Fourth Quarter 2017 Earnings

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http://www.xerox.com/investor

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Cautionary Statement Regarding Forward-Looking Statements

This presentation, and other written or oral statements made from time to time by management, contain “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. The words “anticipate”, “believe”, “estimate”, “expect”, “intend”, “will”, “should” and similar expressions, as they relate to us, are intended to identify forward-looking statements. These statements reflect management’s current beliefs, assumptions and expectations and are subject to a number of factors that may cause actual results to differ materially. Such factors include but are not limited to: 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 and 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 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; the effects on our business resulting from actions of activist shareholders; 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 September 30, 2017 and our 2016 Annual Report on Form 10-K, as well as our Current Reports on Form 8-K filed with the SEC. Furthermore, the actual results of the transactions with FUJIFILM Holdings Corporation (“Fujifilm”) could vary materially as a result of a number of factors, including, but not limited to: (i) the risk that the transactions may not be completed in a timely manner or at all, which may adversely affect Xerox’s business and the price of Xerox’s common stock, (ii) the failure to satisfy the conditions to the consummation of the transactions, including the receipt of certain approvals from Xerox’s shareholders and certain governmental and regulatory approvals, (iii) the parties may be unable to achieve expected synergies and operating efficiencies in the transactions within the expected time frames or at all, (iv) the transactions may not result in the accretion to Xerox’s earnings or other benefits, (v) the occurrence of any event, change or other circumstance that could give rise to the termination of the transaction agreements, (vi) the effect of the announcement or pendency of the transactions on Xerox’s and/or Fujifilm business relationships, operating results, and business generally, risks related to the proposed transactions disrupting Xerox’s current plans and operations and potential difficulties in Xerox’s employee retention as a result of the transactions, (vii) risks related to diverting management's attention from Xerox’s ongoing business operations, (viii) the outcome of any legal proceedings that may be instituted against Xerox, its officers or directors related to the transaction agreements or the transactions and (ix) the possibility that competing offers or acquisition proposals for Xerox will be made. 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.

Cautionary Statement Regarding Forward-Looking Statements

Fuji Xerox Co., Ltd. (“Fuji Xerox”) is a joint venture between Xerox Corporation and Fujifilm in which Xerox holds a noncontrolling 25% equity interest and Fujifilm holds the remaining equity interest. In April 2017, Fujifilm 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. 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) primarily related to misstatements at Fuji Xerox’s New Zealand and Australian subsidiaries. We determined that our share of the total adjustments identified as part of the investigation was approximately $90 million and impacted our fiscal years 2009 through 2017. 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. 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. 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.

Fourth-Quarter Overview

Strong fourth quarter; positions us well entering 2018

- Adjusted[1] EPS and net income expand year-over-year
- Equipment turns to growth with increasing demand for new products; strategic growth areas up 5% CC[1]
- Achieved operating margin gains while supporting future revenue initiatives
- Continued strong adjusted[1] operating cash flow, at higher end of guidance range

Revenue	Profitability	Cash
$2.7B, up 0.5% or down 2.0% CC[1]	Adj[1] operating margin: 14.4%, up 20 bps	Operating cash flow[2]: $(28)M reflects A/R sales programs elimination
Equipment up 4.3% or 1.5% CC[1]	GAAP Loss[2,3]: $(0.78), down $1.48 due to U.S. Tax Act related charge of $400M	Adj[1,4] operating cash flow: $322M
Post Sale down 0.7% or 3.1% CC[1]	Adj[1] EPS: $1.04, up 4 cents	Ending Cash: $1.3B

(1) Constant Currency (CC) and other adjusted measures: see Non-GAAP Financial Measures. (2) GAAP Loss per share and Operating Cash Flow are from Continuing Operations. (3) Includes estimated non-cash charge associated with the enactment of the U.S. Tax Act in December 2017. (4) Adjusted for previously announced $350M impact of certain accounts receivable (A/R) sales programs elimination. Note: all numerical comparisons shown above are on a year-over-year basis.

Delivering on Our 2017 Commitments

New Xerox

- New leadership team presented comprehensive strategy at December 2016 Investor Day
- New Xerox launched January 1, 2017 with positive market reception

2017 Progress Provides Strong Foundation

Drove Revenue Toward Growth Markets

- Successful launch of 29 new workplace devices
- 65 new dealer partners signed
- Strategic growth areas providing 40% of revenue and up 1% CC[1] FY (up 5% CC[1] in Q4)

Overachieved on Cost Transformation

- Year 2 Strategic Transformation savings of $680M exceeded full-year target
- Enabled investment in the business and offset FY transaction currency headwinds of ~$75M

Optimized Capital Structure

- Reduced debt by $800M
- Contributed $836M to pension, significantly reducing underfunded gap
- Eliminated A/R sales programs, driving future savings and simplifying operations

Well Positioned Entering 2018

- Building on 2017 progress, we will continue to execute on our strategy with focus on delivering on our 2018 commitments

Achieved FY 2017 Guidance

- Revenue: **down 4.7%** in-line with down mid-single digits at CC[1]
- Adj[1] Operating Margin: **12.8%, up 30 bps** within 12.5-13.5% range
- Adj[1] EPS: **$3.48** above $3.28-$3.44 range
- Adj[1] Operating Cash Flow: **$972M** at high end of $800M-$1B range

[(1)] Adjusted Measures: see Non-GAAP Financial Measures. Note: all numerical comparisons shown above are on a year-over-year basis.

Financial Performance

(in millions, except per share data)

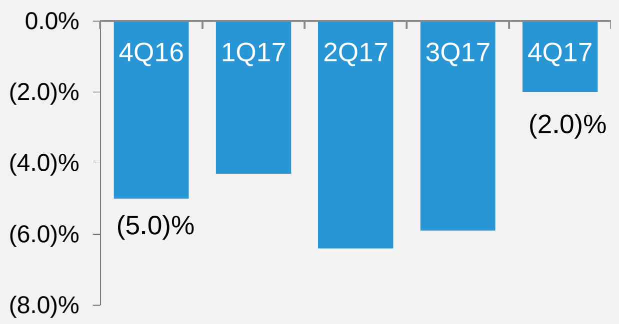
P&L Measures	Q4 2017	B/(W) YOY
Revenue	$ 2,747	$ 13
Operating Income – Adjusted[1]	395	7
Equity Income	25	(2)
Other Expenses, net – Adjusted[1]	29	28
Net Income[2]	(196)	(381)
Net Income – Adjusted[1]	274	10
GAAP Loss[2]	(0.78)	(1.48)
EPS – Adjusted[1]	1.04	0.04

P&L Ratios (Adjusted[1])	Q4 2017	B/(W) YOY
Gross Margin	40.4%	0.1 pts
RD&E %	3.9%	0.1 pts
SAG %	23.2%	(0.1) pts
Operating Income Margin	14.4%	0.2 pts
Tax Rate	26.2%	(5.1) pts

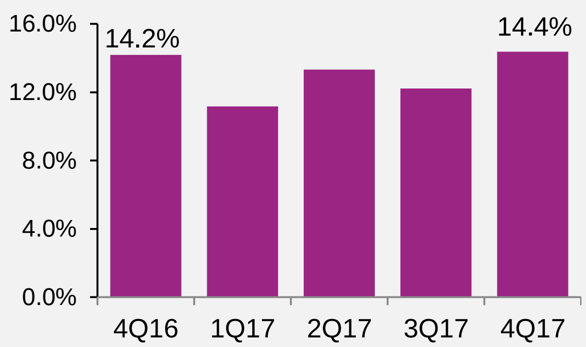
(1) Adjusted Measures: see Non-GAAP Financial Measures. (2) Net Income and GAAP Loss per share from continuing operations include estimated non-cash charge of $400M associated with the enactment of U.S. Tax Act in December 2017.

Performance Trends

Revenue (CC[1])



Adjusted[1] Operating Margin



Adjusted[1] EPS

YOY change at CC[1]				
(5.0%)	**(4.3%)**	**(6.4)%**	**(5.9)%**	**(2.0)%**
Translation Currency				
(2.2) pts	(1.9) pts	(1.7) pts	0.9 pts	2.5 pts

Adjusted[1] Operating Margin				
14.2%	**11.2%**	**13.3%**	**12.2%**	**14.4%**
Transaction Currency				
(0.7) pts	(1.1) pts	(1.0) pts	(0.6) pts	(0.3) pts

Adj[1]	**$1.00**	**$0.67**	**$0.87**	**$0.89**	**$1.04**
GAAP[2]	**$0.70**	**$0.16**	**$0.63**	**$0.67**	**$(0.78)[3]**
Total Currency					
	$(0.06)	$(0.08)	$(0.09)	$(0.04)	$0.02

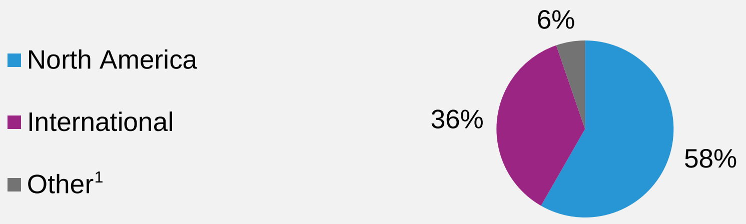
[(1)] Constant Currency (CC) and other adjusted measures: see Non-GAAP Financial Measures. [(2)] GAAP EPS (Loss) from continuing operations. [(3)] Q4 2017 GAAP Loss per share includes estimated non-cash charge of $400M associated with the enactment of U.S. Tax Act in December 2017.

Revenue Performance

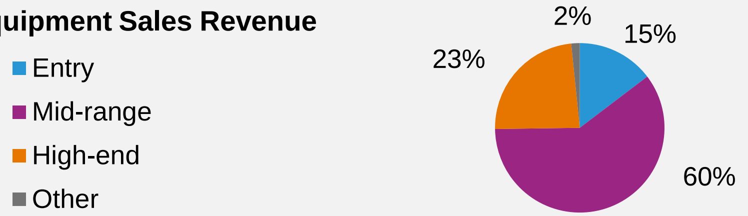
(in millions)

	Q4 2017	YOY Change AC	YOY Change CC[3]
Total Revenue	**$ 2,747**	**0.5%**	**(2.0)%**
North America	1,601	(1.6)%	(2.1)%
International	1,001	4.8%	(1.2)%
Other[1]	145	(4.6)%	(4.6)%
Equipment Revenue	**$ 682**	**4.3%**	**1.5%**
Entry	100	5.3%	4.1%
Mid-range	410	2.2%	(0.2)%
High-end	161	7.3%	3.9%
Other	11	N/M	N/M
Managed Document Services[2]	**$ 913**	**3.4%**	**0.8%**

Total Revenue by Geographic Sales Channel



Equipment Sales Revenue



Managed Document Services[2]: 33% 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.

Key Performance Metrics

Strategic Growth Areas

Offering Focus Areas

- MPS & Workflow Automation
- A4 MFPs
- Production Color

2017 FY Results

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

Installs

Q4 2017

(% change YOY)	Color	B&W
Entry A4 MFPs[2]	32%	34%
Mid-Range[2]	14%	1%
High-End[2]	(5)%	(10)%

Signings

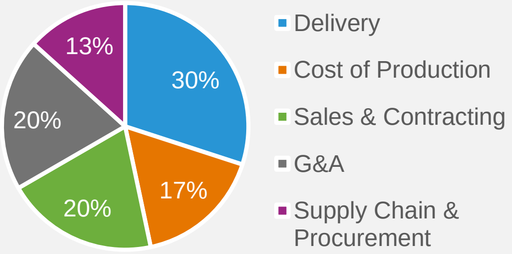
	% Change CC[1]		
	Q4 2017	YOY	TTM
Enterprise MDS	$1.0B	20%	1%

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

Strategic Transformation

Gross Savings[3]	Actuals/ Estimated	Initial Target[4]
2016 FY	$550M	$500M
2017 FY	$680M	$600M
2018 FY guidance	$475M	$400M
Cumulative thru 2018	$1.7B	$1.5B+
FY '17 Restructuring	$220M	$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. (4) Initial Strategic Transformation gross savings target provided at our December 2016 Investor Day.

Cash Flow

Operating cash flow from continuing operations at high-end of guidance range

FY 2017	Actuals	Guidance
GAAP	$122M	$(50) - $150M
Adjusted*	$972M	$800M - $1B

*Adjusted to exclude incremental, voluntary pension contribution to the U.S. plan of $500M and $350M impact of accounts receivable (A/R) sales programs elimination

Working Capital[1] a use driven by elimination of A/R sales programs

CAPEX[2] of $35M in Q4, $105M FY

Financing cash flow reflects $475M senior note payment in Q4

(in millions)	Q4 2017	FY 2017
Pre-tax Income from Continuing Ops	$ 226	$ 570
Non-cash add-backs[3]	174	767
Restructuring payments	(55)	(224)
Pension Contributions	(119)	(836)
Working Capital, net[1]	(219)	(427)
Change in Finance Assets[4]	(37)	231
Other[5]	2	41
Cash from Operations - Continuing Ops	**$ (28)**	**$ 122**
Adj. Cash from Operations – Continuing Ops[6]	***$ 322***	***$ 972***
Cash from Investing - Continuing Ops	**$ 85**	**$ (31)**
Cash from Financing	**$ (555)**	**$ (985)**
Ending Cash and Cash Equivalents	**$1,293**	**$1,293**
Memo:		
Free Cash Flow[6]	$ (63)	$ 17
Adj. Free Cash Flow[6]	$ 287	$ 867

(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) Adj. Cash from Operations and Free Cash Flow: see Non-GAAP Financial Measures.

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Capital Structure

Continued progress optimizing capital structure post separation

Core debt reflects declines sequentially

- $475M used in October to re-finance a portion of our May 2018 Senior Notes

In 2017, made significant progress on pensions, net unfunded pension liabilities decreased $812M to $1.35B

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 December 31, 2017

(in billions)	Fin. Assets	Debt	Cash
Financing	$ 4.2	$ 3.7	
Core	-	1.8	
Total Xerox	$ 4.2	$ 5.5	$ 1.3

2018 Full-Year Guidance

P&L	2017 Actuals	2018
Revenue CC[1]	(4.7)%	(2)% - (4)%
Adj. Operating Margin[1]	12.8%	13% - 14%
Adj. Tax Rate[1]	25.0%	24% - 27%
GAAP EPS[2]	$0.70	$2.30 - $2.50
Adj. EPS[1,3]	$3.48	$3.50 - $3.70

Cash Flow from Continuing Ops	2017 Actuals	2018
Operating Cash Flow	$122M $972M Adjusted	$900M - $1.1B
Free Cash Flow[1]	$17M $867M Adjusted	$750M - $950M

Capital Allocation	2017 Actuals	2018
Common Dividends	$274M	$1.00 per share; ~$260M
CAPEX[4]	$105M	~$150M
M&A	$87M	$150M - $200M
Debt Reduction[5]	$800M	~$265M

(1) Constant Currency (CC) and other adjusted measures: see Non-GAAP Financial Measures. (2) EPS from Continuing Operations. (3) 2018 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. (4) Year-over-year CAPEX increase driven by incremental transformative IT. (5) Remaining 6.35% Senior Notes due May 2018.

2017: Delivered on Commitments

2018: Building on Momentum

- Strong fourth-quarter and full-year performance reflects successful execution of strategy and Strategic Transformation
- Building on foundation for continued progress in 2018
  - Drive revenue improvement by accelerating MPS, workflow and SMB
  - Strategic Transformation continues to enable margin expansion and investment
  - Strengthened capital structure supports strong cash flow

Appendix

Revenue Trend

(in millions)	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2016 FY	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2017 FY
Total Revenue	**$2,615**	**$2,793**	**$2,629**	**$2,734**	**$10,771**	**$2,454**	**$2,567**	**$2,497**	**$2,747**	**$10,265**
% Change	*(6.8)%*	*(4.6)%*	*(5.6)%*	*(7.2)%*	*(6.1)%*	*(6.2)%*	*(8.1)%*	*(5.0)%*	*0.5%*	*(4.7)%*
CC[1] % Change	*(4.7)%*	*(3.4)%*	*(4.1)%*	*(5.0)%*	*(4.3)%*	*(4.3)%*	*(6.4)%*	*(5.9)%*	*(2.0)%*	*(4.7)%*
Post Sale[2]	**$2,073**	**$2,143**	**$2,056**	**$2,080**	**$8,352**	**$1,952**	**$2,021**	**$1,976**	**$2,065**	**$8,014**
% Change	*(5.7)%*	*(4.2)%*	*(3.9)%*	*(5.5)%*	*(4.8)%*	*(5.8)%*	*(5.7)%*	*(3.9)%*	*(0.7)%*	*(4.0)%*
CC[1] % Change	*(3.3)%*	*(2.9)%*	*(2.2)%*	*(3.2)%*	*(2.9)%*	*(3.9)%*	*(3.9)%*	*(4.8)%*	*(3.1)%*	*(3.9)%*
Post Sale % Revenue	**79%**	**77%**	**78%**	**76%**	**78%**	**80%**	**79%**	**79%**	**75%**	**78%**
Equipment[2]	**$542**	**$650**	**$573**	**$654**	**$2,419**	**$502**	**$546**	**$521**	**$682**	**$2,251**
% Change	*(11.0)%*	*(5.7)%*	*(11.4)%*	*(12.1)%*	*(10.0)%*	*(7.4)%*	*(16.0)%*	*(9.1)%*	*4.3%*	*(6.9)%*
CC[1] % Change	*(9.7)%*	*(4.9)%*	*(10.4)%*	*(10.1)%*	*(8.7)%*	*(5.7)%*	*(14.6)%*	*(10.0)%*	*1.5%*	*(7.2)%*
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*	*(0.7) 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 (only adjusted for non-service retirement-related costs and transaction/proxy related costs)

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.

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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.

Non-GAAP Financial Measures

- *Other discrete, unusual or infrequent items:* In addition, we also excluded the following items given their discrete, unusual or infrequent nature and their impact on our results for the period:
  - Losses on early extinguishment of debt in the first and fourth quarter of 2017
  - A benefit from the remeasurement of a tax matter in the first quarter of 2017 that related to a previously adjusted item
  - Costs incurred in the fourth quarter of 2017 related to the recently announced transaction with Fujifilm as well as to our expected proxy contest. These costs are primarily for third-party investment banking, legal, accounting, consulting and other similar services.
  - An estimated non-cash charge in the fourth quarter 2017 reflecting the impact associated with the enactment of the Tax Cuts and Jobs Act (the "Tax Act") in December 2017. See our Fourth Quarter 2017 Earnings Release on Form 8-K filed with the Securities and Exchange Commission.

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.

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 include 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.

Non-GAAP Financial Measures

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.

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 December 31, 2017 Net (Loss) Income	Three Months Ended December 31, 2017 Diluted EPS	Three Months Ended December 31, 2016 Net Income	Three Months Ended December 31, 2016 Diluted EPS	Year Ended December 31, 2017 Net Income	Year Ended December 31, 2017 Diluted EPS	Year Ended December 31, 2016 Net Income	Year Ended December 31, 2016 Diluted EPS
As Reported [(1)]	$ (196)	**$ (0.78)**	$ 185	**$ 0.70**	$ 192	**$ 0.70**	$ 622	**$ 2.33**
Restructuring and related costs	24		92		220		264	
Amortization of intangible assets	12		14		53		58	
Non-service retirement-related costs	62		19		198		131	
Loss on extinguishment of debt	7		-		20		-	
Transaction and proxy related fees	9		-		9		-	
Income tax on adjustments [(2)]	(45)		(46)		(171)		(151)	
US Tax Act	400		-		400		-	
Remeasurement of unrecognized tax positions	-		-		(16)		-	
Restructuring and other charges - Fuji Xerox [(3)]	1		-		10		3	
Adjusted	$ 274	**$ 1.04**	$ 264	**$ 1.00**	$ 915	**$ 3.48**	$ 927	**$ 3.53**
Dividends on preferred stock used in adjusted EPS calculation [(4)]		$ -		$ -		$ -		$ 24
Weighted average shares for adjusted EPS [(4)]		264		264		263		256
Fully diluted shares at end of period [(5)]		264						

(1) Net (Loss) Income and EPS from continuing operations attributable to Xerox.
(2) Refer to Effective Tax Rate reconciliation.
(3) Other charges in 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.
(5) Represents common shares outstanding at December 31, 2017 as well as shares associated with our Series B convertible preferred stock plus dilutive potential common shares as used for the calculation of diluted earnings per share for the fourth quarter 2017.

Effective Tax Rate reconciliation

(in millions)	Three Months Ended December 31, 2017			Three Months Ended December 31, 2016			Year Ended December 31, 2017			Year Ended December 31, 2016		
	Pre-Tax Income	Income Tax Expense	Effective Tax Rate	Pre-Tax Income	Income Tax Expense	Effective Tax Rate	Pre-Tax Income	Income Tax Expense	Effective Tax Rate	Pre-Tax Income	Income Tax Expense	Effective Tax Rate
Reported (1)	**$ 226**	**$ 444**	**196.5%**	**$ 179**	**$ 18**	**10.1%**	**$ 570**	**$ 481**	**84.4%**	**$ 568**	**$ 62**	**10.9%**
Non-GAAP Adjustments (2)	114	45		125	46		500	171		453	151	
US Tax Act	-	(400)		-	-		-	(400)		-	-	
Remeasurement of unrecognized tax positions	-	-		-	-		-	16		-	-	
Adjusted (3)	**$ 340**	**$ 89**	**26.2%**	**$ 304**	**$ 64**	**21.1%**	**$ 1,070**	**$ 268**	**25.0%**	**$ 1,021**	**$ 213**	**20.9%**

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(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.

Key Financial Ratios – Q4

(in millions)	Three Months Ended December 31, 2017			Three Months Ended December 31, 2016		
	As Reported [1]	Adjustments [2]	Adjusted	As Reported [1]	Adjustments [2]	Adjusted
Total Revenues	$ 2,747	$ -	$ 2,747	$ 2,734	$ -	$ 2,734
Total Gross Profit	1,088	23	1,111	1,094	7	1,101
Post Sale Revenue	2,065	-	2,065	2,080	-	2,080
Post Sale Gross Profit	901	23	924	889	7	896
RD&E	114	(8)	106	113	(4)	109
SAG	676	(40)	636	639	(8)	631
Total Gross Margin	39.6 %		40.4 %	40.0 %		40.3 %
Post Sale Gross Margin	43.6 %		44.7 %	42.7 %		43.1 %
RD&E as a % of Revenue	4.1 %		3.9 %	4.1 %		4.0 %
SAG as a % of Revenue	24.6 %		23.2 %	23.4 %		23.1 %

(1) Revenue and costs from continuing operations.
(2) 2017 includes adjustments for non-service retirement-related costs and transaction/proxy-related costs. 2016 includes adjustments for non-service retirement-related costs.

Key Financial Ratios – FY

(in millions)	Year Ended December 31, 2017			Year Ended December 31, 2016		
	As Reported (1)	Adjustments (2)	Adjusted	As Reported (1)	Adjustments (2)	Adjusted
Total Revenues	$ 10,265	$ -	$ 10,265	$ 10,771	$ -	$ 10,771
Total Gross Profit	4,061	75	4,136	4,261	49	4,310
Post Sale Revenue	8,014	-	8,014	8,352	-	8,352
Post Sale Gross Profit	3,414	75	3,489	3,513	49	3,562
RD&E	446	(25)	421	476	(25)	451
SAG	2,631	(107)	2,524	2,695	(57)	2,638
Total Gross Margin	39.6 %		40.3 %	39.6 %		40.0 %
Post Sale Gross Margin	42.6 %		43.5 %	42.1 %		42.6 %
RD&E as a % of Revenue	4.3 %		4.1 %	4.4 %		4.2 %
SAG as a % of Revenue	25.6 %		24.6 %	25.0 %		24.5 %

(1) Revenue and costs from continuing operations.
(2) 2017 includes adjustments for non-service retirement-related costs and transaction/proxy-related costs. 2016 includes adjustments for non-service retirement-related costs.

Operating Income/Margin reconciliation – Q4

(in millions)	Three Months Ended December 31, 2017 Profit	Revenue	Margin	Three Months Ended December 31, 2016 Profit	Revenue	Margin
Reported [1]	**$ 226**	**$ 2,747**	**8.2%**	**$ 179**	**$ 2,734**	**6.5%**
Adjustments:						
Restructuring and related costs	24			92		
Amortization of intangible assets	12			14		
Non-service retirement-related costs	62			19		
Transaction and proxy related fees	9			-		
Equity in net income of unconsolidated affiliates	25			27		
Restructuring and other charges - Fuji Xerox [2]	1			-		
Other expenses, net	36			57		
Adjusted	**$ 395**	**$ 2,747**	**14.4%**	**$ 388**	**$ 2,734**	**14.2%**

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

Operating Income/Margin reconciliation – FY

(in millions)	Year Ended December 31, 2017 Profit	Revenue	Margin	Year Ended December 31, 2016 Profit	Revenue	Margin
Reported [1]	**$ 570**	**$ 10,265**	**5.6%**	**$ 568**	**$ 10,771**	**5.3%**
Adjustments:						
Restructuring and related costs	220			264		
Amortization of intangible assets	53			58		
Non-service retirement-related costs	198			131		
Transaction and proxy related fees	9			-		
Equity in net income of unconsolidated affiliates	115			127		
Restructuring and other charges - Fuji Xerox [2]	10			3		
Other expenses, net	141			200		
Adjusted	**$ 1,316**	**$ 10,265**	**12.8%**	**$ 1,351**	**$ 10,771**	**12.5%**

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

Other expenses, net

(in millions)	Three Months Ended December 31, 2017	Three Months Ended December 31, 2016
Other expenses, net - Reported	**$ 36**	**$ 57**
Adjustment:		
Loss on early extinguishment of debt	(7)	-
Other expenses, net - Adjusted	**$ 29**	**$ 57**

Operating Cash Flow / Free Cash Flow reconciliation

(in millions)	Q4 2017 Actual	FY 2017 Actual	FY 2018 Guidance
Operating Cash Flow [1]	**$ (28)**	**$ 122**	**$ 900 - 1,100**
Less: CAPEX (inclusive of Internal Use Software)	(35)	(105)	(150)
Free Cash Flow [1]	**$ (63)**	**$ 17**	**$ 750 - 950**

(in millions)	Q4 2017 Actual	FY 2017 Actual	FY 2017 Guidance
Operating Cash Flow [1]	**$ (28)**	**$ 122**	**$ (50) - 150**
Elimination of certain accounts receivables sales programs	350	350	350
Incremental, voluntary contributions to U.S. defined benefit pension plans	-	500	500
Adjusted Operating Cash Flow [1]	**322**	**972**	**$ 800 - 1,000**
Less: CAPEX (inclusive of Internal Use Software)	(35)	(105)	
Adjusted Free Cash Flow [1]	**$ 287**	**$ 867**	

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

EPS Guidance

	FY 2018
GAAP EPS from Continuing Operations	**\$2.30 - \$2.50**
Non-GAAP Adjustments	1.20
Adjusted EPS from Continuing Operations	**\$3.50 - \$3.70**

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