 324	\$ 5,292	6.1%	\$ 332	\$ 5,391	6.2%
<u>Adjustments:</u>						
Amortization of intangible assets	84			83		
Xerox restructuring charge	38			33		
Other expenses, net	68			59		
Adjusted Operating	\$ 514	\$ 5,292	9.7%	\$ 507	\$ 5,391	9.4%

(1) Profit and Revenue from continuing operations attributable to Xerox.

Q2 Adjusted Other, net

(in millions)	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013
Other expenses, net - Reported	\$ 68	\$ 59
Adjustments:		
Xerox restructuring charge	38	33
Net income attributable to noncontrolling interests	6	6
Other expenses, net - Adjusted	\$ 112	\$ 98

Q2 Adjusted Effective Tax Rate

(in millions)	Three Months Ended June 30, 2014			Three Months Ended June 30, 2013		
	Pre-Tax Income	Income Tax Expense	Effective Tax Rate	Pre-Tax Income	Income Tax Expense	Effective Tax Rate
Reported⁽¹⁾	\$ 324	\$ 81	25.0%	\$ 332	\$ 68	20.5%
<u>Adjustments:</u>						
Amortization of intangible assets	84	32		83	32	
Adjusted	\$ 408	\$ 113	27.7%	\$ 415	\$ 100	24.1%

(1) Pre-Tax Income and Income Tax Expense from continuing operations attributable to Xerox.

Q2 Services Revenue Breakdown

(in millions)	Three Months Ended June 30,		
	2014	2013	% Change
Business Processing Outsourcing	\$ 1,791	\$ 1,773	1%
Document Outsourcing	860	832	3%
Information Technology Outsourcing	389	385	1%
Less: Intra-Segment Eliminations	(48)	(44)	9%
Total Revenue - Services	\$ 2,992	\$ 2,946	2%

Note: 2013 Business Process Outsourcing (BPO) and Information Technology Outsourcing (ITO) revenues have been revised to conform to the 2014 presentation of revenues.

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