UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended: March 31, 2016

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 001-04471

XEROX CORPORATION
(Exact Name of Registrant as specified in its charter)

New York	**16-0468020**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**
P.O. Box 4505, 45 Glover Avenue Norwalk, Connecticut	**06856-4505**
(Address of principal executive offices)	**(Zip Code)**

(203) 968-3000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by a check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x Accelerated filer o Non-accelerated filer o Smaller reporting company o

Indicate by a check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ☒

Class	Outstanding at March 31, 2016
Common Stock, $1 par value	1,013,002,305 shares

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q and any exhibits to this Report may contain "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. 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 collectibility 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 Business Process Outsourcing (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 this Quarterly Report on Form 10-Q, as well as in 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.

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For additional information about Xerox Corporation and access to our Annual Reports to Shareholders and SEC filings, free of charge, please visit our website at www.xerox.com/investor. Any information on or linked from the website is not incorporated by reference into this Form 10-Q.

XEROX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(in millions, except per-share data)	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Revenues		
Sales	$ 1,021	$ 1,126
Outsourcing, maintenance and rentals	3,177	3,253
Financing	83	90
Total Revenues	4,281	4,469
Costs and Expenses		
Cost of sales	624	674
Cost of outsourcing, maintenance and rentals	2,344	2,368
Cost of financing	33	33
Research, development and engineering expenses	134	141
Selling, administrative and general expenses	882	915
Restructuring and related costs	126	14
Amortization of intangible assets	89	77
Separation costs	8	—
Other expenses, net	57	46
Total Costs and Expenses	4,297	4,268
(Loss) Income before Income Taxes and Equity Income	(16)	201
Income tax (benefit) expense	(15)	39
Equity in net income of unconsolidated affiliates	37	34
Income from Continuing Operations	36	196
Income from discontinued operations, net of tax	—	34
Net Income	36	230
Less: Net income attributable to noncontrolling interests	2	5
Net Income Attributable to Xerox	$ 34	$ 225
Amounts Attributable to Xerox:		
Net income from continuing operations	$ 34	$ 191
Net income from discontinued operations	—	34
Net Income Attributable to Xerox	$ 34	$ 225
Basic Earnings per Share:		
Continuing operations	$ 0.03	$ 0.17
Discontinued operations	—	0.03
Total Basic Earnings per Share	$ 0.03	$ 0.20
Diluted Earnings per Share:		
Continuing operations	$ 0.03	$ 0.16
Discontinued operations	—	0.03
Total Diluted Earnings per Share	$ 0.03	$ 0.19

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

XEROX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

	Three Months Ended March 31,	
(in millions)	2016	2015
Net income	$ 36	$ 230
Less: Net income attributable to noncontrolling interests	2	5
Net Income Attributable to Xerox	34	225
Other Comprehensive Income (Loss), Net[1]:		
Translation adjustments, net	191	(509)
Unrealized gains, net	9	29
Changes in defined benefit plans, net	(112)	98
Other Comprehensive Income (Loss), Net	88	(382)
Less: Other comprehensive loss, net attributable to noncontrolling interests	—	(1)
Other Comprehensive Income (Loss), Net Attributable to Xerox	88	(381)
Comprehensive Income (Loss), Net	124	(152)
Less: Comprehensive income, net attributable to noncontrolling interests	2	4
Comprehensive Income (Loss), Net Attributable to Xerox	$ 122	$ (156)

(1) Refer to Note 15 - Other Comprehensive Income (Loss) for gross components of Other Comprehensive Income (Loss), reclassification adjustments out of Accumulated Other Comprehensive Loss and related tax effects.

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

XEROX CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in millions, except share data in thousands)	March 31, 2016	December 31, 2015
Assets		
Cash and cash equivalents	$ 1,189	$ 1,368
Accounts receivable, net	2,456	2,319
Billed portion of finance receivables, net	100	97
Finance receivables, net	1,307	1,315
Inventories	1,034	942
Other current assets	722	644
Total current assets	6,808	6,685
Finance receivables due after one year, net	2,565	2,576
Equipment on operating leases, net	489	495
Land, buildings and equipment, net	1,000	996
Investments in affiliates, at equity	1,432	1,389
Intangible assets, net	1,684	1,765
Goodwill	8,814	8,823
Other long-term assets	2,065	2,060
Total Assets	$ 24,857	$ 24,789
Liabilities and Equity		
Short-term debt and current portion of long-term debt	$ 2,029	$ 985
Accounts payable	1,445	1,614
Accrued compensation and benefits costs	710	651
Unearned income	421	428
Other current liabilities	1,541	1,576
Total current liabilities	6,146	5,254
Long-term debt	5,359	6,354
Pension and other benefit liabilities	2,617	2,513
Post-retirement medical benefits	792	785
Other long-term liabilities	431	417
Total Liabilities	15,345	15,323
Commitments and Contingencies (See Note 17)		
Series A Convertible Preferred Stock	349	349
Common stock	1,013	1,013
Additional paid-in capital	3,032	3,017
Retained earnings	9,635	9,686
Accumulated other comprehensive loss	(4,554)	(4,642)
Xerox shareholders' equity	9,126	9,074
Noncontrolling interests	37	43
Total Equity	9,163	9,117
Total Liabilities and Equity	$ 24,857	$ 24,789
Shares of common stock issued and outstanding	1,013,002	1,012,836

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

XEROX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(in millions)	Three Months Ended March 31, 2016	2015
Cash Flows from Operating Activities:		
Net income	$ 36	$ 230
Adjustments required to reconcile net income to cash flows from operating activities:		
Depreciation and amortization	290	296
Provision for receivables	15	18
Provision for inventory	9	6
Net gain on sales of businesses and assets	(20)	(12)
Undistributed equity in net income of unconsolidated affiliates	(37)	(31)
Stock-based compensation	14	22
Restructuring and asset impairment charges	123	14
Payments for restructurings	(28)	(31)
Defined benefit pension cost	43	41
Contributions to defined benefit pension plans	(36)	(41)
Increase in accounts receivable and billed portion of finance receivables	(185)	(239)
Collections of deferred proceeds from sales of receivables	59	72
Increase in inventories	(99)	(126)
Increase in equipment on operating leases	(62)	(70)
Decrease in finance receivables	64	72
Collections on beneficial interest from sales of finance receivables	8	15
Increase in other current and long-term assets	(59)	(71)
Decrease in accounts payable and accrued compensation	(147)	(58)
Decrease in other current and long-term liabilities	(67)	(26)
Other operating, net	54	32
Net cash (used in) provided by operating activities	(25)	113
Cash Flows from Investing Activities:		
Cost of additions to land, buildings and equipment	(50)	(75)
Proceeds from sales of land, buildings and equipment	19	16
Cost of additions to internal use software	(22)	(20)
Proceeds from sale of businesses	(56)	3
Acquisitions, net of cash acquired	(18)	(28)
Other investing, net	2	6
Net cash used in investing activities	(125)	(98)
Cash Flows from Financing Activities:		
Net proceeds on short-term debt	749	204
Proceeds from issuance of long-term debt	4	663
Payments on long-term debt	(708)	(1,017)
Common stock dividends	(71)	(70)
Preferred stock dividends	(6)	(6)
Proceeds from issuances of common stock	1	10
Excess tax benefits from stock-based compensation	—	2
Payments to acquire treasury stock, including fees	—	(216)
Repurchases related to stock-based compensation	—	(1)
Distributions to noncontrolling interests	(11)	(54)
Net cash used in financing activities	(42)	(485)
Effect of exchange rate changes on cash and cash equivalents	13	(69)
Decrease in cash and cash equivalents	(179)	(539)
Cash and cash equivalents at beginning of period	1,368	1,411
Cash and Cash Equivalents at End of Period	$ 1,189	$ 872

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

Note 1 – Basis of Presentation

References herein to “we,” “us,” “our,” the “Company” and “Xerox” refer to Xerox Corporation and its consolidated subsidiaries unless the context suggests otherwise.

We have prepared the accompanying unaudited Condensed Consolidated Financial Statements in accordance with the accounting policies described in our 2015 Annual Report on Form 10-K (2015 Annual Report), and the interim reporting requirements of Form 10-Q. Accordingly, certain information and note disclosures normally included in our annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. You should read these Condensed Consolidated Financial Statements in conjunction with the Consolidated Financial Statements included in our 2015 Annual Report.

In our opinion, all adjustments which are necessary for a fair statement of financial position, operating results and cash flows for the interim periods presented have been made. These adjustments consist of normal recurring items. Interim results of operations are not necessarily indicative of the results of the full year.

For convenience and ease of reference, we refer to the financial statement caption “(Loss) Income before Income Taxes and Equity Income” as “pre-tax (loss) income.”

Planned Company Separation

On January 29, 2016, Xerox announced that its Board of Directors approved management’s plan to separate the Company's Business Process Outsourcing (BPO) business from its Document Technology and Document Outsourcing business. Each of the businesses will operate as an independent, publicly-traded company. Leadership and names of the two companies will be determined as the separation process progresses. The transaction is intended to be tax-free for Xerox shareholders for federal income tax purposes.

Xerox has begun the process to separate and is finalizing the transaction structure, which is predicated on a spin-off of the BPO business. Our objective is to complete the separation by year-end 2016, subject to customary regulatory approvals, the effectiveness of a Form 10 registration statement with the U.S. Securities and Exchange Commission, tax considerations, securing any necessary financing and final approval of the Xerox Board of Directors. Until the separation is complete, we will continue to operate and report as a single company, and it will continue to be business as usual for our customers and employees.

In conjunction with the separation, Xerox also began a three-year strategic transformation program targeting a cumulative $2.4 billion of savings across all segments. The program is inclusive of ongoing activities and $600 of incremental transformation initiatives.

Note 2 – Recent Accounting Pronouncements

Revenue Recognition

In May 2014, the FASB issued **ASU 2014-09**, *Revenue from Contracts with Customers (Topic 606)*, to supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under existing U.S. GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. ASU 2014-09 is effective for our fiscal year beginning January 1, 2018, with early adoption permitted for fiscal years beginning January 1, 2017. In March 2016, the FASB issued ASU 2016-08, Revenue Recognition - Principal versus Agent (reporting revenue gross versus net). ASU 2016-08 provides additional guidance on topics addressed in ASU 2014-09. We will adopt this standard beginning January 1, 2018, and we will use the cumulative catch-up transition method. We continue to evaluate the impact of our pending adoption of ASU 2014-09 on our consolidated financial statements.

Leases

In February 2016, the FASB issued **ASU 2016-02**, *Leases*. This update requires the recognition of leased assets and lease obligations by lessees for those leases currently classified as operating leases under existing lease guidance. Short term leases with a term of 12 months or less are not required to be recognized. The update also requires disclosure of key information about leasing arrangements to increase transparency and comparability among organizations. The accounting for lessors does not fundamentally change except for changes to conform and align guidance to the lessee guidance as well as to the new revenue recognition guidance in ASU 2014-09. This update is effective for our fiscal year beginning January 1, 2019. We are currently evaluating the impact of the adoption of ASU 2016-02 on our consolidated financial statements.

Stock Compensation

In March 2016, the FASB issued **ASU 2016-09**, *Compensation - Stock Compensation, Improvements to Employee Share-Based payment Accounting (Topic 718).* This update is intended to provide simplification of the accounting for share based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. This update is effective for our fiscal year beginning January 1, 2017. We are currently evaluating the impact of the adoption of ASU 2016-09 on our consolidated financial statements.

Equity Method Accounting

In March 2016, the FASB issued **ASU 2016-07**, *Investments - Equity Method and Joint Ventures (Topic 323), Simplifying the Transition to the Equity Method of Accounting*. This update eliminates the requirement that when an existing cost method investment qualifies for use of the equity method, an investor must restate its historical financial statements, as if the equity method had been used during all previous periods. Under the new guidance, at the point an investment qualifies for the equity method, any unrealized gain or loss in accumulated other comprehensive income/(loss) ("AOCI") will be recognized through earnings. This update is effective for our fiscal year beginning January 1, 2017 with early adoption permitted. The adoption of this update is not expected to have a material impact on our financial condition, results of operations or cash flows.

Financial Instruments - Classification and Measurement

In January 2016, the FASB issued **ASU 2016-01**, *Financial Instruments - Recognition and Measurement of Financial Instruments and Financial Liabilities.* This update requires that equity investments (except those accounted for under the equity method of accounting or those that result in consolidation) be measured at fair value with changes in fair value recognized in net income. The amendments in this update also simplify the impairment assessment of equity investments without readily determinable fair values. This update is effective for our fiscal year beginning January 1, 2018. The adoption of this update is not expected to have a material impact on our financial condition, results of operations or cash flows.

Accounting for Income Taxes: Balance Sheet Presentation of Deferred Taxes

In November 2015, the FASB issued **ASU 2015-17**, *Income Taxes: Balance Sheet Classification of Deferred Taxes.* This update, which simplifies the presentation of deferred income taxes, requires that deferred tax liabilities and assets be classified as non-current in a classified statement of financial position. As allowed by the update, we early adopted ASU 2015-17 effective December 31, 2015 on a prospective basis. Adoption of this update resulted in a reclassification of our net current deferred tax asset and liabilities to the net non-current deferred tax asset and liabilities in our Consolidated Balance Sheet as of December 31, 2015. Prior periods were not retrospectively

adjusted. The current requirement that deferred tax liabilities and assets of a tax-paying component (jurisdiction) of an entity be offset and presented as a single amount is not affected by this update.

Interest

In April 2015, the FASB issued **ASU 2015-03**, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs.* This update requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. In August 2015, the FASB issued **ASU 2015-15**, which indicated that the SEC staff would not object to an entity deferring and presenting debt issuance costs associated with a line-of-credit arrangement as an asset and subsequently amortizing those costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings. All of our debt issuance costs were reported as deferred charges in Other long-term assets and were $32 at December 31, 2015, $4 of which is related to our credit agreement. Upon adoption of this update effective January 1, 2016, we reclassified $28 of debt issuance costs to long-term debt. Prior periods were retroactively revised. The costs associated with our credit agreement will continue to be reported as a deferred charge in Other long-term assets. The adoption of this standard is not expected to have any effect on our financial condition, results of operations or cash flows.

Other Updates

In 2016 and 2015, the FASB also issued the following Accounting Standards Updates which are not expected to have a material impact on our financial condition, results of operations or cash flows when adopted in future periods. Those updates are as follows:

- ***Derivatives and Hedging:*** **ASU 2016-06**, *Contingent Put and Call Options in Debt Instruments,* which is effective for our fiscal year beginning January 1, 2017 with early adoption permitted.

- ***Derivatives and Hedging:*** **ASU 2016-05**, *Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships,* which is effective for our fiscal year beginning January 1, 2017 with early adoption permitted.

- ***Business Combinations:*** **ASU 2015-16**, *Accounting for Measurement Period Adjustments in a Business Combination*, which was effective for our fiscal year beginning January 1, 2016.

- ***Inventory:*** **ASU 2015-11**, *Simplifying the Subsequent Measurement of Inventory,* which is effective for our fiscal year beginning January 1, 2017.

- ***Intangibles - Goodwill and Other - Internal Use Software:*** **ASU 2015-05**, *Intangibles-Goodwill and Other-Internal Use Software - Customer's Accounting for Fees Paid in a Cloud Computing Arrangement,* which was effective for our fiscal year beginning January 1, 2016.

- ***Consolidation:*** **ASU 2015-02**, *Consolidation (Topic 810): Amendments to the Consolidation Analysis,* which was effective for our fiscal year beginning January 1, 2016.

- ***Derivatives and Hedging:*** **ASU 2014-16**, *Derivatives and Hedging (Topic 815) - Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity,* which was effective for our fiscal year beginning January 1, 2016.

- ***Disclosures of Going Concern Uncertainties:*** **ASU 2014-15**, *Presentation of Financial Statements - Going Concern (Subtopic 205-40); Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*, which was effective for our fiscal year beginning January 1, 2016.

- ***Stock Compensation:*** **ASU 2014-12**, *Compensation - Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide that a Performance Target Could be Achieved after the Requisite Service Period,* which was effective for our fiscal year beginning January 1, 2016.

Note 3 – Segment Reporting

Our reportable segments are aligned with how we manage the business and view the markets we serve. We report our financial performance based on the following two primary reportable segments – **Services and Document Technology**. Our Services segment operations involve delivery of business process and document outsourcing services for a broad range of customers from small businesses to large global enterprises. Our Document Technology segment includes the sale and support of a broad range of document systems from entry level to high-end.

In the first quarter of 2016, we revised our segment reporting to reflect the following changes:

- The transfer of the Education/Student Loan business from the Services segment to Other as a result of the expected continued run-off of this business. The business does not meet the threshold for separate segment reporting.
- The exclusion of the non-service elements of our defined-benefit pension and retiree-health plan costs from Segment profit.

Prior year amounts were accordingly revised to reflect these changes.

The **Services** segment is comprised of two outsourcing service offerings:

- Business Process Outsourcing (BPO)
- Document Outsourcing (which includes Managed Print Services) (DO)

Business process outsourcing services include service arrangements where we manage a customer's business activity or process. We provide multi-industry offerings such as customer care, transaction processing, finance and accounting, and human resources, as well as industry-focused offerings in areas such as healthcare, transportation, financial services, retail and telecommunications. Document outsourcing services include service arrangements that allow customers to streamline, simplify and digitize their document-intensive business processes through automation and deployment of software applications and tools and the management of their printing needs. Document outsourcing also includes revenues from our partner print services offerings.

Our **Document Technology** segment includes the sale of document systems and supplies, provision of technical service and financing of products. Our products groupings range from:

- **"Entry,"** which includes A4 devices and desktop printers; to
- **"Mid-range,"** which includes A3 devices that generally serve workgroup environments in mid to large enterprises and includes products that fall into the following market categories: Color 41+ ppm priced at less than $100K and Light Production 91+ ppm priced at less than $100K; to
- **"High-end,"** which includes production printing and publishing systems that generally serve the graphic communications marketplace and large enterprises.

Customers range from small and mid-sized businesses to large enterprises. Customers also include graphic communication enterprises as well as channel partners including distributors and resellers. Segment revenues reflect the sale of document systems and supplies, technical services and product financing.

Other includes several units, none of which meet the thresholds for separate segment reporting. This group includes paper sales in our developing market countries, Wide Format Systems, licensing revenues, Global Imaging Systems (GIS) network integration solutions, Education/Student Loan business, electronic presentation systems and non-allocated corporate items including non-financing interest and other items included in Other expenses, net.

Operating segment revenues and profitability were as follows:

	Three Months Ended March 31,	
	Segment Revenue	Segment Profit (Loss)
2016		
Services	$ 2,482	$ 190
Document Technology	1,639	167
Other	160	(66)
Total	$ 4,281	$ 291
2015		
Services	$ 2,467	$ 187
Document Technology	1,830	232
Other	172	(47)
Total	$ 4,469	$ 372

	Three Months Ended March 31,	
Reconciliation to Pre-tax (Loss) Income	2016	2015
Segment Profit	$ 291	$ 372
Reconciling items:		
Restructuring and related costs[(1)]	(127)	(18)
Restructuring charges of Fuji Xerox	—	(1)
Amortization of intangible assets	(89)	(77)
Non-service retirement-related costs[(2)]	(46)	(42)
Equity in net income of unconsolidated affiliates	(37)	(34)
Separation costs[(3)]	(8)	—
Other	—	1
Pre-tax (Loss) Income	$ (16)	$ 201

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(1) Includes Restructuring and related costs of $126 and $14, and business transformation costs of $1 and $4, for the three months ended March 31, 2016 and 2015, respectively. Business transformation costs represent incremental costs incurred directly in support of our business transformation and restructuring initiatives such as compensation costs for overlapping staff, consulting costs and training costs.

(2) Represents the non-service elements of our defined-benefit pension and retiree-health plan costs. Refer to Note 13 - Employee Benefit Plans for details regarding these elements.

(3) Separation costs are expenses incurred in connection with Xerox's planned separation into two independent, publicly-traded companies. These costs are primarily for third-party investment banking, accounting, legal, consulting and other similar types of services.

Note 4 – Divestitures

Information Technology Outsourcing (ITO)

In 2014, we announced an agreement to sell our ITO business to Atos SE (Atos). As a result of this agreement, we reported the ITO business as held for sale and a discontinued operation up through its date of sale, which was completed on June 30, 2015.

In February 2016, we reached an agreement with Atos on the final adjustments to the closing balance of net assets sold as well as the settlement of certain indemnifications and recorded an additional pre-tax loss on the disposal in 2015 of $24 ($14 after-tax). This additional loss was recorded in the 2015 financial statements because the agreement with Atos was reached before the financial statements had been issued, accordingly no adjustment was required in 2016. In the first quarter 2016, we paid Atos approximately $52, representing a $28 adjustment to the final sales price as a result of this agreement and a payment of $24 due from closing. The payment is reflected in Investing cash flows as an adjustment of the sales proceeds.

Other Discontinued Operations

There were no Discontinued Operations as of March 31, 2016. Summarized financial information for our Discontinued Operations for the three months ended of March 31, 2015 was as follows:

	Three Months Ended March 31, 2015		
	ITO	Other	Total
Revenues	$ 311	$ —	$ 311
Income from operations [1]	61	—	61
Loss on disposal	(4)	—	(4)
Net income before income taxes	$ 57	$ —	$ 57
Income tax expense	(23)	—	(23)
Income from discontinued operations, net of tax	$ 34	$ —	$ 34

[1] ITO Income from operations for first quarter 2015 excludes approximately $39 of depreciation and amortization expense (including $7 of intangible amortization) since the business was held for sale.

Note 5 – Accounts Receivable, Net

Accounts receivable, net were as follows:

	March 31, 2016	December 31, 2015
Amounts billed or billable	$ 2,225	$ 2,110
Unbilled amounts	312	289
Allowance for doubtful accounts	(81)	(80)
Accounts Receivable, Net	$ 2,456	$ 2,319

Unbilled amounts include amounts associated with percentage-of-completion accounting and other earned revenues not currently billable due to contractual provisions. Amounts to be invoiced in the subsequent month for current services provided are included in amounts billable, and at March 31, 2016 and December 31, 2015 were approximately $881 and $849, respectively.

We perform ongoing credit evaluations of our customers and adjust credit limits based upon customer payment history and current creditworthiness. The allowance for uncollectible accounts receivable is determined principally on the basis of past collection experience, as well as consideration of current economic conditions and changes in our customer collection trends.

Accounts Receivable Sales Arrangements

Accounts receivable sales arrangements are utilized in the normal course of business as part of our cash and liquidity management. We have facilities in the U.S., Canada and several countries in Europe that enable us to sell to third parties certain accounts receivable without recourse. The accounts receivable sold are generally short-term trade receivables with payment due dates of less than 60 days.

All of our arrangements involve the sale of our entire interest in groups of accounts receivable for cash. In most instances, a portion of the sales proceeds is held back by the purchaser and payment is deferred until collection of the related receivables sold. Such holdbacks are not considered legal securities nor are they certificated. We report collections on such receivables as operating cash flows in the Condensed Consolidated Statements of Cash Flows because such receivables are the result of an operating activity and the associated interest rate risk is de minimis due to its short-term nature. Our risk of loss following the sales of accounts receivable is limited to the outstanding deferred purchase price receivable. These receivables are included in Other current assets in the accompanying Condensed Consolidated Balance Sheets and were $73 and $61 at March 31, 2016 and December 31, 2015, respectively.

Under most of the arrangements, we continue to service the sold accounts receivable. When applicable, a servicing liability is recorded for the estimated fair value of the servicing. The amounts associated with the servicing liability were not material.

Of the accounts receivable sold and derecognized from our balance sheet, $657 and $660 remained uncollected as of March 31, 2016 and December 31, 2015, respectively.

Accounts receivable sales were as follows:

	Three Months Ended March 31,	
	2016	2015
Accounts receivable sales	$ 680	$ 602
Deferred proceeds	71	62
Loss on sales of accounts receivable	4	3
Estimated (decrease) increase to operating cash flows[(1)]	(23)	17

(1) Represents the difference between current and prior period receivable sales adjusted for the effects of: (i) the deferred proceeds, (ii) collections prior to the end of the quarter and, (iii) currency.

Note 6 - Finance Receivables, Net

Sale of Finance Receivables

In 2013 and 2012, we transferred our entire interest in certain groups of lease finance receivables to third-party entities for cash proceeds and beneficial interests. The transfers were accounted for as sales with derecognition of the associated lease receivables. There have been no transfers of finance receivables since the year ended December 31, 2013. We continue to service the sold receivables and record servicing fee income over the expected life of the associated receivables.

The following is a summary of our prior sales activity.

	Year Ended December 31,	
	2013	2012
Net carrying value (NCV) sold	$ 676	$ 682
Allowance included in NCV	17	18
Cash proceeds received	635	630
Beneficial interests received	86	101

The principal value of finance receivables derecognized from our balance sheet was $196 and $238 (sales value of approximately $204 and $256) at March 31, 2016 and December 31, 2015, respectively.

Summary

The lease portfolios transferred and sold were from our Document Technology segment. The ultimate purchaser has no recourse to our other assets for the failure of customers to pay principal and interest when due beyond our beneficial interests, which were $32 and $38 at March 31, 2016 and December 31, 2015, respectively, and are included in Other current assets and Other long-term assets in the accompanying Condensed Consolidated Balance Sheets. Beneficial interests of $23 and $30 at March 31, 2016 and December 31, 2015, respectively, are held by bankruptcy-remote subsidiaries and therefore are not available to satisfy any of our creditor obligations. We report collections on the beneficial interests as operating cash flows in the Condensed Consolidated Statements of Cash Flows because such beneficial interests are the result of an operating activity, and the associated interest rate risk is de minimis considering their weighted average lives of less than 2 years.

The net impact from the sales of finance receivables on operating cash flows is summarized below:

	Three Months Ended March 31,	
	2016	2015
Impact from prior sales of finance receivables[(1)]	$ (59)	$ (105)
Collections on beneficial interest	10	18
Estimated Decrease to Operating Cash Flows	$ (49)	$ (87)

(1) Represents cash that would have been collected had we not sold finance receivables.

Finance Receivables – Allowance for Credit Losses and Credit Quality

Finance receivables include sales-type leases, direct financing leases and installment loans. Our finance receivable portfolios are primarily in the U.S., Canada and Europe. We generally establish customer credit limits and estimate the allowance for credit losses on a country or geographic basis. Our policy and methodology used to establish our allowance for doubtful accounts has been consistently applied over all periods presented.

The following table is a rollforward of the allowance for doubtful finance receivables as well as the related investment in finance receivables:

Allowance for Credit Losses:	United States	Canada	Europe	Other[(2)]	Total
Balance at December 31, 2015[(1)]	$ 54	$ 17	$ 45	$ 2	$ 118
Provision	4	1	5	—	10
Charge-offs	(2)	(2)	(2)	—	(6)
Recoveries and other[(3)]	1	2	1	—	4
Balance at March 31, 2016	$ 57	$ 18	$ 49	$ 2	$ 126
Finance receivables as of March 31, 2016 collectively evaluated for impairment[(4)]	$ 2,157	$ 387	$ 1,491	$ 63	$ 4,098
Balance at December 31, 2014[(1)]	$ 51	$ 20	$ 58	$ 2	$ 131
Provision	4	1	5	1	11
Charge-offs	—	(3)	(1)	(1)	(5)
Recoveries and other[(3)]	—	—	(6)	—	(6)
Balance at March 31, 2015	$ 55	$ 18	$ 56	$ 2	$ 131
Finance receivables as of March 31, 2015 collectively evaluated for impairment[((1),4)]	$ 2,044	$ 386	$ 1,606	$ 83	$ 4,119

(1) In the first quarter 2016, as a result of an internal reorganization, a U.S. leasing unit previously classified in Other was reclassified to the U.S. Prior year amounts have been revised to conform to current year presentation.
(2) Includes developing market countries and smaller units.
(3) Includes the impacts of foreign currency translation and adjustments to reserves necessary to reflect events of non-payment such as customer accommodations and contract terminations.
(4) Total Finance receivables exclude the allowance for credit losses of $126 and $131 at March 31, 2016 and 2015, respectively.

We evaluate our customers based on the following credit quality indicators:

- **Investment grade:** This rating includes accounts with excellent to good business credit, asset quality and the capacity to meet financial obligations. These customers are less susceptible to adverse effects due to shifts in economic conditions or changes in circumstance. The rating generally equates to a Standard & Poors (S&P) rating of BBB- or better. Loss rates in this category are normally minimal at less than 1%.
- **Non-investment grade:** This rating includes accounts with average credit risk that are more susceptible to loss in the event of adverse business or economic conditions. This rating generally equates to a BB S&P rating. Although we experience higher loss rates associated with this customer class, we believe the risk is somewhat mitigated by the fact that our leases are fairly well dispersed across a large and diverse customer base. In addition, the higher loss rates are largely offset by the higher rates of return we obtain on such leases. Loss rates in this category are generally in the range of 2% to 4%.
- **Substandard:** This rating includes accounts that have marginal credit risk such that the customer's ability to make repayment is impaired or may likely become impaired. We use numerous strategies to mitigate risk including higher rates of interest, prepayments, personal guarantees, etc. Accounts in this category include customers who were downgraded during the term of the lease from investment and non-investment grade status when the lease was originated. Accordingly, there is a distinct possibility for a loss of principal and interest or customer default. The loss rates in this category are approximately 10%.

Credit quality indicators are updated at least annually and the credit quality of any given customer can change during the life of the portfolio. Details about our finance receivables portfolio based on industry and credit quality indicators are as follows:

	March 31, 2016				December 31, 2015[4]			
	Investment Grade	Non-investment Grade	Substandard	Total Finance Receivables	Investment Grade	Non-investment Grade	Substandard	Total Finance Receivables
Finance and other services	$ 188	$ 305	$ 97	$ 590	$ 195	$ 285	$ 91	$ 571
Government and education	560	50	5	615	575	48	7	630
Graphic arts	143	96	124	363	145	92	127	364
Industrial	87	61	23	171	89	62	22	173
Healthcare	85	50	18	153	90	46	19	155
Other	106	106	53	265	121	107	53	281
Total United States	1,169	668	320	2,157	1,215	640	319	2,174
Finance and other services	58	40	9	107	55	35	9	99
Government and education	58	7	1	66	59	7	2	68
Graphic arts	46	40	23	109	45	35	21	101
Industrial	23	12	3	38	23	12	3	38
Other	37	26	4	67	33	23	3	59
Total Canada	222	125	40	387	215	112	38	365
France	204	209	100	513	203	207	101	511
U.K./Ireland	225	85	1	311	235	91	3	329
Central[1]	208	184	25	417	206	186	25	417
Southern[2]	34	140	16	190	36	138	17	191
Nordics[3]	33	25	2	60	24	35	2	61
Total Europe	704	643	144	1,491	704	657	148	1,509
Other	42	19	2	63	41	16	1	58
Total	$ 2,137	$ 1,455	$ 506	$ 4,098	$ 2,175	$ 1,425	$ 506	$ 4,106

(1) Switzerland, Germany, Austria, Belgium and Holland.
(2) Italy, Greece, Spain and Portugal.
(3) Sweden, Norway, Denmark and Finland.
(4) In the first quarter 2016, as a result of an internal reorganization, a U.S. leasing unit previously classified in Other was reclassified to the U.S. Prior year amounts have been reclassified to conform to current year presentation.

The aging of our billed finance receivables is based upon the number of days an invoice is past due and is as follows:

	March 31, 2016						
	Current	31-90 Days Past Due	>90 Days Past Due	Total Billed	Unbilled	Total Finance Receivables	>90 Days and Accruing
Finance and other services	$ 10	$ 2	$ 2	$ 14	$ 576	$ 590	$ 14
Government and education	13	2	4	19	596	615	32
Graphic arts	11	3	1	15	348	363	7
Industrial	4	1	1	6	165	171	9
Healthcare	3	1	1	5	148	153	6
Other	16	2	1	19	246	265	7
Total United States	57	11	10	78	2,079	2,157	75
Canada	4	1	—	5	382	387	10
France	—	—	—	—	513	513	26
U.K./Ireland	2	—	—	2	309	311	1
Central[(1)]	4	1	1	6	411	417	7
Southern[(2)]	7	2	3	12	178	190	11
Nordics[(3)]	2	—	—	2	58	60	3
Total Europe	15	3	4	22	1,469	1,491	48
Other	3	—	—	3	60	63	—
Total	$ 79	$ 15	$ 14	$ 108	$ 3,990	$ 4,098	$ 133

	December 31, 2015[(4)]						
	Current	31-90 Days Past Due	>90 Days Past Due	Total Billed	Unbilled	Total Finance Receivables	>90 Days and Accruing
Finance and other services	$ 10	$ 2	$ 2	$ 14	$ 557	$ 571	$ 14
Government and education	12	1	4	17	613	630	37
Graphic arts	12	2	1	15	349	364	8
Industrial	5	1	1	7	166	173	7
Healthcare	4	1	1	6	149	155	9
Other	14	2	2	18	263	281	7
Total United States	57	9	11	77	2,097	2,174	82
Canada	3	—	—	3	362	365	9
France	—	—	—	—	511	511	25
U.K./Ireland	1	—	—	1	328	329	1
Central[(1)]	3	1	1	5	412	417	7
Southern[(2)]	8	2	3	13	178	191	10
Nordics[(3)]	1	—	—	1	60	61	4
Total Europe	13	3	4	20	1,489	1,509	47
Other	1	1	—	2	56	58	—
Total	$ 74	$ 13	$ 15	$ 102	$ 4,004	$ 4,106	$ 138

(1) Switzerland, Germany, Austria, Belgium and Holland.
(2) Italy, Greece, Spain and Portugal.
(3) Sweden, Norway, Denmark and Finland.
(4) In the first quarter 2016, as a result of an internal reorganization, a U.S. leasing unit previously classified in Other was reclassified to the U.S. Prior year amounts have been reclassified to conform to current year presentation.

Note 7 – Inventories

The following is a summary of Inventories by major category:

	March 31, 2016	December 31, 2015
Finished goods	$ 876	$ 792
Work-in-process	59	51
Raw materials	99	99
Total Inventories	$ 1,034	$ 942

Note 8 – Investment in Affiliates, at Equity

Our equity in net income of unconsolidated affiliates was as follows:

	Three Months Ended March 31,	
	2016	2015
Fuji Xerox	$ 33	$ 31
Other investments	4	3
Total Equity in Net Income of Unconsolidated Affiliates	$ 37	$ 34

Fuji Xerox

Equity in net income of Fuji Xerox is affected by certain adjustments required to reflect the deferral of profit associated with intercompany sales. These adjustments may result in recorded equity income that is different from that implied by our 25% ownership interest.

Condensed financial data of Fuji Xerox was as follows:

	Three Months Ended March 31,	
	2016	2015
Summary of Operations:		
Revenues	$ 2,678	$ 2,731
Costs and expenses	2,464	2,520
Income before income taxes	214	211
Income tax expense	65	66
Net Income	149	145
Less: Net income – noncontrolling interests	2	2
Net Income – Fuji Xerox	$ 147	$ 143
Weighted Average Exchange Rate[1]	115.08	119.29

(1) Represents Yen/U.S. Dollar exchange rate used to translate.

Note 9 – Restructuring Programs

During the three months ended March 31, 2016, we recorded net restructuring and asset impairment charges of $123, which included approximately $124 of severance costs related to headcount reductions of approximately 4,800 employees worldwide and $2 of lease cancellation costs. These costs were offset by $3 of net reversals, primarily resulting from changes in estimated reserves from prior period initiatives.

Information related to restructuring program activity during the three months ended March 31, 2016 is outlined below:

	Severance and Related Costs	Lease Cancellation and Other Costs	Asset Impairments[2]	Total
Balance at December 31, 2015	$ 22	$ 2	$ —	$ 24
Provision	124	2	—	126
Reversals	(3)	—	—	(3)
Net Current Period Charges[1]	121	2	—	123
Charges against reserve and currency	(23)	(4)	—	(27)
Balance at March 31, 2016	$ 120	$ —	$ —	$ 120

(1) Represents net amount recognized within the Condensed Consolidated Statements of Income for the period shown.
(2) Charges associated with asset impairments represent the write-down of the related assets to their new cost basis and are recorded concurrently with the recognition of the provision.

Reconciliation to the Condensed Consolidated Statements of Cash Flows:

	Three Months Ended March 31,	
	2016	2015
Charges against reserve	$ (27)	$ (37)
Asset impairments	—	—
Effects of foreign currency and other non-cash items	(1)	6
Restructuring Cash Payments	$ (28)	$ (31)

The following table summarizes the total amount of costs incurred in connection with these restructuring programs by segment:

	Three Months Ended March 31,	
	2016	2015
Services	$ 37	$ 5
Document Technology	86	9
Other	—	—
Total Net Restructuring Charges	$ 123	$ 14

Note 10 – Debt

Term Loan Facility

On March 4, 2016, Xerox Corporation entered into a $1.0 billion senior unsecured term facility. The facility was fully drawn by April 1, 2016 ($750 was drawn on March 11, 2016 and $250 on April 1, 2016) and must be repaid on the earlier of 364 days or upon receipt of financing related to the separation of Xerox into two independent publicly traded companies. Refer to Note 1- Basis of Presentation for information regarding the planned Company separation.

The proceeds of the facility were used to repay maturing debt of $950 ($700 Senior Notes on March 15, 2016 and $250 Notes on April 1, 2016).

Interest Expense and Income

Interest expense and interest income were as follows:

	Three Months Ended March 31,	
	2016	2015
Interest expense[(1)]	$ 88	$ 89
Interest income[(2)]	85	92

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(1) Includes Equipment financing interest as well as non-financing interest expense that is included in Other expenses, net in the Condensed Consolidated Statements of Income.
(2) Includes Finance income as well as other interest income that is included in Other expenses, net in the Condensed Consolidated Statements of Income.

Note 11 – Financial Instruments

Interest Rate Risk Management

We use interest rate swap agreements to manage our interest rate exposure and to achieve a desired proportion of variable and fixed rate debt. These derivatives may be designated as **fair value hedges** or **cash flow hedges** depending on the nature of the risk being hedged.

Fair Value Hedges

As of March 31, 2016, pay variable/receive fixed interest rate swaps with notional amounts of $300 and net asset fair value of $15 were designated and accounted for as fair value hedges. The swaps were structured to hedge the fair value of related debt by converting them from fixed rate instruments to variable rate instruments.

The following is a summary of our fair value hedges at March 31, 2016:

Debt Instrument	Year First Designated	Notional Amount	Net Fair Value	Weighted Average Interest Rate Paid	Interest Rate Received	Basis	Maturity
Senior Note 2021	2014	$ 300	$ 15	2.49%	4.5%	Libor	2021

Foreign Exchange Risk Management

We are a global company that is exposed to foreign currency exchange rate fluctuations in the normal course of our business. As a part of our foreign exchange risk management strategy, we use derivative instruments, primarily forward contracts and purchased option contracts, to hedge the following foreign currency exposures, thereby reducing volatility of earnings or protecting fair values of assets and liabilities:

- Foreign currency-denominated assets and liabilities
- Forecasted purchases and sales in foreign currency

Foreign Currency Cash Flow Hedges

We designate a portion of our foreign currency derivative contracts as cash flow hedges of our foreign currency-denominated inventory purchases, sales and expenses. The net asset (liability) fair value of these contracts were $9 and $(1) as of March 31, 2016 and December 31, 2015, respectively.

Summary of Derivative Instruments Fair Value

The following table provides a summary of the fair value amounts of our derivative instruments:

Designation of Derivatives	Balance Sheet Location	March 31, 2016	December 31, 2015
Derivatives Designated as Hedging Instruments			
Foreign exchange contracts – forwards	Other current assets	$ 15	$ 4
	Other current liabilities	(5)	(4)
Foreign currency options	Other current liabilities	(1)	(1)
Interest rate swaps	Other long-term assets	15	7
	Net Designated Derivative Asset	$ 24	$ 6
Derivatives NOT Designated as Hedging Instruments			
Foreign exchange contracts – forwards	Other current assets	$ 54	$ 51
	Other current liabilities	(21)	(8)
	Net Undesignated Derivative Asset	$ 33	$ 43
Summary of Derivatives	Total Derivative Assets	$ 84	$ 62
	Total Derivative Liabilities	(27)	(13)
	Net Derivative Asset	$ 57	$ 49

Summary of Derivative Instruments Gains (Losses)

Derivative gains (losses) affect the income statement based on whether such derivatives are designated as hedges of underlying exposures. The following is a summary of derivative gains (losses).

Designated Derivative Instruments Gains (Losses)

The following table provides a summary of gains (losses) on derivative instruments:

	Three Months Ended March 31,	
Gain (Loss) on Derivative Instruments	2016	2015
Fair Value Hedges - Interest rate contracts		
Derivative gain recognized in interest expense	$ 8	$ 4
Hedged item loss recognized in interest expense	(8)	(4)
Cash Flow Hedges - Foreign exchange forward contracts and options		
Derivative gain recognized in OCI (effective portion)	$ 16	$ 31
Derivative loss reclassified from AOCI to income - Cost of sales (effective portion)	(1)	(10)

During the three months ended March 31, 2016 and 2015, no amount of ineffectiveness was recorded in earnings for these designated cash flow hedges and all components of each derivative’s gain (loss) was included in the assessment of hedge effectiveness. In addition, no amount was recorded for an underlying exposure that did not occur or was not expected to occur.

At March 31, 2016, a net after-tax gain of $10 was recorded in accumulated other comprehensive loss associated with our cash flow hedging activity. The entire balance is expected to be reclassified into net income within the next 12 months, providing an offsetting economic impact against the underlying anticipated transactions.

Non-Designated Derivative Instruments Gains (Losses)

Non-designated derivative instruments are primarily instruments used to hedge foreign currency-denominated assets and liabilities. They are not designated as hedges since there is a natural offset for the re-measurement of the underlying foreign currency-denominated asset or liability.

The following table provides a summary of gains on non-designated derivative instruments:

		Three Months Ended March 31,	
Derivatives NOT Designated as Hedging Instruments	Location of Derivative Gain	2016	2015
Foreign exchange contracts – forwards	Other expense – Currency gains, net	$ 71	$ 15

Net currency gains and losses are included in Other expenses, net and include the mark-to-market adjustments of the derivatives not designated as hedging instruments and the related cost of those derivatives as well as the re-measurement of foreign currency-denominated assets and liabilities. For the three months ended March 31, 2016 and 2015, currency losses, net were $4 and $6, respectively.

Note 12 – Fair Value of Financial Assets and Liabilities

The following table represents assets and liabilities measured at fair value on a recurring basis. The basis for the measurement at fair value in all cases is Level 2 – Significant Other Observable Inputs.

	March 31, 2016	December 31, 2015
Assets:		
Foreign exchange contracts - forwards	$ 69	$ 55
Interest rate swaps	15	7
Deferred compensation investments in cash surrender life insurance	92	92
Deferred compensation investments in mutual funds	34	33
Total	$ 210	$ 187
Liabilities:		
Foreign exchange contracts - forwards	$ 26	$ 12
Foreign currency options	1	1
Deferred compensation plan liabilities	124	125
Total	$ 151	$ 138

We utilize the income approach to measure the fair value for our derivative assets and liabilities. The income approach uses pricing models that rely on market observable inputs such as yield curves, currency exchange rates and forward prices, and therefore are classified as Level 2.

Fair value for our deferred compensation plan investments in Company-owned life insurance is reflected at cash surrender value. Fair value for our deferred compensation plan investments in mutual funds is based on quoted market prices for actively traded investments similar to those held by the plan. Fair value for deferred compensation plan liabilities is based on the fair value of investments corresponding to employees' investment selections, based on quoted prices for similar assets in actively traded markets.

Summary of Other Financial Assets and Liabilities Not Measured at Fair Value on a Recurring Basis

The estimated fair values of our other financial assets and liabilities not measured at fair value on a recurring basis were as follows:

	March 31, 2016		December 31, 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$ 1,189	$ 1,189	$ 1,368	$ 1,368
Accounts receivable, net	2,456	2,456	2,319	2,319
Short-term debt	2,029	2,055	985	976
Long-term debt	5,359	5,310	6,354	6,395

The fair value amounts for Cash and cash equivalents and Accounts receivable, net, approximate carrying amounts due to the short maturities of these instruments. The fair value of Short and Long-term debt was estimated based on the current rates offered to us for debt of similar maturities (Level 2). The difference between the fair value and the carrying value represents the theoretical net premium or discount we would pay or receive to retire all debt at such date.

Note 13 – Employee Benefit Plans

The components of Net periodic benefit cost and other changes in plan assets and benefit obligations were as follows:

	Three Months Ended March 31,					
	Pension Benefits					
	U.S. Plans		Non-U.S. Plans		Retiree Health	
Components of Net Periodic Benefit Costs:	2016	2015	2016	2015	2016	2015
Service cost	$ 1	$ 1	$ 6	$ 8	$ 1	$ 2
Interest cost	38	38	52	53	8	9
Expected return on plan assets	(40)	(38)	(64)	(73)	—	—
Recognized net actuarial loss	5	7	17	19	1	—
Amortization of prior service credit	—	(1)	(1)	—	(1)	(7)
Recognized settlement loss	29	27	—	—	—	—
Defined Benefit Plans	33	34	10	7	9	4
Defined contribution plans	14	16	10	9	n/a	n/a
Net Periodic Benefit Cost	47	50	20	16	9	4
Other changes in plan assets and benefit obligations recognized in Other Comprehensive Loss:						
Net actuarial loss[1]	123	88	—	—	—	—
Amortization of prior service credit	—	1	1	—	1	7
Amortization of net actuarial loss	(34)	(34)	(17)	(19)	(1)	—
Total Recognized in Other Comprehensive Loss[2]	89	55	(16)	(19)	—	7
Total Recognized in Net Periodic Benefit Cost and Other Comprehensive Loss	$ 136	$ 105	$ 4	$ (3)	$ 9	$ 11

(1) The net actuarial loss for U.S. Plans primarily reflects the remeasurement of our primary U.S. pension plans as a result of the payment of periodic settlements.
(2) Amounts represent the pre-tax effect included within Other comprehensive loss. Refer to Note 15 - Other Comprehensive Income (Loss) for related tax effects and the after-tax amounts.

Contributions

During the three months ended March 31, 2016, we made cash contributions of $36 ($7 U.S. and $29 Non-U.S.) to our defined benefit pension plans and $14 to our retiree health benefit plans. We presently anticipate additional cash contributions of $104 ($18 U.S. and $86 Non-U.S.) to our defined benefit pension plans and $56 to our retiree health benefit plans in 2016 for total full-year cash contributions of approximately $140 ($25 U.S. and $115 Non-U.S.) to our defined benefit pension plans and $70 to our retiree health benefit plans. In 2015, full-year cash contributions to our defined benefit pension plans were $309 ($177 U.S. and $132 Non-U.S.) and $63 to our retiree health benefit plans. The 2016 expected pension plan contributions do not include any planned contributions for our domestic tax-qualified defined benefit plans because none are required to meet the minimum funding requirements. However, once the January 1, 2016 actuarial valuations and projected results as of the end of the 2016 measurement year are available, the desirability of making additional contributions will be reassessed. Based on these results, we may voluntarily decide to contribute to these plans.

Note 14 – Shareholders' Equity

	Common Stock	Additional Paid-in Capital	Retained Earnings	AOCL[3]	Xerox Shareholders' Equity	Non-controlling Interests	Total Equity
Balance at December 31, 2015	$ 1,013	$ 3,017	$ 9,686	$ (4,642)	$ 9,074	$ 43	$ 9,117
Comprehensive income, net	—	—	34	88	122	2	124
Cash dividends declared- common[1]	—	—	(79)	—	(79)	—	(79)
Cash dividends declared - preferred[2]	—	—	(6)	—	(6)	—	(6)
Stock option and incentive plans, net	—	15	—	—	15	—	15
Distributions to noncontrolling interests	—	—	—	—	—	(8)	(8)
Balance at March 31, 2016	$ 1,013	$ 3,032	$ 9,635	$ (4,554)	$ 9,126	$ 37	$ 9,163

	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	AOCL[3]	Xerox Shareholders' Equity	Non-controlling Interests	Total Equity
Balance at December 31, 2014	$ 1,124	$ 4,283	$ (105)	$ 9,535	$ (4,159)	$ 10,678	$ 75	$ 10,753
Comprehensive income (loss), net	—	—	—	225	(381)	(156)	4	(152)
Cash dividends declared-common[1]	—	—	—	(79)	—	(79)	—	(79)
Cash dividends declared-preferred[2]	—	—	—	(6)	—	(6)	—	(6)
Stock option and incentive plans, net	1	30	—	—	—	31	—	31
Payments to acquire treasury stock, including fees	—	—	(216)	—	—	(216)	—	(216)
Cancellation of treasury stock	(12)	(162)	174	—	—	—	—	—
Distributions to noncontrolling interests	—	—	—	—	—	—	(41)	(41)
Balance at March 31, 2015	$ 1,113	$ 4,151	$ (147)	$ 9,675	$ (4,540)	$ 10,252	$ 38	$ 10,290

(1) Cash dividends declared on common stock of $0.0775 per share and $0.07 per share in the first quarter of 2016 and 2015, respectively.
(2) Cash dividends declared on preferred stock of $20.00 per share in each quarter of 2016 and 2015.
(3) Refer to Note 15 - Other Comprehensive Income (Loss) for components of AOCL.

Treasury Stock

There were no repurchases of Xerox Common Stock pursuant to Board authorized share repurchase programs during the first quarter 2016.

Note 15 - Other Comprehensive Income (Loss)

Other Comprehensive Income (Loss) is comprised of the following:

	Three Months Ended March 31,			
	2016		2015	
	Pre-tax	Net of Tax	Pre-tax	Net of Tax
Translation Adjustments Gains (Losses)	$ 193	$ 191	$ (506)	$ (509)
Unrealized Gains (Losses):				
Changes in fair value of cash flow hedges - gains	16	9	31	25
Changes in cash flow hedges reclassed to earnings[(1)]	1	—	10	5
Other losses	—	—	(1)	(1)
Net Unrealized Gains	17	9	40	29
Defined Benefit Plans (Losses) Gains:				
Net actuarial loss	(123)	(76)	(88)	(54)
Prior service amortization[(2)]	(2)	(1)	(8)	(5)
Actuarial loss amortization/settlement[(2)]	52	35	53	35
Fuji Xerox changes in defined benefit plans, net[(3)]	(75)	(75)	19	19
Other gains[(4)]	5	5	103	103
Changes in Defined Benefit Plans (Losses) Gains	(143)	(112)	79	98
Other Comprehensive Income (Loss)	67	88	(387)	(382)
Less: Other comprehensive loss attributable to noncontrolling interests	—	—	(1)	(1)
Other Comprehensive Income (Loss) Attributable to Xerox	$ 67	$ 88	$ (386)	$ (381)

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(1) Reclassified to Cost of sales - refer to Note 11 - Financial Instruments for additional information regarding our cash flow hedges.
(2) Reclassified to Total Net Periodic Benefit Cost - refer to Note 13 - Employee Benefit Plans for additional information.
(3) Represents our share of Fuji Xerox's benefit plan changes.
(4) Primarily represents currency impact on cumulative amount of benefit plan net actuarial losses and prior service credits in AOCL.

Accumulated Other Comprehensive Loss (AOCL)

AOCL is comprised of the following:

	March 31, 2016	December 31, 2015
Cumulative translation adjustments	$ (2,211)	$ (2,402)
Other unrealized gains, net	10	1
Benefit plans net actuarial losses and prior service credits[(1)]	(2,353)	(2,241)
Total Accumulated Other Comprehensive Loss Attributable to Xerox	$ (4,554)	$ (4,642)

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(1) Includes our share of Fuji Xerox.

Note 16 – Earnings per Share

The following table sets forth the computation of basic and diluted earnings per share of common stock (shares in thousands):

	Three Months Ended March 31,	
	2016	2015
Basic Earnings per Share:		
Net income from continuing operations attributable to Xerox	$ 34	$ 191
Accrued dividends on preferred stock	(6)	(6)
Adjusted Net Income From Continuing Operations Available to Common Shareholders	28	185
Net income from discontinued operations attributable to Xerox	—	34
Adjusted Net Income Available to Common Shareholders	$ 28	$ 219
Weighted average common shares outstanding	1,013,033	1,109,999
Basic Earnings per Share:		
Continuing operations	$ 0.03	$ 0.17
Discontinued operations	—	0.03
Total	$ 0.03	$ 0.20
Diluted Earnings per Share:		
Net income from continuing operations attributable to Xerox	$ 34	$ 191
Accrued dividends on preferred stock	(6)	(6)
Adjusted Net Income From Continuing Operations Available to Common Shareholders	$ 28	$ 185
Net income from discontinued operations attributable to Xerox	—	34
Adjusted Net Income Available to Common Shareholders	$ 28	$ 219
Weighted average common shares outstanding	1,013,033	1,109,999
Common shares issuable with respect to:		
Stock options	850	1,879
Restricted stock and performance shares	6,640	14,740
Convertible preferred stock	—	—
Adjusted Weighted Average Common Shares Outstanding	1,020,523	1,126,618
Diluted Earnings per Share:		
Continuing operations	$ 0.03	$ 0.16
Discontinued operations	—	0.03
Total	$ 0.03	$ 0.19
The following securities were not included in the computation of diluted earnings per share as they were either contingently issuable shares or shares that if included would have been anti-dilutive:		
Stock options	2,104	2,716
Restricted stock and performance shares	18,718	16,730
Convertible preferred stock	26,966	26,966
Total Anti-Dilutive Securities	47,788	46,412
Dividends per Common Share	$ 0.0775	$ 0.0700

Note 17 – Contingencies and Litigation

Legal Matters

We are involved in a variety of claims, lawsuits, investigations and proceedings concerning securities law, intellectual property law, environmental law, employment law, commercial and contracts law, the Employee Retirement Income Security Act (ERISA) and regulatory matters. We determine whether an estimated loss from a contingency should be accrued by assessing whether a loss is deemed probable and can be reasonably estimated. We assess our potential liability by analyzing our litigation and regulatory matters using available information. We develop our views on estimated losses in consultation with outside counsel handling our defense in these matters, which involves an analysis of potential results, assuming a combination of litigation and settlement strategies. Should developments in any of these matters cause a change in our determination as to an unfavorable outcome and result in the need to recognize a material accrual, or should any of these matters result in a final adverse judgment or be settled for significant amounts, they could have a material adverse effect on our results of operations, cash flows and financial position in the period or periods in which such change in determination, judgment or settlement occurs.

Brazil Tax and Labor Contingencies

Our Brazilian operations are involved in various litigation matters and have received or been the subject of numerous governmental assessments related to indirect and other taxes, as well as disputes associated with former employees and contract labor. The tax matters, which comprise a significant portion of the total contingencies, principally relate to claims for taxes on the internal transfer of inventory, municipal service taxes on rentals, gross revenue taxes and import taxes and duties. We are disputing these tax matters and intend to vigorously defend our position. Based on the opinion of legal counsel and current reserves for those matters deemed probable of loss, we do not believe that the ultimate resolution of these matters will materially impact our results of operations, financial position or cash flows. The labor matters principally relate to claims made by former employees and contract labor for the equivalent payment of all social security and other related labor benefits, as well as consequential tax claims, as if they were regular employees.

As of March 31, 2016, the total amounts related to the unreserved portion of the tax and labor contingencies, inclusive of any related interest, amounted to approximately $670, with the increase from December 31, 2015 balance of approximately $577 primarily related to currency and interest. With respect to the unreserved balance of $670, the majority has been assessed by management as being remote as to the likelihood of ultimately resulting in a loss to the Company. In connection with the above proceedings, customary local regulations may require us to make escrow cash deposits or post other security of up to half of the total amount in dispute. As of March 31, 2016, we had $78 of escrow cash deposits for matters we are disputing, and there are liens on certain Brazilian assets with a net book value of $15, and additional letters of credit and surety bonds of approximately $127 and $79, respectively, which include associated indexation. Generally, any escrowed amounts would be refundable and any liens would be removed to the extent the matters are resolved in our favor. We routinely assess all these matters as to probability of ultimately incurring a liability against our Brazilian operations and record our best estimate of the ultimate loss in situations where we assess the likelihood of an ultimate loss as probable.

Litigation Against the Company

State of Texas v. Xerox Corporation, Xerox State Healthcare, LLC, and ACS State Healthcare, LLC, a Xerox Corporation: On May 9, 2014, the State of Texas, via the Texas Office of Attorney General (the "State"), filed a lawsuit in the 53rd Judicial District Court of Travis County, Texas. The lawsuit alleges that Xerox Corporation, Xerox State Healthcare, LLC and ACS State Healthcare (collectively "Xerox" or the "Company") violated the Texas Medicaid Fraud Prevention Act in the administration of its contract with the Texas Department of Health and Human Services ("HHSC"). The State alleges that the Company made false representations of material facts regarding the processes, procedures, implementation and results regarding the prior authorization of orthodontic claims. The State seeks recovery of actual damages, two times the amount of any overpayments made as a result of unlawful acts, civil penalties, pre- and post-judgment interest and all costs and attorneys' fees. The State references the amount in controversy as exceeding hundreds of millions of dollars. Xerox filed its Answer in June, 2014 denying all allegations. Xerox will continue to vigorously defend itself in this matter. We do not believe it is probable that we will incur a material loss in excess of the amount accrued for this matter. In the course of litigation, we periodically engage in discussions with plaintiff's counsel for possible resolution of the matter. Should developments cause a change in our determination as to an unfavorable outcome, or result in a final adverse judgment or settlement for a significant amount, there could be a material adverse effect on our results of operations, cash flows and financial position in the period in which such change in determination, judgment or settlement occurs.

Other Matters

On January 5, 2016, the Consumer Financial Protection Bureau (CFPB) notified Xerox Education Services, Inc. (XES) that, in accordance with the CFPB's discretionary Notice and Opportunity to Respond and Advise (NORA) process, the CFPB's Office of Enforcement is considering recommending that the CFPB take legal action against XES, alleging that XES violated the Consumer Financial Protection Act's prohibition of unfair practices. Should the CFPB commence an action, it may seek restitution, civil monetary penalties, injunctive relief, or other corrective action. The purpose of a NORA letter is to provide a party being investigated an opportunity to present its position to the CFPB before an enforcement action is recommended or commenced. This notice stems from an inquiry that commenced in 2014 when the Company, through XES, received and responded to a Civil Investigative Demand containing a broad request for information. During this process, XES self-disclosed to the Department of Education and the CFPB certain adjustments it had become aware that had not been timely made relating to its servicing of a small percentage of third-party student loans under outsourcing arrangements for various financial institutions. The CFPB and the Department of Education, as well as certain states' attorney general offices and other regulatory agencies, began similar reviews. The Company has cooperated and continues to fully cooperate with all regulatory agencies, and XES has submitted its NORA response. The Company cannot provide assurance that the CFPB or another party will not ultimately commence a legal action against XES in this matter nor is the Company able to predict the likely outcome of the investigations into this matter.

Other Contingencies -

We have issued or provided the following guarantees as of March 31, 2016:

- $348 for letters of credit issued to (i) guarantee our performance under certain services contracts; (ii) support certain insurance programs; and (iii) support our obligations related to the Brazil tax and labor contingencies.
- $767 for outstanding surety bonds. Certain contracts, primarily those involving public sector customers, require us to provide a surety bond as a guarantee of our performance of contractual obligations.

In general, we would only be liable for the amount of these guarantees in the event of default in our performance of our obligations under each contract; the probability of which we believe is remote. We believe that our capacity in the surety markets as well as under various credit arrangements (including our Credit Facility) is sufficient to allow us to respond to future requests for proposals that require such credit support.

We have service arrangements where we service third party student loans in the Federal Family Education Loan program (FFEL) on behalf of various financial institutions. We service these loans for investors under outsourcing arrangements and do not acquire any servicing rights that are transferable by us to a third party. At March 31, 2016, we serviced a FFEL portfolio of approximately 1.7 million loans with an outstanding principal balance of approximately $26.6 billion. Some servicing agreements contain provisions that, under certain circumstances, require us to purchase the loans from the investor if the loan guaranty has been permanently terminated as a result of a loan default caused by our servicing error. If defaults caused by us are cured during an initial period, any obligation we may have to purchase these loans expires. Loans that we purchase may be subsequently cured, the guaranty reinstated and the loans repackaged for sale to third parties. We evaluate our exposure under our purchase obligations on defaulted loans and establish a reserve for potential losses, or default liability reserve, through a charge to the provision for loss on defaulted loans purchased. The reserve is evaluated periodically and adjusted based upon management's analysis of the historical performance of the defaulted loans. As of March 31, 2016, other current liabilities included reserves of approximately $3 for losses on defaulted loans purchased. In addition to potential purchase obligations arising from servicing errors, various laws and regulations applicable to student loan borrowers could give rise to fines, penalties and other liabilities associated with loan servicing errors.

Indemnifications

We have indemnified, subject to certain deductibles and limits, the purchasers of businesses or divested assets for the occurrence of specified events under certain of our divestiture agreements. Where appropriate, an obligation for such indemnifications is recorded as a liability. Since the obligated amounts of these types of indemnifications are often not explicitly stated and/or are contingent on the occurrence of future events, the overall maximum amount of the obligation under such indemnifications cannot be reasonably estimated. Other than obligations recorded as liabilities at the time of divestiture, we have not historically made significant payments for these indemnifications. Additionally, under certain of our acquisition agreements, we have provided for additional consideration to be paid to the sellers if established financial targets are achieved post-closing. We have recognized liabilities for these contingent obligations based on an estimate of the fair value of these contingencies at the time of acquisition.

Contingent obligations related to indemnifications arising from our divestitures and contingent consideration provided for by our acquisitions are not expected to be material to our financial position, results of operations or cash flows.

ITEM 2 — MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management’s Discussion and Analysis (MD&A) is intended to help the reader understand the results of operations and financial condition of Xerox Corporation. MD&A is provided as a supplement to, and should be read in conjunction with, our Condensed Consolidated Financial Statements and the accompanying notes.

Throughout this document, references to “we,” “our,” the “Company,” and “Xerox” refer to Xerox Corporation and its subsidiaries. References to “Xerox Corporation” refer to the stand-alone parent company and do not include its subsidiaries.

Currency Impact

To understand the trends in the business, we believe that it is helpful to analyze the impact of changes in the translation of foreign currencies into U.S. Dollars on revenue and expenses. We refer to this analysis as "constant currency"; “currency impact” or “the impact from currency.” This impact is calculated by translating current period activity in local currency using the comparable prior year period's currency translation rate. This impact is calculated for all countries where the functional currency is the local country currency. We do not hedge the translation effect of revenues or expenses denominated in currencies where the local currency is the functional 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.

Overview

Planned Company Separation

On January 29, 2016, Xerox announced that its Board of Directors approved management’s plan to separate the Company's Business Process Outsourcing (BPO) business from its Document Technology and Document Outsourcing business. Each of the businesses will operate as an independent, publicly-traded company. Leadership and names of the two companies will be determined as the separation process progresses. The transaction is intended to be tax-free for Xerox shareholders for federal income tax purposes.

Xerox has begun the process to separate and is finalizing the transaction structure, which is predicated on a spin-off of the BPO business. Our objective is to complete the separation by year-end 2016, subject to customary regulatory approvals, the effectiveness of a Form 10 registration statement with the U.S. Securities and Exchange Commission, tax considerations, securing any necessary financing and final approval of the Xerox Board of Directors. Until the separation is complete, we will continue to operate and report as a single company, and it will continue to be business as usual for our customers and employees.

In conjunction with the separation, Xerox also began a three-year strategic transformation program targeting a cumulative $2.4 billion of savings across all segments. The program is inclusive of ongoing activities and $600 million of incremental transformation initiatives.

First Quarter 2016 Review

First quarter 2016 results included revenue growth in both the Document Outsourcing and BPO businesses of our Services segment, a strong renewal rate in Services and a modest year-over-year improvement in Services segment margin. Document Technology revenue declines remained in line with last quarter and continue to be pressured by weak developing markets economies. Technology margin declined year-over-year reflecting both adverse transaction currency and cost declines not keeping pace with revenue declines. In response to these pressures, the Company is accelerating its cost reduction efforts and expects to begin realizing the benefits in the second quarter.

Total revenue of $4.3 billion for the first quarter 2016 declined 4% from first quarter 2015 including a 1-percentage point negative impact from currency. Services segment revenues of $2.5 billion, which represented 58% of total revenues, increased 1% with a 1-percentage point negative impact from currency. Services segment margin of 7.7% increased 0.1-percentage points from first quarter 2015. Document Technology segment revenues of $1.6

billion decreased by 10%, with a 1-percentage point negative impact from currency. Document Technology segment margin of 10.2% decreased 2.5-percentage points as compared to prior year. In response to these pressures, the Company is accelerating its cost reduction efforts and expects to begin realizing the benefits in the second quarter.

Net income from continuing operations attributable to Xerox for the first quarter 2016 was $34 million and included after-tax costs of $197 million related to the amortization of intangible assets, restructuring and related costs, non-service retirement-related costs and separation costs. Net income from continuing operations attributable to Xerox for the first quarter 2015 was $191 million and included after-tax costs of $87 million related to the amortization of intangible assets, restructuring and related costs, non-service retirement-related costs. The decrease in adjusted earnings was primarily due to lower revenues and operating income.

Cash used in operating activities was $25 million for the first quarter 2016, as compared to cash provided by operating activities of $113 million in the prior year period. The $138 million decrease is primarily due to lower earnings and working capital. Cash used in investing activities of $125 million primarily includes a $52 million dollar payment to Atos, reflecting final working capital adjustments associated with the 2015 sale of the ITO business, and capital expenditures (including internal use software) of $72 million. Cash used in financing activities of $42 million primarily reflects $77 million for dividends and $11 million of distributions to noncontrolling interests partially offset by $45 million of net proceeds on debt.

2016 Outlook

We continue to expect total revenues to decline 2 to 4% in 2016, excluding the impact of currency, which is expected to have about a 1-percentage point negative impact on total revenues in 2016. We continue to expect margin improvements in the Services segment and a Document Technology segment margin generally consistent with 2015.

2016 full-year earnings are expected to be negatively impacted by separation costs estimated at $200 million to $250 million as well as restructuring and related costs of $300 million, which includes incremental costs as we accelerate some strategic cost initiatives. Estimated separation costs do not include potential tax costs related to the separation, some of which may be offset by foreign tax credits. Adjusted earning expectations remain unchanged for the full-year.

The company has updated its 2016 cash flow expectations only to include the impact of separation costs and higher restructuring. Underlying operating cash flow expectations remain unchanged. We expect full year 2016 cash flows from operations to be between $950 million and $1.2 billion reflecting increased cash requirements for separation costs and restructuring. Capital expenditures are expected to be approximately $350 million, which includes approximately $50 million for separation activities.

Financial Review

Revenues

(in millions)	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015	% Change	CC % Change	% of Total Revenue 2016	% of Total Revenue 2015
Equipment sales	$ 560	$ 624	(10)%	(9)%	13%	14%
Annuity revenue	3,721	3,845	(3)%	(2)%	87%	86%
Total Revenue	**$ 4,281**	**$ 4,469**	**(4)%**	**(3)%**	**100%**	**100%**
Reconciliation to Condensed Consolidated Statements of Income:						
Sales	$ 1,021	$ 1,126	(9)%	(8)%		
Less: Supplies, paper and other sales	(461)	(502)	(8)%	(6)%		
Equipment Sales	**$ 560**	**$ 624**	**(10)%**	**(9)%**		
Outsourcing, maintenance and rentals	$ 3,177	$ 3,253	(2)%	(1)%		
Add: Supplies, paper and other sales	461	502	(8)%	(6)%		
Add: Financing	83	90	(8)%	(6)%		
Annuity Revenue	**$ 3,721**	**$ 3,845**	**(3)%**	**(2)%**		

CC - See "Non-GAAP Financial Measures" section for description of Constant Currency.

Total revenue for first quarter 2016 decreased 4% as compared to first quarter 2015, with a 1-percentage point negative impact from currency. The negative impact from currency reflects the continued weakening of foreign currencies against the U.S. Dollar as compared to prior year. On a revenue-weighted basis, our major European currencies and the Canadian Dollar were approximately 4% weaker against the U.S. Dollar as compared to the prior year. Revenues from these major foreign currencies comprise approximately 24% of our total consolidated revenues, while overall non-U.S. revenues represent almost one third of the total. First quarter 2016 total revenues reflect the following:

- **Annuity revenue** decreased 3% as compared to first quarter 2015, with a 1-percentage point negative impact from currency. Annuity revenue is comprised of the following:
  - Outsourcing, maintenance and rentals revenue of $3,177 million includes outsourcing revenue within our Services segment and maintenance revenue (including bundled supplies) and rental revenue both primarily within our Document Technology segment. These revenues declined 2%, with a 1-percentage point negative impact from currency, primarily due to a continued decline in the Document Technology segment.
  - Supplies, paper and other sales of $461 million includes unbundled supplies and other sales, primarily within our Document Technology segment. The 8% revenue decline includes a 2-percentage point negative impact from currency, reduced supplies demand as a result of lower equipment sales in prior periods, continued weakness in developing markets and lower OEM supplies sales. The rate of supplies revenue decline did, however, moderate sequentially to a more normalized level.
  - Financing revenue is generated from financed equipment sale transactions primarily within the Document Technology segment. The 8% revenue decline reflects a 2-percentage point negative impact from currency and a declining finance receivables balance due to lower equipment sales in prior periods.
- **Equipment sales revenue** is reported primarily within our Document Technology segment and the Document Outsourcing (DO) business within our Services segment. Equipment sales revenue decreased 10% as compared to first quarter 2015, with a 1-percentage point negative impact from currency. The decline was driven by developing markets and product launch timing as well as overall price declines that continue to be within our historical range of 5% to 10%. These areas of decline were partially offset by strong Document Outsourcing equipment sales growth.

Additional analysis of the change in revenue for each business segment is included in the “Segment Review” section.

Costs, Expenses and Other Income

Summary of Key Financial Ratios

The following is a summary of key financial ratios used to assess our performance:

	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.
Operating Margin (1)	N/A	N/A	N/A	7.2%	8.5%	(1.3) pts.
Pre-tax Income Margin	(0.4)%	4.5%	(4.9) pts.	N/A	N/A	N/A

(1) Refer to the Operating Income/Margin and the Key Financial Ratios reconciliation tables in the "Non-GAAP Financial Measures" section.

Operating Margin

First quarter 2016 operating margin[1] of 7.2% decreased 1.3-percentage points as compared to first quarter 2015 driven by the operating margin decline in Document Technology, where productivity improvements only partially offset revenue declines and currency impacts.

(1) Refer to the Operating Income/Margin reconciliation table in the "Non-GAAP Financial Measures" section.

Gross Margin

First quarter 2016 gross margin of 29.9% decreased 1.3-percentage points as compared to first quarter 2015. On an adjusted[1] basis, gross margin of 30.3% decreased by 1.3-percentage points. Document Technology gross margin decreased 0.9-percentage points while Services gross margin improved by 0.1-percentage point year-over-year. These results combined with the higher proportion of our revenue from Services (which historically has a lower gross margin) resulted in a reduction in overall gross margin.

Additional analysis of the change in gross margin for each business segment is included in the "Segment Review" section.

Research, Development and Engineering Expenses (RD&E)

	Three Months Ended March 31,		
(in millions)	2016	2015	Change
R&D	$ 109	$ 109	$ —
Sustaining engineering	25	32	(7)
Total RD&E Expenses	**$ 134**	**$ 141**	**$ (7)**

First quarter 2016 RD&E as a percentage of revenue of 3.1% decreased 0.1-percentage point from first quarter 2015. On an adjusted[1] basis, RD&E was 2.9% of revenue and decreased 0.1-percentage point due to the benefits from restructuring and productivity improvements and the higher mix of Services revenue (which historically has lower RD&E as a percentage of revenue).

RD&E of $134 million decreased by $7 million compared to first quarter 2015. On an adjusted[1] basis, RD&E of $126 million decreased by $8 million. Innovation at Xerox is a core strength, and we strategically coordinate R&D with Fuji Xerox.

Selling, Administrative and General Expenses (SAG)

SAG as a percentage of revenue of 20.6% increased 0.1-percentage point from first quarter 2015. On an adjusted[1] basis, SAG was 20.1% of revenue and increased 0.1-percentage point. The total company revenue decline was only partially matched by restructuring and productivity improvements, due in part to lower restructuring in 2015, and a higher mix of Services revenue (which historically has lower SAG as a percentage of revenue).

SAG of $882 million was $33 million lower than first quarter 2015. On an adjusted[1] basis, SAG of $861 million decreased $35 million and included a $17 million favorable impact from currency and reflects the following:

- $21 million decrease in selling expenses.
- $8 million decrease in general and administrative expenses.
- $6 million decrease in bad debt expense. First quarter 2016 bad debt expense remained at less than one percent of receivables.

Restructuring and Related Costs

Restructuring and related costs of $126 million include restructuring and asset impairment charges of $123 million as well as $3 million of additional costs.

During first quarter 2016, we recorded net restructuring and asset impairment charges of $123 million, which includes $124 million of severance costs related to headcount reductions of approximately 4,800 employees worldwide and $2 million of lease cancellation costs. Approximately 70% of the charges were related to our Document Technology segment, and 30% to our Services segment. The first quarter 2016 actions impacted several functional areas, with approximately 65% of the costs focused on gross margin improvements and approximately 30% on SAG reductions with the remainder focused on RD&E optimization. These costs were partially offset by $3 million of net reversals for changes in estimated reserves from prior period initiatives. In first quarter 2016, we also recorded $3 million of costs primarily related to professional support services associated with the implementation of the strategic transformation program.

During first quarter 2015, we recorded net restructuring and asset impairment charges of $14 million, which included $21 million of severance costs related to headcount reductions of approximately 580 employees worldwide and $1 million of lease cancellation costs. These costs were partially offset by $8 million of net reversals for changes in estimated reserves from prior period initiatives.

The restructuring reserve balance as of March 31, 2016 for all programs was $120 million, of which $116 million is expected to be spent over the next twelve months.

We expect to incur restructuring and related costs of approximately $100 million in second quarter 2016 for actions and initiatives that have not yet been finalized. For the full year 2016, we expect to incur restructuring and related costs of approximately $300 million.

Refer to Note 9 - Restructuring Programs, in the Condensed Consolidated Financial Statements for additional information regarding our restructuring programs.

Separation costs

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 also include the costs associated with bonuses and restricted stock grants awarded to employees for retention through the separation.

During first quarter 2016, we recorded separation costs of $8 million. For full-year 2016, we expect to incur separation costs of approximately $200 to $250 million. This amount does 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.

Amortization of Intangible Assets

First quarter 2016 amortization of intangible assets of $89 million increased $12 million compared to first quarter 2015 primarily due to the impairment of a customer relationship asset as a result of a lost contract.

Worldwide Employment

Worldwide employment was approximately 135,300 as of March 31, 2016 and decreased by 8,300 from December 31, 2015, due primarily to the impact of seasonal reductions as well as restructuring and productivity improvements partially offset by ramping new business and acquisitions.

Other Expenses, Net

(in millions)	Three Months Ended March 31, 2016	2015
Non-financing interest expense	$ 55	$ 56
Interest income	(2)	(2)
Gains on sales of businesses and assets	(20)	(16)
Currency losses, net	4	6
Litigation matters	7	(1)
Loss on sales of accounts receivable	4	3
Deferred compensation investment gains	—	(4)
All other expenses, net	9	4
Total Other Expenses, Net	**$ 57**	**$ 46**

Note: Total Other Expenses, Net with the exception of Deferred compensation investment (gains) losses are included in the Other segment. Deferred compensation investment (gains) losses are included in the Services segment together with the related deferred compensation expense/income.

Non-Financing Interest Expense: First quarter 2016 non-financing interest expense of $55 million was $1 million lower than first quarter 2015. When combined with financing interest expense (cost of financing), total company interest expense declined by $1 million from first quarter 2015, driven by a lower average debt balance.

Gains on Sales of Businesses and Assets: First quarter 2016 and first quarter 2015 include gains on the sale of surplus technology of $17 million and $14 million, respectively.

Litigation Matters: First quarter 2016 litigation matters reflect probable losses and reserves for various legal matters.

Income Taxes

First quarter 2016 effective tax rate was 93.8%. On an adjusted[1] basis, first quarter 2016 tax rate was 22.5%, which was lower than the U.S. statutory tax rate primarily due to foreign tax credits resulting from anticipated dividends from our foreign subsidiaries and the geographical mix of profits.

First quarter 2015 effective tax rate was 19.4%. On an adjusted[1] basis, first quarter 2015 tax rate was 25.7%, which was lower than the U.S. statutory tax rate primarily due to foreign tax credits resulting from anticipated dividends from our foreign subsidiaries and the geographical mix of profits.

Xerox operations are widely dispersed. The statutory tax rate in most non-U.S. jurisdictions is lower than the combined U.S. and state tax rate. The amount of income subject to these lower foreign rates relative to the amount of U.S. income will impact our effective tax rate. However, no one country outside of the U.S. is a significant factor to our overall effective tax rate. Certain foreign income is subject to U.S. tax net of any available foreign tax credits. Our estimated full year effective tax rate includes a benefit of approximately 19-percentage points from these non-U.S. operations, which is a result of our current geographical mix of pre-tax income adjusted for any available foreign tax credit benefits.

Our estimated effective tax rate is based on nonrecurring events as well as recurring factors, including the taxation of foreign income. In addition, our estimated effective tax rate will change based on discrete or other nonrecurring events that may not be predictable. Excluding the effects of intangibles amortization, restructuring and related costs, non-service retirement-related costs, separation costs and other discrete items, we anticipate that our adjusted effective tax rate will be approximately 26% to 28% for the second quarter and full-year 2016.

(1) Refer to the Effective Tax Rate reconciliation table in the "Non-GAAP Financial Measures" section.

Equity in Net Income of Unconsolidated Affiliates

(in millions)	Three Months Ended March 31, 2016	2015
Total equity in net income of unconsolidated affiliates	$ 37	$ 34
Fuji Xerox after-tax restructuring costs included in equity income	—	1

Equity in net income of unconsolidated affiliates primarily reflects our 25% share of Fuji Xerox net income. First quarter 2016 equity income of $37 million was $3 million higher than first quarter 2015 primarily due to translation currency impacts.

Net Income from Continuing Operations

First quarter 2016 net income from continuing operations attributable to Xerox was $34 million, or $0.03 per diluted share. On an adjusted[1] basis, net income from continuing operations attributable to Xerox was $231 million, or $0.22 per diluted share. First quarter 2016 adjustments to net income include the amortization of intangible assets, restructuring and related costs, non-service retirement-related costs, and separation costs.

First quarter 2015 net income from continuing operations attributable to Xerox was $191 million, or $0.16 per diluted share. On an adjusted[1] basis, net income from continuing operations attributable to Xerox was $278 million, or $0.24 per diluted share. First quarter 2015 adjustments to net income include the amortization of intangible assets, restructuring charges, and non-service retirement-related costs.

Refer to Note 16 - Earnings per Share, in the Condensed Consolidated Financial Statements, for additional information regarding the calculation of basic and diluted earnings per share.

(1) Refer to the Net Income and EPS reconciliation table in the "Non-GAAP Financial Measures" section.

Discontinued Operations

Refer to Note 4 - Divestitures, in the Condensed Consolidated Financial Statements for additional information regarding discontinued operations.

Net Income

First quarter 2016 net income attributable to Xerox was $34 million, or $0.03 per diluted share. First quarter 2015 net income attributable to Xerox was $225 million, or $0.19 per diluted share.

Other Comprehensive Income (Loss)

First quarter 2016 Other comprehensive income attributable to Xerox was $88 million as compared to a loss of $381 million in the first quarter 2015. The change of $469 million, is primarily due to a $700 million change from the translation of our foreign currency denominated net assets. The first quarter 2016 reflects translation gains of $191 million primarily as a result of the strengthening of our major foreign currencies as compared to the U.S. Dollar at quarter-end spot rates. First quarter 2015 reflects translation losses of $509 million primarily due to a significant weakening of those same foreign currencies against the U.S. dollar in the prior year. Offsetting this change were net losses from changes in defined benefit plans of $112 million in the first quarter 2016 as compared to net gains of $98 million in the first quarter 2015. The benefit plan losses in the first quarter 2016 were primarily due to a decrease in discount rates as compared to an increase in rates in the prior year.

Refer to Note 13 - Employee Benefit Plans, in the Condensed Consolidated Financial Statements for additional information regarding net changes in our defined benefit plans and related losses and gains.

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

Segment Review

In first quarter 2016, we revised our segment reporting to reflect the following changes:

- The transfer of the Education/Student Loan business from the Services segment to Other as a result of the expected continued run-off of this business. The business does not meet the threshold for separate segment reporting.
- The exclusion of the non-service elements of our defined-benefit pension and retiree-health plan costs from Segment profit.

Prior year amounts were revised accordingly to reflect these changes.

(in millions)	Three Months Ended March 31, Equipment Sales Revenue	Annuity Revenue	Total Revenue	% of Total Revenue	Segment Profit (Loss)	Segment Margin
2016						
Services	$ 109	$ 2,373	$ 2,482	58%	$ 190	7.7 %
Document Technology	432	1,207	1,639	38%	167	10.2 %
Other	19	141	160	4%	(66)	(41.3)%
Total	**$ 560**	**$ 3,721**	**$ 4,281**	**100%**	**$ 291**	**6.8 %**
2015						
Services	$ 97	$ 2,370	$ 2,467	55%	$ 187	7.6 %
Document Technology	509	1,321	1,830	41%	232	12.7 %
Other	18	154	172	4%	(47)	(27.3)%
Total	**$ 624**	**$ 3,845**	**$ 4,469**	**100%**	**$ 372**	**8.3 %**

Services

Our Services segment comprises two service offerings: Business Process Outsourcing (BPO) and Document Outsourcing (DO).

Revenue

(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 Services Revenue	**$ 2,482**	**$ 2,467**	**1%**	**2%**

Note: The above table excludes intercompany revenue.
CC - See "Non-GAAP Financial Measures" section for description of Constant Currency

First quarter 2016 Services revenue of $2,482 million was 58% of total revenue and increased 1% from first quarter 2015, with a 1-percentage point negative impact from currency.

- BPO revenue was essentially flat from first quarter 2015, with a 1-percentage point negative impact from currency, and represented 68% of total Services revenue. Growth was driven by acquisitions and ramping new contracts, particularly in Healthcare. This increase more than offset the impacts of lost business and lower volumes, primarily in Commercial Industries, and overall price declines that were consistent with prior period trends.
    - In first quarter 2016, BPO revenue mix across the major business areas was as follows: Commercial Industries (excluding healthcare) - 44%; Healthcare - 27%; Public Sector - 25%; and all other (including our Health Enterprise (HE) Medicaid platform implementations) - 4%.
- DO revenue increased 2% with a 3-percentage point negative impact from currency, and represented 32% of Services revenue. Growth was driven primarily from our partner print services offerings, reflected in both equipment and annuity revenue, and from strong equipment sales related to higher prior-period signings.

Segment Margin

First quarter 2016 Services segment margin of 7.7% increased by 0.1-percentage point from first quarter 2015. Anticipated year-over-year benefits from lower expenses associated with our HE platform implementations, a result of decisions we made in 2015 to curtail this business, were partially offset by margin pressures in our customer care offering, modest declines in DO margin and impacts from unfavorable line-of-business mix and price declines.

Metrics

Signings: Signings are defined as estimated future revenues from contracts signed during the period, including renewals of existing contracts. First quarter 2016 Services signings were $2.1 billion in Total Contract Value (TCV).

Signings were as follows:

(in billions)		Three Months Ended March 31, 2016
BPO	$	1.5
DO		0.6
Total Signings	**$**	**2.1**

Signings declined 13% from first quarter 2015, with a 2-percentage point negative impact from currency, primarily reflecting lower renewal opportunities. On a trailing twelve month (TTM) basis, signings increased 9% from the comparable prior year period. New business TCV increased 6% at constant currency from first quarter 2015 and increased 35% on a TTM basis. DO signings do not include signings from our growing partner print services offerings.

Note: TCV is the estimated total contractual revenue related to signed contracts.

Renewal Rate (Total Services): Renewal rate is defined as the annual recurring revenue (ARR) on contracts that are renewed during the period as a percentage of ARR on all contracts for which a renewal decision was made during the period. The combined first quarter 2016 contract renewal rate for BPO and DO contracts was 89%, which is at the high end of our target range of 85%-90%.

Government Healthcare Charge

In 2015 we determined that we would not fully complete the implementation of the HE platform in California and Montana. As a result of the determination we recorded a pre-tax charge of $389 million ($241 million after-tax) in 2015 reflecting write-offs and estimated settlement costs as well as other impacts from this determination. The charge included $164 million for the write-off of contract receivables and other non-cash impairments and adjustments. The remainder of the charge is primarily related to settlement costs including payments to subcontractors.

Although our settlement negotiations with California and Montana have been finalized, we continue to negotiate with various subcontractors on a final settlement. We believe we have recorded our best estimate of the required liability for the settlement of this matter; however, the estimate is subject to change when negotiations are finalized. We remain committed to the implementation and ongoing operation of the HE platform for our four other state clients, including our largest state client, New York.

Document Technology

Our Document Technology segment includes the sale of products and supplies, as well as the associated maintenance and financing of those products.

Revenue

	Three Months Ended March 31,					
(in millions)		2016		2015	% Change	CC % Change
Equipment sales	$	432	$	509	(15)%	(14)%
Annuity revenue		1,207		1,321	(9)%	(7)%
Total Revenue	**$**	**1,639**	**$**	**1,830**	**(10)%**	**(9)%**

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CC - See "Non-GAAP Financial Measures" section for description of Constant Currency

First quarter 2016 Document Technology revenue of $1,639 million decreased 10% from first quarter 2015, with a 1-percentage point negative impact from currency. Document Technology revenues exclude Document Outsourcing. Inclusive of Document Outsourcing, first quarter 2016 aggregate document-related revenue decreased 7% from first quarter 2015, with a 2-percentage point negative impact from currency. Document Technology segment revenue results included the following:

- Equipment sales revenue declined 15% from first quarter 2015, with a 1-percentage point negative impact from currency. The decline was driven by continued weakness in developing markets, product launch timing, continued migration of customers to our partner print services offering (included in our Services segment) as well as overall price declines that continue to be within our historical range of 5 to 10%.

- Annuity revenue decreased by 9% from first quarter 2015, with a 2-percentage point negative impact from currency. The annuity revenue reduction reflects lower equipment sales in prior periods, resulting in ongoing page declines and lower supplies demand, although the supplies revenue decline moderated sequentially to a more normalized level. The reduction also reflects the continued migration of customers to our partner print services offering (included in our Services segment). These declines were partially offset by good annuity growth in our high-end color product group.

Document Technology revenue mix was 57% mid-range, 24% high-end and 19% entry, consistent with recent quarters.

Total revenue in the Document Technology segment is expected to continue to decline over the next three years as we continue to migrate the business to more services-based offerings. These services-based offerings are reported within our Services segment as part of our Document Outsourcing business. This segment also continues to be impacted by lower equipment placements and price declines as well as related supplies and page declines. We expect to continue to mitigate these declines through focus on productivity and cost improvements, as well as investments in growth areas of the market.

Segment Margin

First quarter 2016 Document Technology segment margin of 10.2% declined 2.5-percentage points from first quarter 2015, including a 0.9-percentage point reduction in gross margin. The gross margin decrease reflects unfavorable currency impacts and price declines. SAG increased as a percent of revenue as overall lower revenue was only partially matched by productivity improvements due in part to lower 2015 restructuring.

Total Installs (Document Technology and Document Outsourcing[1])

Install activity includes Document Outsourcing and Xerox-branded products shipped to Global Imaging Systems. Details by product groups is shown below:

Installs for the first quarter 2016:

Entry[(2)]:
- 1% increase in color multifunction devices driven by demand for new products primarily in Document Outsourcing.
- 16% decrease in black-and-white multifunction devices reflecting continued declines in developing markets.

Mid-Range:
- 1% increase in mid-range color installs.
- 14% decrease in mid-range black-and-white reflecting higher declines in developing markets and a transition to color devices.

High-End:
- 56% increase in high-end color systems, excluding Fuji Xerox digital front-end sales, as growth in Color Press 800 and 1000 products was partially offset by declines in other production color products, reflecting product launch timing.
- 8% decrease in high-end black-and-white systems consistent with overall market declines.

Note: Descriptions of “Entry”, “Mid-range” and “High-end” are defined in Note 3 - Segment Reporting, in the Condensed Consolidated Financial Statements.

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(1) Revenue from Document Outsourcing installations is reported in our Services segment.

(2) Entry installations exclude OEM sales; including OEM sales Entry color multifunction devices increased 117%, while Entry black-and-white multifunction devices increased 11%.

Other

Revenue

First quarter 2016 Other revenue of $160 million decreased 7% from first quarter 2015, with a 3-percentage point negative impact from currency. The decrease is driven by the anticipated run-off of the student loan business, now reported in Other, and lower paper and wide-format revenues. Total paper revenue (all within developing markets) and the student loan business each comprise approximately one third of Other revenue.

Other Loss

Non-financing interest expense as well as all Other expenses, net (excluding Deferred compensation investment gains) are reported within Other and were $57 million in first quarter 2016 as compared to $50 million in first quarter 2015. The $7 million increase was primarily due to an increase in litigation-related costs. Remaining Other loss of $9 million in first quarter 2016 increased $12 million from first quarter 2015 primarily related to lower profitability in the student loan business.

Capital Resources and Liquidity

As of March 31, 2016 and December 31, 2015, total cash and cash equivalents were $1,189 million and $1,368 million, respectively. There were no borrowings under our Commercial Paper Program, or letters of credit under our $2 billion Credit Facility at March 31, 2016 or December 31, 2015, respectively.

We expect cash flows from operations will be between $950 million and $1.2 billion in 2016, with the reduction from previous expectations due to costs associated with the separation and restructuring.

Cash Flow Analysis

The following table summarizes our cash and cash equivalents:

	Three Months Ended March 31,		
(in millions)	2016	2015	Change
Net cash (used in) provided by operating activities	$ (25)	$ 113	$ (138)
Net cash used in investing activities	(125)	(98)	(27)
Net cash used in financing activities	(42)	(485)	443
Effect of exchange rate changes on cash and cash equivalents	13	(69)	82
Decrease in cash and cash equivalents	(179)	(539)	360
Cash and cash equivalents at beginning of period	1,368	1,411	(43)
Cash and Cash Equivalents at End of Period	**$ 1,189**	**$ 872**	**$ 317**

Cash Flows from Operating Activities

Net cash used in operating activities was $25 million in the first quarter 2016. The $138 million decrease in operating cash from the prior period was primarily due to the following:

- $122 million decrease in pre-tax income before depreciation and amortization, restructuring charges and gains on sales of businesses and assets.
- $87 million decrease in accounts payable and accrued compensation primarily related to a reduction in days payable outstanding.
- $15 million decrease from finance receivables reflecting a moderating rate of portfolio run-off.
- $14 million decrease reflecting settlement payments associated with our third quarter 2015 decision to not fully complete the HE implementations in California and Montana.
- $41 million increase from accounts receivable primarily due to improved collections and lower revenues.
- $29 million increase from the settlements of foreign currency derivative contracts. These derivatives primarily relate to hedges of Yen inventory purchases.
- $27 million increase primarily due to lower inventory requirements reflecting reduced equipment and supplies demand as well as lower levels of in-transit inventory.
- $13 million increase due to the prior year use of cash in the discontinued ITO business.

Cash Flows from Investing Activities

Net cash used in investing activities was $125 million in the first quarter 2016. The $27 million decrease in cash from first quarter 2015 was primarily due to the following:

- $59 million decrease primarily due to a $52 million payment to Atos reflecting final working capital adjustments associated with the 2015 ITO divestiture.
- $23 million increase due to lower capital expenditures (including internal use software) primarily due to the sale of the ITO business.
- $10 million increase from lower acquisitions.

Cash Flows from Financing Activities

Net cash used in financing activities was $42 million in the first quarter 2016. The $443 million increase in cash from first quarter 2015 was primarily due to the following:

- $216 million increase as there were no share repurchases in first quarter 2016.
- $195 million increase from net debt activity. First quarter 2016 reflects net proceeds of $749 million from a Senior Unsecured Term Facility offset by a $700 million Senior Notes payment. 2015 reflects a $1 billion Senior Notes payment offset by net proceeds of $648 million from the issuance of Senior Notes and an increase of $204 million in Commercial Paper.
- $43 million increase due to lower distributions to noncontrolling interests.

Customer Financing Activities and Debt

The following represents our total finance assets, net associated with our lease and finance operations:

(in millions)	March 31, 2016	December 31, 2015
Total finance receivables, net[1]	$ 3,972	$ 3,988
Equipment on operating leases, net	489	495
Total Finance Assets, net[2]	**$ 4,461**	**$ 4,483**

(1) Includes (i) billed portion of finance receivables, net, (ii) finance receivables, net and (iii) finance receivables due after one year, net as included in our Condensed Consolidated Balance Sheets.
(2) The change from December 31, 2015 includes an increase of $64 million due to currency across all Finance Assets.

The following summarizes our debt:

(in millions)	March 31, 2016	December 31, 2015
Principal debt balance[1]	$ 7,409	$ 7,365
Net unamortized discount	(50)	(52)
Debt issuance cost[3]	(27)	(28)
Fair value adjustments[2]		
- terminated swaps	41	47
- current swaps	15	7
Total Debt	**$ 7,388**	**$ 7,339**

(1) Includes Notes Payable of $2 million and $3 million as of March 31, 2016 and December 31, 2015, respectively.
(2) Fair value adjustments include the following - (i) fair value adjustments to debt associated with terminated interest rate swaps, which are being amortized to interest expense over the remaining term of the related notes; and (ii) changes in fair value of hedged debt obligations attributable to movements in benchmark interest rates. Hedge accounting requires hedged debt instruments to be reported inclusive of any fair value adjustment.
(3) Reflects the adoption of ASU 2015-03, Interest - Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs effective January 1, 2016; which requires debt issuance costs to be presented as a direct deduction from the carrying amount of the corresponding debt liability. Prior year amounts were revised to reflect the new presentation.

Refer to Note 10 - Debt, in the Condensed Consolidated Financial Statements for additional information.

Our lease contracts permit customers to pay for equipment over time rather than at the date of installation; therefore, we maintain a certain level of debt (that we refer to as financing debt) to support our investment in these lease contracts, which are reflected in total finance assets, net. For this financing aspect of our business, we maintain an assumed 7:1 leverage ratio of debt to equity as compared to our finance assets.

Based on this leverage, the following represents the breakdown of total debt between financing debt and core debt:

(in millions)	March 31, 2016	December 31, 2015
Financing debt[1]	$ 3,903	$ 3,923
Core debt	3,485	3,416
Total Debt	**$ 7,388**	**$ 7,339**

(1) *Financing debt includes $3,476 million and $3,490 million as of March 31, 2016 and December 31, 2015, respectively, of debt associated with total finance receivables, net and is the basis for our calculation of "Equipment financing interest" expense. The remainder of the financing debt is associated with Equipment on operating leases.*

Sales of Accounts Receivable

Refer to Note 5 - Accounts Receivable, Net, in the Condensed Consolidated Financial Statements for additional information.

Sales of Finance Receivables

Refer to Note 6 - Finance Receivables, Net, in the Condensed Consolidated Financial Statements for additional information.

Liquidity and Financial Flexibility

We manage our worldwide liquidity using internal cash management practices, which are subject to (1) the statutes, regulations and practices of each of the local jurisdictions in which we operate, (2) the legal requirements of the agreements to which we are a party and (3) the policies and cooperation of the financial institutions we utilize to maintain and provide cash management services.

Our principal debt maturities are in line with historical and projected cash flows and are spread over the next ten years as follows:

(in millions)	Amount
2016 Q2	$ 260
2016 Q3	8
2016 Q4	7
2017	1,779
2018	1,020
2019	1,161
2020	1,207
2021	1,067
2022	—
2023	—
2024	300
2025 and thereafter	600
Total	$ 7,409

Treasury Stock

There were no share repurchases during the first quarter 2016 or through the date of our filing on April 29, 2016.

Financial Risk Management

We are exposed to market risk from changes in foreign currency exchange rates and interest rates, which could affect operating results, financial position and cash flows. We manage our exposure to these market risks through our regular operating and financing activities and, when appropriate, through the use of derivative financial instruments. These derivative financial instruments are utilized to hedge economic exposures, as well as to reduce earnings and cash flow volatility resulting from shifts in market rates. We enter into limited types of derivative contracts, including interest rate swap agreements, foreign currency spot, forward and swap contracts and net purchased foreign currency options to manage interest rate and foreign currency exposures. Our primary foreign currency market exposures include the Yen, Euro and Pound Sterling. The fair market values of all our derivative contracts change with fluctuations in interest rates and/or currency rates and are designed so that any changes in their values are offset by changes in the values of the underlying exposures. Derivative financial instruments are held solely as risk management tools and not for trading or speculative purposes.

We are required to recognize all derivative instruments as either assets or liabilities at fair value in the balance sheet. As permitted, certain of these derivative contracts have been designated for hedge accounting treatment. Certain of our derivatives that do not qualify for hedge accounting are effective as economic hedges. These derivative contracts are likewise required to be recognized each period at fair value and therefore do result in some level of volatility. The level of volatility will vary with the type and amount of derivative hedges outstanding, as well as fluctuations in the currency and interest rate markets during the period. The related cash flow impacts of all of our derivative activities are reflected as cash flows from operating activities.

By their nature, all derivative instruments involve, to varying degrees, elements of market and credit risk. The market risk associated with these instruments resulting from currency exchange and interest rate movements is expected to offset the market risk of the underlying transactions, assets and liabilities being hedged. We do not believe there is significant risk of loss in the event of non-performance by the counterparties associated with these instruments because these transactions are executed with a diversified group of major financial institutions. Further, our policy is to deal with counterparties having a minimum investment grade or better credit rating. Credit risk is managed through the continuous monitoring of exposures to such counterparties.

The current market events have not required us to materially modify or change our financial risk management strategies with respect to our exposures to interest rate and foreign currency risk. Refer to Note 11 – Financial Instruments, in the Condensed Consolidated Financial Statements for further discussion and information on our financial risk management strategies.

Non-GAAP Financial Measures

We have reported our financial results in accordance with generally accepted accounting principles (GAAP). In addition, we have discussed our financial results using the non-GAAP measures described below. We believe these non-GAAP measures allow investors to better understand the trends in our business and to better understand and compare our results. Accordingly, we believe it is necessary to adjust several reported amounts, determined in accordance with GAAP, to exclude the effects of certain items as well as their related income tax effects.

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.

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

- 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.

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.

Operating Income and 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 (CC)

Refer to "Currency Impact" for a discussion of this measure and its use in our analysis of revenue growth.

Summary

Management believes that all of these non-GAAP financial measures provide an additional means of analyzing the current periods' results against the corresponding prior periods' results. However, the following 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 tables:

Net Income and EPS reconciliation:

	Three Months Ended March 31, 2016		Three Months Ended March 31, 2015	
(in millions; except per share amounts)	Net Income	EPS	Net Income	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.
(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 for the first quarter 2016.

Effective Tax Rate reconciliation:

	Three Months Ended March 31, 2016			Three Months Ended March 31, 2015		
(in millions)	Pre-Tax (Loss) Income	Income Tax (Benefit) Expense	Effective Tax Rate	Pre-Tax Income	Income Tax Expense	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.

Operating Income / Margin reconciliation:

(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.

Key Financial Ratios reconciliation:

(in millions)	Three Months Ended March 31, 2016			Three Months Ended March 31, 2015		
	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%

ITEM 3 — QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information set forth under the “Financial Risk Management” section of this Quarterly Report on Form 10-Q is hereby incorporated by reference in answer to this Item.

ITEM 4 — CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

The Company’s management evaluated, with the participation of our principal executive officer and principal financial officer, or persons performing similar functions, the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as of the end of the period covered by this report. Based on this evaluation, our principal executive officer and principal financial officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective to ensure that information we are required to disclose in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms relating to Xerox Corporation, including our consolidated subsidiaries, and was accumulated and communicated to the Company’s management, including the principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in Internal Controls

In connection with the evaluation required by paragraph (d) of Rule 13a-15 under the Exchange Act, there was no change identified in our internal control over financial reporting that occurred during the last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1 — LEGAL PROCEEDINGS

The information set forth under Note 17 – Contingencies and Litigation in the Condensed Consolidated Financial Statements of this Quarterly Report on Form 10-Q is incorporated by reference in answer to this Item.

ITEM 1A — RISK FACTORS

Reference is made to the Risk Factors set forth in Part I, Item 1A of our 2015 Annual Report. The Risk Factors remain applicable from our 2015 Annual Report.

ITEM 2 — UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(a) Sales of Unregistered Securities during the Quarter ended March 31, 2016

During the quarter ended March 31, 2016, Registrant issued the following securities in transactions that were not registered under the Securities Act of 1933, as amended (the "Act").

Semi-Annual Director Fees:

a. Securities issued on January 15, 2016: Registrant issued 50,673 deferred stock units (DSUs), representing the right to receive shares of Common stock, par value $1 per share, at a future date.
b. No underwriters participated. The shares were issued to each of the non-employee Directors of Registrant: Richard J. Harrington, William Curt Hunter, Robert J. Keegan, Charles Prince, Ann N. Reese, Stephen H. Rusckowski and Sara Martinez Tucker.
c. The DSUs were issued at a deemed purchase price of $8.98 per DSU (aggregate price $455,044), based upon the market value on the date of issuance, in payment of the semi-annual Director's fees pursuant to Registrant's 2004 Equity Compensation Plan for Non-Employee Directors.
d. Exemption from registration under the Act was claimed based upon Section 4(2) as a sale by an issuer not involving a public offering.

Dividend Equivalent:

a. Securities issued on January 29, 2016: Registrant issued 5,035 DSUs, representing the right to receive shares of Common stock, par value $1 per share, at a future date.
b. No underwriters participated. The shares were issued to each of the non-employee Directors of Registrant: Richard J. Harrington, William Curt Hunter, Robert J. Keegan, Charles Prince, Ann N. Reese, Stephen H. Rusckowski, Sara Martinez Tucker and Mary Agnes Wilderotter.
c. The DSUs were issued at a deemed purchase price of $10.62 per DSU (aggregate price $53,472), based upon the market value on the date of record, in payment of the dividend equivalents due to DSU holders pursuant to Registrant's 2004 Equity Compensation Plan for Non-Employee Directors.
d. Exemption from registration under the Act was claimed based upon Section 4(2) as a sale by an issuer not involving a public offering.

(b) Issuer Purchases of Equity Securities during the Quarter ended March 31, 2016

There were no repurchases of Xerox Common Stock pursuant to Board authorized share repurchase programs during the first quarter 2016 or through the date of our filing on April 29, 2016.

Repurchases Related to Stock Compensation Programs[(1)]:

	Total Number of Shares Purchased	Average Price Paid per Share[(2)]	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum That May Be Purchased under the Plans or Programs
January 1 through 31	12,727	$ 9.50	n/a	n/a
February 1 through 29	—	—	n/a	n/a
March 1 through 31	—	—	n/a	n/a
Total	**12,727**			

(1) These repurchases are made under a provision in our restricted stock compensation programs for the indirect repurchase of shares through a net-settlement feature upon the vesting of shares in order to satisfy minimum statutory tax-withholding requirements.

(2) Exclusive of fees and costs.

ITEM 6 — EXHIBITS

3(a)	Restated Certificate of Incorporation of Registrant filed with the Department of State of New York on February 21, 2013.
	Incorporated by reference to Exhibit 3(a) to Registrant's Annual Report on Form 10-K dated for the fiscal year ended December 31, 2012.
3(b)	By-Laws of Registrant, as amended through December 4, 2015.
	Incorporated by reference to Exhibit 3(b) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2015.
10 (b)(2)	Form of Short-Term Cash Separation Award Agreement under 2016 Separation Incentive Program
10 (b)(3)	Form of Long-Term Cash Separation Award Agreement under 2016 Separation Incentive Program
10 (e)(25)	Amendment No. 2 dated as of February 24, 2016 to 2012 PIP
10 (e)(26)	Form of Award Agreement under 2016 ELTIP (Performance Shares and Restricted Stock Units -- CEO)
12	Computation of Ratio of Earnings to Fixed Charges.
31(a)	Certification of CEO pursuant to Rule 13a-14(a) or Rule 15d-14(a).
31(b)	Certification of CFO pursuant to Rule 13a-14(a) or Rule 15d-14(a).
32	Certification of CEO and CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.
101.DEF	XBRL Taxonomy Extension Definition Linkbase.
101.INS	XBRL Instance Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.
101.SCH	XBRL Taxonomy Extension Schema Linkbase.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

XEROX CORPORATION
(Registrant)

By: /S/ JOSEPH H. MANCINI, JR.

Joseph H. Mancini, Jr.
Vice President and
Chief Accounting Officer
(Principal Accounting Officer)

Date: April 29, 2016

EXHIBIT INDEX

3(a)	Restated Certificate of Incorporation of Registrant filed with the Department of State of New York on February 21, 2013. Incorporated by reference to Exhibit 3(a) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2012.
3(b)	By-Laws of Registrant, as amended through December 4, 2015. Incorporated by reference to Exhibit 3(b) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2015.
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101.SCH	XBRL Taxonomy Extension Schema Linkbase.

EXHIBIT 10(b)(2)

SHORT-TERM CASH SEPARATION AWARD AGREEMENT

SHORT-TERM CASH SEPARATION AWARD AGREEMENT (“Agreement”), effective [enter date], between Xerox Corporation, a New York corporation (the “Company”), and the employee of the Company whose name appears in the cover memo that accompanies this Agreement (the “Employee”).

WHEREAS, the Company has authorized the execution and delivery of this Agreement,

NOW, THEREFORE, in consideration of the promises and for other good and valuable consideration the Company agrees as follows:

1. Meaning of Terms

“Payment Amount” shall be the amount set forth in the cover memo that accompanies this Agreement.

“Agreement Date” shall be the effective date provided above.

“Vesting Date” shall be the date of Separation.

“Company” for purposes of this Agreement shall include Xerox Corporation and any of its subsidiaries or affiliates. For purposes of Sections 2 and 5, the Company shall mean either the Company or a company formed as a result of the Separation that is the employer of the Employee.

“Separation” for purposes of this Agreement shall be the closing date when Xerox separates into two independent companies.

2. Payment Amount. The Company hereby promises to pay to the Employee the following amount in cash:

a) The amount to be paid to the Employee if the Employee is actively employed with the Company and in compliance with the Company’s policies and procedures on the Vesting Date shall be the Payment Amount provided herein.

b) If the Employee is no longer actively employed by the Company on the Vesting Date for any reason including but not limited to retirement, voluntary or involuntary separation, the Employee will not be entitled to the Payment Amount or any portion thereof.

c) Notwithstanding the above, if the Employee is no longer actively employed by the Company by reason of death, the Vesting Date is the date of death, and the Payment Amount shall be paid to the personal representatives, heirs or legatees of the deceased Employee.

3. Payout Date. The Payment Amount under this Agreement shall be paid within 30 days of the Vesting Date.

4. Withholding. All amounts under this Agreement shall be paid net of any applicable withholding required under federal, state or local law.

5. Non-Engagement in Detrimental Activity Against the Company. If the Employee is deemed by the Committee in its sole discretion to have engaged in detrimental activity against the Company, any award granted hereunder to such Employee or former Employee shall be cancelled and be of no further force or effect and any payment or delivery of an award within six months prior to such detrimental activity may be rescinded. In the event of any such rescission, the Employee shall pay to the Company the Payment Amount received pursuant to this Agreement.

"Detrimental activity" may include:

(a) violating terms of a non-compete agreement with the Company, if any;

(b) disclosing confidential or proprietary business information of the Company to any person or entity including but not limited to a competitor, vendor or customer without appropriate authorization from the Company;*

(c) violating any rules, policies, procedures or guidelines of the Company;

(d) directly or indirectly soliciting any employee of the Company to terminate employment with the Company;

(e) directly or indirectly soliciting or accepting business from any customer or potential customer or encouraging any customer, potential customer or supplier of the Company, to reduce the level of business it does with the Company; and

(f) engaging in any other conduct or act that is determined to be injurious, detrimental or prejudicial to any interest of the Company.

* Notwithstanding the above, the Company does not in any manner restrict the Employee from reporting possible violations of federal, state or local laws or regulations to any governmental agency or entity. Similarly, the Company does not in any manner restrict the Employee from participating in any proceeding or investigation by a federal, state or local government agency or entity responsible for enforcing such laws. The Employee is not required to notify the Company that he or she has made such report or disclosure, or of his or her participation in an agency investigation or proceeding.

6. Notices. Notices hereunder shall be in writing and if to the Company shall be mailed to the Company at P.O. Box 4505, 45 Glover Avenue, 6th Floor, Norwalk, Connecticut 06856-4505, addressed to the attention of Executive Compensation and, if to the Employee, shall be delivered personally or mailed to the Employee at her address as the same appears on the records of the Company.

7. Nonqualified Deferred Compensation. To the fullest extent applicable, amounts and benefits payable under this Agreement are intended to be exempt from the definition of "nonqualified deferred compensation" under Section 409A of the Code and the Treasury Regulations promulgated thereunder ("Code Section 409A") in accordance with one or more of the exemptions available under the final Treasury regulations promulgated under Code Section 409A and, to the extent that any amount or benefit is or becomes subject to Code Section 409A due to a failure to qualify for an exemption from the definition of nonqualified deferred

compensation in accordance with such final Treasury regulations, this Agreement is intended to comply with the applicable requirements of Code Section 409A with respect to such amounts or benefits and will be interpreted and administered to the extent possible in a manner consistent with the foregoing statement of intent.

8. Interpretation of this Agreement. The Chief Executive Officer ("CEO") of the Company shall have full discretionary authority to interpret the Agreement and to take whatever administrative actions as the CEO in her sole discretion shall deem to be advisable. All decisions, interpretations and administrative actions made by the CEO hereunder shall be binding and conclusive on the Company and the Employee.

9. Successors and Assigns. This Agreement shall be binding and inure to the benefit of the parties hereto and the successors and assigns of the Company and the personal representatives, legatees and heirs of the Employee.

10. Governing Law. The validity, construction and effect of the Agreement and any actions taken under or relating to this Agreement shall be determined in accordance with the laws of the state of New York and applicable Federal law.

11. Severability. In case any provision in the Agreement shall become invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions in the Agreement, or in any other instrument referred to herein, shall not in any way be affected or impaired thereby.

12. Integration of Terms. This Agreement contains the entire agreement between the parties relating to the subject matter hereof and supersedes any and all oral statements and prior writings with respect thereto.

IN WITNESS WHEREOF, the Company has executed this Agreement as of the day and year set forth herein.

XEROX CORPORATION

By:

Ursula M. Burns, Chairman and Chief Executive Officer

EXHIBIT 10(b)(3)

LONG -TERM CASH SEPARATION AWARD AGREEMENT

LONG -TERM CASH SEPARATION AWARD AGREEMENT ("Agreement"), effective [enter date], between Xerox Corporation, a New York corporation (the "Company"), and the employee of the Company whose name appears in the cover memo that accompanies this Agreement (the "Employee").

WHEREAS, the Company has authorized the execution and delivery of this Agreement,

NOW, THEREFORE, in consideration of the promises and for other good and valuable consideration the Company agrees as follows:

1. Meaning of Terms

"Payment Amount" shall be the amount set forth in the cover memo that accompanies this Agreement.

"Agreement Date" shall be the effective date provided above.

"Vesting Date" shall be the one year anniversary of the separation.

"Company" for purposes of this Agreement shall include Xerox Corporation and any of its subsidiaries or affiliates. For purposes of Sections 2 and 5, the Company shall mean either the Company or a company formed as a result of the Separation that is the employer of the Employee.

"Separation" for purposes of this Agreement shall be the closing date when Xerox separates into two independent companies.

2. Payment Amount. The Company hereby promises to pay to the Employee the following amount in cash:

a) The amount to be paid to the Employee if the Employee is actively employed with the Company and in compliance with the Company's policies and procedures on the Vesting Date shall be the Payment Amount.

b) If the Employee is no longer actively employed by the Company on the Vesting Date for any reason including but not limited to retirement or voluntary separation, the Employee will not be entitled to the Payment Amount or any portion thereof.

c) Notwithstanding the above, if the Employee is no longer actively employed by the Company due to (i) disability, the Employee will be entitled to a prorata portion of the Payment Amount based on full months of active service to be paid on the Vesting Date; (ii) involuntary separation not for cause, the Employee will be entitled to the Payment Amount on the Vesting Date; or, (iii) the death of the Employee, the Vesting Date is the date of death and the Payment Amount shall be paid to the personal representatives, heirs or legatees of the deceased Employee.

3. Payout Date: The Payment Amount under this Agreement shall be paid within 30 days of the Vesting Date.

4. Withholding. All amounts under this Agreement shall be paid net of any applicable withholding required under federal, state or local law.

5. Non-Engagement in Detrimental Activity Against the Company. If the Employee is deemed by the Committee in its sole discretion to have engaged in detrimental activity against the Company, any award granted hereunder to such Employee or former Employee shall be cancelled and be of no further force or effect and any payment or delivery of an award within six months prior to such detrimental activity may be rescinded. In the event of any such rescission, the Employee shall pay to the Company the Payment Amount received pursuant to this Agreement.

"Detrimental activity" may include:

(a) violating terms of a non-compete agreement with the Company, if any;

(b) disclosing confidential or proprietary business information of the Company to any person or entity including but not limited to a competitor, vendor or customer without appropriate authorization from the Company;*

(c) violating any rules, policies, procedures or guidelines of the Company;

(d) directly or indirectly soliciting any employee of the Company to terminate employment with the Company;

(e) directly or indirectly soliciting or accepting business from any customer or potential customer or encouraging any customer, potential customer or supplier of the Company, to reduce the level of business it does with the Company; and

(f) engaging in any other conduct or act that is determined to be injurious, detrimental or prejudicial to any interest of the Company.

* Notwithstanding the above, the Company does not in any manner restrict the Employee from reporting possible violations of federal, state or local laws or regulations to any governmental agency or entity. Similarly, the Company does not in any manner restrict the Employee from participating in any proceeding or investigation by a federal, state or local government agency or entity responsible for enforcing such laws. The Employee is not required to notify the Company that he or she has made such report or disclosure, or of his or her participation in an agency investigation or proceeding.

6. Notices. Notices hereunder shall be in writing and if to the Company shall be mailed to the Company at P.O. Box 4505, 45 Glover Avenue, 6th Floor, Norwalk, Connecticut 06856-4505, addressed to the attention of Executive Compensation and, if to the Employee, shall be delivered personally or mailed to the Employee at her address as the same appears on the records of the Company.

7. Nonqualified Deferred Compensation. To the extent that any amount or benefit payable under this agreement is or becomes "nonqualified deferred compensation" subject to Section 409A of the Code and the Treasury Regulations promulgated thereunder ("Code

Section 409A"), this Agreement is intended to comply with the applicable requirements of Code Section 409A with respect to such amounts or benefits and will be interpreted and administered to the extent possible in a manner consistent with the foregoing statement of intent.

8. Interpretation of this Agreement. The Chief Executive Officer ("CEO") of the Company shall have full discretionary authority to interpret the Agreement and to take whatever administrative actions as the CEO in her sole discretion shall deem to be advisable. All decisions, interpretations and administrative actions made by the CEO hereunder shall be binding and conclusive on the Company and the Employee.

9. Successors and Assigns. This Agreement shall be binding and inure to the benefit of the parties hereto and the successors and assigns of the Company and the personal representatives, legatees and heirs of the Employee.

10. Governing Law. The validity, construction and effect of the Agreement and any actions taken under or relating to this Agreement shall be determined in accordance with the laws of the state of New York and applicable Federal law.

11. Severability. In case any provision in the Agreement shall become invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions in the Agreement, or in any other instrument referred to herein, shall not in any way be affected or impaired thereby.

12. Integration of Terms. This Agreement contains the entire agreement between the parties relating to the subject matter hereof and supersedes any and all oral statements and prior writings with respect thereto.

IN WITNESS WHEREOF, the Company has executed this Agreement as of the day and year set forth herein.

XEROX CORPORATION

By:

Ursula M. Burns, Chairman and Chief Executive Officer

EXHIBIT 10(e)(25)

AMENDMENT NO. 2
TO THE
XEROX CORPORATION
2004 PERFORMANCE INCENTIVE PLAN

2012 AMENDMENT AND RESTATEMENT

WITNESSETH:

WHEREAS, Xerox Corporation (the "Company") has established the Xerox Corporation 2004 Performance Incentive Plan, which is presently set forth in the 2012 Amendment and Restatement as amended by Amendment No. 1 (hereinafter referred to as the "Plan"), and

WHEREAS the Company desires to amend the Plan,

NOW, THEREFORE, the Plan is amended as follows:

(1) Section 5(a) is amended to delete the first sentence thereof and to add in its place the following:

"A total number of approximately 58 million (58,000,000) (as of December 31, 2015, a total number of approximately 41.5 million (41,500,000)) shares of common stock, par value $1.00 per share, of the Company ("Common Stock") are available for issuance under the Plan."

(2) (a) Section 7(b) is amended to delete the last two sentences thereof and to add in its place the following:

"Other than pursuant to Section 6, the Committee shall not without the approval of the Company's shareholders (a) lower the exercise price per share of a Stock Option after it is granted, (b) cancel a Stock Option when the exercise price per share exceeds the Fair Market Value of one share in exchange for cash or another award (other than in connection with a Change in Control), or (c) take any other action with respect to a Stock Option that would be treated as a repricing under the rules and regulations of the New York Stock Exchange. The Company may not repurchase a Stock Option for value (in cash, substitutions, cash buyouts or otherwise) from a Stock Option-holder if the current Fair Market Value of the shares underlying the Stock Option is lower than the exercise price per share of the Stock Option. The foregoing two sentences are collectively referred to herein as the "Repricing Prohibition"."

(b) Section 7(c) is amended to delete the last two sentences thereof and to add in its place the following:

"Notwithstanding any provision of the Plan to the contrary, the Repricing Prohibition described above shall also apply to SARs on the same basis as it does to Stock Options."

(3) Section 8 is amended to add the following sentence to the end thereof:

"Notwithstanding the above, no dividend equivalents will be paid on unearned performance-based shares."

This Amendment is effective as of the date hereof. In all other respects, the Plan shall remain unchanged.

IN WITNESS WHEREOF, the Company has caused this Amendment to be signed as of this 24th day of February, 2016.

XEROX CORPORATION

By: /s/ Darrell L. Ford
Senior Vice President and Chief Human Resources Officer

AGREEMENT PURSUANT TO
XEROX CORPORATION
2004 PERFORMANCE INCENTIVE PLAN AS AMENDED OR RESTATED TO DATE

AGREEMENT, by Xerox Corporation, a New York corporation (the “Company”), dated as of the date that appears in the applicable award summary that provides the value (or number of Performance Shares and Restricted Stock Units, as applicable) and vesting provisions of the applicable award (together, the “Award Summaries”) in favor of the individual whose name appears on the applicable Award Summary, who is an employee of the Company, one of the Company’s subsidiaries or one of its affiliates (the “Employee”).

In accordance with the provisions of the “2004 Performance Incentive Plan” and any amendments and/or restatements thereto (the “Plan”), the Compensation Committee of the Board of Directors of the Company (the “Committee”) or the Chief Executive Officer of the Company (the “CEO”) has authorized the execution and delivery of this Agreement.

Terms used herein that are defined in the Plan or in this Agreement shall have the meanings assigned to them in the Plan or this Agreement, respectively.

The Award Summaries contain the details of the awards covered by this Agreement and are incorporated herein in their entirety.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the Company agrees as follows:

AWARDS

1. General. Subject to all terms and conditions of the Plan and this Agreement, the Company has awarded to the Employee on the date indicated on the applicable Award Summary (i) the number of Performance Shares (individually, the “PS”) and (ii) the number of Restricted Stock Units (individually, the “RSU”), in each case, as shown on the applicable Award Summary. Notwithstanding anything herein to the contrary, only active Employees and those Employees on Short Term Disability Leave, Social Service Leave, Family Medical Leave or Paid Uniform Services Leave (pursuant to the Company’s Human Resources Policies or similar policies of the Company’s subsidiaries or affiliates) on the effective date of the award, as shown on the applicable Award Summary, shall be eligible to receive the awards.

For the avoidance of doubt, the transaction or series of transactions initially approved in principle by the Company's board of directors in January 2016 to separate the Company’s BPO business from the Company's Document Technology and Document Outsourcing business and create two independent, publicly-traded companies (the "Transaction") shall constitute a transaction subject to Section 6(b) of the Plan and shall not constitute a Change in Control. As a result, in the event the Transaction is consummated, the Committee shall authorize the issuance, continuation or assumption of the then-outstanding PSs and RSUs, or provide for other equitable adjustments to such PSs and RSUs, upon such terms and conditions as it may deem necessary to preserve the rights of the Employee under the Plan.

TERMS OF THE PERFORMANCE SHARES

2. Entitlement to Shares. As soon as practicable on or after the vesting date indicated on the applicable Award Summary, or the date of death if sooner, (the “PS Vesting Date”) in connection with the PSs, the Company shall, without transfer or issue tax to the person entitled to receive the shares, deliver to such person a certificate or certificates for a number of shares of Common Stock equal to the number of vested PSs (subject to reduction for withholding of Employee’s taxes in relation to the award as described in Paragraph 12 below). No fractional shares shall be issued as a result of such tax withholding. Instead, the Company shall apply the equivalent of any fractional share amount to amounts withheld for taxes.

The Committee shall set performance goals and review performance against such goals in connection with determining the payout of PSs. The award of PSs covered hereby shall be earned based on achieving one or more performance measures, as shall be determined by the Committee. To the extent the applicable performance measure is achieved at one hundred percent (100%) of "target" (as determined by the Committee), the PSs subject to such performance measure will be earned at the target number of shares set forth in the applicable Award Summary. To the extent the applicable performance measure is achieved below "threshold" (as determined by the Committee), none of the PSs subject to such performance measure will be earned; to the extent the applicable performance measure is achieved between "threshold" and "target", the PSs subject to such performance measure will be earned between 50% and 100% of the target number of shares set forth in the applicable Award Summary; and to the extent the applicable performance measure is achieved between "target" and "maximum" (as

determined by the Committee), the PSs subject to such performance measure will be earned between 100% and 200% of the target number of shares set forth in the applicable Award Summary, in each case calculated on a linear basis.

Upon the occurrence of an event constituting a Change in Control, all PSs and dividend equivalents outstanding on such date shall be treated pursuant to the terms set forth in the Plan. Upon payment pursuant to the terms of the Plan, such awards shall be cancelled.

3. Dividend Equivalents. The Employee shall become entitled to receive from the Company on the PS Vesting Date a cash payment equaling the same amount(s) that the holder of record of a number of shares of Common Stock equal to the number of PSs covered by this Agreement (relating exclusively to PSs earned, based on actual achievement of the applicable performance measures, not to exceed the applicable target award amount shown on the applicable Award Summary), that are held by the Employee on the close of business on the business day immediately preceding the PS Vesting Date, would have been entitled to receive as dividends on such Common Stock during the period commencing on the effective date hereof and ending on the PS Vesting Date, as provided under Paragraph 2. Payments under this Paragraph shall be net of any required withholding taxes. Notwithstanding anything herein to the contrary, for any Employee who is no longer an employee on the payroll of any subsidiary or affiliate of the Company on the payment date of the dividend equivalents, and such subsidiary or affiliate has determined, with the approval of the Corporate Vice President, Human Resources of the Company, that it is not administratively feasible for such subsidiary or affiliate to pay such dividend equivalents, the Employee will not be entitled to receive such dividend equivalents or other payment in lieu thereof.

TERMS OF THE RESTRICTED STOCK UNITS

4. Entitlement to Shares. Upon the vesting date indicated on the applicable Award Summary, or the date of death if sooner, (the “RSU Vesting Date”) in connection with the RSUs, the Company shall, without transfer or issue tax to the person entitled to receive the shares, deliver to such person a certificate or certificates for a number of shares of Common Stock equal to the number of vested RSUs (subject to reduction for withholding of Employee’s taxes in relation to the award as described in Paragraph 12 below). No fractional shares shall be issued as a result of such tax withholding. Instead, the Company shall apply the equivalent of any fractional share amount to amounts withheld for taxes.

Upon the occurrence of an event constituting a Change in Control, all RSUs and dividend equivalents on such shares that are outstanding on such date shall be treated pursuant to the terms set forth in the Plan. Upon payment pursuant to the terms of the Plan, such awards shall be cancelled.

5. Dividend Equivalents. The Employee shall become entitled to receive from the Company on the RSU Vesting Date a cash payment equaling the same amount(s) that the holder of record of a number of shares of Common Stock equal to the number of RSUs covered by this Agreement that are held by the Employee on the close of business on the business day immediately preceding the RSU Vesting Date, would have been entitled to receive as dividends on such Common Stock during the period commencing on the effective date hereof and ending on the RSU Vesting Date, as provided under Paragraph 4. Payments under this Paragraph shall be net of any required withholding taxes. Notwithstanding anything herein to the contrary, for any Employee who is no longer an employee on the payroll of any subsidiary or affiliate of the Company on the payment date of the dividend equivalents, and such subsidiary or affiliate has determined, with the approval of the Corporate Vice President, Human Resources of the Company, that it is not administratively feasible for such subsidiary or affiliate to pay such dividend equivalents, the Employee will not be entitled to receive such dividend equivalents or other payment in lieu thereof.

OTHER TERMS

6. Ownership Guidelines. Guidelines pertaining to the Employee’s required ownership of Common Stock shall be determined by the Committee or its authorized delegate, as applicable, in its sole discretion from time to time as communicated to Employee in writing.

7. Holding Requirements. The Employee must retain fifty percent (50%) of the net shares of Common Stock acquired in connection with the PSs and the RSUs (net of withholding tax and any applicable fees) until ownership guidelines are met under Paragraph 6 hereof, subject to any ownership and holding requirements policies established by the Committee from time to time. Such shares shall be held in the Employee’s Morgan Stanley account or in another account acceptable to the Company. In addition, shares used to maintain the Employee’s ownership level pursuant to this award should be held with Morgan Stanley or in another account acceptable to the Company.

If employment terminates due to the death of the Employee, such holding requirements shall cease at the date of death. If the Employee is a Corporate officer of the Company and terminates for any other reason, the holding requirement will be applicable for a six month period for the CEO, and a three month period for all other officers, following termination.

8. Rights of a Shareholder. Employee shall have no rights as a shareholder with respect to any shares covered by this Agreement until the date of issuance of a stock certificate to him for such shares. Except as otherwise provided herein, no adjustment shall be made for dividends or other rights for which the record date is prior to the date such stock certificate is issued.

9. Non-Assignability. This Agreement shall not be assignable or transferable by Employee except by will or by the laws of descent and distribution.

10. Effect of Termination of Employment or Death.

(a) Effect on PSs and RSUs. In the event the Employee

(i) voluntarily ceases to be an Employee of the Company or any subsidiary or affiliate (the Company, subsidiary or affiliate, together, the "Employer") for any reason other than retirement, and the PSs have not vested in accordance with Paragraph 2 or the RSUs have not vested in accordance with Paragraph 4, the PSs or RSUs, as applicable, shall be cancelled on the date of such voluntary termination of employment;

(ii) involuntarily ceases to be an Employee of the Employer for any reason (including Disability as provided pursuant to Paragraph 10(b) below or under a disability policy of any subsidiary or affiliate, as applicable), other than death or for Cause, or voluntarily ceases to be an Employee of the Employer due to a reduction in workforce, shares will vest on a pro rata basis, calculated as follows, and which vesting may, at the discretion of the Company, be contingent upon Employee executing a general release, and which may include an agreement with respect to engagement in detrimental activity, in a form acceptable to the Company:

(1) in the case of PSs, multiply (x) the total number of PSs outstanding as of the effective date of such termination of employment by (y) the percentage of such PSs earned based on the actual achievement of the applicable performance measures, as determined by the Company, by (z) a fraction, the numerator of which is the number of full months of service completed by the Employee from the effective date hereof through the effective date of such termination of employment and the denominator of which is 36; and

(2) in the case of RSUs, multiply (x) the total number of RSUs outstanding as of the effective date of such termination of employment by (y) a fraction, the numerator of which is the number of full months of service completed by the Employee from the effective date hereof through the effective date of such termination of employment and the denominator of which is 36.

Payment shall occur as soon as practicable following the PS Vesting Date or RSU Vesting Date, as applicable.

(iii) ceases to be an Employee of the Employer by reason of death, 100% of the PSs and the RSUs shall vest on the date of death and the certificates for shares shall be delivered in accordance with Paragraph 2 or Paragraph 4, as applicable, to the personal representatives, heirs or legatees of the deceased Employee;

(iv) ceases to be an Employee of the Employer by reason of retirement (i.e., for purposes of this Agreement only, "retirement" for U.S. employees shall mean termination of employment at or above age 55 with 10 years of service or age 60 with 5 years of service with the Employer), shares will vest on a pro rata basis, calculated as follows, and which vesting may, at the discretion of the Company, be contingent upon Employee executing a general release, and which may include an agreement with respect to engagement in detrimental activity, in a form acceptable to the Company:

(1) in the case of PSs, multiply (x) the total number of PSs outstanding as of the effective date of such termination of employment by (y) the percentage of such PSs earned based on the actual achievement of the applicable performance measures, as determined by the Company, by (z) a fraction, the numerator of which is the number of full months of service completed by the Employee from the effective date hereof through the effective date of such termination of employment and the denominator of which is 36; and

(2) in the case of RSUs, multiply (x) the total number of RSUs outstanding as of the effective date of such termination of employment by (y) a fraction, the numerator of which is the number of full months of service completed by the Employee from the effective date hereof through the effective date of such termination of employment and the denominator of which is 36.

Notwithstanding the above, if the Employee remains an Employee of the Employer until at least the date on which the last of the following three events has occurred: (1) the Company has separated into two independent companies; (2) a successor CEO has been appointed; and (3) the 2017 Annual Meeting of Shareholders of Xerox Corporation has been held, then 100% of the PSs and RSUs shall be earned based on the actual achievement of the applicable performance measures, as determined by the Company.

Payment shall occur as soon as practicable following the PS Vesting Date or RSU Vesting Date, as applicable.

(v) ceases to be an Employee of the Employer due to termination for Cause, the PSs and the RSUs, as applicable, shall, subject to any Plan provisions to the contrary, be cancelled on the date of such termination of employment.

(b) Disability. Cessation of active employment due to commencement of long-term disability under the Employer's long-term disability plan shall not be deemed to constitute a termination of employment for purposes of this Paragraph 10 and, during

the continuance of such Employer-sponsored long-term disability plan benefits, the Employee shall be deemed to continue active employment with the Employer. If the Employee is terminated because the Employee has received the maximum coverage under an Employer-provided long-term disability plan, the vesting of PSs and RSUs shall be provided pursuant to Paragraph 10(a)(ii) above.

(c) Cause. "Cause" means (i) a violation of any of the rules, policies, procedures or guidelines of the Employer, including but not limited to the Company's Business Ethics Policy and the Proprietary Information and Conflict of Interest Agreement (ii) any conduct which qualifies for "immediate discharge" under the Employer's Human Resource Policies as in effect from time to time (iii) rendering services to a firm which engages, or engaging directly or indirectly, in any business that is competitive with the Employer, or represents a conflict of interest with the interests of the Employer; (iv) conviction of, or entering a guilty plea with respect to, a crime whether or not connected with the Employer; or (v) any other conduct determined to be injurious, detrimental or prejudicial to any interest of the Employer.

11. General Restrictions. If at any time the Committee or its authorized delegate, as applicable, shall determine, in its discretion, that the listing, registration or qualification of any shares subject to this Agreement upon any securities exchange or under any state or Federal law, or the consent or approval of any government regulatory body, is necessary or desirable as a condition of, or in connection with, the awarding of the PSs or the RSUs or the issue or purchase of shares hereunder, the certificates for shares may not be issued in respect of PSs or RSUs in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee or its authorized delegate, as applicable, and any delay caused thereby shall in no way affect the date of termination of the PSs or the RSUs.

12. Responsibility for Taxes. Employee acknowledges that the ultimate responsibility for Employee's Federal, state and municipal individual income taxes, the Employee's portion of social security and other payroll taxes, and any other taxes related to Employee's participation in the Plan and legally applicable to Employee, is and remains his or her responsibility and may exceed the amount actually withheld by the Company or the Employer.

13. Nature of Award. In accepting the award, Employee acknowledges that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time in a manner consistent with Section 13 of the Plan regarding Plan amendment and termination and, in addition, the PSs and RSUs are subject to modification and adjustment under Section 6(b) of the Plan;

(b) the award of the PSs and RSUs is voluntary and occasional and does not create any contractual or other right to receive future grants of PSs or RSUs, or benefits in lieu of PSs or RSUs, even if PSs or RSUs have been granted repeatedly in the past;

(c) all decisions with respect to future PS and RSU awards, if any, will be at the sole discretion of the Committee or its authorized delegate, as applicable;

(d) Employee's participation in the Plan shall not create a right to further employment with the Employer and shall not interfere with the ability of the Employer to terminate Employee's employment relationship at any time; further, the PS and RSU award and Employee's participation in the Plan will not be interpreted to form an employment contract or relationship with the Employer;

(e) Employee is voluntarily participating in the Plan;

(f) the PSs, the RSUs and the shares of Common Stock subject thereto are an extraordinary item that does not constitute compensation of any kind for services of any kind rendered to the Employer, and which is outside the scope of Employee's employment contract, if any;

(g) the PSs, the RSUs and the shares of Common Stock subject thereto are not intended to replace any pension rights or compensation;

(h) the PSs, the RSUs and the shares of Common Stock subject thereto are not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Employer;

(i) the future value of the underlying shares of Common Stock is unknown and cannot be predicted with certainty;

(j) in consideration of the award of the PSs and RSUs, no claim or entitlement to compensation or damages shall arise from forfeiture of the PSs or RSUs, including, but not limited to, forfeiture resulting from termination of Employee's employment with the Employer (for any reason whatsoever and whether or not in breach of local labor laws) and Employee irrevocably releases the Company and the Employer from any such claim that may arise; if, notwithstanding the foregoing, any such claim

is found by a court of competent jurisdiction to have arisen, Employee shall be deemed irrevocably to have waived Employee's entitlement to pursue such claim; and

(k) subject to the provisions in the Plan regarding Change in Control, PSs and RSUs and the benefits under the Plan, if any, will not automatically transfer to another company in the case of a merger, take-over or transfer of liability.

14. No Advice Regarding Award. Neither the Company nor the Employer is providing any tax, legal or financial advice, nor is the Company or Employer making any recommendations regarding Employee's participation in the Plan, or his or her acquisition or sale of the underlying shares of Common Stock. Employee is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

15. Amendment of This Agreement. With the consent of the Employee, the Committee or its authorized delegate, as applicable, may amend this Agreement in a manner not inconsistent with the Plan.

16. Subsidiary. As used herein the term "subsidiary" shall mean any present or future corporation which would be a "subsidiary corporation" of the Company as the term is defined in Section 425 of the Internal Revenue Code of 1986 on the date of award.

17. Affiliate. As used herein the term "affiliate" shall mean any entity in which the Company has a significant equity interest, as determined by the Committee.

18. Recoupments.

(a) If an Employee or former Employee of the Employer is reasonably deemed by the Committee or its authorized delegate, as applicable, to have engaged in detrimental activity against the Employer, any awards granted to such Employee or former Employee shall be cancelled and be of no further force or effect and any payment or delivery of an award from six months prior to such detrimental activity may be rescinded. In the event of any such rescission, the Employee shall pay to the Company the amount of any gain realized or payment received as a result of the rescinded exercise, payment or delivery, in such manner and on such terms and conditions as may be required by the Committee or its authorized delegate, as applicable. Detrimental activity may include:

(i) violating terms of a non-compete agreement with the Employer, if any;

(ii) disclosing confidential or proprietary business information of the Employer to any person or entity including but not limited to a competitor, vendor or customer without appropriate authorization from the Employer;

(iii) violating any rules, policies, procedures or guidelines of the Employer;

(iv) directly or indirectly soliciting any employee of the Employer to terminate employment with the Employer;

(v) directly or indirectly soliciting or accepting business from any customer or potential customer or encouraging any customer, potential customer or supplier of the Employer, to reduce the level of business it does with the Employer; or

(vi) engaging in any other conduct or act that is determined to be injurious, detrimental or prejudicial to any interest of the Employer.

(b) If an accounting restatement by the Company is required in order to correct any material noncompliance with financial reporting requirements under relevant securities laws, the Company will have the authority to recover from executive officers or former executive officers, whether or not still employed by the Employer, any excess incentive-based compensation (in excess of what would have been paid under the accounting restatement), including entitlement to shares, provided under this Agreement to executive officers of the Employer, that was based on such erroneous data and paid during the three-year period preceding the date on which the Company is required to prepare the accounting restatement. Notwithstanding anything herein to the contrary, the Company may implement any policy or take any action with respect to the recovery of excess incentive-based compensation, including entitlement to shares, that the Company determines to be necessary or advisable in order to comply with the requirements of the Dodd-Frank Wall Street Financial Reform and Consumer Protection Act.

19. Cancellation and Rescission of Award. Without limiting the foregoing Paragraph regarding non-engagement in detrimental activity against the Employer, the Company may cancel any award provided hereunder if the Employee is not in compliance with all of the following conditions:

(a) An Employee shall not render services for any organization or engage directly or indirectly in any business which would cause the Employee to breach any of the post-employment prohibitions contained in any agreement between the Employer and the Employee.

(b) An Employee shall not, without prior written authorization from the Employer, disclose to anyone outside the Employer, or use in other than the Employer's business, any confidential information or material, as specified in any agreement between

the Employer and the Employee which contains post-employment prohibitions, relating to the business of the Employer acquired by the Employee either during or after employment with the Employer.

Notwithstanding the above, the Employer does not in any manner restrict the Employee from reporting possible violations of federal, state or local laws or regulations to any governmental agency or entity. Similarly, the Employer does not in any manner restrict the Employee from participating in any proceeding or investigation by a federal, state or local government agency or entity responsible for enforcing such laws. The Employee is not required to notify the Employer that he or she has made such report or disclosure, or of his or her participation in an agency investigation or proceeding.

(c) An Employee, pursuant to any agreement between the Employer and the Employee which contains post-employment prohibitions, shall disclose promptly and assign to the Employer all right, title and interest in any invention or idea, patentable or not, made or conceived by the Employee during employment with the Employer, relating in any manner to the actual or anticipated business, research or development work of the Employer, and shall do anything reasonably necessary to enable the Employer to secure a patent where appropriate in the United States and in foreign countries.

(d) Failure to comply with the provision of subparagraphs (a), (b) or (c) of this Paragraph 19 prior to, or during the six months after, any payment or delivery shall cause such payment or delivery to be rescinded. The Company shall notify the Employee in writing of any such rescission within two years after such payment or delivery. Within ten days after receiving such a notice from the Company, the Employee shall pay to the Company the amount of any payment received as a result of the rescinded payment or delivery pursuant to an award. Such payment to the Company by the Employee shall be made either in cash or by returning to the Company the number of shares of common stock that the Employee received in connection with the rescinded payment or delivery.

20. Notices. Notices hereunder shall be in writing and if to the Company shall be mailed to the Company at P.O. Box 4505, 45 Glover Avenue, 6th Floor, Norwalk, Connecticut 06856-4505, addressed to the attention of Stock Plan Administrator (or such other person specified hereafter by the Company), and if to the Employee shall be delivered personally or mailed to the Employee at his address as the same appears on the records of the Company.

21. Language. If Employee has received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

22. Electronic Delivery and Acceptance. The Company will deliver any documents related to current or future participation in the Plan by electronic means. Employee hereby consents to receive such documents by electronic delivery, and agrees to participate in the Plan and be bound by the terms and conditions of this Agreement, through an on-line or electronic system established and maintained by the Company or a third party designated by the Company. Electronic acceptance by the Employee is required and the award will be cancelled for any Employee who fails to comply with the Company's acceptance requirement within six months of the effective date of the award.

23. Interpretation of This Agreement. The Committee or its authorized delegate, as applicable, shall have the authority to interpret the Plan and this Agreement and to take whatever administrative actions, including correction of administrative errors in the awards subject to this Agreement and in this Agreement, as the Committee or its authorized delegate, as applicable, in its sole good faith judgment shall determine to be advisable. All decisions, interpretations and administrative actions made by the Committee or its authorized delegate, as applicable, hereunder or under the Plan shall be binding and conclusive on the Company and the Employee. In the event there is inconsistency between the provisions of this Agreement and of the Plan, the provisions of the Plan shall govern.

24. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and the successors and assigns of the Company and to the extent provided in Paragraph 9 to the personal representatives, legatees and heirs of the Employee.

25. Governing Law and Venue. The validity, construction and effect of the Agreement and any actions taken under or relating to this Agreement shall be determined in accordance with the laws of the state of New York and applicable Federal law.

This grant is made and/or administered in the United States. For purposes of litigating any dispute that arises under this grant or the Agreement the parties hereby submit to and consent to the jurisdiction of the state of New York, agree that such litigation shall be conducted in the courts of Monroe County, New York, or the federal courts for the United States for the Western District of New York.

26. Separability. In case any provision in the Agreement, or in any other instrument referred to herein, shall become invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions in the Agreement, or in any other instrument referred to herein, shall not in any way be affected or impaired thereby.

27. Integration of Terms. Except as otherwise provided in this Agreement, this Agreement contains the entire agreement between the parties relating to the subject matter hereof and supersedes any and all oral statements and prior writings with respect thereto.

28. Appendix for Non-U.S. Countries. Notwithstanding any provisions in this Agreement, the PS award and RSU award shall be subject to any special terms and conditions set forth in any appendix to this Agreement for Employee's country (the "Appendix"). Moreover, if Employee relocates to one of the countries included in the Appendix, the special terms and conditions for such country will apply to Employee, to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with local law or facilitate the administration of the Plan. The Appendix constitutes part of this Agreement.

29. Imposition of Other Requirements. The Committee or its authorized delegate, as applicable, reserves the right to impose other requirements on Employee's participation in the Plan, on the PSs, on the RSUs and on any shares of Common Stock acquired under the Plan, to the extent the Committee or its authorized delegate, as applicable, determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require Employee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

IN WITNESS WHEREOF, the Company has executed this Agreement as of the day and year set forth on the applicable Award Summary.

XEROX CORPORATION

By__________________
Signature

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

The ratio of earnings to fixed charges, the ratio of earnings to combined fixed charges and preferred stock dividends, as well as any deficiency of earnings are determined using the following applicable factors:

Earnings available for fixed charges are calculated first, by determining the sum of: (a) income (loss) from continuing operations before income taxes and equity income; (b) distributed equity income; (c) fixed charges, as defined below; and (d) amortization of capitalized interest, if any. From this total, we subtract capitalized interest and net income attributable to noncontrolling interests.

Fixed charges are calculated as the sum of: (a) interest costs (both expensed and capitalized); (b) amortization of debt expense and discount or premium relating to any indebtedness; and (c) that portion of rental expense that is representative of the interest factor.

Preferred stock dividends used in the ratio of earnings to combined fixed charges and preferred stock dividends consist of the amount of pre-tax earnings required to cover dividends paid on our Series A convertible preferred stock.

(in millions)	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Fixed Charges:		
Interest expense	$ 88	$ 90
Capitalized interest	—	—
Portion of rental expense which represents interest factor	48	68
Total Fixed Charges	$ 136	$ 158
Earnings Available for Fixed Charges:		
Pre-tax (loss) income	$ (16)	$ 201
Add: Distributed equity income of affiliated companies	—	3
Add: Fixed charges	136	158
Less: Capitalized interest	—	—
Less: Net income-noncontrolling interests	(2)	(5)
Total Earnings Available for Fixed Charges	$ 118	$ 357
Ratio of Earnings to Fixed Charges	*	2.26
Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends:		
Fixed Charges:		
Interest expense	$ 88	$ 90
Capitalized interest	—	—
Portion of rental expense which represents interest factor	48	68
Total Fixed Charges before preferred stock dividends pre-tax income requirements	136	158
Preferred stock dividends pre-tax income requirements	10	10
Total Combined Fixed Charges and Preferred Stock Dividends	$ 146	$ 168
Earnings Available for Fixed Charges:		
Pre-tax (loss) income	$ (16)	$ 201
Add: Distributed equity income of affiliated companies	—	3
Add: Fixed charges before preferred stock dividends	136	158
Less: Capitalized interest	—	—
Less: Net income-noncontrolling interests	(2)	(5)
Total Earnings Available for Fixed Charges and Preferred Stock Dividends	$ 118	$ 357
Ratio of Earnings to Fixed Charges and Preferred Stock Dividends	*	2.13

** Earnings for the three months ended March 31,2016 were inadequate to cover fixed charges by $18 and fixed charges and preferred dividends by $28.*

CEO CERTIFICATIONS

I, Ursula M. Burns, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Xerox Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

April 29, 2016

/S/ URSULA M. BURNS

Ursula M. Burns
Principal Executive Officer

CFO CERTIFICATIONS

I, Leslie F. Varon, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Xerox Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

April 29, 2016

/S/ LESLIE F. VARON

Leslie F. Varon
Principal Financial Officer

EXHIBIT 32

CERTIFICATION OF CEO AND CFO PURSUANT TO 18 U.S.C. § 1350, AS ADOPTED PURSUANT TO § 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Form 10-Q of Xerox Corporation, a New York corporation (the “Company”), for the quarter ending March 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Ursula M. Burns, Chairman of the Board and Chief Executive Officer of the Company, and Leslie F. Varon, Vice President and Interim Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of his/her knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/S/ URSULA M. BURNS

Ursula M. Burns
Chief Executive Officer

April 29, 2016

/S/ LESLIE F. VARON

Leslie F. Varon
Interim Chief Financial Officer

April 29, 2016

This certification accompanies this Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of § 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by § 906 has been provided to Xerox Corporation and will be retained by Xerox Corporation and furnished to the Securities and Exchange Commission or its staff upon request.