Third Quarter 2017 Earnings

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October 26, 2017
http://www.xerox.com/investor

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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. Such factors include but are not limited to: our ability to address our business challenges in order to reverse revenue declines, reduce costs and increase productivity so that we can invest in and grow our business; changes in economic conditions, political conditions, trade protection measures, licensing requirements and tax laws 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 partners, subcontractors and software vendors will not perform in a timely, quality manner; 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; 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; reliance on third parties, including subcontractors, for manufacturing of products and provision of services; our ability to manage changes in the printing environment and markets and expand equipment placements; interest rates, cost of borrowing and access to credit markets; funding requirements associated with our employee pension and retiree health benefit plans; the risk that our operations and products may not comply with applicable worldwide regulatory requirements, particularly environmental regulations and directives and anti-corruption laws; the outcome of litigation and regulatory proceedings to which we may be a party; the risk that we do not realize all of the expected strategic and financial benefits from the separation and spin-off of our Business Process Outsourcing business; 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, 2017, June 30, 2017 and our 2016 Annual Report on Form 10-K, as well as Current Reports on Form 8-K filed with the Securities and Exchange Commission ("SEC"). 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.

Forward Looking Statements

Fuji Xerox Co., Ltd. (“Fuji Xerox”) is a joint venture between Xerox Corporation and Fujifilm Holdings Corporation (“Fujifilm”) in which Xerox holds a noncontrolling 25% equity interest and Fujifilm holds the remaining equity interest. Given our status as a minority investor, we have limited contractual and other rights to information with respect to Fuji Xerox matters. In April 2017, Fujifilm publicly announced it had formed an independent investigation committee (“IIC”) to primarily conduct a review of the appropriateness of the accounting practices at Fuji Xerox’s New Zealand subsidiary and at other subsidiaries. Fujifilm publicly announced that the IIC completed its review during the second quarter 2017 and identified aggregate adjustments to Fuji Xerox’s financial statements of approximately JPY 40 billion (approximately $360 million based on the Yen/U.S. Dollar spot exchange rate at March 31, 2017 of 111.89). The adjustments primarily related to misstatements at Fuji Xerox’s New Zealand and Australian subsidiaries, as well as certain other adjustments. We determined that our cumulative share of the revised amount of total adjustments identified as part of the investigation was approximately $90 million and impacted our fiscal years 2009 through 2017. Based on our procedures, as well as those performed by Fuji Xerox and Fujifilm, we concluded that the cumulative correction of the misstatements in our historical financial statements would have had a material effect on our current year consolidated financial statements. Accordingly, we concluded that we should revise our previously issued annual and interim consolidated financial statements for 2014, 2015 and 2016 and the first quarter of 2017 the next time they are filed. The Fujifilm audited financial statements were issued in Japan on July 31, 2017, and our review of this matter has been completed. However, Fujifilm and Fuji Xerox continue to review Fujifilm’s oversight and governance of Fuji Xerox as well as Fuji Xerox’s oversight and governance over its businesses in light of the findings of the IIC. In addition, at this time, we can provide no assurances relative to the outcome of any potential governmental investigations or any consequences thereof that may happen as a result of this matter.

For other related information, please visit the Company’s investor relations website at https://www.xerox.com/investor.

Third-Quarter Overview

Results reflect continued progress on 2017 objectives

- EPS and profit expansion supported by strategic transformation and lower tax rate
- Revenue trend improves sequentially driven by Equipment and Managed Document Services
- Solid operating margin, enabling investment in business
- Continued YOY increases in operating cash flow excluding pension contributions

Revenue

$2.5B, down 5.0% or 5.9% CC[1]

Equipment down 9.1% or 10.0% CC[1]

Post Sale down 3.9% or 4.8% CC[1]

Profitability

Adj[1] operating margin: 12.2%, down 40 bps

GAAP EPS[2]: 67 cents, up 1 cent

Adj[1] EPS: 89 cents, up 5 cents

Cash

Operating cash flow[2]: $(383)M, includes $671M of pension contributions

Ending Cash: $1.8B, includes $475M used in October debt redemption

(1) Constant Currency (CC), Adjusted Operating Margin and Adjusted EPS: see Non-GAAP Financial Measures. (2) GAAP EPS and Operating Cash Flow are from Continuing Operations. Note: all numerical comparisons shown above are on a year-over-year basis.

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Third-Quarter Highlights

Transforming the Workplace with ConnectKey: Smart, Connected, Secure

- All 29 new products available and shipping to customers worldwide
- Half-million MFP apps installed, 66% increase since March 29 launch
- Only print solution with the power of McAfee® security protection

PRINT 17: Physical meets Digital

Showcased Xerox high-end innovation:

- Trivor 2400 High Fusion Inkjet Press
- White Dry Ink for iGen5 Press
- Brenva, Rialto, Versant IJ Presses

Won three MUST SEE 'EMS

Financial Performance

(in millions, except per share data)

P&L Measures	Q3 2017	B/(W) YOY
Revenue	$ 2,497	$ (132)
Operating Income – Adjusted[1]	305	(26)
Equity Income	30	(10)
Other Expenses, net	17	33
Net Income[2]	176	1
Net Income – Adjusted[1]	236	13
GAAP EPS[2]	0.67	0.01
EPS – Adjusted[1]	0.89	0.05

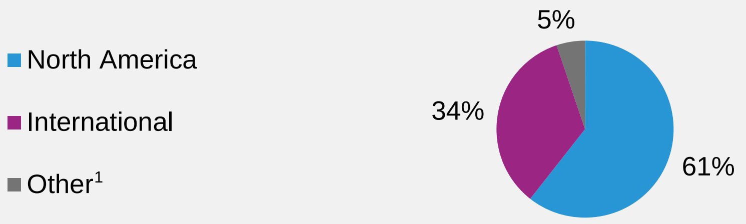
P&L Ratios (Adjusted[1])	Q3 2017	B/(W) YOY
Gross Margin	40.2%	0.3 pts
RD&E %	4.1%	0.1 pts
SAG %	25.3%	(0.6) pts
Operating Income Margin	12.2%	(0.4) pts
Tax Rate	19.4%	3.6 pts

(1) Adjusted Measures: see Non-GAAP Financial Measures. (2) Net Income and EPS from Continuing Operations attributable to Xerox.

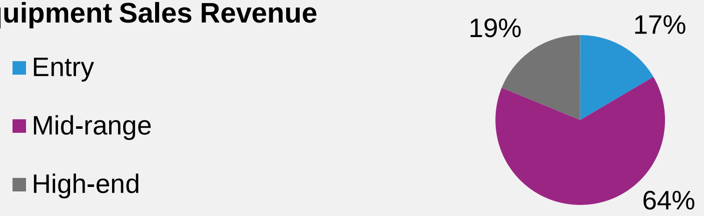
Revenue Performance
(in millions)

	Q3 2017	YOY Change AC	YOY Change CC[3]
Total Revenue	**$ 2,497**	**(5.0)%**	**(5.9)%**
North America	1,514	(5.2)%	(5.7)%
International	853	(3.1)%	(5.1)%
Other[1]	130	(14.5)%	(14.5)%
Equipment Revenue	**$ 521**	**(9.1)%**	**(10.0)%**
Entry	86	(11.3)%	(12.7)%
Mid-range	334	(7.7)%	(8.5)%
High-end	97	(10.2)%	(11.8)%
Other	4	N/M	N/M
Managed Document Services[2]	**$ 853**	**2.2%**	**1.2%**

Total Revenue by Geographic Sales Channel



Equipment Sales Revenue



Managed Document Services[2]: **34% of Total Revenue**

(1) Other total revenue includes OEM business, sales to Fuji Xerox and licensing. (2) Managed Document Services (MDS) includes Managed Print Services (MPS) (including Global Imaging Systems MPS), Centralized Print Services (CPS) and Workflow Automation and excludes Communication and Marketing Solutions (CMS). (3) Constant Currency (CC): see Non-GAAP Financial Measures.

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Key Performance Metrics

Strategic Growth Areas

Offering Focus Areas

- MPS & Workflow Automation
- A4 MFPs
- Production Color

Sep YTD 2017 Results

Flat	40%	↑ 2 pts
YOY revenue change at CC[1]	% of Revenue in Strategic Growth Areas	Mix shift YOY

Installs

Third Quarter 2017

(% change YOY)	**Color**	**B&W**
Entry A4 MFPs[2]	23%	26%
Mid-Range[2]	Flat	(11)%
High-End[2]	(2)%	(32)%

Signings

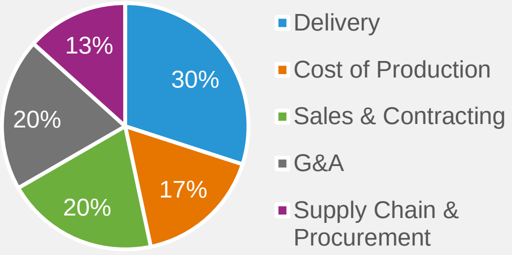
	% Change CC[1]		
	Q3	**YOY**	**TTM**
Enterprise MDS	$0.6B	(7)%	(11)%

Note: signings do not include GIS or Xerox Partner Print Services results

Strategic Transformation

2016 FY Gross Savings[3]	$550M
2017 Target	$600M
Cumulative thru 2018 Target	$1.5B+
YTD Restructuring	$196M
FY Restructuring Target	$225M

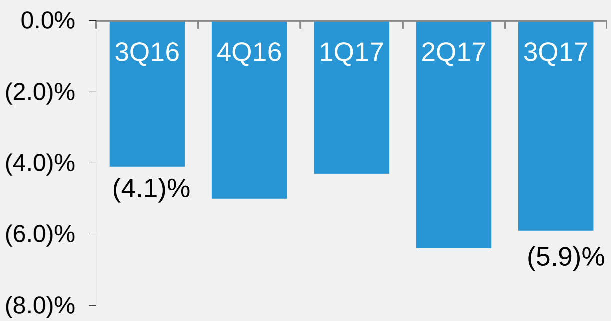
Sources of Productivity



[1] Constant Currency (CC): see Non-GAAP Financial Measures. [2] Entry installations exclude OEM sales; Mid-range and High-end color installations exclude Fuji Xerox digital front-end sales. [3] Gross savings are the year-over-year savings, assuming similar operating levels.

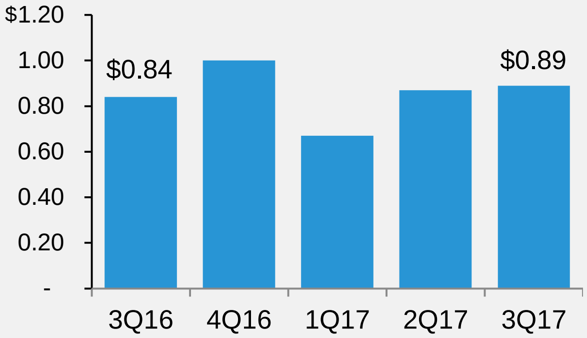
Performance Trends

Revenue (CC[1])



Adjusted[1] Operating Margin

Adjusted[1] EPS



YOY change at CC[1]					
	(4.1%)	**(5.0%)**	**(4.3%)**	**(6.4)%**	**(5.9)%**
Translation Currency					
	(1.5) pts	(2.2) pts	(1.9) pts	(1.7) pts	0.9 pts

Adjusted[1] Operating Margin					
	12.6%	**14.2%**	**11.2%**	**13.3%**	**12.2%**
Transaction Currency					
	(0.2) pts	(0.7) pts	(1.1) pts	(1.0) pts	(0.6) pts

Adj[1]	**$0.84**	**$1.00**	**$0.67**	**$0.87**	**$0.89**
GAAP[2]	**$0.66**	**$0.70**	**$0.16**	**$0.63**	**$0.67**
Total Currency					
	$0.02	$(0.06)	$(0.08)	$(0.09)	$(0.04)

(1) Constant Currency (CC), Adjusted Operating Margin and Adjusted EPS: see Non-GAAP Financial Measures. (2) GAAP EPS from Continuing Operations.

Cash Flow

Operating cash flow from continuing operations of $(383)M Q3, $150M YTD

- Cash flow reflects continued good results excluding pension contributions
- Q3 cash flow up $44 million YOY excluding pension contributions

Working Capital[1] a modest use driven by inventory increase in advance of Q4

CAPEX[2] of $23M in Q3, $70M YTD

Financing cash flow reflects $1B senior note issuance

(in millions)	**Q3 2017**	**Q3 2016**
Pre-tax Income from Continuing Ops	$ 167	$ 166
Non-cash add-backs[3]	159	148
Restructuring payments	(42)	(38)
Pension Contributions	(671)	(34)
Working Capital, net[1]	(79)	(51)
Change in Finance Assets[4]	90	53
Other[5]	(7)	(34)
Cash from Operations - Continuing Ops	**$ (383)**	**$ 210**
Cash from Investing - Continuing Ops	**$ (4)**	**$ (23)**
Cash from Financing	**$ 908**	**$ (84)**
Memo:		
Free Cash Flow[6]	$ (406)	$ 181
Free Cash Flow[6] excluding pension contributions	$ 265	$ 215

(1) Working Capital, net includes accounts receivable, collections of deferred proceeds from sales of receivables, accounts payable and accrued compensation and inventory. (2) CAPEX including Internal Use Software. (3) Non-Cash Add-backs include depreciation & amortization excluding equipment on operating lease, provisions, stock-based compensation, defined benefit pension expense, restructuring charges and gain on sales of businesses and assets. (4) Includes equipment on operating leases and its related depreciation, finance receivables and collections on beneficial interest from sales of finance receivables. (5) Includes other current and long-term assets and liabilities, derivative assets and liabilities, other operating, net, distributions from net income of unconsolidated affiliates and taxes. (6) Free Cash Flow: see Non-GAAP Financial Measures.

2017 Cash Flow & Capital Allocation Update

Updating cash flow guidance

- Increasing operational expectations
- Reflecting incremental $500M pension contribution
- Eliminating certain accounts receivable (A/R) sales programs
  - Annual savings of ~$10M
  - No 2018 Operating Cash Flow impact

Updating capital allocation plans

- Reducing CAPEX by $50M
- Increasing M&A target by $50M
- Increased debt to fund recent incremental $500M U.S. pension contribution

Targeting year-end cash balance of >$1B

Cash Flow from Continuing Ops	
Beginning of Year Guidance	$700M - $900M
(+) Higher Operational Cash Flow	$100M
Revised Operational Range	**$800M - $1B**
(−) Incremental Pension contributions	$(500)M
(−) One-time impact of A/R sales elimination	$(350)M
Current Guidance	$(50)M - $150M

Capital Allocation Guidance	Beginning of Year	Current
Dividends	$280M	$280M
M&A	$100M	~$150M
CAPEX	$175M	~$125M
Debt Reduction	$300M	$300M
Debt Issuance (pension funding)	-	$(500)M
Incremental Pension Contribution (debt-funded)	-	$500M
Beginning of Year Opportunistic	$145M - $345M	-

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Capital Structure

Continued progress optimizing capital structure post separation

Higher core debt reflects $1B senior note offering in September

- $500M towards incremental pension contributions
- $475M used in October to re-finance a portion of our May 2018 Senior Notes

Core debt level managed to maintain investment grade financial profile

Customer Financing and Debt

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

As of September 30, 2017

(in billions)	Fin. Assets	Debt	Cash
Financing	$ 4.1	$ 3.6	
Core	-	2.4	
Total Xerox	$ 4.1	$ 6.0	$ 1.8

Summary

On Track to Deliver on our 2017 Objectives

Focused on executing our strategy and building foundation for continued progress in 2018

- Revenue trends improving; impact from new products beginning to ramp
- Strategic transformation supporting margin objectives while enabling investments
- Good progress strengthening our balance sheet in 2017

Appendix

2017 Full-Year Guidance Update

P&L	**Prior**	**Current**
Revenue	Down mid-single digits CC[1]	Down mid-single digits CC[1]
Operating Margin[1]	12.5% - 13.5%	12.5% - 13.5%
GAAP EPS[2]	$1.84 - $2.08	$1.97 - $2.13
Adjusted EPS[1,3]	$3.20 - $3.44	$3.28 - $3.44

Cash Flow from Continuing Ops		
Operating Cash Flow	$700M - $900M	$(50)M - $150M
Free Cash Flow[1]	$525M - $725M	$(175)M - $25M

(1) Constant Currency (CC), Operating Margin, Adjusted EPS and Free Cash Flow: see Non-GAAP Financial Measures. (2) EPS from Continuing Operations. Current GAAP range reflects an expected lower level of non-service retirement-related costs than previously anticipated. (3) Adjusted EPS to GAAP EPS differences include non-service retirement related costs, restructuring and related costs, amortization of intangibles, as well as other discretely identified adjustments.

Revenue Trend

(in millions)	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2016 FY	2017 Q1	2017 Q2	2017 Q3	2017 YTD
Total Revenue	**$2,615**	**$2,793**	**$2,629**	**$2,734**	**$10,771**	**$2,454**	**$2,567**	**$2,497**	**$7,518**
% Change	*(6.8)%*	*(4.6)%*	*(5.6)%*	*(7.2)%*	*(6.1)%*	*(6.2)%*	*(8.1)%*	*(5.0)%*	*(6.5)%*
CC[1] % Change	*(4.7)%*	*(3.4)%*	*(4.1)%*	*(5.0)%*	*(4.3)%*	*(4.3)%*	*(6.4)%*	*(5.9)%*	*(5.6)%*
Post Sale[2]	**$2,073**	**$2,143**	**$2,056**	**$2,080**	**$8,352**	**$1,952**	**$2,021**	**$1,976**	**$5,949**
% Change	*(5.7)%*	*(4.2)%*	*(3.9)%*	*(5.5)%*	*(4.8)%*	*(5.8)%*	*(5.7)%*	*(3.9)%*	*(5.1)%*
CC[1] % Change	*(3.3)%*	*(2.9)%*	*(2.2)%*	*(3.2)%*	*(2.9)%*	*(3.9)%*	*(3.9)%*	*(4.8)%*	*(4.2)%*
Post Sale % Revenue	**79%**	**77%**	**78%**	**76%**	**78%**	**80%**	**79%**	**79%**	**79%**
Equipment[2]	**$542**	**$650**	**$573**	**$654**	**$2,419**	**$502**	**$546**	**$521**	**$1,569**
% Change	*(11.0)%*	*(5.7)%*	*(11.4)%*	*(12.1)%*	*(10.0)%*	*(7.4)%*	*(16.0)%*	*(9.1)%*	*(11.1)%*
CC[1] % Change	*(9.7)%*	*(4.9)%*	*(10.4)%*	*(10.1)%*	*(8.7)%*	*(5.7)%*	*(14.6)%*	*(10.0)%*	*(10.4)%*
Memo:									
OEM and CMS impact on Total Revenue	*(0.3) pts*	*(0.2) pts*	*(0.6) pts*	*(0.7) pts*	*(0.4) pts*	*(0.9) pts*	*(0.6) pts*	*(0.3) pts*	*(0.6) pts*

[1] Constant currency: see Non-GAAP Financial Measures. [2] Equipment sales revenue in 2016 has been revised to reclassify certain GIS IT-related equipment sales to Other sales, which are included in Post Sale revenue.

Non-GAAP Financial Measures

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.

A reconciliation of these non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP are set forth below as well as on our website at www.xerox.com/investor.

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.

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.

Non-GAAP Financial Measures

- *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.

- *Other discrete, unusual or infrequent items:* In addition, during the first quarter of 2017 we also excluded the following additional items given the discrete, unusual or infrequent nature of the items and their impact on our results for the period: 1) a loss on early extinguishment of debt; and 2) a benefit from the remeasurement of a tax matter related to a previously adjusted item. We believe the exclusion of these items allows investors to better understand and analyze the results for the period as compared to prior periods and expected future trends in our business.

Non-GAAP Financial Measures

Adjusted Operating Income/Margin

We also calculate and utilize adjusted operating income and margin measures by adjusting our reported pre-tax income and margin amounts. In addition to the costs and expenses noted as adjustments for our Adjusted Earnings measures, adjusted 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. Adjusted operating income and margin also includes Equity in net income of unconsolidated affiliates. Equity in net income of unconsolidated affiliates primarily reflects our 25% share of Fuji Xerox net income. We include this amount in our measure of operating income and margin as Fuji Xerox is our primary intermediary to the Asia/Pacific market for distribution of Xerox branded products and services.

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.” 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. The constant currency impact for signings growth is calculated on the basis of plan currency rates. 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.

Free Cash Flow

To better understand trends in our business, we believe that it is helpful to subtract amounts for capital expenditures (inclusive of internal use software) from cash flows from continuing operations. 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 is also used to measure our yield on market capitalization.

Non-GAAP Financial Measures

Summary:

Management believes that all of these non-GAAP financial measures provide an additional means of analyzing the current period's results against the corresponding prior period's 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.

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

(in millions, except per share amounts)	Three Months Ended September 30, 2017 Net Income	Three Months Ended September 30, 2017 Diluted EPS	Three Months Ended September 30, 2016 Net Income	Three Months Ended September 30, 2016 Diluted EPS
As Reported [(1)]	$ 176	**$ 0.67**	$ 175	**$ 0.66**
Restructuring and related costs	36		25	
Amortization of intangible assets	12		14	
Non-service retirement-related costs	37		34	
Income tax on adjustments [(2)]	(31)		(27)	
Restructuring and other charges - Fuji Xerox [(3)]	6		2	
Adjusted	$ 236	**$ 0.89**	$ 223	**$ 0.84**
Dividends on preferred stock used in adjusted EPS calculation [(4)]		$ -		$ 6
Weighted average shares for adjusted EPS [(4)]		263		256
Fully diluted shares at end of period [(5)]		263		

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

(2) Refer to Effective Tax Rate reconciliation.

(3) Other charges in third quarter 2017 represent audit and other fees associated with the independent investigation of Fuji Xerox's accounting practices.

(4) 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, as applicable.

(5) Represents common shares outstanding at September 30, 2017 as well as shares associated with our Series B convertible preferred stock plus potential dilutive common shares as used for the calculation of diluted earnings per share for the third quarter 2017.

EPS Guidance

	FY 2017
GAAP EPS from Continuing Operations	**$1.97 - $2.13**
Non-GAAP Adjustments	1.31
Adjusted EPS from Continuing Operations	**$3.28 - $3.44**

Note: Adjusted EPS guidance excludes non-service retirement related costs, restructuring and related costs, amortization of intangibles, as well as other discretely identified adjustments.

Effective Tax Rate reconciliation

(in millions)	Three Months Ended September 30, 2017			Three Months Ended September 30, 2016		
	Pre-Tax Income	Income Tax Expense	Effective Tax Rate	Pre-Tax Income	Income Tax Expense	Effective Tax Rate
Reported[1]	**$ 167**	**$ 18**	**10.8%**	**$ 166**	**$ 28**	**16.9%**
Non-GAAP Adjustments[2]	85	31		73	27	
Adjusted[3]	**$ 252**	**$ 49**	**19.4%**	**$ 239**	**$ 55**	**23.0%**

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

(2) Refer to Net Income and EPS reconciliations for details.

(3) The tax impact on the 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 September 30, 2017 Profit	Three Months Ended September 30, 2017 Revenue	Three Months Ended September 30, 2017 Margin	Three Months Ended September 30, 2016 Profit	Three Months Ended September 30, 2016 Revenue	Three Months Ended September 30, 2016 Margin
Reported [(1)]	**$ 167**	**$ 2,497**	**6.7%**	**$ 166**	**$ 2,629**	**6.3%**
Adjustments:						
Restructuring and related costs	36			25		
Amortization of intangible assets	12			14		
Non-service retirement-related costs	37			34		
Equity in net income of unconsolidated affiliates	30			40		
Restructuring and other charges - Fuji Xerox[(2)]	6			2		
Other expenses, net	17			50		
Adjusted	**$ 305**	**$ 2,497**	**12.2%**	**$ 331**	**$ 2,629**	**12.6%**

(1) Pre-Tax Income and revenue from continuing operations.
(2) Other charges in third quarter 2017 represent audit and other fees associated with the independent investigation of Fuji Xerox’s accounting practices.

Operating Cash Flow / Free Cash Flow reconciliation

(in millions)	Q3 2017 Actual	Q3 2016 Actual	FY 2017 Estimated
Operating Cash Flow[1]	**$ (383)**	**$ 210**	**$ (50) - 150**
Less: CAPEX (inclusive of Internal Use Software)	(23)	(29)	(125)
Free Cash Flow[1]	**$ (406)**	**$ 181**	**$ (175) - 25**

(in millions)	Q3 2017 Actual	Q3 2016 Actual	Change
Operating Cash Flow[1]	**$ (383)**	**$ 210**	**$ (593)**
Add: Contributions to defined benefit pension plans	671	34	637
Operating Cash Flow[1] excluding pension contributions	**288**	**244**	**$ 44**
Less: CAPEX (inclusive of Internal Use Software)	(23)	(29)	6
Free Cash Flow[1] excluding pension contributions	**$ 265**	**$ 215**	**$ 50**

(1) Operating Cash Flow and Free Cash Flow from continuing operations

Key Financial Ratios

(in millions)	Three Months Ended September 30, 2017			Three Months Ended September 30, 2016		
	As Reported(1)	Non-service retirement-related costs	Adjusted	As Reported(1)	Non-service retirement-related costs	Adjusted
Total Revenues	$ 2,497	$ -	$ 2,497	$ 2,629	$ -	$ 2,629
Total Gross Profit	988	15	1,003	1,037	13	1,050
Post Sale Revenue	1,976	-	1,976	2,056	-	2,056
Post Sale Gross Profit	837	15	852	853	13	866
RD&E	108	(5)	103	118	(7)	111
SAG	648	(17)	631	664	(14)	650
Total Gross Margin	39.6 %		40.2 %	39.4 %		39.9 %
Post Sale Gross Margin	42.4 %		43.1 %	41.5 %		42.1 %
RD&E as a % of Revenue	4.3 %		4.1 %	4.5 %		4.2 %
SAG as a % of Revenue	26.0 %		25.3 %	25.3 %		24.7 %

(1) Revenue and costs from continuing operations.