

**Xerox Financial Model**  
(unaudited)



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

	2015					2016					2017		
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	YTD
<b>Revenues</b>													
Sales	1,107	1,205	1,132	1,230	4,674	1,003	1,126	1,057	1,133	4,319	936	1,010	1,946
Services, maintenance and rentals	1,610	1,634	1,569	1,632	6,445	1,529	1,585	1,489	1,524	6,127	1,442	1,483	2,925
Financing	90	87	85	84	346	83	82	83	77	325	76	74	150
<b>Total Revenues</b>	<b>2,807</b>	<b>2,926</b>	<b>2,786</b>	<b>2,946</b>	<b>11,465</b>	<b>2,615</b>	<b>2,793</b>	<b>2,629</b>	<b>2,734</b>	<b>10,771</b>	<b>2,454</b>	<b>2,567</b>	<b>5,021</b>
<b>Cost of Revenue</b>													
Cost of sales	664	766	712	780	2,922	614	696	647	700	2,657	567	619	1,186
Cost of services, maintenance and rentals	976	954	937	964	3,831	950	953	913	909	3,725	900	884	1,784
Cost of financing	33	32	33	32	130	33	32	32	31	128	33	33	66
<b>Total Cost of Revenue</b>	<b>1,673</b>	<b>1,752</b>	<b>1,682</b>	<b>1,776</b>	<b>6,883</b>	<b>1,597</b>	<b>1,681</b>	<b>1,592</b>	<b>1,640</b>	<b>6,510</b>	<b>1,500</b>	<b>1,536</b>	<b>3,036</b>
<b>Gross Profit</b>													
Sales gross profit	443	439	420	450	1,752	389	430	410	433	1,662	369	391	760
Services, maintenance and rentals gross profit	634	680	632	668	2,614	579	632	576	615	2,402	542	599	1,141
Financing gross profit	57	55	52	52	216	50	50	51	46	197	43	41	84
<b>Gross Profit</b>	<b>1,134</b>	<b>1,174</b>	<b>1,104</b>	<b>1,170</b>	<b>4,582</b>	<b>1,018</b>	<b>1,112</b>	<b>1,037</b>	<b>1,094</b>	<b>4,261</b>	<b>954</b>	<b>1,031</b>	<b>1,985</b>
<b>Research, development &amp; engineering</b>	<b>130</b>	<b>127</b>	<b>126</b>	<b>128</b>	<b>511</b>	<b>126</b>	<b>119</b>	<b>118</b>	<b>113</b>	<b>476</b>	<b>118</b>	<b>106</b>	<b>224</b>
Bad Debt Expense	19	14	13	3	49	12	10	13	2	37	13	9	22
Selling, administrative and general exp. (Excl Bad Debts)	719	720	665	712	2,816	689	681	651	637	2,658	651	634	1,285
<b>Total Selling, administrative and general exp.</b>	<b>738</b>	<b>734</b>	<b>678</b>	<b>715</b>	<b>2,865</b>	<b>701</b>	<b>691</b>	<b>664</b>	<b>639</b>	<b>2,695</b>	<b>664</b>	<b>643</b>	<b>1,307</b>
Non-financing interest expense	53	54	53	56	216	54	42	42	43	181	36	24	60
Aggregate Exchange losses / (gains)	4	(5)	2	1	2	4	(1)	4	6	13	3	1	4
All other, net	(13)	11	6	(27)	(23)	(13)	7	4	8	6	15	9	24
<b>Total Other, net</b>	<b>44</b>	<b>60</b>	<b>61</b>	<b>30</b>	<b>195</b>	<b>45</b>	<b>48</b>	<b>50</b>	<b>57</b>	<b>200</b>	<b>54</b>	<b>34</b>	<b>88</b>
Restructuring and related costs	11	9	11	(4)	27	100	47	25	92	264	120	40	160
Amortization of intangible assets	16	15	15	14	60	14	16	14	14	58	14	15	29
<b>Total Costs and Expenses</b>	<b>2,612</b>	<b>2,697</b>	<b>2,573</b>	<b>2,659</b>	<b>10,541</b>	<b>2,583</b>	<b>2,602</b>	<b>2,463</b>	<b>2,555</b>	<b>10,203</b>	<b>2,470</b>	<b>2,374</b>	<b>4,844</b>
<b>Income (Loss) before Income Taxes &amp; Equity Income</b>	<b>195</b>	<b>229</b>	<b>213</b>	<b>287</b>	<b>924</b>	<b>32</b>	<b>191</b>	<b>166</b>	<b>179</b>	<b>568</b>	<b>(16)</b>	<b>193</b>	<b>177</b>
Income Taxes	40	48	47	58	193	(2)	18	28	18	62	(24)	43	19
Equity in net income of unconsolidated affiliates	16	25	40	28	109	34	26	40	27	127	40	20	60
<b>Income from Continuing Operations</b>	<b>171</b>	<b>206</b>	<b>206</b>	<b>257</b>	<b>840</b>	<b>68</b>	<b>199</b>	<b>178</b>	<b>188</b>	<b>633</b>	<b>48</b>	<b>170</b>	<b>218</b>
Income (Loss) from discontinued operations, net of tax	41	(193)	(237)	15	(374)	(35)	(38)	8	(1,028)	(1,093)	(6)	-	(6)
<b>Net Income (Loss)</b>	<b>212</b>	<b>13</b>	<b>(31)</b>	<b>272</b>	<b>466</b>	<b>33</b>	<b>161</b>	<b>186</b>	<b>(840)</b>	<b>(460)</b>	<b>42</b>	<b>170</b>	<b>212</b>
Less: Net Income attributable to Noncontrolling Interests	5	5	3	5	18	2	3	3	3	11	2	4	6
<b>Net Income (Loss) Attributable to Xerox</b>	<b>207</b>	<b>8</b>	<b>(34)</b>	<b>267</b>	<b>448</b>	<b>31</b>	<b>158</b>	<b>183</b>	<b>(843)</b>	<b>(471)</b>	<b>40</b>	<b>166</b>	<b>206</b>
<b>Amounts Attributable to Xerox</b>													
Net income from continuing operations	166	201	203	252	822	66	196	175	185	622	46	166	212
Income (Loss) from discontinued operations, net of tax	41	(193)	(237)	15	(374)	(35)	(38)	8	(1,028)	(1,093)	(6)	-	(6)
<b>Net Income (Loss) Attributable to Xerox</b>	<b>207</b>	<b>8</b>	<b>(34)</b>	<b>267</b>	<b>448</b>	<b>31</b>	<b>158</b>	<b>183</b>	<b>(843)</b>	<b>(471)</b>	<b>40</b>	<b>166</b>	<b>206</b>

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(unaudited)**



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

		2015					2016					2017		
		Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	YTD
<b>Preferred Dividends/ Other</b>	- Basic	6	6	6	6	24	6	6	6	6	24	4	3	7
	- Diluted	6	6	6	-	24	6	6	6	6	24	4	-	7
<b>Weighted Average Shares</b>	- Basic	277	272	261	253	266	253	253	253	254	253	254	254	254
	- Diluted	282	276	263	262	269	255	256	256	257	256	256	263	256
<b>Earnings Per Share</b>														
- Basic:														
	Continuing operations	0.58	0.72	0.75	0.97	3.00	0.24	0.75	0.66	0.71	2.36	0.17	0.64	0.81
	Discontinued operations	0.14	(0.71)	(0.91)	0.06	(1.41)	(0.14)	(0.15)	0.03	(4.06)	(4.31)	(0.03)	-	(0.03)
	<u>Total Basic Earnings (Loss) per Share</u>	<u>0.72</u>	<u>0.01</u>	<u>(0.16)</u>	<u>1.03</u>	<u>1.59</u>	<u>0.10</u>	<u>0.60</u>	<u>0.69</u>	<u>(3.35)</u>	<u>(1.95)</u>	<u>0.14</u>	<u>0.64</u>	<u>0.78</u>
- Diluted:														
	Continuing operations	0.57	0.71	0.75	0.96	2.97	0.23	0.75	0.66	0.70	2.33	0.16	0.63	0.80
	Discontinued operations	0.14	(0.70)	(0.91)	0.06	(1.39)	(0.13)	(0.15)	0.03	(4.00)	(4.26)	(0.02)	-	(0.02)
	<u>Total Diluted Earnings (Loss) per Share</u>	<u>0.71</u>	<u>0.01</u>	<u>(0.16)</u>	<u>1.02</u>	<u>1.58</u>	<u>0.10</u>	<u>0.60</u>	<u>0.69</u>	<u>(3.30)</u>	<u>(1.93)</u>	<u>0.14</u>	<u>0.63</u>	<u>0.78</u>
<b>Key Ratios - GAAP:</b>														
<b>Gross Margins</b>														
	- Sales	40.0%	36.4%	37.1%	36.6%	37.5%	38.8%	38.2%	38.8%	38.2%	38.5%	39.4%	38.7%	39.1%
	- Services/Maintenance/Rentals	39.4%	41.6%	40.3%	40.9%	40.6%	37.9%	39.9%	38.7%	40.4%	39.2%	37.6%	40.4%	39.0%
	- Financing	63.3%	63.2%	61.2%	61.9%	62.4%	60.2%	61.0%	61.4%	59.7%	60.6%	56.6%	55.4%	56.0%
	- Total	40.4%	40.1%	39.6%	39.7%	40.0%	38.9%	39.8%	39.4%	40.0%	39.6%	38.9%	40.2%	39.5%
<b>SAG as a % of Revenue</b>		26.3%	25.1%	24.3%	24.3%	25.0%	26.8%	24.7%	25.3%	23.4%	25.0%	27.1%	25.0%	26.0%
<b>Tax Rate</b>		20.5%	21.0%	22.1%	20.2%	20.9%	-6.3%	9.4%	16.9%	10.1%	10.9%	150.0%	22.3%	10.7%
<b>Ending Xerox Employment</b>		NA	NA	NA	NA	40,000	NA	NA	NA	NA	37,600	37,200	36,900	36,900

\*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)**

The Xerox Financial Model – Non-GAAP basis is adjusted to exclude non-service retirement related costs, restructuring and related costs as well as amortization of



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

	2015					2016					2017		
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	YTD
<b>Revenues</b>													
Sales	1,107	1,205	1,132	1,230	4,674	1,003	1,126	1,057	1,133	4,319	936	1,010	1,946
Services, maintenance and rentals	1,610	1,634	1,569	1,632	6,445	1,529	1,585	1,489	1,524	6,127	1,442	1,483	2,925
Financing	90	87	85	84	346	83	82	83	77	325	76	74	150
<b>Total Revenues</b>	<b>2,807</b>	<b>2,926</b>	<b>2,786</b>	<b>2,946</b>	<b>11,465</b>	<b>2,615</b>	<b>2,793</b>	<b>2,629</b>	<b>2,734</b>	<b>10,771</b>	<b>2,454</b>	<b>2,567</b>	<b>5,021</b>
<b>Cost of Revenue</b>													
Cost of sales	661	765	711	778	2,915	611	695	644	699	2,649	565	617	1,182
Cost of services, maintenance and rentals	963	951	928	953	3,795	936	942	903	903	3,684	879	872	1,751
Cost of financing	33	32	33	32	130	33	32	32	31	128	33	33	66
<b>Total Cost of Revenue</b>	<b>1,657</b>	<b>1,748</b>	<b>1,672</b>	<b>1,763</b>	<b>6,840</b>	<b>1,580</b>	<b>1,669</b>	<b>1,579</b>	<b>1,633</b>	<b>6,461</b>	<b>1,477</b>	<b>1,522</b>	<b>2,999</b>
<b>Gross Profit</b>													
Sales gross profit	446	440	421	452	1,759	392	431	413	434	1,670	371	393	764
Services, maintenance and rentals gross profit	647	683	641	679	2,650	593	643	586	621	2,443	563	611	1,174
Financing gross profit	57	55	52	52	216	50	50	51	46	197	43	41	84
<b>Gross Profit</b>	<b>1,150</b>	<b>1,178</b>	<b>1,114</b>	<b>1,183</b>	<b>4,625</b>	<b>1,035</b>	<b>1,124</b>	<b>1,050</b>	<b>1,101</b>	<b>4,310</b>	<b>977</b>	<b>1,045</b>	<b>2,022</b>
<b>Research, development &amp; engineering</b>	<b>123</b>	<b>126</b>	<b>120</b>	<b>123</b>	<b>492</b>	<b>118</b>	<b>113</b>	<b>111</b>	<b>109</b>	<b>451</b>	<b>110</b>	<b>102</b>	<b>212</b>
Bad Debt Expense	19	14	13	3	49	12	10	13	2	37	13	9	22
Selling, administrative and general exp. (Excl Bad Debts)	700	715	651	696	2,762	668	667	637	629	2,601	620	615	1,235
<b>Total Selling, administrative and general exp.</b>	<b>719</b>	<b>729</b>	<b>664</b>	<b>699</b>	<b>2,811</b>	<b>680</b>	<b>677</b>	<b>650</b>	<b>631</b>	<b>2,638</b>	<b>633</b>	<b>624</b>	<b>1,257</b>
Non-financing interest expense	53	54	53	56	216	54	42	42	43	181	36	24	60
Aggregate Exchange losses / (gains)	4	(5)	2	1	2	4	(1)	4	6	13	3	1	4
All other, net	(13)	11	6	(27)	(23)	(13)	7	4	8	6	2	9	11
<b>Total Other, net</b>	<b>44</b>	<b>60</b>	<b>61</b>	<b>30</b>	<b>195</b>	<b>45</b>	<b>48</b>	<b>50</b>	<b>57</b>	<b>200</b>	<b>41</b>	<b>34</b>	<b>75</b>
<b>Total Costs and Expenses</b>	<b>2,543</b>	<b>2,663</b>	<b>2,517</b>	<b>2,615</b>	<b>10,338</b>	<b>2,423</b>	<b>2,507</b>	<b>2,390</b>	<b>2,430</b>	<b>9,750</b>	<b>2,261</b>	<b>2,282</b>	<b>4,543</b>
<b>Income before Income Taxes &amp; Equity Income</b>	<b>264</b>	<b>263</b>	<b>269</b>	<b>331</b>	<b>1,127</b>	<b>192</b>	<b>286</b>	<b>239</b>	<b>304</b>	<b>1,021</b>	<b>193</b>	<b>285</b>	<b>478</b>
Income Taxes	65	63	69	73	270	41	53	55	64	213	53	77	130
Equity in Net Income of Unconsol. Affil.	17	26	42	28	113	34	27	42	27	130	40	23	63
<b>Income from Continuing Operations</b>	<b>216</b>	<b>226</b>	<b>242</b>	<b>286</b>	<b>970</b>	<b>185</b>	<b>260</b>	<b>226</b>	<b>267</b>	<b>938</b>	<b>180</b>	<b>231</b>	<b>411</b>
Less: Net Income attributable to Noncontrolling Interests	5	5	3	5	18	2	3	3	3	11	2	4	6
<b>Net Income from Continuing Operations Attributable to Xerox</b>	<b>211</b>	<b>221</b>	<b>239</b>	<b>281</b>	<b>952</b>	<b>183</b>	<b>257</b>	<b>223</b>	<b>264</b>	<b>927</b>	<b>178</b>	<b>227</b>	<b>405</b>

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The Xerox Financial Model – Non-GAAP basis is adjusted to exclude non-service retirement related costs, restructuring and related costs as well as amortization of



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

	2015					2016					2017		
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	YTD
<b>Earnings Per Share</b>													
Continuing Operations:													
Preferred Dividends - Adjusted EPS *	(6)	(6)	(6)	-	(24)	(6)	-	(6)	-	(24)	-	-	-
Adjusted Earnings per Share	0.73	0.78	0.88	1.08	3.45	0.69	0.98	0.84	1.00	3.53	0.67	0.87	1.54
Adjusted Weighted Average Shares *	282	276	263	262	269	255	262	256	264	256	263	263	263
<b>Key Ratios - Adjusted:</b>													
<b>Gross Margins</b>													
- Sales	40.3%	36.5%	37.2%	36.7%	37.6%	39.1%	38.3%	39.1%	38.3%	38.7%	39.6%	38.9%	39.3%
- Services/Maintenance/Rentals	40.2%	41.8%	40.9%	41.6%	41.1%	38.8%	40.6%	39.4%	40.7%	39.9%	39.0%	41.2%	40.1%
- Financing	63.3%	63.2%	61.2%	61.9%	62.4%	60.2%	61.0%	61.4%	59.7%	60.6%	56.6%	55.4%	56.0%
- Total	41.0%	40.3%	40.0%	40.2%	40.3%	39.6%	40.2%	39.9%	40.3%	40.0%	39.8%	40.7%	40.3%
<b>SAG as a % of Revenue</b>	25.6%	24.9%	23.8%	23.7%	24.5%	26.0%	24.2%	24.7%	23.1%	24.5%	25.8%	24.3%	25.0%
<b>Adjusted Effective Tax Rate</b>	24.6%	24.0%	25.7%	22.1%	24.0%	21.4%	18.5%	23.0%	21.1%	20.9%	27.5%	27.0%	27.2%
<b>Non-GAAP Adjustments:</b>													
Restructuring and related costs	11	9	11	(4)	27	100	47	25	92	264	120	40	160
Amortization of purchased intangibles	16	15	15	14	60	14	16	14	14	58	14	15	29
Non-service retirement-related costs	42	10	30	34	116	46	32	34	19	131	62	37	99
Fuji Xerox Restructuring	1	1	2	-	4	-	1	2	-	3	-	3	3
Loss on Extinguishment of Debt	-	-	-	-	-	-	-	-	-	-	13	-	13
Remeasurement of unrecognized tax positions	-	-	-	-	-	-	-	-	-	-	(16)	-	(16)
Tax on adjusted items	(25)	(15)	(22)	(15)	(77)	(43)	(35)	(27)	(46)	(151)	(61)	(34)	(95)
<b>Total Non-GAAP Adjustments</b>	<b>45</b>	<b>20</b>	<b>36</b>	<b>29</b>	<b>130</b>	<b>117</b>	<b>61</b>	<b>48</b>	<b>79</b>	<b>305</b>	<b>132</b>	<b>61</b>	<b>193</b>

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

**Xerox Financial Model  
(unaudited)**



(in \$ millions)

	2016					2017			2017 YOY CC % Change		
	Q1	Q2	Q3	Q4	FY	Q1	Q2	YTD	Q1	Q2	YTD
<b>Revenue</b>											
Entry	94	102	97	95	388	88	92	180	(5.5)%	(8.6)%	(7.1)%
Mid-range	347	415	362	401	1,525	317	342	659	(7.0)%	(16.3)%	(12.1)%
High-end	99	126	108	150	483	93	106	199	(3.7)%	(13.9)%	(9.4)%
Other	2	7	6	8	23	4	6	10	NM	NM	NM
<b>Total Equipment Revenue</b>	<b>542</b>	<b>650</b>	<b>573</b>	<b>654</b>	<b>2,419</b>	<b>502</b>	<b>546</b>	<b>1,048</b>	<b>(5.7)%</b>	<b>(14.6)%</b>	<b>(10.6)%</b>
N. America	1,542	1,654	1,597	1,627	6,420	1,473	1,534	3,007	(4.8)%	(6.9)%	(5.9)%
International	919	982	880	955	3,736	852	895	1,747	(1.5)%	(4.6)%	(3.1)%
Other	154	157	152	152	615	129	138	267	(16.2)%	(12.1)%	(14.1)%
<b>Total Revenue</b>	<b>2,615</b>	<b>2,793</b>	<b>2,629</b>	<b>2,734</b>	<b>10,771</b>	<b>2,454</b>	<b>2,567</b>	<b>5,021</b>	<b>(4.3)%</b>	<b>(6.4)%</b>	<b>(5.4)%</b>
<b>Installs</b>											
<b>Entry A4 MFPs</b>											
Color	1%	(9)%	16%	(8)%	(1)%	15%	24%	19%			
B&W	(16)%	2%	(12)%	(19)%	(12)%	1%	10%	6%			
<b>Mid-range</b>											
Color	1%	6%	7%	- %	3%	- %	(15)%	(8)%			
B&W	(14)%	(14)%	(24)%	(13)%	(16)%	(24)%	(14)%	(19)%			
<b>High-end</b>											
Color	56%	14%	6%	3%	16%	(15)%	(9)%	(12)%			
B&W	(8)%	(21)%	(1)%	(18)%	(13)%	(25)%	(34)%	(30)%			

Notes:

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

CC = Constant Currency