

Xerox Financial Model
(unaudited)



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

	2015					2016					2017
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1
Revenues											
Sales	1,107	1,205	1,132	1,230	4,674	1,003	1,126	1,057	1,133	4,319	936
Services, maintenance and rentals	1,610	1,634	1,569	1,632	6,445	1,529	1,585	1,489	1,524	6,127	1,442
Financing	90	87	85	84	346	83	82	83	77	325	76
Total Revenues	2,807	2,926	2,786	2,946	11,465	2,615	2,793	2,629	2,734	10,771	2,454
Cost of Revenue											
Cost of sales	664	766	712	780	2,922	614	696	647	700	2,657	567
Cost of services, maintenance and rentals	976	954	937	964	3,831	950	953	913	909	3,725	900
Cost of financing	33	32	33	32	130	33	32	32	31	128	33
Total Cost of Revenue	1,673	1,752	1,682	1,776	6,883	1,597	1,681	1,592	1,640	6,510	1,500
Gross Profit											
Sales gross profit	443	439	420	450	1,752	389	430	410	433	1,662	369
Services, maintenance and rentals gross profit	634	680	632	668	2,614	579	632	576	615	2,402	542
Financing gross profit	57	55	52	52	216	50	50	51	46	197	43
Gross Profit	1,134	1,174	1,104	1,170	4,582	1,018	1,112	1,037	1,094	4,261	954
Research, development & engineering	130	127	126	128	511	126	119	118	113	476	118
Bad Debt Expense	19	14	13	3	49	12	10	13	2	37	13
Selling, administrative and general exp. (Excl Bad Debts)	719	720	665	712	2,816	689	681	651	637	2,658	651
Total Selling, administrative and general exp.	738	734	678	715	2,865	701	691	664	639	2,695	664
Non-financing interest expense	53	54	53	56	216	54	42	42	43	181	36
Aggregate Exchange losses / (gains)	4	(5)	2	1	2	4	(1)	4	6	13	3
All other, net	(13)	11	6	(27)	(23)	(13)	7	4	8	6	15
Total Other, net	44	60	61	30	195	45	48	50	57	200	54
Restructuring and related costs	11	9	11	(4)	27	100	47	25	92	264	120
Amortization of intangible assets	16	15	15	14	60	14	16	14	14	58	14
Total Costs and Expenses	2,612	2,697	2,573	2,659	10,541	2,583	2,602	2,463	2,555	10,203	2,470
Income (Loss) before Income Taxes & Equity Income	195	229	213	287	924	32	191	166	179	568	(16)
Income Taxes	40	48	47	58	193	(2)	18	28	18	62	(24)
Equity in net income of unconsolidated affiliates	34	29	40	32	135	37	22	39	23	121	16
Income from Continuing Operations	189	210	206	261	866	71	195	177	184	627	24
Income (Loss) from discontinued operations, net of tax	40	(193)	(237)	16	(374)	(35)	(38)	8	(1,028)	(1,093)	(6)
Net Income (Loss)	229	17	(31)	277	492	36	157	185	(844)	(466)	18
Less: Net Income attributable to Noncontrolling Interests	5	5	3	5	18	2	3	3	3	11	2
Net Income (Loss) Attributable to Xerox	224	12	(34)	272	474	34	154	182	(847)	(477)	16
Amounts Attributable to Xerox											
Net income from continuing operations	184	205	203	256	848	69	192	174	181	616	22
Income (Loss) from discontinued operations, net of tax	41	(193)	(237)	15	(374)	(35)	(38)	8	(1,028)	(1,093)	(6)
Net Income (Loss) Attributable to Xerox	224	12	(34)	272	474	34	154	182	(847)	(477)	16

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	2015					2016					2017	
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1	
Preferred Dividends/ Other												
- Basic	6	6	6	6	24	6	6	6	6	24	4	
- Diluted	6	6	6	-	24	6	6	6	6	24	4	
Weighted Average Shares												
- Basic	1,110	1,088	1,045	1,013	1,065	1,013	1,013	1,014	1,014	1,014	1,016	
- Diluted	1,127	1,105	1,051	1,046	1,076	1,021	1,022	1,025	1,028	1,024	1,025	
Earnings Per Share												
- Basic:												
Continuing operations	0.16	0.18	0.19	0.25	0.77	0.06	0.18	0.16	0.17	0.58	0.02	
Discontinued operations	0.04	(0.17)	(0.23)	0.01	(0.35)	(0.03)	(0.03)	0.01	(1.01)	(1.07)	(0.01)	
Total Basic Earnings (Loss) per Share	0.20	0.01	(0.04)	0.26	0.42	0.03	0.15	0.17	(0.84)	(0.49)	0.01	
- Diluted:												
Continuing operations	0.16	0.18	0.19	0.24	0.77	0.06	0.18	0.16	0.17	0.58	0.02	
Discontinued operations	0.03	(0.17)	(0.23)	0.02	(0.35)	(0.03)	(0.03)	0.01	(1.00)	(1.07)	(0.01)	
Total Diluted Earnings (Loss) per Share	0.19	0.01	(0.04)	0.26	0.42	0.03	0.15	0.17	(0.83)	(0.49)	0.01	
Continuing Operations:												
Adjusted Net Income	229	225	239	285	978	186	253	222	260	921	154	
Adjusted Earnings per Share	0.20	0.20	0.22	0.27	0.89	0.18	0.24	0.21	0.25	0.88	0.15	
Adjusted Weighted Average Shares*	1,127	1,105	1,051	1,046	1,076	1,021	1,049	1,025	1,055	1,024	1,052	
Key Ratios:												
Gross Margins												
- Sales	40.0%	36.4%	37.1%	36.6%	37.5%	38.8%	38.2%	38.8%	38.2%	38.5%	39.4%	
- Services/Maintenance/Rentals	39.4%	41.6%	40.3%	40.9%	40.6%	37.9%	39.9%	38.7%	40.4%	39.2%	37.6%	
- Financing	63.3%	63.2%	61.2%	61.9%	62.4%	60.2%	61.0%	61.4%	59.7%	60.6%	56.6%	
- Total	40.4%	40.1%	39.6%	39.7%	40.0%	38.9%	39.8%	39.4%	40.0%	39.6%	38.9%	
SAG as a % of Revenue	26.3%	25.1%	24.3%	24.3%	25.0%	26.8%	24.7%	25.3%	23.4%	25.0%	27.1%	
Tax Rate	20.5%	21.0%	22.1%	20.2%	20.9%	-6.3%	9.4%	16.9%	10.1%	10.9%	150.0%	
Adjusted Effective Tax Rate	24.5%	24.0%	25.7%	22.1%	24.0%	21.4%	18.5%	23.0%	21.1%	20.9%	27.5%	
Non-GAAP Adjustments:												
Restructuring and related costs	11	9	11	(4)	27	100	47	25	92	264	120	
Amortization of purchased intangibles	16	15	15	14	60	14	16	14	14	58	14	
Non-service retirement-related costs	42	10	30	34	116	46	32	34	19	131	62	
Fuji Xerox Restructuring	1	1	2	-	4	-	1	2	-	3	-	
Loss on Extinguishment of Debt	-	-	-	-	-	-	-	-	-	-	13	
Remeasurement of unrecognized tax positions	-	-	-	-	-	-	-	-	-	-	16	
Tax on adjusted items	25	15	22	15	77	43	35	27	46	151	61	
Ending Xerox Employment	NA	NA	NA	NA	40,000	NA	NA	NA	NA	37,600	37,200	

*Average shares for the calculations of adjusted EPS for fourth quarter 2015, second quarter 2016, and fourth quarter 2016 include 27 million of shares associated with the Series A convertible preferred stock and therefore the related quarterly dividend of \$6 million was excluded. Average shares for the 2017 calculation of adjusted EPS includes 27 million shares associated with our Series B convertible preferred stock and therefore the related quarterly dividend of \$4 million was excluded.

**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.

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	2015					2016					2017
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1
Revenues											
Sales	1,107	1,205	1,132	1,230	4,674	1,003	1,126	1,057	1,133	4,319	936
Services, maintenance and rentals	1,610	1,634	1,569	1,632	6,445	1,529	1,585	1,489	1,524	6,127	1,442
Financing	90	87	85	84	346	83	82	83	77	325	76
Total Revenues	2,807	2,926	2,786	2,946	11,465	2,615	2,793	2,629	2,734	10,771	2,454
Cost of Revenue											
Cost of sales	661	765	711	778	2,915	611	695	644	699	2,649	565
Cost of services, maintenance and rentals	963	951	928	953	3,795	936	942	903	903	3,684	879
Cost of financing	33	32	33	32	130	33	32	32	31	128	33
Total Cost of Revenue	1,657	1,748	1,672	1,763	6,840	1,580	1,669	1,579	1,633	6,461	1,477
Gross Profit											
Sales gross profit	446	440	421	452	1,759	392	431	413	434	1,670	371
Services, maintenance and rentals gross profit	647	683	641	679	2,650	593	643	586	621	2,443	563
Financing gross profit	57	55	52	52	216	50	50	51	46	197	43
Gross Profit	1,150	1,178	1,114	1,183	4,625	1,035	1,124	1,050	1,101	4,310	977
Research, development & engineering	123	126	120	123	492	118	113	111	109	451	110
Bad Debt Expense	19	14	13	3	49	12	10	13	2	37	13
Selling, administrative and general exp. (Excl Bad Debts)	700	715	651	696	2,762	668	667	637	629	2,601	620
Total Selling, administrative and general exp.	719	729	664	699	2,811	680	677	650	631	2,638	633
Non-financing interest expense	53	54	53	56	216	54	42	42	43	181	36
Aggregate Exchange losses / (gains)	4	(5)	2	1	2	4	(1)	4	6	13	3
All other, net	(13)	11	6	(27)	(23)	(13)	7	4	8	6	2
Total Other, net	44	60	61	30	195	45	48	50	57	200	41
Total Costs and Expenses	2,543	2,663	2,517	2,615	10,338	2,423	2,507	2,390	2,430	9,750	2,261
Income before Income Taxes & Equity Income	264	263	269	331	1,127	192	286	239	304	1,021	193
Income Taxes	65	63	69	73	270	41	53	55	64	213	53
Equity in Net Income of Unconsol. Affil.	35	30	42	32	139	37	23	41	23	124	16
Income from Continuing Operations	234	230	242	290	996	188	256	225	263	932	156
Less: Net Income attributable to Noncontrolling Interests	5	5	3	5	18	2	3	3	3	11	2
Net Income Attributable to Xerox	229	225	239	285	978	186	253	222	260	921	154