

Xerox Financial Model
(unaudited)

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



	2015	2016				2017					2018					
	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Revenues																
Sales	4,674	1,003	1,126	1,057	1,133	4,319	936	1,010	981	1,146	4,073	933	1,017	943	1,079	3,972
Services, maintenance and rentals	6,445	1,529	1,585	1,489	1,524	6,127	1,442	1,483	1,443	1,530	5,898	1,431	1,425	1,344	1,390	5,590
Financing	346	83	82	83	77	325	76	74	73	71	294	71	68	65	64	268
Total Revenues	11,465	2,615	2,793	2,629	2,734	10,771	2,454	2,567	2,497	2,747	10,265	2,435	2,510	2,352	2,533	9,830
Cost of Revenue																
Cost of sales	2,925	613	696	647	700	2,656	565	619	593	710	2,487	563	622	570	657	2,412
Cost of services, maintenance and rentals	3,789	935	942	902	903	3,682	881	872	870	895	3,518	868	854	807	830	3,359
Cost of financing	130	33	32	32	31	128	33	33	33	34	133	34	33	33	32	132
Total Cost of Revenue	6,844	1,581	1,670	1,581	1,634	6,466	1,479	1,524	1,496	1,639	6,138	1,465	1,509	1,410	1,519	5,903
Gross Profit																
Sales gross profit	1,749	390	430	410	433	1,663	371	391	388	436	1,586	370	395	373	422	1,560
Services, maintenance and rentals gross profit	2,656	594	643	587	621	2,445	561	611	573	635	2,380	563	571	537	560	2,231
Financing gross profit	216	50	50	51	46	197	43	41	40	37	161	37	35	32	32	136
Gross Profit	4,621	1,034	1,123	1,048	1,100	4,305	975	1,043	1,001	1,108	4,127	970	1,001	942	1,014	3,927
Research, development & engineering	500	121	115	114	113	463	111	102	105	106	424	100	101	102	94	397
Bad Debt Expense	49	12	10	13	2	37	13	9	8	3	33	13	12	10	1	36
Selling, administrative and general exp. (Excl Bad Debts)	2,767	668	668	635	628	2,599	621	617	622	633	2,493	615	612	573	554	2,354
Total Selling, administrative and general exp.	2,816	680	678	648	630	2,636	634	626	630	636	2,526	628	624	583	555	2,390
Non-financing interest expense	216	54	42	42	43	181	36	24	29	30	119	29	27	28	28	112
Aggregate Exchange losses / (gains)	2	4	(1)	4	6	13	3	1	-	-	4	(2)	1	3	3	5
All other, net	77	31	36	35	25	127	75	43	23	65	206	3	11	26	111	151
Total Other, net	295	89	77	81	74	321	114	68	52	95	329	30	39	57	142	268
Restructuring and related costs	26	98	46	25	90	259	118	39	35	24	216	28	34	29	67	158
Amortization of intangible assets	60	14	16	14	14	58	14	15	12	12	53	12	12	12	12	48
Transaction and related costs	-	-	-	-	-	-	-	-	-	9	9	38	58	(33)	5	68
Total Costs and Expenses	10,541	2,583	2,602	2,463	2,555	10,203	2,470	2,374	2,330	2,521	9,695	2,301	2,377	2,160	2,394	9,232
Income (Loss) before Income Taxes & Equity Income	924	32	191	166	179	568	(16)	193	167	226	570	134	133	192	139	598
Income Taxes	193	(2)	18	28	18	62	(24)	43	18	444	481	40	38	142	37	257
Equity in net income of unconsolidated affiliates	109	34	26	40	27	127	40	20	30	25	115	(68)	19	43	39	33
Income from Continuing Operations	840	68	199	178	188	633	48	170	179	(193)	204	26	114	93	141	374
(Loss) Income from discontinued operations, net of tax	(374)	(35)	(38)	8	(1,028)	(1,093)	(6)	-	3	6	3	-	-	-	-	-
Net Income (Loss)	466	33	161	186	(840)	(460)	42	170	182	(187)	207	26	114	93	141	374
Less: Net Income attributable to Noncontrolling Interests	18	2	3	3	3	11	2	4	3	3	12	3	2	4	4	13
Net Income (Loss) Attributable to Xerox	448	31	158	183	(843)	(471)	40	166	179	(190)	195	23	112	89	137	361
Amounts Attributable to Xerox																
Net income from continuing operations	822	66	196	175	185	622	46	166	176	(196)	192	23	112	89	137	361
(Loss) Income from discontinued operations, net of tax	(374)	(35)	(38)	8	(1,028)	(1,093)	(6)	-	3	6	3	-	-	-	-	-
Net Income (Loss) Attributable to Xerox	448	31	158	183	(843)	(471)	40	166	179	(190)	195	23	112	89	137	361

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	2015	2016					2017					2018					
		FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Preferred Dividends/ Other																	
- Basic	24	6	6	6	6	24	4	3	4	3	14	4	3	4	3	14	
- Diluted *	24	6	6	6	6	24	4	-	-	3	14	4	3	4	-	14	
Weighted Average Shares																	
- Basic	266	253	253	253	254	253	254	254	255	255	254	255	255	251	236	249	
- Diluted *	269	255	256	256	257	256	256	263	263	255	257	257	258	254	246	252	
Earnings Per Share																	
- Basic:																	
Continuing operations	3.00	0.24	0.75	0.66	0.71	2.36	0.17	0.64	0.68	(0.78)	0.70	0.08	0.42	0.34	0.56	1.40	
Discontinued operations	(1.41)	(0.14)	(0.15)	0.03	(4.06)	(4.31)	(0.03)	-	0.01	0.02	0.01	-	-	-	-	-	
Total Basic Earnings (Loss) per Share	1.59	0.10	0.60	0.69	(3.35)	(1.95)	0.14	0.64	0.69	(0.76)	0.71	0.08	0.42	0.34	0.56	1.40	
- Diluted:																	
Continuing operations	2.97	0.23	0.75	0.66	0.70	2.33	0.16	0.63	0.67	(0.78)	0.70	0.08	0.42	0.34	0.56	1.38	
Discontinued operations	(1.39)	(0.13)	(0.15)	0.03	(4.00)	(4.26)	(0.02)	-	0.01	0.02	0.01	-	-	-	-	-	
Total Diluted Earnings (Loss) per Share	1.58	0.10	0.60	0.69	(3.30)	(1.93)	0.14	0.63	0.68	(0.76)	0.71	0.08	0.42	0.34	0.56	1.38	
Key Ratios - GAAP:																	
Gross Margins																	
- Sales	37.4%	38.9%	38.2%	38.8%	38.2%	38.5%	39.6%	38.7%	39.6%	38.0%	38.9%	39.7%	38.8%	39.6%	39.1%	39.3%	
- Services/Maintenance/Rentals	41.2%	38.8%	40.6%	39.4%	40.7%	39.9%	38.9%	41.2%	39.7%	41.5%	40.4%	39.3%	40.1%	40.0%	40.3%	39.9%	
- Financing	62.4%	60.2%	61.0%	61.4%	59.7%	60.6%	56.6%	55.4%	54.8%	52.1%	54.8%	52.1%	51.5%	49.2%	50.0%	50.7%	
- Total	40.3%	39.5%	40.2%	39.9%	40.2%	40.0%	39.7%	40.6%	40.1%	40.3%	40.2%	39.8%	39.9%	40.1%	40.0%	39.9%	
SAG as a % of Revenue	24.6%	26.0%	24.3%	24.6%	23.0%	24.5%	25.8%	24.4%	25.2%	23.2%	24.6%	25.8%	24.9%	24.8%	21.9%	24.3%	
Tax Rate	20.9%	-6.3%	9.4%	16.9%	10.1%	10.9%	150.0%	22.3%	10.8%	196.5%	84.4%	29.9%	28.6%	74.0%	26.6%	43.0%	
Ending Xerox Employment	40,000	NA	NA	NA	NA	37,600	37,200	36,900	36,100	35,300	35,300	35,000	34,300	33,200	32,400	32,400	

*For those periods that exclude the preferred stock dividend the average shares for the calculations of diluted EPS include 7 million shares associated with our Series A or Series B convertible preferred stock.

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



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

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

	2015					2016					2017					2018						
	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	
Revenues																						
Sales	4,674	1,003	1,126	1,057	1,133	4,319	936	1,010	981	1,146	4,073	933	1,017	943	1,079	3,972						
Services, maintenance and rentals	6,445	1,529	1,585	1,489	1,524	6,127	1,442	1,483	1,443	1,530	5,898	1,431	1,425	1,344	1,390	5,590						
Financing	346	83	82	83	77	325	76	74	73	71	294	71	68	65	64	268						
Total Revenues	11,465	2,615	2,793	2,629	2,734	10,771	2,454	2,567	2,497	2,747	10,265	2,435	2,510	2,352	2,533	9,830						
Cost of Revenue																						
Cost of sales	2,925	613	696	647	700	2,656	565	619	593	710	2,487	563	622	570	657	2,412						
Cost of services, maintenance and rentals	3,789	935	942	902	903	3,682	881	872	870	895	3,518	868	854	807	830	3,359						
Cost of financing	130	33	32	32	31	128	33	33	33	34	133	34	33	33	32	132						
Total Cost of Revenue	6,844	1,581	1,670	1,581	1,634	6,466	1,479	1,524	1,496	1,639	6,138	1,465	1,509	1,410	1,519	5,903						
Gross Profit																						
Sales gross profit	1,749	390	430	410	433	1,663	371	391	388	436	1,586	370	395	373	422	1,560						
Services, maintenance and rentals gross profit	2,656	594	643	587	621	2,445	561	611	573	635	2,380	563	571	537	560	2,231						
Financing gross profit	216	50	50	51	46	197	43	41	40	37	161	37	35	32	32	136						
Gross Profit	4,621	1,034	1,123	1,048	1,100	4,305	975	1,043	1,001	1,108	4,127	970	1,001	942	1,014	3,927						
Research, development & engineering	500	121	115	114	113	463	111	102	105	106	424	100	101	102	94	397						
Bad Debt Expense	49	12	10	13	2	37	13	9	8	3	33	13	12	10	1	36						
Selling, administrative and general exp. (Excl Bad Debts)	2,767	668	668	635	628	2,599	621	617	622	633	2,493	615	612	573	554	2,354						
Total Selling, administrative and general exp.	2,816	680	678	648	630	2,636	634	626	630	636	2,526	628	624	583	555	2,390						
Non-financing interest expense	216	54	42	42	43	181	36	24	29	30	119	29	27	28	28	112						
Aggregate Exchange losses / (gains)	2	4	(1)	4	6	13	3	1	-	-	4	(2)	1	3	3	5						
All other, net	(23)	(13)	7	4	8	6	2	9	(12)	(1)	(2)	(22)	(14)	(7)	1	(42)						
Total Other, net	195	45	48	50	57	200	41	34	17	29	121	5	14	24	32	75						
Total Costs and Expenses	10,355	2,427	2,511	2,393	2,434	9,765	2,265	2,286	2,248	2,410	9,209	2,198	2,248	2,119	2,200	8,765						
Income before Income Taxes & Equity Income	1,110	188	282	236	300	1,006	189	281	249	337	1,056	237	262	233	333	1,065						
Income Taxes	263	39	52	54	62	207	51	76	48	88	263	67	70	57	93	287						
Equity in Net Income of Unconsol. Affil.	113	34	27	42	27	130	40	23	36	26	125	11	23	50	44	128						
Income from Continuing Operations	960	183	257	224	265	929	178	228	237	275	918	181	215	226	284	906						
Less: Net Income attributable to Noncontrolling Interests	18	2	3	3	3	11	2	4	3	3	12	3	2	4	4	13						
Net Income from Continuing Operations Attributable to Xerox	942	181	254	221	262	918	176	224	234	272	906	178	213	222	280	893						
Earnings Per Share																						
Continuing Operations:																						
Preferred Dividends - Adjusted EPS *	(24)	(6)	-	(6)	-	(24)	-	-	-	-	-	-	-	-	-	-						
Adjusted Earnings per Share	3.41	0.68	0.97	0.84	1.00	3.49	0.67	0.86	0.89	1.03	3.45	0.68	0.80	0.85	1.14	3.46						
Adjusted Weighted Average Shares *	269	255	262	256	264	256	263	263	263	264	263	264	265	261	246	258						

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



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

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

	2015	2016					2017					2018				
	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Key Ratios - Adjusted:																
Gross Margins																
- Sales	37.4%	38.9%	38.2%	38.8%	38.2%	38.5%	39.6%	38.7%	39.6%	38.0%	38.9%	39.7%	38.8%	39.6%	39.1%	39.3%
- Services/Maintenance/Rentals	41.2%	38.8%	40.6%	39.4%	40.7%	39.9%	38.9%	41.2%	39.7%	41.5%	40.4%	39.3%	40.1%	40.0%	40.3%	39.9%
- Financing	62.4%	60.2%	61.0%	61.4%	59.7%	60.6%	56.6%	55.4%	54.8%	52.1%	54.8%	52.1%	51.5%	49.2%	50.0%	50.7%
- Total	40.3%	39.5%	40.2%	39.9%	40.2%	40.0%	39.7%	40.6%	40.1%	40.3%	40.2%	39.8%	39.9%	40.1%	40.0%	39.9%
Adjusted Operating Margin	12.4%	10.2%	12.8%	12.5%	14.0%	12.4%	11.0%	13.2%	12.1%	14.3%	12.7%	10.4%	11.9%	13.1%	16.1%	12.9%
SAG as a % of Revenue	24.6%	26.0%	24.3%	24.6%	23.0%	24.5%	25.8%	24.4%	25.2%	23.2%	24.6%	25.8%	24.9%	24.8%	21.9%	24.3%
Adjusted Effective Tax Rate	23.7%	20.7%	18.4%	22.9%	20.7%	20.6%	27.0%	27.0%	19.3%	26.1%	24.9%	28.3%	26.7%	24.5%	27.9%	26.9%
Non-GAAP Adjustments:																
Restructuring and related costs	26	98	46	25	90	259	118	39	35	24	216	28	34	29	67	158
Amortization of intangible assets	60	14	16	14	14	58	14	15	12	12	53	12	12	12	12	48
Non-service retirement-related costs	100	44	29	31	17	121	60	34	35	59	188	25	25	33	67	150
Contract termination costs - IT service provider	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	43
Transaction and related costs	-	-	-	-	-	-	-	-	-	9	9	38	58	(33)	5	68
Loss on early extinguishment of debt	-	-	-	-	-	-	13	-	-	7	20	-	-	-	-	-
Restructuring and other charges - Fuji Xerox	4	-	1	2	-	3	-	3	6	1	10	79	4	7	5	95
Remeasurement of unrecognized tax positions	-	-	-	-	-	-	(16)	-	-	-	(16)	-	-	-	-	-
Tax on adjusted items	(70)	(41)	(34)	(26)	(44)	(145)	(59)	(33)	(30)	(44)	(166)	(27)	(32)	(10)	(50)	(119)
US Tax Act	-	-	-	-	-	-	-	-	-	400	400	-	-	95	(6)	89
Total Non-GAAP Adjustments	120	115	58	46	77	296	130	58	58	468	714	155	101	133	143	532

*For those periods that exclude the preferred stock dividend the average shares for the calculations of diluted EPS include 7 million shares associated with our Series A or Series B convertible preferred stock.

**Xerox Financial Model
(unaudited)**



(in \$ millions)

	2017					2018					2018 YOY CC % Change				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Revenue (1)															
Entry	56	55	52	68	231	53	62	56	66	237	(10.9)%	10.6%	9.1%	0.2%	2.0%
Mid-range	332	358	350	428	1,468	334	390	351	418	1,493	(2.5)%	7.4%	1.0%	(1.2)%	1.1%
High-end	97	109	101	166	473	92	100	94	138	424	(9.4)%	(9.9)%	(5.1)%	(14.7)%	(10.5)%
Other	28	34	28	33	123	20	9	10	7	46	(28.6)%	(73.5)%	(64.3)%	(78.8)%	(62.6)%
Total Equipment Revenue	513	556	531	695	2,295	499	561	511	629	2,200	(6.4)%	(0.6)%	(2.7)%	(7.7)%	(4.5)%
N. America	1,473	1,534	1,514	1,601	6,122	1,438	1,514	1,444	1,517	5,913	(2.8)%	(1.8)%	(4.2)%	(4.9)%	(3.4)%
International	852	895	853	1,001	3,601	891	898	814	929	3,532	(5.5)%	(3.9)%	(2.0)%	(3.2)%	(3.7)%
Other	129	138	130	145	542	106	98	94	87	385	(17.8)%	(29.0)%	(27.7)%	(40.0)%	(29.0)%
Total Revenue	2,454	2,567	2,497	2,747	10,265	2,435	2,510	2,352	2,533	9,830	(4.6)%	(4.0)%	(4.7)%	(6.1)%	(4.9)%
Installs (2)															
Entry A4 MFPs															
Color	15%	24%	23%	32%	24%	4%	21%	(8)%	11%	12%					
B&W	1%	10%	26%	34%	18%	18%	21%	21%	9%	17%					
Mid-range															
Color	-	(15)%	-	14%	-	16%	29%	8%	3%	10%					
B&W	(24)%	(14)%	(11)%	1%	(12)%	11%	13%	19%	1%	8%					
High-end															
Color	(15)%	(9)%	(2)%	(5)%	(8)%	6%	(9)%	(17)%	(12)%	(9)%					
B&W	(25)%	(34)%	(32)%	(10)%	(25)%	(9)%	(12)%	(3)%	(34)%	(18)%					

Notes:

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

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

CC = Constant Currency