

**Xerox Financial Model**  
(unaudited)



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

	2015	2016					2017					2018
	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1
<b>Revenues</b>												
Sales	4,674	1,003	1,126	1,057	1,133	4,319	936	1,010	981	1,146	4,073	933
Services, maintenance and rentals	6,445	1,529	1,585	1,489	1,524	6,127	1,442	1,483	1,443	1,530	5,898	1,431
Financing	346	83	82	83	77	325	76	74	73	71	294	71
<b>Total Revenues</b>	<b>11,465</b>	<b>2,615</b>	<b>2,793</b>	<b>2,629</b>	<b>2,734</b>	<b>10,771</b>	<b>2,454</b>	<b>2,567</b>	<b>2,497</b>	<b>2,747</b>	<b>10,265</b>	<b>2,435</b>
<b>Cost of Revenue</b>												
Cost of sales	2,925	613	696	647	700	2,656	565	619	593	710	2,487	563
Cost of services, maintenance and rentals	3,789	935	942	902	903	3,682	881	872	870	895	3,518	868
Cost of financing	130	33	32	32	31	128	33	33	33	34	133	34
<b>Total Cost of Revenue</b>	<b>6,844</b>	<b>1,581</b>	<b>1,670</b>	<b>1,581</b>	<b>1,634</b>	<b>6,466</b>	<b>1,479</b>	<b>1,524</b>	<b>1,496</b>	<b>1,639</b>	<b>6,138</b>	<b>1,465</b>
<b>Gross Profit</b>												
Sales gross profit	1,749	390	430	410	433	1,663	371	391	388	436	1,586	370
Services, maintenance and rentals gross profit	2,656	594	643	587	621	2,445	561	611	573	635	2,380	563
Financing gross profit	216	50	50	51	46	197	43	41	40	37	161	37
<b>Gross Profit</b>	<b>4,621</b>	<b>1,034</b>	<b>1,123</b>	<b>1,048</b>	<b>1,100</b>	<b>4,305</b>	<b>975</b>	<b>1,043</b>	<b>1,001</b>	<b>1,108</b>	<b>4,127</b>	<b>970</b>
<b>Research, development &amp; engineering</b>	<b>500</b>	<b>121</b>	<b>115</b>	<b>114</b>	<b>113</b>	<b>463</b>	<b>111</b>	<b>102</b>	<b>105</b>	<b>106</b>	<b>424</b>	<b>100</b>
Bad Debt Expense	49	12	10	13	2	37	13	9	8	3	33	13
Selling, administrative and general exp. (Excl Bad Debts)	2,767	668	668	635	628	2,599	621	617	622	633	2,493	615
<b>Total Selling, administrative and general exp.</b>	<b>2,816</b>	<b>680</b>	<b>678</b>	<b>648</b>	<b>630</b>	<b>2,636</b>	<b>634</b>	<b>626</b>	<b>630</b>	<b>636</b>	<b>2,526</b>	<b>628</b>
Non-financing interest expense	216	54	42	42	43	181	36	24	29	30	119	31
Aggregate Exchange losses / (gains)	2	4	(1)	4	6	13	3	1	-	-	4	(2)
All other, net	77	31	36	35	25	127	75	43	23	65	206	3
<b>Total Other, net</b>	<b>295</b>	<b>89</b>	<b>77</b>	<b>81</b>	<b>74</b>	<b>321</b>	<b>114</b>	<b>68</b>	<b>52</b>	<b>95</b>	<b>329</b>	<b>32</b>
Restructuring and related costs	26	98	46	25	90	259	118	39	35	24	216	28
Amortization of intangible assets	60	14	16	14	14	58	14	15	12	12	53	12
Transaction and related costs	-	-	-	-	-	-	-	-	-	9	9	36
<b>Total Costs and Expenses</b>	<b>10,541</b>	<b>2,583</b>	<b>2,602</b>	<b>2,463</b>	<b>2,555</b>	<b>10,203</b>	<b>2,470</b>	<b>2,374</b>	<b>2,330</b>	<b>2,521</b>	<b>9,695</b>	<b>2,301</b>
<b>Income (Loss) before Income Taxes &amp; Equity Income</b>	<b>924</b>	<b>32</b>	<b>191</b>	<b>166</b>	<b>179</b>	<b>568</b>	<b>(16)</b>	<b>193</b>	<b>167</b>	<b>226</b>	<b>570</b>	<b>134</b>
Income Taxes	193	(2)	18	28	18	62	(24)	43	18	444	481	40
Equity in net income of unconsolidated affiliates	109	34	26	40	27	127	40	20	30	25	115	(68)
<b>Income from Continuing Operations</b>	<b>840</b>	<b>68</b>	<b>199</b>	<b>178</b>	<b>188</b>	<b>633</b>	<b>48</b>	<b>170</b>	<b>179</b>	<b>(193)</b>	<b>204</b>	<b>26</b>
(Loss) Income from discontinued operations, net of tax	(374)	(35)	(38)	8	(1,028)	(1,093)	(6)	-	3	6	3	-
<b>Net Income (Loss)</b>	<b>466</b>	<b>33</b>	<b>161</b>	<b>186</b>	<b>(840)</b>	<b>(460)</b>	<b>42</b>	<b>170</b>	<b>182</b>	<b>(187)</b>	<b>207</b>	<b>26</b>
Less: Net Income attributable to Noncontrolling Interests	18	2	3	3	3	11	2	4	3	3	12	3
<b>Net Income (Loss) Attributable to Xerox</b>	<b>448</b>	<b>31</b>	<b>158</b>	<b>183</b>	<b>(843)</b>	<b>(471)</b>	<b>40</b>	<b>166</b>	<b>179</b>	<b>(190)</b>	<b>195</b>	<b>23</b>
<b>Amounts Attributable to Xerox</b>												
Net income from continuing operations	822	66	196	175	185	622	46	166	176	(196)	192	23
(Loss) Income from discontinued operations, net of tax	(374)	(35)	(38)	8	(1,028)	(1,093)	(6)	-	3	6	3	-
<b>Net Income (Loss) Attributable to Xerox</b>	<b>448</b>	<b>31</b>	<b>158</b>	<b>183</b>	<b>(843)</b>	<b>(471)</b>	<b>40</b>	<b>166</b>	<b>179</b>	<b>(190)</b>	<b>195</b>	<b>23</b>

**Xerox Financial Model  
(unaudited)**



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

		2015	2016					2017					2018
		FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1
<b>Preferred Dividends/ Other</b>	- Basic	24	6	6	6	6	24	4	3	4	3	14	4
	- Diluted *	24	6	6	6	6	24	4	-	-	3	14	4
<b>Weighted Average Shares</b>	- Basic	266	253	253	253	254	253	254	254	255	255	254	255
	- Diluted *	269	255	256	256	257	256	256	263	263	255	257	257
<b>Earnings Per Share</b>	- Basic:												
	Continuing operations	3.00	0.24	0.75	0.66	0.71	2.36	0.17	0.64	0.68	(0.78)	0.70	0.08
	Discontinued operations	(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>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>	<u>0.08</u>
	- Diluted:												
	Continuing operations	2.97	0.23	0.75	0.66	0.70	2.33	0.16	0.63	0.67	(0.78)	0.70	0.08
Discontinued operations	(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>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>	<u>0.08</u>	
<b>Key Ratios - GAAP:</b>													
<b>Gross Margins</b>	- Sales	37.4%	38.9%	38.2%	38.8%	38.2%	38.5%	39.6%	38.7%	39.6%	38.0%	38.9%	39.7%
	- Services/Maintenance/Rentals	41.2%	38.8%	40.6%	39.4%	40.7%	39.9%	38.9%	41.2%	39.7%	41.5%	40.4%	39.3%
	- Financing	62.4%	60.2%	61.0%	61.4%	59.7%	60.6%	56.6%	55.4%	54.8%	52.1%	54.8%	52.1%
	- Total	40.3%	39.5%	40.2%	39.9%	40.2%	40.0%	39.7%	40.6%	40.1%	40.3%	40.2%	39.8%
<b>SAG as a % of Revenue</b>	24.6%	26.0%	24.3%	24.6%	23.0%	24.5%	25.8%	24.4%	25.2%	23.2%	24.6%	25.8%	
<b>Tax Rate</b>	20.9%	-6.3%	9.4%	16.9%	10.1%	10.9%	150.0%	22.3%	10.8%	196.5%	84.4%	29.9%	
<b>Ending Xerox Employment</b>	40,000	NA	NA	NA	NA	37,600	37,200	36,900	36,100	35,300	35,300	35,000	

\*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)**



*Non-GAAP basis is adjusted to exclude restructuring and related costs, amortization of intangible assets, transaction and related costs, non-service retirement-related costs as well as other discrete, unusual or infrequent items as described in our Non-GAAP Financial Measures section of our Quarterly Reports on Form 10-Q and our Annual Report on Form 10-K*

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

	2015	2016					2017					2018
	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1
<b>Revenues</b>												
Sales	4,674	1,003	1,126	1,057	1,133	4,319	936	1,010	981	1,146	4,073	933
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Financing	346	83	82	83	77	325	76	74	73	71	294	71
<b>Total Revenues</b>	<b>11,465</b>	<b>2,615</b>	<b>2,793</b>	<b>2,629</b>	<b>2,734</b>	<b>10,771</b>	<b>2,454</b>	<b>2,567</b>	<b>2,497</b>	<b>2,747</b>	<b>10,265</b>	<b>2,435</b>
<b>Cost of Revenue</b>												
Cost of sales	2,925	613	696	647	700	2,656	565	619	593	710	2,487	563
Cost of services, maintenance and rentals	3,789	935	942	902	903	3,682	881	872	870	895	3,518	868
Cost of financing	130	33	32	32	31	128	33	33	33	34	133	34
<b>Total Cost of Revenue</b>	<b>6,844</b>	<b>1,581</b>	<b>1,670</b>	<b>1,581</b>	<b>1,634</b>	<b>6,466</b>	<b>1,479</b>	<b>1,524</b>	<b>1,496</b>	<b>1,639</b>	<b>6,138</b>	<b>1,465</b>
<b>Gross Profit</b>												
Sales gross profit	1,749	390	430	410	433	1,663	371	391	388	436	1,586	370
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Financing gross profit	216	50	50	51	46	197	43	41	40	37	161	37
<b>Gross Profit</b>	<b>4,621</b>	<b>1,034</b>	<b>1,123</b>	<b>1,048</b>	<b>1,100</b>	<b>4,305</b>	<b>975</b>	<b>1,043</b>	<b>1,001</b>	<b>1,108</b>	<b>4,127</b>	<b>970</b>
<b>Research, development &amp; engineering</b>	<b>500</b>	<b>121</b>	<b>115</b>	<b>114</b>	<b>113</b>	<b>463</b>	<b>111</b>	<b>102</b>	<b>105</b>	<b>106</b>	<b>424</b>	<b>100</b>
Bad Debt Expense	49	12	10	13	2	37	13	9	8	3	33	13
Selling, administrative and general exp. (Excl Bad Debts)	2,767	668	668	635	628	2,599	621	617	622	633	2,493	615
<b>Total Selling, administrative and general exp.</b>	<b>2,816</b>	<b>680</b>	<b>678</b>	<b>648</b>	<b>630</b>	<b>2,636</b>	<b>634</b>	<b>626</b>	<b>630</b>	<b>636</b>	<b>2,526</b>	<b>628</b>
Non-financing interest expense	216	54	42	42	43	181	36	24	29	30	119	31
Aggregate Exchange losses / (gains)	2	4	(1)	4	6	13	3	1	-	-	4	(2)
All other, net	(23)	(13)	7	4	8	6	2	9	(12)	(1)	(2)	(24)
<b>Total Other, net</b>	<b>195</b>	<b>45</b>	<b>48</b>	<b>50</b>	<b>57</b>	<b>200</b>	<b>41</b>	<b>34</b>	<b>17</b>	<b>29</b>	<b>121</b>	<b>5</b>
<b>Total Costs and Expenses</b>	<b>10,355</b>	<b>2,427</b>	<b>2,511</b>	<b>2,393</b>	<b>2,434</b>	<b>9,765</b>	<b>2,265</b>	<b>2,286</b>	<b>2,248</b>	<b>2,410</b>	<b>9,209</b>	<b>2,198</b>
<b>Income before Income Taxes &amp; Equity Income</b>	<b>1,110</b>	<b>188</b>	<b>282</b>	<b>236</b>	<b>300</b>	<b>1,006</b>	<b>189</b>	<b>281</b>	<b>249</b>	<b>337</b>	<b>1,056</b>	<b>237</b>
Income Taxes	263	39	52	54	62	207	51	76	48	88	263	67
Equity in Net Income of Unconsol. Affil.	113	34	27	42	27	130	40	23	36	26	125	11
<b>Income from Continuing Operations</b>	<b>960</b>	<b>183</b>	<b>257</b>	<b>224</b>	<b>265</b>	<b>929</b>	<b>178</b>	<b>228</b>	<b>237</b>	<b>275</b>	<b>918</b>	<b>181</b>
Less: Net Income attributable to Noncontrolling Interests	18	2	3	3	3	11	2	4	3	3	12	3
<b>Net Income from Continuing Operations Attributable to Xerox</b>	<b>942</b>	<b>181</b>	<b>254</b>	<b>221</b>	<b>262</b>	<b>918</b>	<b>176</b>	<b>224</b>	<b>234</b>	<b>272</b>	<b>906</b>	<b>178</b>

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



*Non-GAAP basis is adjusted to exclude restructuring and related costs, amortization of intangible assets, transaction and related costs, non-service retirement-related costs as well as other discrete, unusual or infrequent items as described in our Non-GAAP Financial Measures section of our Quarterly Reports on Form 10-Q and our Annual Report on Form 10-K*

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

	2015	2016					2017					2018
	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1
<b>Earnings Per Share</b>												
Continuing Operations:												
Preferred Dividends - Adjusted EPS *	(24)	(6)	-	(6)	-	(24)	-	-	-	-	-	-
Adjusted Earnings per Share	3.41	0.68	0.97	0.84	1.00	3.49	0.67	0.86	0.89	1.03	3.45	0.68
Adjusted Weighted Average Shares *	269	255	262	256	264	256	263	263	263	264	263	264
<b>Key Ratios - Adjusted:</b>												
<b>Gross Margins</b>												
- Sales	37.4%	38.9%	38.2%	38.8%	38.2%	38.5%	39.6%	38.7%	39.6%	38.0%	38.9%	39.7%
- Services/Maintenance/Rentals	41.2%	38.8%	40.6%	39.4%	40.7%	39.9%	38.9%	41.2%	39.7%	41.5%	40.4%	39.3%
- Financing	62.4%	60.2%	61.0%	61.4%	59.7%	60.6%	56.6%	55.4%	54.8%	52.1%	54.8%	52.1%
- Total	40.3%	39.5%	40.2%	39.9%	40.2%	40.0%	39.7%	40.6%	40.1%	40.3%	40.2%	39.8%
<b>Adjusted Operating Margin</b>	12.4%	10.2%	12.8%	12.5%	14.0%	12.4%	11.0%	13.2%	12.1%	14.3%	12.7%	10.4%
<b>SAG as a % of Revenue</b>	24.6%	26.0%	24.3%	24.6%	23.0%	24.5%	25.8%	24.4%	25.2%	23.2%	24.6%	25.8%
<b>Adjusted Effective Tax Rate</b>	23.7%	20.7%	18.4%	22.9%	20.7%	20.6%	27.0%	27.0%	19.3%	26.1%	24.9%	28.3%
<b>Non-GAAP Adjustments:</b>												
Restructuring and related costs	26	98	46	25	90	259	118	39	35	24	216	28
Amortization of intangible assets	60	14	16	14	14	58	14	15	12	12	53	12
Non-service retirement-related costs	100	44	29	31	17	121	60	34	35	59	188	25
Transaction and related costs	-	-	-	-	-	-	-	-	-	9	9	36
Bridge facility costs	-	-	-	-	-	-	-	-	-	-	-	2
Loss on early extinguishment of debt	-	-	-	-	-	-	13	-	-	7	20	-
Restructuring and other charges - Fuji Xerox	4	-	1	2	-	3	-	3	6	1	10	79
Remeasurement of unrecognized tax positions	-	-	-	-	-	-	(16)	-	-	-	(16)	-
Tax on adjusted items	(70)	(41)	(34)	(26)	(44)	(145)	(59)	(33)	(30)	(44)	(166)	(27)
US Tax Act	-	-	-	-	-	-	-	-	-	400	400	-
<b>Total Non-GAAP Adjustments</b>	<b>120</b>	<b>115</b>	<b>58</b>	<b>46</b>	<b>77</b>	<b>296</b>	<b>130</b>	<b>58</b>	<b>58</b>	<b>468</b>	<b>714</b>	<b>155</b>

\*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  
(unaudited)**



(in \$ millions)	2017					2018	2018 YOY CC % Change
	Q1	Q2	Q3	Q4	FY	Q1	Q1
<b>Revenue <sup>(1)</sup></b>							
Entry	56	55	52	68	231	53	(10.9)%
Mid-range	332	358	350	428	1,468	334	(2.5)%
High-end	97	109	101	166	473	92	(9.4)%
Other	28	34	28	33	123	20	(28.6)%
<b>Total Equipment Revenue</b>	<b>513</b>	<b>556</b>	<b>531</b>	<b>695</b>	<b>2,295</b>	<b>499</b>	(6.4)%
N. America	1,473	1,534	1,514	1,601	6,122	1,438	(2.8)%
International	852	895	853	1,001	3,601	891	(5.5)%
Other	129	138	130	145	542	106	(17.8)%
<b>Total Revenue</b>	<b>2,454</b>	<b>2,567</b>	<b>2,497</b>	<b>2,747</b>	<b>10,265</b>	<b>2,435</b>	(4.6)%
<b>Installs <sup>(2)</sup></b>							
<b>Entry A4 MFPs</b>							
Color	15%	24%	23%	32%	24%	4%	
B&W	1%	10%	26%	34%	18%	18%	
<b>Mid-range</b>							
Color	-	(15)%	-	14%	-	16%	
B&W	(24)%	(14)%	(11)%	1%	(12)%	11%	
<b>High-end</b>							
Color	(15)%	(9)%	(2)%	(5)%	(8)%	6%	
B&W	(25)%	(34)%	(32)%	(10)%	(25)%	(9)%	

Notes:

(1) In 2018 revenues from our OEM business are included in Other, which had historically been reported within Entry. This reclassification was made to provide better transparency to our business results. Prior year amounts have been adjusted to conform to this change.

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

CC = Constant Currency