Fourth-Quarter 2014 Earnings Presentation

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Forward-Looking Statements

This presentation contains "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. The words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “will,” “should” and similar expressions, as they relate to us, are intended to identify forward-looking statements. These statements reflect management’s current beliefs, assumptions and expectations and are subject to a number of factors that may cause actual results to differ materially. These 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; actions of competitors; 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 multi-year contracts with governmental entities could be terminated prior to the end of the contract term; the risk in the hiring and retention of qualified personnel; the risk that unexpected costs will be incurred; the risk that subcontractors, software vendors and utility and network providers will not perform in a timely, quality manner; 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; development of new products and services; our ability to protect our intellectual property rights; our ability to expand equipment placements; 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; service interruptions; interest rates, cost of borrowing and access to credit markets; reliance on third parties, including subcontractors, for manufacturing of products and provision of services; our ability to drive the expanded use of color in printing and copying; the outcome of litigation and regulatory proceedings to which we may be a party; and other factors that are set forth in the “Risk Factors” section, the “Legal Proceedings” section, the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section and other sections of our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2014, June 30, 2014, and September 30, 2014 and our 2013 Annual Report on Form 10-K filed with the Securities and Exchange Commission. The Company 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.

On December 18, 2014, Xerox Corporation announced that it had entered into an agreement to sell its Information Technology Outsourcing (ITO) business to Atos S.E. The transaction is subject to customary closing conditions and regulatory approval and is expected to close in the first half of 2015. As a result of the pending sale of the ITO business, and having met applicable accounting requirements, Xerox will report the ITO business as a discontinued operation. The forward looking statements contained in this presentation are subject to the risk that the sale of the ITO business may not occur on the terms, within the time and/or in the manner as previously disclosed, if at all.

Xerox Direction

- Grow revenue
- Generate profits in line with industry's best
- Strengthen and differentiate the portfolio
- Lead in Document Technology
- Support customers and our people
- Allocate capital to enhance shareholder returns

Annuity 83%
of Total Revenue

Services 54%
of Total Revenue

Fourth-Quarter Overview

Adjusted EPS[1] of 31 cents, GAAP EPS[2] of 26 cents

Total revenue of $5.0B, down 3% or down 1% CC[1]

Services revenue up 1% or up 3% CC[1]; margin of 9.8%

- Revenue growth driven by BPO; demonstrating progress on margin

Document Technology revenue down 8% or down 6% CC[1]; margin of 14.4%

- Profit expansion driven by continued productivity and currency benefits as well as lower bad debt and pension expense

Operating margin[1] of 10.4%, up 100 bps YOY

Cash from operations of $857M in Q4, $2.06B FY

- Share repurchase of $341M in Q4, $1.07B FY
- Acquisitions of $34M in Q4, $340M FY

[1]Adjusted EPS, Constant Currency (CC) and Operating Margin: see slide 23 for explanation of non-GAAP measures
[2]GAAP EPS from Continuing Operations

Earnings

(in millions, except per share data)	Q4 2014	FY 2014	Comments
Revenue	$ 5,033	$ 19,540	Translation currency impact: (2) pts on Q4, neutral for the full-year
CC[1] Growth	*(1)%*	*(2)%*	
Gross Margin	32.1%	32.0%	
RD&E	$ 150	$ 577	
SAG	$ 942	$ 3,788	
SAG % of Revenue	*18.7%*	*19.4%*	
Adjusted Operating Income[1]	**$ 524**	**$ 1,881**	Q4 operating profit grew in both Services and Document Technology
B/(W) YOY	*$ 34*	*$ 72*	
Operating Income % of Revenue	***10.4%***	***9.6%***	
B/(W) YOY	*1.0 pt*	*0.6 pts*	
Adjusted Other, net[1]	$ 99	$ 383	Adjusted Other $6M unfavorable YOY in Q4 and $102M unfavorable YOY for the full-year
Equity Income	$ 41	$ 160	
Adjusted Tax Rate[1]	25.3%	24.9%	Above 2013 tax rate of 23.9% in Q4 and 23.8% full-year
Adjusted Net Income – Xerox[1]	**$ 357**	**$ 1,280**	
Adjusted EPS[1]	**$ 0.31**	**$ 1.07**	Q4 guidance of 28 to 30 cents, 2013 actual: 27 cents in Q4 and $1.04 full-year
Amortization of intangible assets	0.05	0.17	
GAAP EPS[2]	**$ 0.26**	**$ 0.90**	

[1]Constant currency (CC), Adjusted Operating Income, Adjusted Other, net, Adjusted Tax Rate, Adjusted Net Income – Xerox and Adjusted EPS: see slide 23 for explanation of non-GAAP measures
[2]GAAP EPS from Continuing Operations

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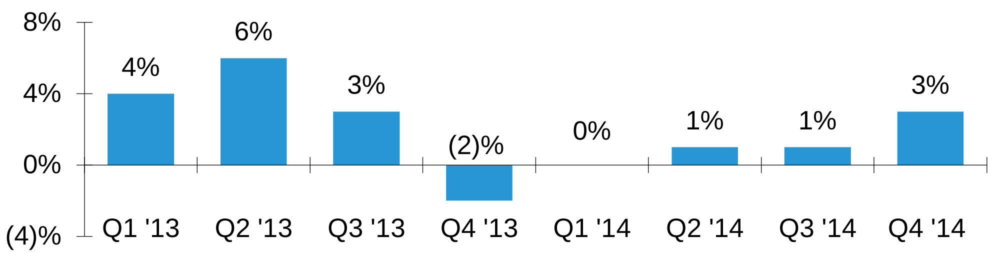
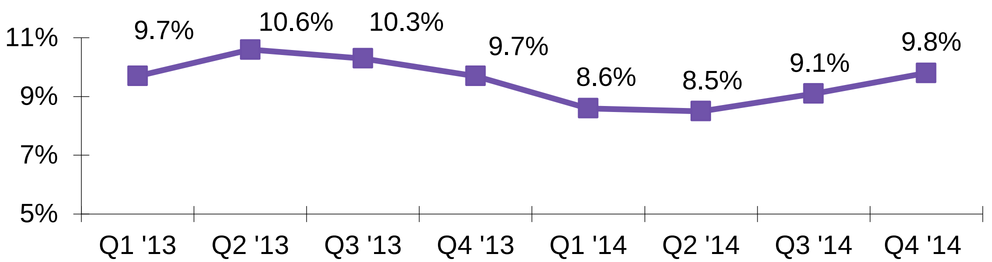
Services Segment[1]

(in millions)	Q4 2014	% B/(W) YOY Act Cur	% B/(W) YOY CC[2]	FY 2014	% B/(W) YOY Act Cur	% B/(W) YOY CC[2]
Total Revenue	$2,725	1%	3%	$10,584	1%	1%
Segment Profit	$268	3%		$956	(9)%	
Segment Margin	9.8%	0.1 pt		9.0%	(1.1) pt	

Revenue Growth Trend (CC[2,3])



Segment Margin Trend



BPO revenue up 4% and DO up 1% at CC

- BPO driving Services growth improvement

Margin of 9.8%, improvement driven by BPO with continued strong DO margin

- Sequential improvement across most BPO lines of business including Government Healthcare

Signings

- Strong renewal quarter, BPO renewal rate of 93%
- New business signings[4] (27)% in Q4 and (13)% TTM
- Significant new business deals awarded, not yet signed

Signings (TCV)	**Q4**
Business Process Outsourcing	$2.2
Document Outsourcing	$1.0
Total	**$3.2B**
YOY Growth	20%
TTM Growth	(13)%

[1]Services results and historical data exclude ITO which was moved to discontinued operations following announcement of planned sale to Atos
[2]Constant currency (CC): see slide 23 for explanation of non-GAAP measures
[3]2013 growth rates reflect reported growth as revised growth rates excluding ITO are not available at this time
[4]New Business Signings = ARR (Annual Recurring Revenue) + NRR (Non-Recurring Revenue)

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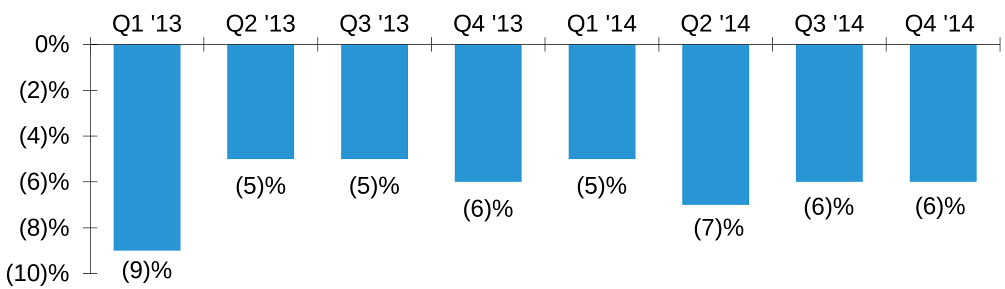
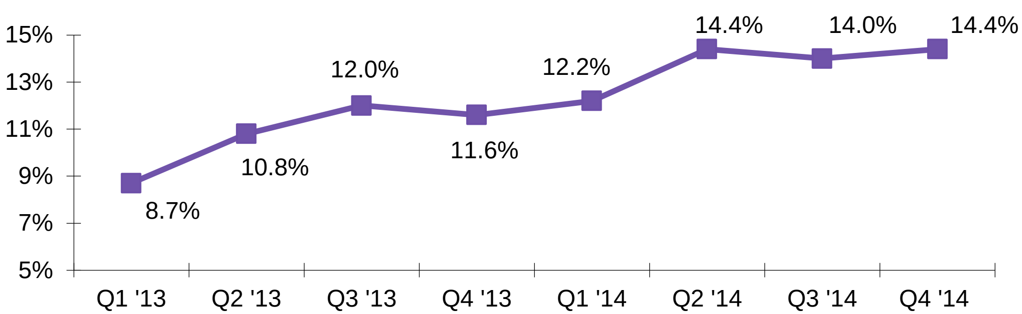
Document Technology Segment

(in millions)	Q4 2014	% B/(W) YOY Act Cur	% B/(W) YOY CC[1]	FY 2014	% B/(W) YOY Act Cur	% B/(W) YOY CC[1]
Total Revenue	$2,159	(8)%	(6)%	$8,358	(6)%	(6)%
Segment Profit	$310	14%		$1,149	19%	
Segment Margin	14.4%	2.8 pts		13.7%	2.9 pts	

Revenue Growth Trend (CC[1])



Segment Margin Trend



Strong segment profit growth and margin

- Continue to benefit from significant productivity actions, favorable bad debt, pension and currency

Consistent overall revenue trend

- Currency and Eurasia weakness pressured growth
- Prior year finance receivable sale impacted revenue decline by almost one point

Announced 20 new products in second half

- Good market reception for new products; well positioned entering 2015

Entry Installs	**Q4**
A4 Mono MFDs	(25)%
A4 Color MFDs	(9)%
Color Printers	9%
Mid-Range Installs	
Mid-Range B&W MFDs	(8)%
Mid-Range Color MFDs	(1)%
High-End Installs	
High-End B&W	(19)%
High-End Color[2]	12%

[1]Constant currency (CC): see slide 23 for explanation of non-GAAP measures
[2]High-end color install growth impacted by digital front end (DFE) sales to Fuji Xerox, High-end up 7% in Q4 excluding DFE's.

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Cash Flow

(in millions)	Q4 2014	FY 2014
Net Income	$ 162	$ 992
Depreciation and amortization	356	1,426
Restructuring and asset impairment charges	37	130
Restructuring payments	(30)	(133)
Contributions to defined benefit pension plans	(78)	(284)
Inventories	115	(22)
Accounts receivable and Billed portion of finance receivables[1]	151	(2)
Accounts payable and Accrued compensation	90	128
Net loss on sales of businesses and assets	172	134
Equipment on operating leases	(79)	(283)
Finance receivables[1]	(75)	69
Other	36	(92)
Cash from Operations	**$ 857**	**$ 2,063**
Cash from Investing	**$ (129)**	**$ (703)**
Cash from Financing	**$ (297)**	**$ (1,624)**
Change in Cash and Cash Equivalents	396	(353)
Ending Cash and Cash Equivalents	**$ 1,411**	**$ 1,411**

Cash From Ops $857M, $2.06B FY

- Underlying Cash from Ops[2] $953M in Q4, $2.5B FY

Net income includes non-cash loss on pending sale of ITO business

Working capital seasonally a source in Q4, modestly positive FY

CAPEX $114M, $452M FY

Acquisitions $34M, $340M FY

FY Share Repurchase of $1.07B and $289M of Common Stock Dividends

2015 Cash From Ops guidance of $1.7 to $1.9B, FCF[3] of $1.3 to $1.5B

- Reflects ITO divestiture timing and negative currency

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

[2]See Underlying Cash Flow slide in Appendix

[3]Free Cash Flow (FCF): see slide 23 for explanation of non-GAAP measures

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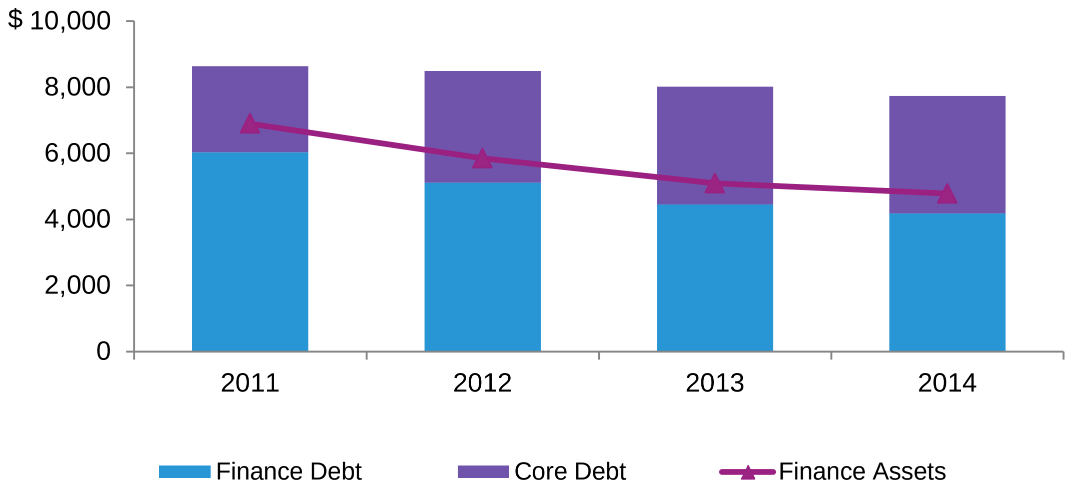
Capital Structure

Debt and Finance Asset Trend
(in millions)



Core debt level managed to maintain investment grade

Over half of Xerox debt supports finance assets

$1B of debt due in February and $250M in June 2015

- Expect to re-finance during the year and end 2015 with ~$7.7B of debt

Financing and Leverage

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

Q4 2014

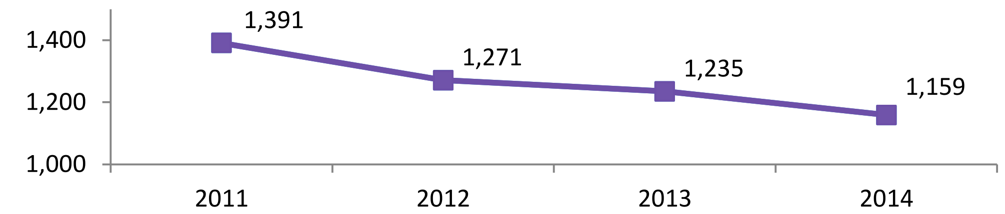
(in billions)	Fin. Assets	Debt[1]
Financing	$4.8	$ 4.2
Core	-	$ 3.5
Total Xerox	$ 4.8	$ 7.7

[1]Debt excludes $75M in Capital Leases related to our ITO business, which were reclassified to a discontinued operations liability account as a result of the move of ITO to discontinued operations

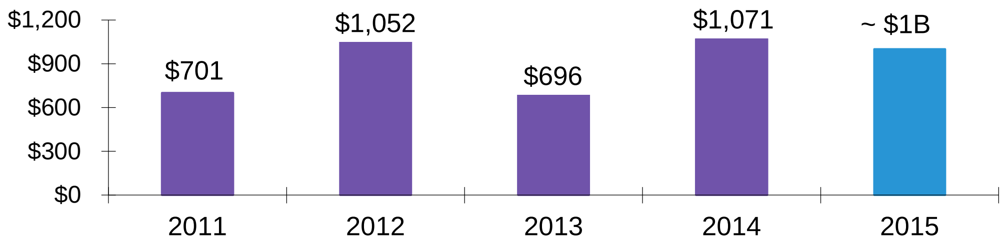
Capital Allocation Enhances Shareholder Returns

Share Repurchase Program

Shares Outstanding (ending fully diluted[1], in millions)

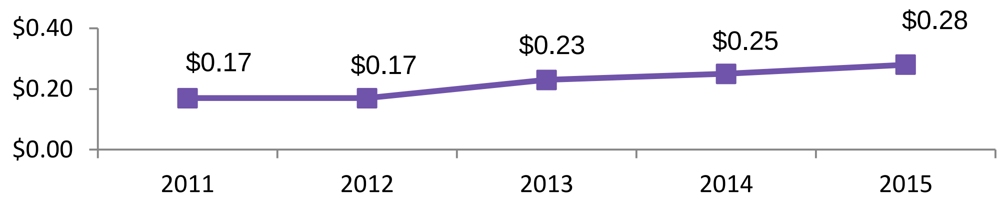


Shares Repurchased ($M)



Dividend Program

Dividend per share (annualized)



Repurchased $1.07B FY

Expect ~$1B in share repurchase in 2015

Announcing a 12% increase in quarterly common dividend to 7 cents per share[2]

Expect ~$300M in dividend payments in 2015

Expect up to $900M in acquisitions in 2015

[1]Ending fully diluted: see slide 23 for explanation of non-GAAP measures

[2]Dividend increase effective for common dividend payable on April 30, 2015

2015 Guidance

	2015
Revenue Growth @ CC	Flat
Services	Up 2 to 4%
Document Technology	Down 4 to 5%
Adjusted EPS[1] (incl restructuring)	$1.00 - $1.06
GAAP EPS[2]	$0.83 - $0.89
Cash From Operations	$1.7 - $1.9B
CAPEX	$ 0.4B
Free Cash Flow	$1.3 - $1.5B
Share Repurchase	~$1B
Acquisitions	<$900M
Dividend	~$300M

Revenue

- Services revenue growth driven by BPO
- Document Tech CC declines moderate
  - Lower impact from prior Finance Receivable sales
- Expect (3) to (4) pts negative currency impact

Earnings[3]

- FY EPS range $1.00 - $1.06, reflects a 5 cent negative impact from recent currency shifts
- YOY Earnings Drivers
  - Improving margin in Services
  - Continued strong Doc Tech margin but lower YOY from higher pension expense and currency
  - FY Tax Rate of 25% to 27%
  - Fewer shares

Cash flow guidance of $1.7 - $1.9B

- Reflects expected timing of the sale of the ITO business and currency impact
- Expect to offset the impact of ITO sale by 2016

Note: Revenue growth guidance excluding potential divestitures

Constant Currency (CC), Adjusted EPS and Free Cash Flow: see slide 23 for explanation of non-GAAP measures

[1]Adjusted for amortization of intangible assets

[2]GAAP EPS from Continuing Operations

[3] Excludes ITO which was moved to discontinued operations following announcement of planned sale to Atos

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Summary

Progressing on Services profitability and growth initiatives

- Positive BPO revenue trend; managing portfolio and investments to drive better growth
- Made progress on Services margin in Q4, continuing to execute on margin expansion initiatives for sustainable margin improvement

Continued strong profitability and execution in Document Technology

- Leader in attractive segments; well positioned entering 2015
- Focused on maintaining strong profitability through ongoing productivity initiatives

Strong annuity driven Cash Flow supports share repurchase, acquisitions and dividend expansion

- Announcing a 12% increase in the quarterly common dividend

Q1 and FY EPS guidance

- Q1 Adjusted EPS[1] \$0.20 - \$0.22, GAAP EPS[2] \$0.16 - \$0.18
  - Includes approximately 2 cents restructuring
- FY Adjusted EPS[1] revised to \$1.00 - \$1.06, GAAP EPS[2] to \$0.83 - \$0.89
  - Reflects approximately 5 cents of negative currency

[1]Guidance - Adjusted EPS: see slide 23 for explanation of non-GAAP measures
[2]GAAP EPS from Continuing Operations

Appendix

ITO Divestiture Summary

Announced planned sale of ITO business to Atos on December 18, 2014

- Cash consideration of $1.05B prior to closing adjustments, potential for incremental $50M at closing
- Transaction expected to close in the first half of 2015
- Worldwide strategic collaboration between Xerox and Atos - mutually beneficial to Xerox, Atos, our employees and our customers

Significant milestone in Xerox's ongoing portfolio management strategy

- Enables greater focus on expanding BPO and DO businesses where we have scale and differentiation
- Supports objective to grow our BPO business internationally

Impact to Earnings and use of Proceeds

- ITO moved to discontinued operations - ITO net revenue of $1.3B and operating profit of $107M in 2014
- Expect after-tax proceeds of approximately $850M, as a result, expect ~$1B in share repurchase and up to $900M in acquisitions in 2015
- As previously communicated, expect ~6 cents of dilution in 2015 and neutral by 2016, reflecting timing of use of proceeds

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Metrics Reference – FY 2014

Signings and Renewal Rate

	FY
Business Process Outsourcing	$7.6
Document Outsourcing	$3.0
Total	**$10.6B**
Signings Growth TTM	(13)%

	FY
Renewal Rate (BPO)	82%

Install, MIF and Page Growth

Entry Installs	**FY**
A4 Mono MFDs	(23)%
A4 Color MFDs	(7)%
Color Printers	Flat
Mid-Range Installs	
Mid-Range B&W MFDs	(13)%
Mid-Range Color MFDs	1%
High-End Installs	
High-End B&W	(13)%
High-End Color[1]	(7)%

	FY
Digital MIF	2%
Color MIF	12%
Digital Pages	(4)%
Color Pages	4%
Color Revenue (CC[2])	(2)%

Installs, color revenue, pages and MIF include both the Document Technology and Services segments. Color revenue and color pages reflect revenue and pages from color capable devices.

[1]High-end color install growth impacted by digital front end (DFE) sales to Fuji Xerox, High-end up 6% FY excluding DFE's.

[2]Constant currency: see slide 23 for explanation of non-GAAP measures

Revenue Trend

(in millions)	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2013 FY	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2014 FY
Total Revenue	**$4,857**	**$5,042**	**$4,900**	**$5,207**	**$20,006**	**$4,771**	**$4,941**	**$4,795**	**$5,033**	**$19,540**
Growth						*(2)%*	*(2)%*	*(2)%*	*(3)%*	*(2)%*
CC[1] Growth						*(2)%*	*(3)%*	*(2)%*	*(1)%*	*(2)%*
Annuity	**$ 4,133**	**$4,187**	**$4,090**	**$4,238**	**$16,648**	**$4,056**	**$4,160**	**$4,047**	**$4,173**	**$16,436**
Growth						*(2)%*	*(1)%*	*(1)%*	*(2)%*	*(1)%*
CC[1] Growth						*(2)%*	*(2)%*	*(1)%*	*Flat*	*(1)%*
Annuity % Revenue	**85%**	**83%**	**83%**	**81%**	**83%**	**85%**	**84%**	**84%**	**83%**	**84%**
Equipment	**$724**	**$855**	**$810**	**$969**	**$3,358**	**$715**	**$781**	**$748**	**$860**	**$3,104**
Growth						*(1)%*	*(9)%*	*(8)%*	*(11)%*	*(8)%*
CC[1] Growth						*(2)%*	*(9)%*	*(8)%*	*(9)%*	*(7)%*

Note: 2013, Q1 2014, Q2 2014 and Q3 2014 are revised to remove business revenues that were reclassified to discontinued operations. 2013 quarterly growth are figures not available on a revised basis at this time.

[1]Constant currency: see slide 23 for explanation of non-GAAP measures

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Segment Revenue Trend

	2013					2014				
(in millions)	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Services	**$2,584**	**$2,613**	**$2,596**	**$2,686**	**$10,479**	**$2,585**	**$2,651**	**$2,623**	**$2,725**	**$10,584**
Growth						*Flat*	*1%*	*1%*	*1%*	*1%*
CC[1] Growth						*Flat*	*1%*	*1%*	*3%*	*1%*
Document Technology	**$2,135**	**$2,263**	**$2,159**	**$2,351**	**$8,908**	**$2,044**	**$2,126**	**$2,029**	**$2,159**	**$8,358**
Growth						*(4)%*	*(6)%*	*(6)%*	*(8)%*	*(6)%*
CC[1] Growth						*(5)%*	*(7)%*	*(6)%*	*(6)%*	*(6)%*
Other	**$138**	**$166**	**$145**	**$170**	**$619**	**$142**	**$164**	**$143**	**$149**	**$598**
Growth						*3%*	*(1)%*	*(1)%*	*(12)%*	*(3)%*
CC[1] Growth						*3%*	*(2)%*	*(2)%*	*(11)%*	*(3)%*

Note: 2013, Q1 2014, Q2 2014 and Q3 2014 are revised to remove business revenues that were reclassified to discontinued operations. 2013 quarterly growth are figures not available on a revised basis at this time.

[1]Constant currency: see slide 23 for explanation of non-GAAP measures

Underlying Cash Flow

(in millions)	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2014 FY	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2013 FY
Operating Cash Flow (OCF)	$286	$325	$595	$857	$2,063	($87)	$533	$961	$968	$2,375
Adjustments:										
Cash From F/R Sales	-	-	-	-	-	-	-	($384)	($247)	($631)
Impact from prior F/R Sales[1]	$123	$112	$102	$96	$433	$89	$58	$68	$119	$334
Underlying OCF[2]	$409	$437	$697	$953	$2,496	$2	$591	$645	$840	$2,078

[1]Represents cash that would have been collected had we not sold finance receivables. Net of collections on beneficial interest.

[2]Underlying OCF is reported OCF adjusted for the impacts of Finance Receivable sales: see slide 23 for explanation of non-GAAP measures

Discontinued Operations Summary – Q4

(in millions)	2014 ITO	2014 Other	2014 Total	2013 ITO	2013 Other	2013 Total
	Three Months Ended December 31,					
Revenues	$ 327	$ -	$ 327	$ 341	$ 55	$ 396
Income (loss) from operations [1]	$ 16	$ -	$ 16	$ 21	$ (2)	$ 19
Loss on disposal	(181)	-	(181)	-	(2)	(2)
Net (loss) income before income taxes	(165)	-	(165)	21	(4)	17
Income tax benefit (expense)	16	-	16	(7)	(1)	(8)
(Loss) income from discontinued operations, net of tax	$ (149)	$ -	$ (149)	$ 14	$ (5)	$ 9
Diluted (loss) earnings per share from discontinued operations			$ (0.13)			$ 0.01
Total diluted earnings per share, inclusive of discontinued operations			$ 0.13			$ 0.24

[1]ITO Income from operations for both the 2014 and 2013 fourth quarters includes intangible amortization and other expenses of approximately $9 million.

Discontinued Operations Summary – FY

(in millions)	2014 ITO	2014 Other	2014 Total	2013 ITO	2013 Other	2013 Total
	Year Ended December 31,					
Revenues	$ 1,320	$ 45	$ 1,365	$ 1,335	$ 496	$ 1,831
Income (loss) from operations [2]	$ 74	$ (1)	$ 73	$ 70	$ 3	$ 73
Loss on disposal	(181)	(1)	(182)	-	(25)	(25)
Net (loss) / income before income taxes	(107)	(2)	(109)	70	(22)	48
Income tax benefit / (expense)	(5)	(1)	(6)	(24)	(4)	(28)
(Loss) / income from discontinued operations, net of tax	$ (112)	$ (3)	$ (115)	$ 46	$ (26)	$ 20
Diluted (loss) earnings per share from discontinued operations			$ (0.09)			$ 0.02
Total diluted earnings per share, inclusive of discontinued operations			$ 0.81			$ 0.91

[1]ITO Income from operations for the full-year 2014 and 2013 includes intangible amortization and other expenses of approximately $33 million and $31 million, respectively.

Discontinued Operations Revision Summary

(in millions)	2013					2014			
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	**Q3 YTD**
Revenues									
Services	$ 2,584	$ 2,613	$ 2,596	$ 2,686	$ 10,479	$ 2,585	$ 2,651	$ 2,623	$ 7,859
Document Technology	2,135	2,263	2,159	2,351	8,908	2,044	2,126	2,029	6,199
Other	138	166	145	170	619	142	164	143	449
Total Revenues	**$ 4,857**	**$ 5,042**	**$ 4,900**	**$ 5,207**	**$ 20,006**	**$ 4,771**	**$ 4,941**	**$ 4,795**	**$ 14,507**
Segment Profit (Loss)									
Services	$ 250	$ 276	$ 268	$ 261	$ 1,055	$ 222	$ 226	$ 240	$ 688
Document Technology	186	245	260	273	964	249	306	284	839
Other	(68)	(61)	(54)	(34)	(217)	(50)	(75)	(82)	(207)
Segment Profit (Loss)	**$ 368**	**$ 460**	**$ 474**	**$ 500**	**$ 1,802**	**$ 421**	**$ 457**	**$ 442**	**$ 1,320**
Segment Margin									
Services	9.7%	10.6%	10.3%	9.7%	10.1%	8.6%	8.5%	9.1%	8.8%
Document Technology	8.7%	10.8%	12.0%	11.6%	10.8%	12.2%	14.4%	14.0%	13.5%
Other	(49.3%)	(36.7%)	(37.2%)	(20.0%)	(35.1%)	(35.2%)	(45.7%)	(57.3%)	(46.1%)
Segment Margin	**7.6%**	**9.1%**	**9.7%**	**9.6%**	**9.0%**	**8.8%**	**9.2%**	**9.2%**	**9.1%**

Revised for the reclassification of the ITO business from Services segment to discontinued operations. Segment profit for our other segments, Document Technology and Other, were impacted by minor reallocation of expenses as well as rounding.

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Non-GAAP Measures

Non-GAAP Financial Measures

“Adjusted Earnings Measures”: To better understand the trends in our business, we believe it is necessary to adjust the following amounts determined in accordance with GAAP to exclude the effects of certain items as well as their related income tax effects.

- Net income and Earnings per share (“EPS”)
- Effective tax rate

In 2014 and 2013, we adjusted for the 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. Accordingly, due to the incomparability of acquisition activity among companies and from period to period, we believe exclusion of the amortization associated with intangible assets acquired through our acquisitions allows investors to better compare and understand our results. 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.

We also calculate and utilize an Operating income and margin earnings measure by adjusting our pre-tax income and margin amounts to exclude certain items. In addition to the amortization of intangible assets, operating income and margin also exclude Other expenses, net as well as Restructuring and asset impairment charges. Other expenses, net is primarily comprised of non-financing interest expense and also includes certain other non-operating costs and expenses. Restructuring and asset impairment charges consist of costs primarily related to severance and benefits for employees pursuant to formal restructuring and workforce reduction plans. Such charges are expected to yield future benefits and savings with respect to our operational performance. We exclude these amounts in order to evaluate our current and past operating performance and to better understand the expected future trends in our business.

“Constant Currency”: To better understand trends in our business, we believe that it is helpful to adjust revenue to exclude the impact of changes in the translation of foreign currencies into U.S. dollars. We refer to this adjusted revenue as “constant currency.” Currencies for developing market countries (Latin America, Brazil, Middle East, India, Eurasia and Central-Eastern Europe) that we operate in are reported at actual exchange rates for both actual and constant revenue growth rates because (1) these countries historically have had volatile currency and inflationary environments and (2) our subsidiaries in these countries have historically taken pricing actions to mitigate the impact of inflation and devaluation. 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.

Non-GAAP Financial Measures

“Free Cash Flow”: To better understand the trends in our business, we believe that it is helpful to adjust cash flows from operations to exclude amounts for capital expenditures including internal use software. Management believes this measure gives investors an additional perspective on cash flow from operating activities in excess of amounts required for reinvestment. It provides a measure of our ability to fund acquisitions, dividends and share repurchase. It also is used to measure our yield on market capitalization. A reconciliation of this non-GAAP financial measure and the most directly comparable measure calculated and presented in accordance with GAAP is set forth in the slide entitled “2015 Guidance”.

“Underlying Cash Flow”: To better understand the trends in our business, we believe that it is helpful to adjust cash flows from operations for the cash flow impacts from our sales of finance receivables. The sale of finance receivables has a significant impact on operating cash flows in the period of sale as well as on collections in subsequent periods due to the long term nature of these receivables. In addition to providing a better understanding of the underlying trends in cash flows from operations, management believes this measure gives investors an additional perspective on comparing and analyzing the year-over-year changes in our cash flows as well as the impacts of these sales on cash flows in the period. A reconciliation of this non-GAAP financial measure and the most directly comparable measure calculated and presented in accordance with GAAP is set forth in the slide entitled “Underlying Cash Flows”.

Management believes that these non-GAAP financial measures provide an additional means of analyzing the current periods’ results against the corresponding prior periods’ results. However, these non-GAAP financial measures should be viewed in addition to, and not as a substitute for, the Company’s reported results prepared in accordance with GAAP. Our non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable GAAP measures and should be read only in conjunction with our consolidated financial statements prepared in accordance with GAAP. Our management regularly uses our supplemental non-GAAP financial measures internally to understand, manage and evaluate our business and make operating decisions. These non-GAAP measures are among the primary factors management uses in planning for and forecasting future periods. Compensation of our executives is based in part on the performance of our business based on these non-GAAP measures.

Unless otherwise noted, reconciliations of these non-GAAP financial measures and the most directly comparable measures calculated and presented in accordance with GAAP are set forth on the following slides.

Q4 GAAP EPS to Adjusted EPS Track

(in millions; except per share amounts)	Three Months Ended December 31, 2014 Net Income		Three Months Ended December 31, 2014 EPS		Three Months Ended December 31, 2013 Net Income		Three Months Ended December 31, 2013 EPS	
Reported[1]	**$**	**305**	**$**	**0.26**	**$**	**297**	**$**	**0.23**
Adjustments:								
Amortization of intangible assets		52		0.05		47		0.04
Adjusted	**$**	**357**	**$**	**0.31**	**$**	**344**	**$**	**0.27**
Weighted average shares for adjusted EPS[2]				1,171				1,261
Fully diluted shares at end of period[3]				1,159				

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

(2) Average shares for the calculation of adjusted EPS include 27 million of shares associated with the Series A convertible preferred stock and therefore the related quarterly dividend was excluded.

(3) Represents common shares outstanding at December 31, 2014 as well as shares associated with our Series A convertible preferred stock plus dilutive potential common shares as used for the calculation of diluted earnings per share in the fourth quarter 2014.

FY GAAP EPS to Adjusted EPS Track

(in millions; except per share amounts)	Year Ended December 31, 2014 Net Income		Year Ended December 31, 2014 EPS		Year Ended December 31, 2013 Net Income		Year Ended December 31, 2013 EPS	
Reported[1]	**$**	**1,084**	**$**	**0.90**	**$**	**1,139**	**$**	**0.89**
<u>Adjustments:</u>								
Amortization of intangible assets		196		0.17		189		0.15
Adjusted	**$**	**1,280**	**$**	**1.07**	**$**	**1,328**	**$**	**1.04**
Weighted average shares for adjusted EPS[2]				1,199				1,274
Fully diluted shares at end of period[3]				1,159				

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

(2) Average shares for the calculation of adjusted EPS include 27 million of shares associated with the Series A convertible preferred stock and therefore the related quarterly dividend was excluded.

(3) Represents common shares outstanding at December 31, 2014 as well as shares associated with our Series A convertible preferred stock plus dilutive potential common shares as used for the calculation of diluted earnings per share in the fourth quarter 2014.

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GAAP EPS to Adjusted EPS Guidance Track

	Earnings Per Share Guidance	
	Q1 2015	FY 2015
GAAP EPS from Continuing Operations	**\$0.16 - \$0.18**	**\$0.83 - \$0.89**
<u>Adjustments:</u>		
Amortization of intangible assets	0.04	0.17
Adjusted EPS	**\$0.20 - \$0.22**	**\$1.00 - \$1.06**

Note: GAAP and Adjusted EPS guidance includes anticipated restructuring

Q4 Adjusted Operating Income/Margin

(in millions)	Three Months Ended December 31, 2014			Three Months Ended December 31, 2013		
	Profit	Revenue	Margin	Profit	Revenue	Margin
Reported pre-tax income(1)	**$ 348**	**$ 5,033**	**6.9%**	**$ 326**	**$ 5,207**	**6.3%**
Adjustments:						
Amortization of intangible assets	83			76		
Xerox restructuring charge	36			55		
Other expenses, net	57			33		
Adjusted Operating	**$ 524**	**$ 5,033**	**10.4%**	**$ 490**	**$ 5,207**	**9.4%**

(1) Profit and Revenue from continuing operations attributable to Xerox.

FY Adjusted Operating Income/Margin

	Year Ended December 31, 2014			Year Ended December 31, 2013		
(in millions)	Profit	Revenue	Margin	Profit	Revenue	Margin
Reported pre-tax income[1]	**$ 1,206**	**$ 19,540**	**6.2%**	**$ 1,243**	**$ 20,006**	**6.2%**
Adjustments:						
Amortization of intangible assets	315			305		
Xerox restructuring charge	128			115		
Other expenses, net	232			146		
Adjusted Operating	**$ 1,881**	**$ 19,540**	**9.6%**	**$ 1,809**	**$ 20,006**	**9.0%**

(1) Profit and Revenue from continuing operations attributable to Xerox.

Q4 and FY Adjusted Other, net

(in millions)	Three Months Ended December 31, 2014	Three Months Ended December 31, 2013
Other expenses, net - Reported	**$ 57**	**$ 33**
Adjustments:		
Xerox restructuring charge	36	55
Net income attributable to noncontrolling interests	6	5
Other expenses, net - Adjusted	**$ 99**	**$ 93**

(in millions)	Year Ended December 31, 2014	Year Ended December 31, 2013
Other expenses, net - Reported	**$ 232**	**$ 146**
Adjustments:		
Xerox restructuring charge	128	115
Net income attributable to noncontrolling interests	23	20
Other expenses, net - Adjusted	**$ 383**	**$ 281**

Q4 and FY Adjusted Effective Tax Rate

	Three Months Ended December 31, 2014			Three Months Ended December 31, 2013		
(in millions)	Pre-Tax Income	Income Tax Expense	Effective Tax Rate	Pre-Tax Income	Income Tax Expense	Effective Tax Rate
Reported[(1)]	**$ 348**	**$ 78**	**22.4%**	**$ 326**	**$ 67**	**20.6%**
Adjustments:						
Amortization of intangible assets	83	31		76	29	
Adjusted	**$ 431**	**$ 109**	**25.3%**	**$ 402**	**$ 96**	**23.9%**

	Year Ended December 31, 2014			Year Ended December 31, 2013		
(in millions)	Pre-Tax Income	Income Tax Expense	Effective Tax Rate	Pre-Tax Income	Income Tax Expense	Effective Tax Rate
Reported[(1)]	**$ 1,206**	**$ 259**	**21.5%**	**$ 1,243**	**$ 253**	**20.4%**
Adjustments:						
Amortization of intangible assets	315	119		305	116	
Adjusted	**$ 1,521**	**$ 378**	**24.9%**	**$ 1,548**	**$ 369**	**23.8%**

(1) Pre-Tax Income and Income Tax Expense from continuing operations attributable to Xerox.

Q4 and FY Services Revenue Breakdown

(in millions)	Three Months Ended December 31, 2014	2013	Change	Revenue CC Change	Year Ended December 31, 2014	2013	Change	Revenue CC Change
Business Processing Outsourcing	$ 1,877	$ 1,824	3%	4%	$ 7,304	$ 7,244	1%	1%
Document Outsourcing	874	889	(2%)	1%	3,388	3,337	2%	2%
Less: Intra-Segment Eliminations	(26)	(27)	(4%)	(4%)	(108)	(102)	6%	6%
Total Revenue - Services	**$ 2,725**	**$ 2,686**	1%	3%	**$ 10,584**	**$ 10,479**	1%	1%

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Note: The above table has been revised to reflect the reclassification of the ITO business to discontinued operations. Additionally, 2013 Business Process Outsourcing (BPO) revenues have been revised to conform to the 2014 presentation of revenues.

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