First Quarter 2016

Earnings Presentation

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April 25, 2016

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, including with respect to the proposed separation of the Business Process Outsourcing ("BPO") business from the Document Technology and Document Outsourcing business, the expected timetable for completing the separation, the future financial and operating performance of each business, the strategic and competitive advantages of each business, future opportunities for each business and the expected amount of cost reductions that may be realized in the cost transformation program, and are subject to a number of factors that may cause actual results to differ materially. Such 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; our ability to successfully develop new products, technologies and service offerings and to protect our intellectual property rights; the risk that multi-year contracts with governmental entities could be terminated prior to the end of the contract term and that civil or criminal penalties and administrative sanctions could be imposed on us if we fail to comply with the terms of such contracts and applicable law; the risk that our bids do not accurately estimate the resources and costs required to implement and service very complex, multi-year governmental and commercial contracts, often in advance of the final determination of the full scope and design of such contracts or as a result of the scope of such contracts being changed during the life of such contracts; the risk that subcontractors, software vendors and utility and network providers will not perform in a timely, quality manner; service interruptions; actions of competitors and our ability to promptly and effectively react to changing technologies and customer expectations; 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 individually identifiable information of customers, clients and employees could be inadvertently disclosed or disclosed as a result of a breach of our security systems; the risk in the hiring and retention of qualified personnel; the risk that unexpected costs will be incurred; our ability to recover capital investments; the risk that our Services business could be adversely affected if we are unsuccessful in managing the start-up of new contracts; the collectability of our receivables for unbilled services associated with very large, multi-year contracts; reliance on third parties, including subcontractors, for manufacturing of products and provision of services; our ability to expand equipment placements; interest rates, cost of borrowing and access to credit markets; the risk that our products may not comply with applicable worldwide regulatory requirements, particularly environmental regulations and directives; the outcome of litigation and regulatory proceedings to which we may be a party; the possibility that the proposed separation of the BPO business from the Document Technology and Document Outsourcing business will not be consummated within the anticipated time period or at all, including as the result of regulatory, market or other factors; the potential for disruption to our business in connection with the proposed separation; the potential that BPO and Document Technology and Document Outsourcing do not realize all of the expected benefits of the separation; 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 2015 Annual Report on Form 10-K filed with the Securities and Exchange Commission. Xerox 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.

Strategic Transformation and Separation Update

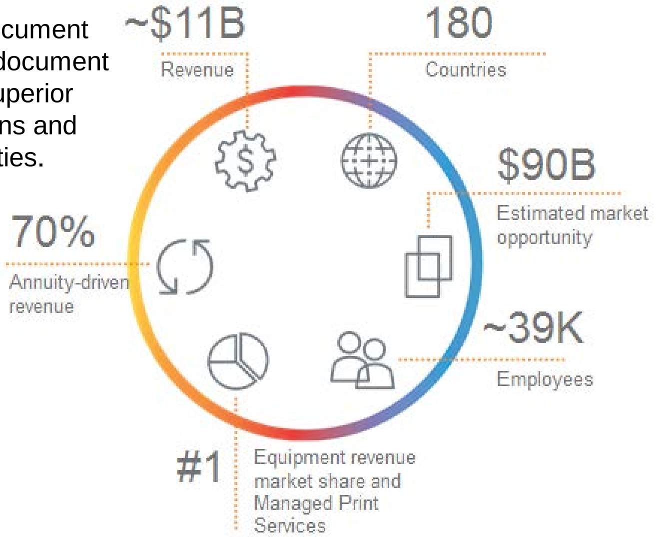
A New Path Forward

Driving value through separation and strategic transformation

Creating two, independent publicly-traded companies

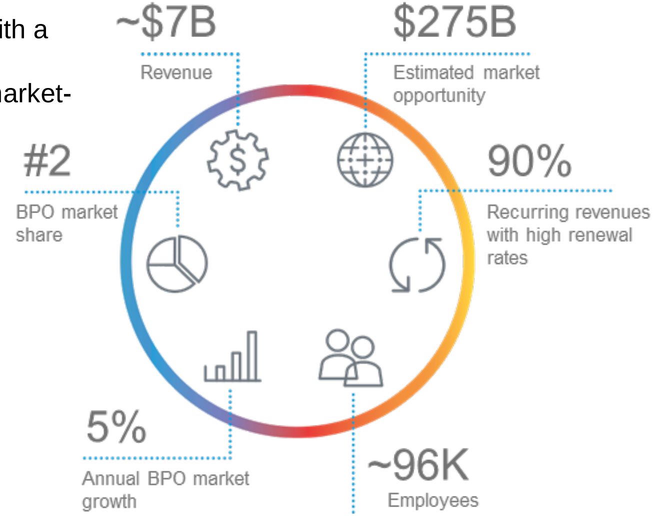
Document Technology

Global leader in document management and document outsourcing with superior technology, solutions and innovation capabilities.



Business Process Outsourcing

An industry leader with a combination of deep industry expertise, market-leading automation solutions and global delivery excellence.



Implementing three-year Strategic Transformation program

Targeting $2.4B in cost savings to deliver greater agility and competitiveness to both companies

Note: Represents full-year revenue as of December 31, 2015 and employee count as of March 31, 2016

New Path Forward Progress

On track to complete separation and achieve $700 million in annualized savings by year-end 2016

Program Management Office driving strategic transformation initiatives and separation

Target filling key leadership positions by mid-year

Initial Form 10 registration statement filing in July

Optimal form of transaction determined to be a tax-free spinoff of BPO business

Expect one-time separation costs of $200-$250M[1] for full year 2016

Anticipate 2016 restructuring and related costs of $300M

[1]Separation costs of $200 to $250 million do not include any estimated tax costs associated with aligning entities and business activities to effect the separation, a portion of which may be mitigated by foreign tax credits

First Quarter Earnings

First-Quarter Overview

Total revenue and adjusted EPS within guidance

EPS: adjusted[1] 22 cents; GAAP[2] 3 cents

Total revenue: $4.3B, down 4% or 3% CC[1]

Services: revenue up 1% or 2% CC[1]; margin 7.7%

- Growth improves in both Document Outsourcing and BPO
- Modest margin improvement driven by BPO

Document Technology: revenue down 10% or 9% CC[1]; margin 10.2%

- Revenue decline consistent with Q4
- Margin pressured by transaction currency and timing of cost reductions

Operating margin[1]: 7.2%, down 130 bps YOY

Operating cash usage: $25M

[1]Adjusted EPS, Constant Currency (CC) and Operating Margin: see Non-GAAP Financial Measures
[2]GAAP EPS from Continuing Operations

Earnings

(in millions, except per share data)	Q1 2016	B/(W) YOY	Comments
Revenue	$ 4,281	$ (188)	Decline driven by Document Technology and currency
Adjusted Gross Margin[1]	30.3%	(1.3) pts	
Adjusted RD&E[1]	$ 126	$ 8	
Adjusted SAG[1]	$ 861	$ 35	
Adjusted Operating Income[1]	**$ 310**	**$ (70)**	Accelerating Strategic Transformation to capture greater productivity
Operating Income % of Revenue	7.2%	(1.3) pts	
Adjusted Other, net[1]	$ 59	$ (8)	
Equity Income	$ 37	$ 3	
Adjusted Tax Rate[1]	22.5%	3.2 pts	
Adjusted Net Income – Xerox[1]	**$ 231**	**$ (47)**	
Adjusted EPS[1]	**$ 0.22**	**$ (0.02)**	Guidance range $0.21 - $0.24
GAAP EPS[2]	**$ 0.03**	**$ (0.13)**	

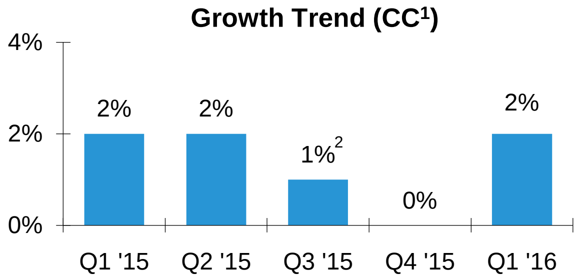
[1]Adjusted Measures: see Non-GAAP Financial Measures
[2]GAAP EPS from Continuing Operations

Services Segment

(in millions)	Q1 2016	% B/(W) YOY Act Cur	% B/(W) YOY CC[1]
Total Revenue	$2,482	1%	2%
Segment Profit	$190	2%	
Segment Margin	7.7%	0.1 pts	

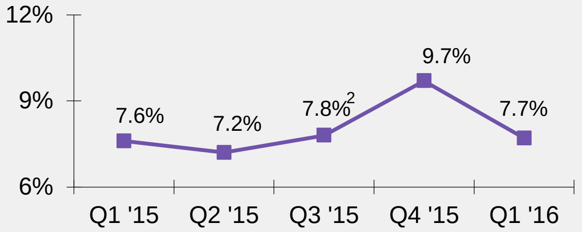
Revenue

- DO up 5% CC[1]
- BPO up 1% CC[1], improves sequentially from (2)% in Q4
- BPO/DO renewal rate of 89%



Margin

- Government Healthcare drives BPO improvement; customer care pressuring margin
- DO remains strong; down modestly YOY



Contract Signings CC[1]

- Lower renewal opportunities drive lower total signings
- New Business TCV up 6% YOY

	Q1	YOY Growth	TTM Growth
BPO	$1.5	(14)%	12%
DO	$0.6	(2)%	2%
Total	**$2.1B**	**(11)%**	**9%**

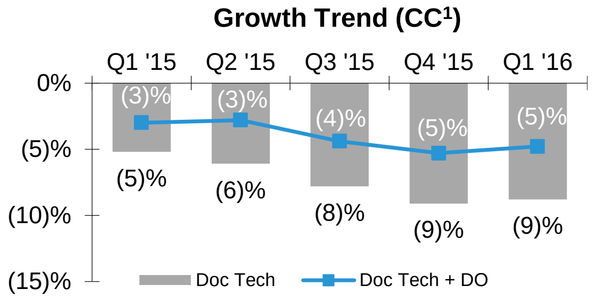
[1]Constant currency (CC): see Non-GAAP Financial Measures
[2]Adjusted for the Q3 2015 Health Enterprise (HE) charge

Document Technology Segment

(in millions)	Q1 2016	% B/(W) YOY Act Cur	CC[1]
Total Revenue	$1,639	(10)%	(9)%
Segment Profit	$167	(28)%	
Segment Margin	10.2%	(2.5) pts	

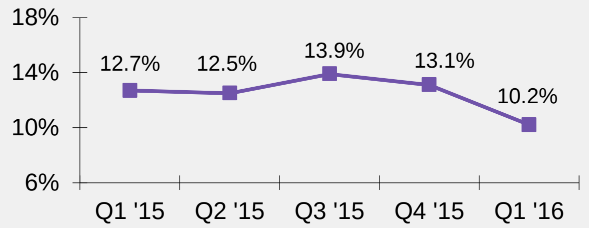
Revenue

- Revenue decline consistent with Q4
- Including Document Outsourcing, printing revenue down 5% at CC[1]
- Equipment share leader for 25 straight quarters



Margin

- Significant Q1 restructuring initiated to mitigate margin pressure
- Transaction currency a Q1 headwind



Equipment Installs[2,3]

- Good growth in High End color driven by Entry Production color
- Mid-Range impacted by late quarter timing of i-series product launch

	Color	B&W
High-End	56%	(8)%
Mid-Range	1%	(14)%
Entry A4 MFDs	1%	(16)%

[1]Constant currency (CC): see Non-GAAP Financial Measures
[2]High-end installs exclude digital front end sales
[3]Entry installs exclude OEM sales, including OEM sales Color A4 MFDs up 117%, B&W A4 up 11%

Cash Flow

Operating cash flow a seasonal use of cash; strong ending cash balance

(in millions)	Q1 2016
Net Income	$ 36
Depreciation and amortization	290
Restructuring and asset impairment charges	123
Restructuring payments	(28)
Contributions to defined benefit pension plans	(36)
Inventories	(99)
Accounts receivable and Billed portion of finance receivables[1]	(126)
Accounts payable and Accrued compensation	(104)
Equipment on operating leases	(62)
Finance receivables[1]	72
Other	(91)
Cash from Operations	**$ (25)**
Cash from Investing	**$ (125)**
Cash from Financing	**$ (42)**
Change in Cash and Cash Equivalents	(179)
Ending Cash and Cash Equivalents	**$ 1,189**

Operating Cash Usage of $25M

Working capital seasonally a use of cash

CAPEX $72M

Acquisitions $18M

Common Stock Dividends $71M

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

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Capital Structure and Allocation

Solid capital structure and cash flow generation support shareholder returns

Financing and Leverage

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

	Q1 2016	
(in billions)	Fin. Assets	Debt
Financing	$ 4.5	$ 3.9
Core	-	3.5
Total Xerox	$ 4.5	$ 7.4

Closed $1B senior unsecured loan to replace maturing debt

Core debt level managed to maintain investment grade rating

Over half of Xerox debt supports finance assets

Capital Allocation

- Over 10% average annual dividend increase over the past 3 years
- More than 70% of Free Cash Flow returned to shareholders through share repurchase and dividends since 2011
- Shares outstanding down ~350M since 2011

2016 Guidance Update

	2016
Revenue growth @ CC[1] (unchanged)	Down 2 – 4%
Adjusted EPS[1] (unchanged)	$1.10 - $1.20
GAAP EPS[2]	$0.45 - $0.55
Operating Cash Flow (OCF)	$950M - $1.2B
CAPEX	~$350M
Free Cash Flow[1] (FCF)	$600 - $850M
Dividends	~$350M
Acquisitions	~$100M
Debt Reduction	Balance of FCF

Note: separation costs of $200 to $250 million do not include any estimated tax costs associated with aligning entities and business activities to effect the separation, a portion of which may be mitigated by foreign tax credits

Maintaining full-year Revenue and Adjusted Earnings guidance

Operating Cash Flow guidance updated for Separation Cost and higher Restructuring

Previous OCF Guidance	**$1.3 to $1.5B**
(-) Separation Cost	$200 - $250M
(-) Incremental Restructuring	~$100M
Updated OCF Guidance	**$950M to $1.2B**
(-) Original CAPEX	~$300M
(-) Separation CAPEX	~$50M
Updated FCF Guidance	**$600 to $850M**

Updating Capital Allocation

Q2 Guidance

- Adjusted EPS of $0.24 to $0.26
- GAAP EPS of $0.06 to $0.08
  - Includes ~$100M of pre-tax restructuring

[1]Constant Currency (CC), Adjusted EPS and Free Cash Flow: see Non-GAAP Financial Measures
[2]GAAP EPS from Continuing Operations

Summary

First-quarter revenue and earnings met guidance

- Services revenue and profitability improved
- Document Technology revenue and margin pressured

Focused on delivering 2016 commitments

- Reaffirming full-year revenue and adjusted EPS guidance
- Strategic transformation program accelerating
- Separation process on track for year-end

Appendix

Revenue Trend

(in millions)	2015 Q1	2015 Q2	2015 Q3*	2015 Q4	2015 FY**	2016 Q1
Total Revenue	**$4,469**	**$4,590**	**$4,449**	**$4,653**	**$18,161**	**$4,281**
Growth	*(6)%*	*(7)%*	*(7)%*	*(8)%*	*(7)%*	*(4)%*
CC[1] Growth	*(2)%*	*(2)%*	*(3)%*	*(4)%*	*(3)%*	*(3)%*
Annuity	**$3,845**	**$3,871**	**$3,781**	**$3,883**	**$15,380**	**$3,721**
Growth	*(5)%*	*(7)%*	*(7)%*	*(7)%*	*(6)%*	*(3)%*
CC[1] Growth	*(1)%*	*(2)%*	*(2)%*	*(4)%*	*(2)%*	*(2)%*
Annuity % Revenue	**86%**	**84%**	**85%**	**83%**	**85%**	**87%**
Equipment	**$624**	**$719**	**$668**	**$770**	**$2,781**	**$560**
Growth	*(13)%*	*(8)%*	*(11)%*	*(10)%*	*(10)%*	*(10)%*
CC[1] Growth	*(7)%*	*(2)%*	*(7)%*	*(6)%*	*(6)%*	*(9)%*

*Including HE charge, Q3 reported total revenue of $4,333 down 10% or 5% CC; reported annuity revenue of $3,665 down 9% or 5% CC
**Including HE charge, FY reported total revenue of $18,045 down 8% or 3% CC; reported annuity revenue of $15,264 down 7% or 3% CC
[1]Constant currency: see Non-GAAP Financial Measures

Segment Revenue Trend

(in millions)	2015 Q1	2015 Q2	2015 Q3*	2015 Q4	2015 FY**	2016 Q1
Services	**$2,467**	**$2,526**	**$2,483**	**$2,602**	**$10,078**	**$2,482**
Growth	*(2)%*	*(2)%*	*(3)%*	*(3)%*	*(3)%*	*1%*
CC[1] Growth	*2%*	*2%*	*1%*	*Flat*	*1%*	*2%*
Document Technology	**$1,830**	**$1,880**	**$1,778**	**$1,877**	**$7,365**	**$1,639**
Growth	*(10)%*	*(12)%*	*(12)%*	*(13)%*	*(12)%*	*(10)%*
CC[1] Growth	*(5)%*	*(6)%*	*(8)%*	*(9)%*	*(7)%*	*(9)%*
Other	**$172**	**$184**	**$188**	**$174**	**$718**	**$160**
Growth	*(20)%*	*(20)%*	*(7)%*	*(11)%*	*(15)%*	*(7)%*
CC[1] Growth	*(18)%*	*(18)%*	*(3)%*	*(9)%*	*(12)%*	*(4)%*

*Including HE charge, Q3 reported Services revenue of $2,367 down 8% or 4% CC
**Including HE charge, FY reported Services revenue of $9,962 down 4% or flat CC
[1]Constant currency: see Non-GAAP Financial Measures

Non-GAAP Financial Measures

Non-GAAP Financial Measures

NOTE: In 2016 we revised our calculation of Adjusted Earnings Measures to exclude the following items in addition to the amortization of intangibles:

- Restructuring and related costs including those related to Fuji Xerox
- The non-service related elements of our defined benefit pension and retiree health plan costs (retirement related)
- Separation costs

When these measures are presented in 2016, the prior year measures will be revised accordingly to conform to the changes.

“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
- Gross margin, RD&E and SAG (adjusted for non-service retirement related costs only)

The above measures were adjusted for the following items:

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. 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.

Non-GAAP Financial Measures

Restructuring and related costs: Restructuring and related costs include restructuring and asset impairment charges as well as costs associated with our strategic transformation program beyond those normally included in restructuring and asset impairment charges. Restructuring consists of costs primarily related to severance and benefits paid to employees pursuant to formal restructuring and workforce reduction plans. Asset impairment includes costs incurred for those assets sold, abandoned or made obsolete as a result of our restructuring actions, exiting from a business or other strategic business changes. Additional costs for our strategic transformation program are primarily related to the implementation of strategic actions and initiatives and include third-party professional service costs as well as one-time incremental costs. All of these costs can vary significantly in terms of amount and frequency based on the nature of the actions as well as the changing needs of the business. Accordingly, due to that significant variability, we will exclude these charges since we do not believe they provide meaningful insight into our current or past operating performance nor do we believe they are reflective of our expected future operating expenses as such charges are expected to yield future benefits and savings with respect to our operational performance.

Non-service retirement related costs: Our defined benefit pension and retiree health costs include several elements impacted by changes in plan assets and obligations that are primarily driven by changes in the debt and equity markets as well as those that are predominantly legacy in nature and related to employees who are no longer providing current service to the Company (e.g. retirees and ex-employees). These elements include (i) interest cost, (ii) expected return on plan assets, (iii) amortized actuarial gains/losses and (iv) the impacts of any plan settlements/curtailments. Accordingly, we consider these elements of our periodic retirement plan costs to be outside the operational performance of the business or legacy costs and not necessarily indicative of current or future cash flow requirements. Adjusted earnings will continue to include the elements of our retirement costs related to current employee service (service cost and amortization of prior service cost) as well as the cost of our defined contribution plans.

Separation costs: Separation costs are expenses incurred in connection with Xerox's planned separation into two independent, publicly traded companies. Separation costs are primarily for third-party investment banking, accounting, legal, consulting and other similar types of services related to the separation transaction as well as costs associated with the operational separation of the two companies, such as those related to human resources, brand management, real estate and information management to the extent not capitalized. Separation costs include the costs associated with bonuses and restricted stock grants awarded to employees for retention through the separation. These costs are incremental to normal operating charges and are being incurred solely as a result of the separation transaction. Accordingly, we are excluding these expenses from our Adjusted Earnings Measures in order to evaluate our performance on a comparable basis.

Non-GAAP Financial Measures

“Operating Income/Margin”: We also calculate and utilize operating income and margin earnings measures by adjusting our pre-tax income and margin amounts to exclude certain items. In addition to the costs noted for our Adjusted Earnings measures, operating income and margin also exclude Other expenses, net. Other expenses, net is primarily comprised of non-financing interest expense and also includes certain other non-operating costs and expenses. 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.” In 2016 we revised our calculation of the currency impact on revenue growth, or constant currency revenue growth, to include the currency impacts from the developing market countries (Latin America, Brazil, Middle East, India, Eurasia and Central-Eastern Europe), which had been previously excluded from the calculation. As a result of economic changes in these markets over the past few years, we currently manage our exchange risk in our developing market countries in a similar manner to the exchange risk in our developed market countries, and therefore, the exclusion of the developing market countries from the calculation of the currency effect is no longer warranted. 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.

“Free Cash Flow”: To better understand 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 is also 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 “2016 Guidance”.

Management believes that all of these non-GAAP financial measures provide an additional means of analyzing the current period’s results against the corresponding prior period’s 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.

A reconciliation 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.

Q1 GAAP EPS to Adjusted EPS Track

(in millions, except per share amounts)	Three Months Ended March 31, 2016 Net Income	Three Months Ended March 31, 2016 EPS	Three Months Ended March 31, 2015 Net Income	Three Months Ended March 31, 2015 EPS
Reported[1]	**$ 34**	**$ 0.03**	**$ 191**	**$ 0.16**
Adjustments:				
Amortization of intangible assets	89		77	
Restructuring and related costs - Xerox	126		14	
Non-service retirement related costs	46		42	
Separation costs	8		—	
Income tax adjustments[2]	(72)		(47)	
Restructuring charges - Fuji Xerox	—		1	
Adjusted	**$ 231**	**$ 0.22**	**$ 278**	**$ 0.24**
Weighted average shares for adjusted EPS[3]		1,021		1,154
Fully diluted shares at end of period[4]		1,048		

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

(2) Refer to Effective Tax Rate reconciliation.

(3) Average shares for the 2016 calculation of adjusted EPS exclude 27 million of shares associated with our Series A convertible preferred stock and therefore the related quarterly dividend of $6 million is included. Average shares for the 2015 calculation of adjusted EPS include 27 million of shares associated with our Series A convertible preferred stock and therefore the related quarterly dividend was excluded.

(4) Represents common shares outstanding at March 31, 2016 as well as shares associated with our Series A convertible preferred stock plus potential dilutive common shares used for the calculation of diluted earnings per share in first quarter 2016.

GAAP EPS to Adjusted EPS Guidance Track

	Earnings Per Share	
	Q2 2016	**FY 2016**
GAAP EPS from Continuing Operations	**$0.06 - $0.08**	**$0.45 - $0.55**
Non-GAAP Adjustments	0.18	0.65
Adjusted EPS	**$0.24 - $0.26**	**$1.10 - $1.20**

Note: Adjusted EPS guidance excludes amortization of intangible assets, restructuring and related costs, non-service retirement related costs and separation costs.

Q1 Adjusted Operating Income/Margin

(in millions)	Three Months Ended March 31, 2016			Three Months Ended March 31, 2015		
	(Loss)/ Profit	**Revenue**	**Margin**	**Profit**	**Revenue**	**Margin**
Reported Pre-tax (Loss) Income[(1)]	**$ (16)**	**$ 4,281**	**(0.4)%**	**$ 201**	**$ 4,469**	**4.5%**
Adjustments:						
Amortization of intangible assets	89			77		
Restructuring and related costs - Xerox	126			14		
Non-service retirement-related costs	46			42		
Separation costs	8			-		
Other expenses, net	57			46		
Adjusted Operating Income/Margin	**$ 310**	**$ 4,281**	**7.2%**	**$ 380**	**$ 4,469**	**8.5%**

(1) (Loss) Profit and revenue from continuing operations

Q1 Adjusted Other, Net

(in millions)	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Other expenses, net - Reported	**$ 57**	**$ 46**
Adjustments:		
Net income attributable to noncontrolling interests	2	5
Other expenses, net - Adjusted	**$ 59**	**$ 51**

Q1 Adjusted Effective Tax Rate

(in millions)	Three Months Ended March 31, 2016 Pre-Tax (Loss) Income	Three Months Ended March 31, 2016 Income Tax (Benefit) Expense	Three Months Ended March 31, 2016 Effective Tax Rate	Three Months Ended March 31, 2015 Pre-Tax Income	Three Months Ended March 31, 2015 Income Tax Expense	Three Months Ended March 31, 2015 Effective Tax Rate
Reported[1]	**$ (16)**	**$ (15)**	**93.8%**	**$ 201**	**$ 39**	**19.4%**
Non-GAAP Adjustments[2]	269	72	-	133	47	
Adjusted - revised [3]	**$ 253**	**$ 57**	**22.5%**	**$ 334**	**$ 86**	**25.7%**

(1) Pre-Tax (Loss) Income and Income Tax (Benefit) Expense from continuing operations.
(2) Refer to Net Income/EPS reconciliation for details. Amounts exclude Fuji Xerox restructuring as these amounts are net of tax.
(3) The tax impact on Adjusted Pre-Tax Income from continuing operations is calculated under the same accounting principles applied to the As Reported Pre-Tax Income under ASC 740, which employs an annual effective tax rate method to the results.

Q1 Services Revenue Breakdown

(in millions)	Three Months Ended March 31, 2016	2015	% Change	CC % Change
Business Process Outsourcing	$ 1,690	$ 1,687	- %	1%
Document Outsourcing	792	780	2%	5%
Total Revenue - Services	**$ 2,482**	**$ 2,467**	1%	2%

Note: The above table excludes intercompany revenue.

Q1 Adjusted Key Financial Ratios

	Three Months Ended March 31,					
	Reported			Adjusted[1]		
	2016	2015	B/(W)	2016	2015	B/(W)
Total Gross Margin	29.9 %	31.2%	(1.3) pts.	30.3%	31.6%	(1.3) pts.
RD&E as a % of Revenue	3.1 %	3.2%	0.1 pts.	2.9%	3.0%	0.1 pts.
SAG as a % of Revenue	20.6 %	20.5%	(0.1) pts.	20.1%	20.0%	(0.1) pts.

(1) See “Non-GAAP Financial Measures” section for an explanation of the Non-GAAP financial measures.

Q1 Gross Margin, RD&E and SAG Reconciliation

	Three Months Ended March 31,					
	2016			2015		
(in millions)	As Reported	Non-service retirement related costs	Adjusted	As Reported	Non-service retirement related costs	Adjusted
Gross Profit	$ 1,280	$ 17	$ 1,297	$ 1,394	$ 16	$ 1,410
RD&E	134	(8)	126	141	(7)	134
SAG	882	(21)	861	915	(19)	896
Gross Margin	29.9%	0.4%	30.3%	31.2%	0.4%	31.6%
RD&E as a % of Revenue	3.1%	(0.2)%	2.9%	3.2%	(0.2)%	3.0%
SAG as a % of Revenue	20.6%	(0.5)%	20.1%	20.5%	(0.4)%	20.0%

Revised 2015 EPS – New Reporting Basis

	Q1		Q2		Q3		Q4		FY 2015	
(in millions; except per share amounts)	Net Income	Diluted EPS	Net Income	Diluted EPS	Net (Loss) Income	Diluted EPS	Net Income	Diluted EPS	Net Income	Diluted EPS
As Reported [(1)]	$ 191	**$ 0.16**	$ 107	**$ 0.09**	$ (31)	**$ (0.04)**	$ 285	**$ 0.27**	$ 552	**$ 0.49**
Amortization of intangible assets	77		79		77		77		310	
Software impairment	-		146		-		-		146	
HE charge	-		-		389		-		389	
Restructuring charges - Xerox	14		11		20		(5)		40	
Non-service retirement-related costs	42		10		30		34		116	
Income tax on adjustments [(2)]	(47)		(90)		(198)		(45)		(380)	
Restructuring charges - Fuji Xerox	1		1		2		-		4	
Adjusted - revised	$ 278	**$ 0.24**	$ 264	**$ 0.23**	$ 289	**$ 0.27**	$ 346	**$ 0.33**	$ 1,177	**$ 1.07**
Memo: Adjusted - previous basis	*$ 239*	***$ 0.21***	*$ 246*	***$ 0.22***	*$ 258*	***$ 0.24***	*$ 333*	***$ 0.32***	*$ 1,076*	***$ 0.98***
Weighted average shares - adjusted EPS [(3)]		1,154		1,132		1,078		1,046		1,103

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

(2) Refer to Effective Tax Rate reconciliation.

(3) Average shares for the calculation of adjusted EPS include 27 million of shares associated with our Series A convertible preferred stock.

Revised 2015 Adjusted Effective Tax Rate – New Reporting Basis

	Q1			Q2			Q3			Q4			FY 2015		
(in millions)	Pre-Tax Income	Income Tax Expense	Effective Tax Rate	Pre-Tax Income	Income Tax (Benefit) Expense	Effective Tax Rate	Pre-Tax (Loss) Income	Income Tax (Benefit) Expense	Effective Tax Rate	Pre-Tax Income	Income Tax Expense	Effective Tax Rate	Pre-Tax Income	Income Tax (Benefit) Expense	Effective Tax Rate
Reported[1]	**$ 201**	**$ 39**	**19.4%**	**$ 74**	**$ (9)**	**(12.2)%**	**$ (173)**	**$ (105)**	**60.7%**	**$ 310**	**$ 52**	**16.8%**	**$ 412**	**$ (23)**	**(5.6)%**
Non-GAAP Adjustments[2]	133	47		246	90		516	198		106	45		1,001	380	
Adjusted - revised [3]	**$ 334**	**$ 86**	**25.7%**	**$ 320**	**$ 81**	**25.3%**	**$ 343**	**$ 93**	**27.1%**	**$ 416**	**$ 97**	**23.3%**	**$ 1,413**	**$ 357**	**25.3%**
Memo: Adjusted - previous basis			***24.5%***			***25.8%***			***24.6%***			***20.9%***			***23.7%***

(1) Pre-Tax Income (Loss) and Income Tax Expense (Benefit) from continuing operations.

(2) See Net Income/EPS reconciliation for details. Amounts exclude Fuji Xerox restructuring as these amounts are net of tax.

(3) The tax impact on the Adjusted Pre-Tax Income from continuing operations is calculated under the same accounting principles applied to the As Reported Pre-Tax Income under ASC 740, which employs an annual effective tax rate method to the results.

Revised 2015 Segments – New Reporting Basis

(in $ millions)	Revised 2015					Revised 2015 Adjusted for HE charge	
	Q1	Q2	Q3	Q4	Full Year	Adjusted Q3	Full Year
Revenues							
Services	2,467	2,526	2,367	2,602	9,962	2,483	10,078
Document Technology	1,830	1,880	1,778	1,877	7,365	1,778	7,365
Other	172	184	188	174	718	188	718
Total Revenues	**4,469**	**4,590**	**4,333**	**4,653**	**18,045**	**4,449**	**18,161**
Segment Profit (Loss)							
Services	187	181	(196)	252	424	193	813
Document Technology	232	235	248	245	960	248	960
Other	(47)	(62)	(55)	(46)	(210)	(55)	(210)
Segment Profit (Loss)	**372**	**354**	**(3)**	**451**	**1,174**	**386**	**1,563**
Segment Margin							
Services	7.6%	7.2%	(8.3%)	9.7%	4.3%	7.8%	8.1%
Document Technology	12.7%	12.5%	13.9%	13.1%	13.0%	13.9%	13.0%
Other	(27.3%)	(33.7%)	(29.3%)	(26.4%)	(29.2%)	(29.3%)	(29.2%)
Segment Margin	**8.3%**	**7.7%**	**(0.1%)**	**9.7%**	**6.5%**	**8.7%**	**8.6%**