

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

| | 2015 | | | | | 2016 | | | | | |
|--|--|--------------|--------------|---------------|---------------|--------------|--------------|--------------|--------------|---------------|-------|
| | Q1 | Q2 | Q3 | Q4 | FY | Q1 | Q2 | Q3 | Q4 | FY | |
| Revenues | | | | | | | | | | | |
| Sales | 1,107 | 1,205 | 1,132 | 1,230 | 4,674 | 1,003 | 1,126 | 1,057 | 1,133 | 4,319 | |
| Outsourcing, maintenance and rentals | 1,610 | 1,634 | 1,569 | 1,632 | 6,445 | 1,529 | 1,585 | 1,489 | 1,524 | 6,127 | |
| Financing | 90 | 87 | 85 | 84 | 346 | 83 | 82 | 83 | 77 | 325 | |
| Total Revenues | 2,807 | 2,926 | 2,786 | 2,946 | 11,465 | 2,615 | 2,793 | 2,629 | 2,734 | 10,771 | |
| Cost of Revenue | | | | | | | | | | | |
| Cost of sales | 664 | 766 | 712 | 780 | 2,922 | 614 | 696 | 647 | 700 | 2,657 | |
| Cost of outsourcing, maintenance and rentals | 976 | 954 | 937 | 964 | 3,831 | 950 | 953 | 913 | 909 | 3,725 | |
| Cost of financing | 33 | 32 | 33 | 32 | 130 | 33 | 32 | 32 | 31 | 128 | |
| Total Cost of Revenue | 1,673 | 1,752 | 1,682 | 1,776 | 6,883 | 1,597 | 1,681 | 1,592 | 1,640 | 6,510 | |
| Gross Profit | | | | | | | | | | | |
| Sales gross profit | 443 | 439 | 420 | 450 | 1,752 | 389 | 430 | 410 | 433 | 1,662 | |
| Outsourcing, maintenance and rentals gross profit | 634 | 680 | 632 | 668 | 2,614 | 579 | 632 | 576 | 615 | 2,402 | |
| Financing gross profit | 57 | 55 | 52 | 52 | 216 | 50 | 50 | 51 | 46 | 197 | |
| Gross Profit | 1,134 | 1,174 | 1,104 | 1,170 | 4,582 | 1,018 | 1,112 | 1,037 | 1,094 | 4,261 | |
| Research, development & engineering | 130 | 127 | 126 | 128 | 511 | 126 | 119 | 118 | 113 | 476 | |
| Bad Debt Expense | 19 | 14 | 13 | 3 | 49 | 12 | 10 | 13 | 2 | 37 | |
| Selling, administrative and general exp. (Excl Bad Debts) | 719 | 720 | 665 | 712 | 2,816 | 689 | 681 | 651 | 637 | 2,658 | |
| Total Selling, administrative and general exp. | 738 | 734 | 678 | 715 | 2,865 | 701 | 691 | 664 | 639 | 2,695 | |
| Non-financing interest expense | 53 | 54 | 53 | 56 | 216 | 55 | 48 | 48 | 48 | 199 | |
| Aggregate Exchange losses / (gains) | 4 | (5) | 2 | 1 | 2 | 4 | (1) | 4 | 6 | 13 | |
| All other, net | (13) | 11 | 6 | (27) | (23) | (14) | 1 | (2) | 3 | (12) | |
| Total Other, net | 44 | 60 | 61 | 30 | 195 | 45 | 48 | 50 | 57 | 200 | |
| Restructuring and related costs | 11 | 9 | 11 | (4) | 27 | 100 | 47 | 25 | 92 | 264 | |
| Acquisition related costs | | | | | - | | | | | - | |
| Amortization of intangible assets | 16 | 15 | 15 | 14 | 60 | 14 | 16 | 14 | 14 | 58 | |
| Curtailment gain | | | | | - | | | | | - | |
| Total Costs and Expenses | 2,612 | 2,697 | 2,573 | 2,659 | 10,541 | 2,583 | 2,602 | 2,463 | 2,555 | 10,203 | |
| Income before Income Taxes & Equity Income | 195 | 229 | 213 | 287 | 924 | 32 | 191 | 166 | 179 | 568 | |
| Income Taxes | 40 | 48 | 47 | 58 | 193 | (2) | 18 | 28 | 18 | 62 | |
| Equity in net income of unconsolidated affiliates | 34 | 29 | 40 | 32 | 135 | 37 | 22 | 39 | 23 | 121 | |
| Income from Continuing Operations | 189 | 210 | 206 | 261 | 866 | 71 | 195 | 177 | 184 | 627 | |
| Less: Net Income attributable to Noncontrolling Interests | 5 | 5 | 3 | 5 | 18 | 2 | 3 | 3 | 3 | 11 | |
| Net Income from Continuing Operations Attributable to Xerox | 184 | 205 | 203 | 256 | 848 | 69 | 192 | 174 | 181 | 616 | |
| Preferred Dividends/ Other | - Basic | 6 | 6 | 6 | 24 | 6 | 6 | 6 | 6 | 24 | |
| | - Diluted | 6 | 6 | 6 | 24 | 6 | 6 | 6 | 6 | 24 | |
| Weighted Average Shares | - Basic | 1,110 | 1,088 | 1,045 | 1,013 | 1,013 | 1,013 | 1,014 | 1,014 | 1,014 | |
| | - Diluted | 1,127 | 1,105 | 1,051 | 1,046 | 1,021 | 1,022 | 1,025 | 1,028 | 1,024 | |
| 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 |
| | Discontinued operations | 0.04 | (0.17) | (0.23) | 0.01 | (0.35) | (0.03) | (0.03) | 0.01 | | |
| | Total Basic Earnings (Loss) per Share | 0.20 | 0.01 | (0.04) | 0.26 | 0.42 | 0.03 | 0.15 | 0.17 | | |
| | - Diluted: | | | | | | | | | | |
| | Continuing operations | 0.16 | 0.18 | 0.19 | 0.24 | 0.77 | 0.06 | 0.18 | 0.16 | 0.17 | 0.58 |
| | Discontinued operations | 0.03 | (0.17) | (0.23) | 0.02 | (0.35) | (0.03) | (0.03) | 0.01 | | |
| | Total Diluted Earnings (Loss) per Share | 0.19 | 0.01 | (0.04) | 0.26 | 0.42 | 0.03 | 0.15 | 0.17 | | |
| | Continuing Operations: | | | | | | | | | | |
| | Adjusted Net Income | 229 | 225 | 239 | 285 | 978 | 186 | 253 | 222 | 260 | 921 |
| | Adjusted Earnings per Share | 0.20 | 0.20 | 0.22 | 0.27 | 0.89 | 0.18 | 0.24 | 0.21 | 0.25 | 0.88 |
| | Adjusted Weighted Average Shares* | 1,127 | 1,105 | 1,051 | 1,046 | 1,076 | 1,021 | 1,049 | 1,025 | 1,055 | 1,024 |
| 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% |
| | - Outsourcing/Maintenance/Rentals | 39.4% | 41.6% | 40.3% | 40.9% | 40.6% | 37.9% | 39.9% | 38.7% | 40.4% | 39.2% |
| | - Financing | 63.3% | 63.2% | 61.2% | 61.9% | 62.4% | 60.2% | 61.0% | 61.4% | 59.7% | 60.6% |
| | - Total | 40.4% | 40.1% | 39.6% | 39.7% | 40.0% | 38.9% | 39.8% | 39.4% | 40.0% | 39.6% |
| 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% |
| Tax Rate | | 20.5% | 21.0% | 22.1% | 20.2% | 20.9% | -6.3% | 9.4% | 16.9% | 10.1% | 10.9% |
| Adjusted Effective Tax Rate | | 24.5% | 24.0% | 25.7% | 22.1% | 24.0% | 21.4% | 18.5% | 23.0% | 21.1% | 20.9% |
| Non-GAAP Adjustments: | | | | | | | | | | | |
| | Restructuring and related costs | 11 | 9 | 11 | (4) | 27 | 100 | 47 | 25 | 92 | 264 |
| | Amortization of purchased intangibles | 16 | 15 | 15 | 14 | 60 | 14 | 16 | 14 | 14 | 58 |
| | Non-service retirement-related costs | 42 | 10 | 30 | 34 | 116 | 46 | 32 | 34 | 19 | 131 |
| | Fuji Xerox Restructuring | 1 | 1 | 2 | - | 4 | - | 1 | 2 | - | 3 |
| | Tax on adjusted items | 25 | 15 | 22 | 15 | 77 | 43 | 35 | 27 | 46 | 151 |
| Ending Xerox Employment | | | | | 40,000 | | | | | 37,600 | |

*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.

**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)

| | 2015 | | | | | 2016 | | | | |
|--|--------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|--------------|---------------|
| | Q1 | Q2 | Q3 | Q4 | FY | Q1 | Q2 | Q3 | Q4 | FY |
| Revenues | | | | | | | | | | |
| Sales | 1,107 | 1,205 | 1,132 | 1,230 | 4,674 | 1,003 | 1,126 | 1,057 | 1,133 | 4,319 |
| Outsourcing, maintenance and rentals | 1,610 | 1,634 | 1,569 | 1,632 | 6,445 | 1,529 | 1,585 | 1,489 | 1,524 | 6,127 |
| Financing | 90 | 87 | 85 | 84 | 346 | 83 | 82 | 83 | 77 | 325 |
| Total Revenues | 2,807 | 2,926 | 2,786 | 2,946 | 11,465 | 2,615 | 2,793 | 2,629 | 2,734 | 10,771 |
| Cost of Revenue | | | | | | | | | | |
| Cost of sales | 661 | 765 | 711 | 778 | 2,915 | 611 | 695 | 644 | 699 | 2,649 |
| Cost of outsourcing, maintenance and rentals | 963 | 951 | 928 | 953 | 3,795 | 936 | 942 | 903 | 903 | 3,684 |
| Cost of financing | 33 | 32 | 33 | 32 | 130 | 33 | 32 | 32 | 31 | 128 |
| Total Cost of Revenue | 1,657 | 1,748 | 1,672 | 1,763 | 6,840 | 1,580 | 1,669 | 1,579 | 1,633 | 6,461 |
| Gross Profit | | | | | | | | | | |
| Sales gross profit | 446 | 440 | 421 | 452 | 1,759 | 392 | 431 | 413 | 434 | 1,670 |
| Outsourcing, maintenance and rentals gross profit | 647 | 683 | 641 | 679 | 2,650 | 593 | 643 | 586 | 621 | 2,443 |
| Financing gross profit | 57 | 55 | 52 | 52 | 216 | 50 | 50 | 51 | 46 | 197 |
| Gross Profit | 1,150 | 1,178 | 1,114 | 1,183 | 4,625 | 1,035 | 1,124 | 1,050 | 1,101 | 4,310 |
| Research, development & engineering | 123 | 126 | 120 | 123 | 492 | 118 | 113 | 111 | 109 | 451 |
| Bad Debt Expense | 19 | 14 | 13 | 3 | 49 | 12 | 10 | 13 | 2 | 37 |
| Selling, administrative and general exp. (Excl Bad Debts) | 700 | 715 | 651 | 696 | 2,762 | 668 | 667 | 637 | 629 | 2,601 |
| Total Selling, administrative and general exp. | 719 | 729 | 664 | 699 | 2,811 | 680 | 677 | 650 | 631 | 2,638 |
| Non-financing interest expense | 53 | 54 | 53 | 56 | 216 | 55 | 48 | 48 | 48 | 199 |
| Aggregate Exchange losses / (gains) | 4 | (5) | 2 | 1 | 2 | 4 | (1) | 4 | 6 | 13 |
| All other, net | (13) | 11 | 6 | (27) | (23) | (14) | 1 | (2) | 3 | (12) |
| Total Other, net | 44 | 60 | 61 | 30 | 195 | 45 | 48 | 50 | 57 | 200 |
| Total Costs and Expenses | 2,543 | 2,663 | 2,517 | 2,615 | 10,338 | 2,423 | 2,507 | 2,390 | 2,430 | 9,750 |
| Income before Income Taxes & Equity Income | 264 | 263 | 269 | 331 | 1,127 | 192 | 286 | 239 | 304 | 1,021 |
| Income Taxes | 65 | 63 | 69 | 73 | 270 | 41 | 53 | 55 | 64 | 213 |
| Equity in Net Income of Unconsol. Affil. | 35 | 30 | 42 | 32 | 139 | 37 | 23 | 41 | 23 | 124 |
| Income from Continuing Operations | 234 | 230 | 242 | 290 | 996 | 188 | 256 | 225 | 263 | 932 |
| Less: Net Income attributable to Noncontrolling Interests | 5 | 5 | 3 | 5 | 18 | 2 | 3 | 3 | 3 | 11 |
| Net Income from Continuing Operations Attributable to Xerox | 229 | 225 | 239 | 285 | 978 | 186 | 253 | 222 | 260 | 921 |
| Key Ratios: | | | | | | | | | | |
| Gross Margins | | | | | | | | | | |
| - Sales | 40.3% | 36.5% | 37.2% | 36.7% | 37.6% | 39.1% | 38.3% | 39.1% | 38.3% | 38.7% |
| - Outsourcing/Maintenance/Rentals | 40.2% | 41.8% | 40.9% | 41.6% | 41.1% | 38.8% | 40.6% | 39.4% | 40.7% | 39.9% |
| - Financing | 63.3% | 63.2% | 61.2% | 61.9% | 62.4% | 60.2% | 61.0% | 61.4% | 59.7% | 60.6% |
| - Total | 41.0% | 40.3% | 40.0% | 40.2% | 40.3% | 39.6% | 40.2% | 39.9% | 40.3% | 40.0% |
| SAG as a % of Revenue | 25.6% | 24.9% | 23.8% | 23.7% | 24.5% | 26.0% | 24.2% | 24.7% | 23.1% | 24.5% |