Xerox Investor Handout

Xerox Strategy Overview

Quarter 1 2017 Earnings

As of Q2 2017

http://www.xerox.com/investor

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 2016 Annual Report on Form 10-K, as well as in our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the Securities and Exchange Commission. 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 25% equity interest and Fujifilm holds the remaining equity interest. On April 20, 2017, Fujifilm publicly announced it formed an independent investigation committee to conduct a review of the appropriateness of the accounting practices at Fuji Xerox’s New Zealand subsidiary related to the recovery of receivables associated with certain sales leasing transactions that occurred in, or prior to, Fuji Xerox’s fiscal year ending March 31, 2016. In first quarter 2017, we recognized a charge of approximately $30 million, which represents our share of the current Fujifilm estimated adjustments from this review, as publicly disclosed by Fujifilm. Fujifilm has publicly stated that it expects the investigation will be completed in May 2017, and that it intends to disclose the results shortly thereafter. Given our status as a minority investor, we have limited contractual and other rights to information and rely on Fuji Xerox and Fujifilm to provide information to us and are not involved in the investigation, including its scope and timing of completion. Although we have no reason not to rely on Fujifilm’s estimated adjustment and we are not aware of any additional amounts related to this matter that would have a material effect on our financial statements, this investigation is ongoing and our future results may include additional adjustments that are materially different from the amount of the charge that we have already recognized in connection with this matter and the period(s) to which the charge relates, and we can provide no assurances relative to the outcome of any governmental investigations or any consequences thereof.

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

Xerox Investment Proposition

Global Market Leader	Attractive Market Opportunities	Disciplined Operator	Strong Post Sale Driven Cash Flow	Sustainable Shareholder Returns
Strong global brand #1 share in key segments	Positioned for growth in MDS, SMB, A4 and High-End color Largest ever product launch in 2017, supporting channel expansion	Consistent, double digit operating margins[1] $1.5B+ strategic transformation underway	Post Sale >75% of revenue Strong free cash flow (FCF)[1] Capital-light business model	Investment grade credit profile Target >50% of FCF[1] returned through dividends and share repurchase over time

Value creation driven by strong underlying cash flow generation, margin expansion and improving longer-term revenue trajectory

[1] Operating Margin and Free Cash Flow: see Non-GAAP Financial Measures.
Note: MDS = Managed Document Services; SMB = Small & Medium Business

Global Leader with a Strong, Diverse Business Profile

Financial Profile

$10.8B
Revenue

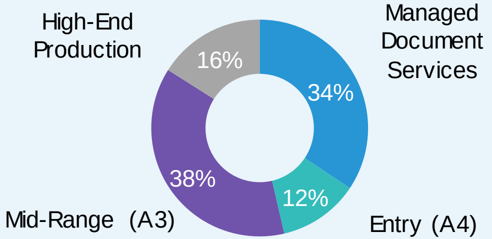
12.5%
Operating Margin[1]

$1,018M
Operating Cash Flow from Continuing Operations

Post Sale Driven Model

>75%
of revenue post sale driven

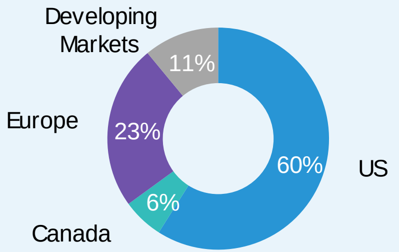
Offering Mix[2]



Strategic Growth Mix

38%
Strategic Growth Areas

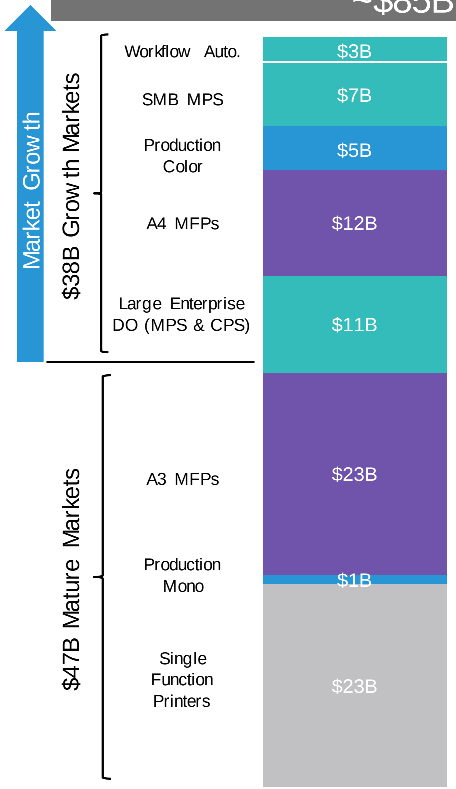
Geographic Mix



2016 Fuji Xerox[3] revenue $10.2B

Note: all figures represent 2016 results
[1] Operating Margin: see Non-GAAP Financial Measures.
[2] Excludes Other revenue.
[3] Fuji Xerox operates in Japan, China, Australia, New Zealand, Vietnam and other areas of the Pacific Rim.

Leading Positions in Large Markets with Growth Opportunities

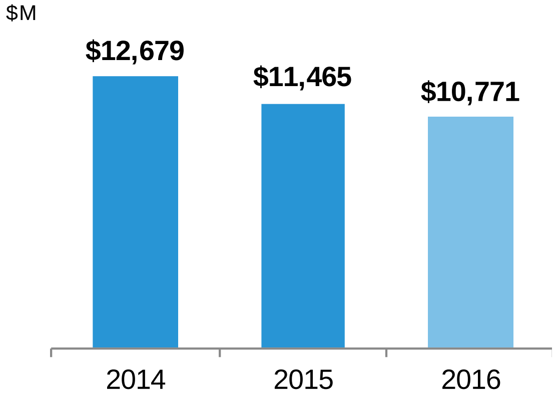


~$85B Market[1]		Strengths[2]	Strategic Growth Areas
Managed Document Services	$21B	#1 in large enterprise MPS and Centralized Print Services	Managed Print Services: +2% LE, +7% SMB Workflow Automation: +13%
Workplace Solutions	$35B	#1 in A3 MFPs Broadest Industry Solutions Portfolio[3]	A4 MFPs: +3%
Graphic Communications & High-End Production	$6B	#1 in production cut sheet (color & mono)	Production Color: +5% Digital Packaging[4]: +11%

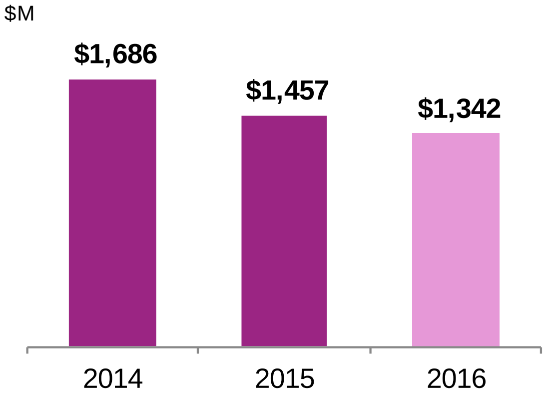
[1] Estimated 2016 total market size excluding Fuji Xerox territories. Source: IDC and Xerox internal analysis.
[2] A3 MFP and Production positioning based on equipment revenue market share.
[3] As recognized by Buyers Laboratory in 2014, 2015 and 2016.
[4] Digital packaging is a $0.6B market that is a subset of Production Color.
Note: CAGRs reflect 2016E – 2019E growth. SMB = Small & Medium Business; DO = Document Outsourcing; MFP = Multifunction Printer; MPS = Managed Print Services; LE = Large Enterprise; CPS = Centralized Print Services

Historical Performance

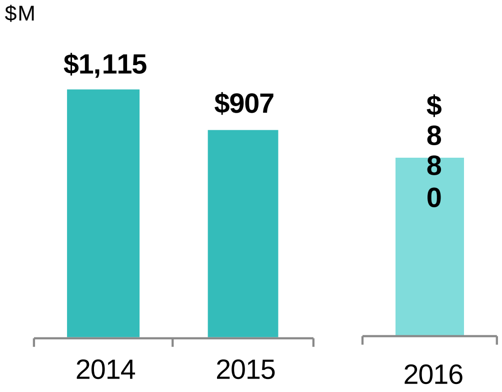
Revenue



Adjusted[1] Operating Profit



Free Cash Flow[1]



% Y-o-Y Decline at CC[1]			
	(3.9%)	(4.6%)	(4.3%)
Translation Currency	0 pts	(5) pts	(2) pts

% Adjusted[1] Operating Margin			
	13.3%	12.7%	12.5%
Transaction Currency	1.1 pts	(0.1) pts	(0.5) pts

Free Cash Flow[1] % Net Income		
113%	110%	143%

[1] Adjusted Operating Profit and Margin, Constant Currency (CC) and Free Cash Flow: see Non-GAAP Financial Measures.

2017 Full-Year Guidance

Revenue: down mid-single digits CC[2]

Operating Margin[2]: 12.5 -13.5%

Adjusted[2] Tax Rate: 25 – 28%

EPS[1]:

- GAAP $0.44 - $0.52
- Adjusted[2,3] $0.80 - $0.88

Cash Flow from Continuing Ops:

- Operating Cash Flow ~$700M - $900M
- Free Cash Flow[2] ~$525M - $725M

Revenue assumptions

- At recent exchange rates, translation currency an ~(2) pt impact

Operating Margin assumptions

- Strategic Transformation gross savings of $600M
- Negative transaction currency

Operating Cash Flow guidance includes

- ~$350M of Pension contributions
- ~$215M of Restructuring payments

Capital Deployment Plans

- ~$1.3B of debt reduction (complete)
- ~$280M dividend payments
- ~$175M of CAPEX
- ~$100M of M&A
- Unallocated: $100 - $300M (debt repayment, M&A and pension contributions)
- No planned share repurchases in 2017

[1] EPS from Continuing Operations
[2] Constant Currency (CC), Operating Margin, Adjusted EPS, Adjusted Tax Rate and Free Cash Flow: see Non-GAAP Financial Measures
[3] Adjusted EPS to GAAP EPS differences include non-service retirement related costs, restructuring and related costs, amortization of intangibles, other discrete, unusual or infrequent items

Clear Path to Achieving Transformation Program

Sources of Productivity and Cost Savings

Delivery
- MPS delivery
- Technical service
- Remote connectivity

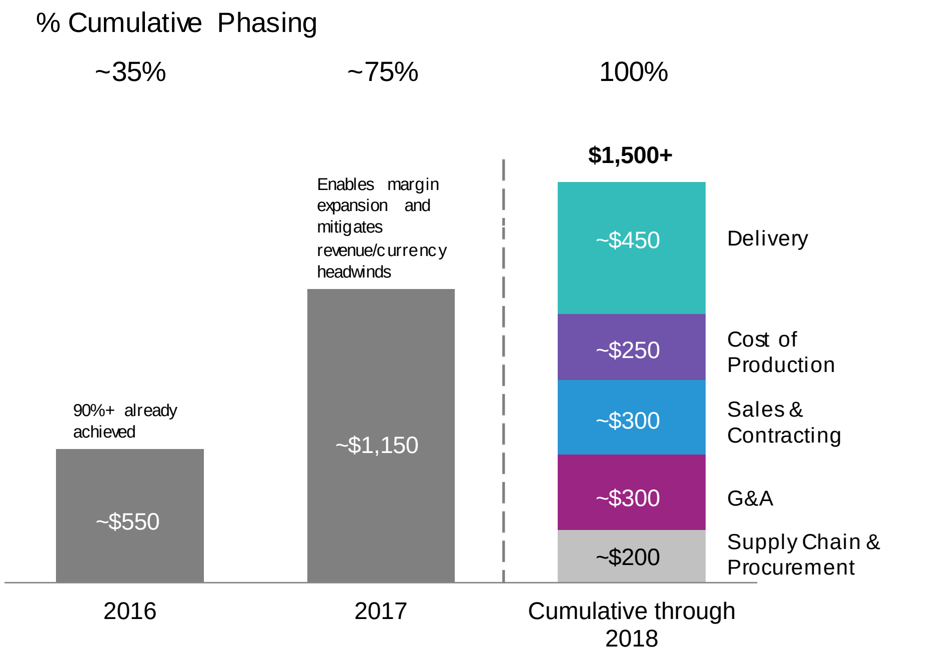
Cost of Production
- Manufacturing
- RD&E and design efficiency

Sales & Contracting
- Sales productivity
- Pricing tools
- Real estate

G&A
- IT
- Finance
- Management structure
- Facilities

Supply Chain & Procurement
- Integrated supply chain
- Procurement

Cumulative Gross Productivity & Cost Savings ($M)



Full transformation benefits recognized in 2018 and beyond, as productivity continues and flow through of new product introductions are realized

Note: There is approximately $300 to $350M in traditional ongoing productivity included in gross productivity. MPS = Managed Print Services

Strategy to Improve Revenue Trajectory

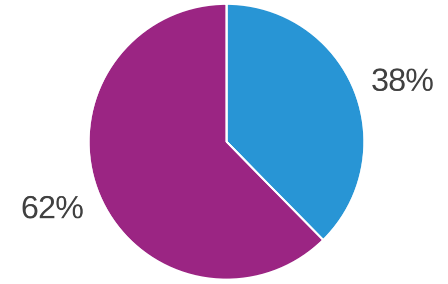
Managed Document Services	Managed Print Services	Gain share in SMB through channel partner recruitment Increase dedicated new logo sales coverage
	Workflow Automation	Invest in professional services offering and grow managed workflow solutions (i.e., industries and horizontals)
Workplace Solutions	A4 MFPs	Increase share with strengthened product portfolio and expanded distribution capacity
Graphic Communications & High-End Production	Production Color	Build upon leadership in color cut sheet while investing to capture growth in inkjet
	Digital Packaging	Bring extensive digital print & workflow expertise to the market

Note: SMB = Small & Medium Business; MFP = Multifunction Printer

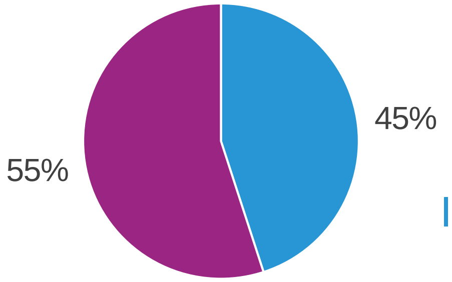
Shifting Revenue Mix Towards Growth

Xerox 2016 Revenue Mix

Up 2% CC[1], mix shift of 2 pts YOY



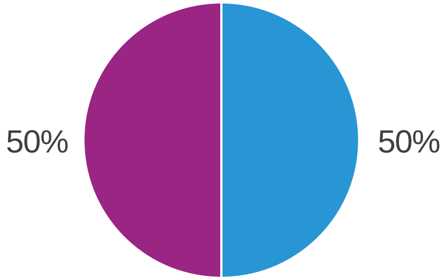
Overall Market



Strategic Growth Areas

- Capture growth in managed document services
- Increase SMB coverage
- Gain share in A4
- Extend leadership in production color

Xerox 2020 Revenue Mix



Improves revenue mix ~3 points each year

Mature Markets   Growth Markets

Note: SMB = Small & Medium Business

[1] Constant Currency (CC): see Non-GAAP Financial Measures.

Future Performance Expectations

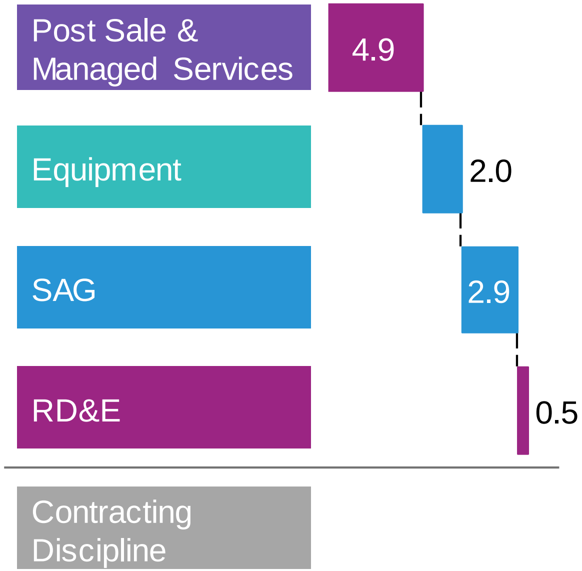
	2017	2018	2019+
Revenue Trajectory (at CC[1])	Down mid-single digits at constant currency	Improves driven by new products & Strategic Growth Areas acceleration	Sustained improvement driven by new products and Strategic Growth Areas
Adjusted[1] Operating Margin	12.5 – 13.5%	Continued strong and expanding	
Operating Cash Flow	$700 - $900M Operating Cash Flow from Continuing Operations	Return to normalized operating cash flow of $900M+ by 2019	

[1] Constant Currency (CC) and Adjusted Operating Margin: see Non-GAAP Financial Measures.
Note: Operating margin assumes neutral transaction currency in 2018 and 2019. Normalized operating cash flow assumes ~$100M restructuring payments and ~$250M pension contributions.

Strategic Transformation Program Details

Strategic Transformation Will Drive Profit Growth

~$10B Addressable Cost Base



Key Productivity Levers	Examples of Initiatives
Delivery (~$450M)	Consolidating MPS delivery and Technical Service under one organizational structure
Cost of Production (~$250M)	Capturing supplier productivity and reducing manufacturing footprint
G&A (~$300M)	Reducing complexity / 30% reduction in management layers
Supply Chain & Procurement (~$200M)	Integrating supply chain under one global function
Sales & Contracting (~$300M)	Introducing new pricing optimization tools

$1.5B+ cumulative gross productivity by 2018

Note: There is approximately $300 to $350M in traditional ongoing productivity included in gross productivity. MPS = Managed Print Services

We Are Off To a Fast Start

	Objective	Actions to Transform Our Business
Supply Chain & Procurement	Improve supply chain efficiency and reduce procurement spend	• Outsourcing consumables distribution to third party • Combining equipment and parts warehouses • Benchmarking supplier capabilities, competitiveness and re-bidding/re-contracting major spend categories
Sales & Back Office	De-layer organization and streamline back-office support	• Shifting primary organizational axis to geography (North America, International) – Maintaining local customer focus while reducing matrix management • Optimizing sales incentives and performance management • Consolidating back-office support functions • Rationalizing real estate portfolio
Delivery	Improve Field Service and Managed Print Services delivery and productivity	• Workflow automation to increase remote solve rates • Optimizing field resource footprint and tools to ensure more productive on-site dispatches • Leveraging existing near/right-shoring initiatives

Strategic Growth Planks

Strengthening our Workplace Solutions Portfolio

Increasing Participation in SMB and the Mid-Market

Growing in Graphic Communications and High-End Production

Expanding Market Leadership in Managed Document Services

Strengthening Xerox's Workplace Solutions Portfolio

A3 Multifunction Printers		
Market Opportunity	Market Growth	Xerox Share
$23B maturing market	-5% CAGR '16-19	22% rank # 1

Defend and expand our leadership

A4 Multifunction Printers		
Market Opportunity	Market Growth	Xerox Share
$12B growing market	+3% CAGR '16-19	6% rank # 9

Gain share in the areas of market growth

Competitive Differentiators

- Platform Driven Portfolio & MPS Ready Technology
- Newly enabled Vertical Solutions and Applications
- Benchmark Cost Competitiveness
- Channel-ready platform and expanding SMB reach

Source: 2016 CSI market forecast, IDC and Internal Xerox estimates. 2015 market share is based on equipment revenue share.
Note: MFP = Multifunction Printer; MPS = Managed Print Services; SMB = Small & Medium Business

Xerox Connected Office for The Intelligent Workplace

One family of products and solutions

Largest launch in Xerox history in 2017

Differentiated Xerox Workplace Solutions Portfolio	
Mobility	MPS ready
Tablet-like interface	Secure Workflow
Unified platform	Improved cost structure

29 new products
Xerox® ConnectKey® Technology

Industry’s largest solutions enabled portfolio with consistent user experience from the simplest A4 device to the most robust A3 MFP

Aggressive focus on expanded routes to market with robust portfolio

Note: MPS = Managed Print Services; MFP = Multifunction Printer

Increasing Participation in SMB and the Mid-Market

SMB Office Market Size and Growth			
Non-Services	Basic Print Services	Managed Print Services	A4*
$34B (9)%	$10B 7%	$7B 7%	$12B 3%

*A4 is total market including SMB and Large Enterprise

- Recruit & activate to grow our footprint in multi-brand dealer channel among the 750 large dealers WW
- Acquire and integrate multi-brand channel via Global Imaging Systems and European Channels
- Become preferred channel partner through investment in talent, infrastructure and partner programs
- SMB-focused portfolio and MPS support and demand generation

Tremendous opportunity to more aggressively target the **$20B** worldwide multi-brand dealer market

Source: 2016 CSI market forecast, IDC and Internal Xerox estimates
Note: CAGRs reflect 2016E-2019E growth. SMB = Small & Medium Business; MPS = Managed Print Services

Growing in Graphic Communications & High-End Production Color

Well Positioned for Leadership and Growth

Color Market Opportunity	Color Market Growth	Xerox Color Share
$5B	+5% CAGR '16-19	29% rank # 1 in color documents

Capitalize on the Color Digital market growth opportunity

Conversion to digital: only **3%** of **50 trillion** pages are digital; conversion and inkjet technology drive color digital market growth

Color CF Inkjet: attractive with a **$1.7B** market and **10%** CAGR

Target Areas for Growth

Leading in color cut sheet

- Continuous innovation: xerographic and inkjet technologies
- Award-winning color cut sheet: expanded portfolio with 5 new products in 2017

Brenva™ HD Inkjet Press

Xerox® iGen®

Capture new markets

- CF inkjet: capture higher value page migration
- Expanded capabilities: through extensions to Rialto and Trivor in 2017
- Digital packaging: bring our digital know-how to the market growing at +11% CAGR

Rialto 900 Roll to Cut Sheet

Trivor 2400 SED Continuous Feed

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Source: Internal Xerox CSI estimates; Smithers-Pira 2016. 2015 market share is based on equipment revenue share.
Note: CF = Continuous Feed

Expanding Market Leadership in Managed Document Services

Market Opportunity

Managed Document Services

Market Size	Industry Recognition	MPS Market Share Leader
$21B	#1	24%
	Rated by IDC, Gartner, Quocirca & Infotrends	Next closest competitor at 14%

Large Enterprises

Market Size	Growth
MPS $6B	+2%
CPS $5B	flat

SMBs

Market Size	Growth
MPS $7B	+7%

Workflow Automation

Market Size	Growth
$3B	+13%

Source: IDC and Internal Xerox estimates for 2016
Note: CAGRs reflect 2016E – 2019E growth. MPS = Managed Print Services; CPS = Centralized Print Services; SMB = Small & Medium Business

Strengthening Leadership in Large Enterprise MPS and CPS

Opportunity

Market Size
MPS $6B
CPS $5B
Large Enterprise Market

Sales Force
~1,800
Direct Sales Reps

Customer Base
96B+
Pages managed annually

Digital Transformation
8
Industries served through our workflow solutions

Capturing Large Enterprise Growth

- Clear leader in large enterprise with differentiated solutions and unmatched global delivery capabilities
- Best-in-class sales management process and tools with sales coverage aligned by industry
- Building our professional services capabilities, with over 100 dedicated consultants
- Investing in dedicated new business sales coverage

Source: IDC and Internal Xerox estimates for 2016
Note: MPS = Managed Print Services; CPS = Centralized Print Services

Channel Partners will Drive Xerox Growth in SMB MPS Market

Delivering Growth, Creating Value

Market Size

$7B

SMB Market

Potential Customers

~1M

SMB companies in our target markets

Growth Enablers

- New A4 products
- BPS to MPS conversions
- Security features

Served by Partners

75%

of SMB market is served by indirect channels

Differentiated Service Offerings

Broad portfolio

Addresses full spectrum of SMB needs

Unparalleled support for partners

Only OEM with vertically integrated tools, technology, delivery and support

Expanding channel programs

MPS programs to include Office Equipment Dealer and IT / VAR channels

Source: IDC and Internal Xerox estimates for 2016

Note: CAGRs reflect 2016E – 2019E growth. MPS = Managed Print Services; BPS = Basic Print Services; SMB = Small & Medium Business; OEM = Original Equipment Manufacturers; VAR = Value Added Reseller

Broad Range of Workflow Solutions

Workflow Automation is a $3B market expected to grow at 13% annually

Automate and Simplify

Secure and Integrate

Assess and Optimize

Personal & Office Productivity Solutions

Help knowledge workers automate and simplify their personal and office work experience

- Online and offline content access across all devices
- Team collaboration tools (file sharing, edit tracking, real time work)
- Enabling ad-hoc workflows

Industry Workflow Solutions

Help organizations automate and simplify key industry specialized business processes

- Vertical and horizontal process automation solutions
- Digitally transforming business processes
- Mobile and cloud enabled with process analytics

Customer-Managed

Managed Workflow Services

Help enterprises automate and simplify the flow of information into high volume business processes

- Hardcopy and electronic capture
- Intelligent indexing, data extraction and processing
- Offsite large volume scanning

Xerox-Managed

Note: CAGR reflects 2016E – 2019E growth.

Additional Financial Information

Strong Post Sale Driven Business Model

Revenue

>75% Post Sale;
predictable, recurring revenue

- Signings and install growth drive MIF and market share
- Historic 5% equipment price declines comprehended/offset by productivity
- Page volumes – stable decline
- Increasing portion of revenues in Strategic Growth Areas will improve revenue trajectory
- Majority of supplies revenue in bundled contracts

Profitability

Operating Margin[1] 12%+
for past 3 years

- 3-year Strategic Transformation program to deliver $1.5B+ in gross productivity savings, supports:
  - Margin expansion
  - Modest growth investments
- Post Sale streams drive margin; equipment margin positive (outside Entry products)
- Transaction currency driven primarily by Yen/Euro/USD

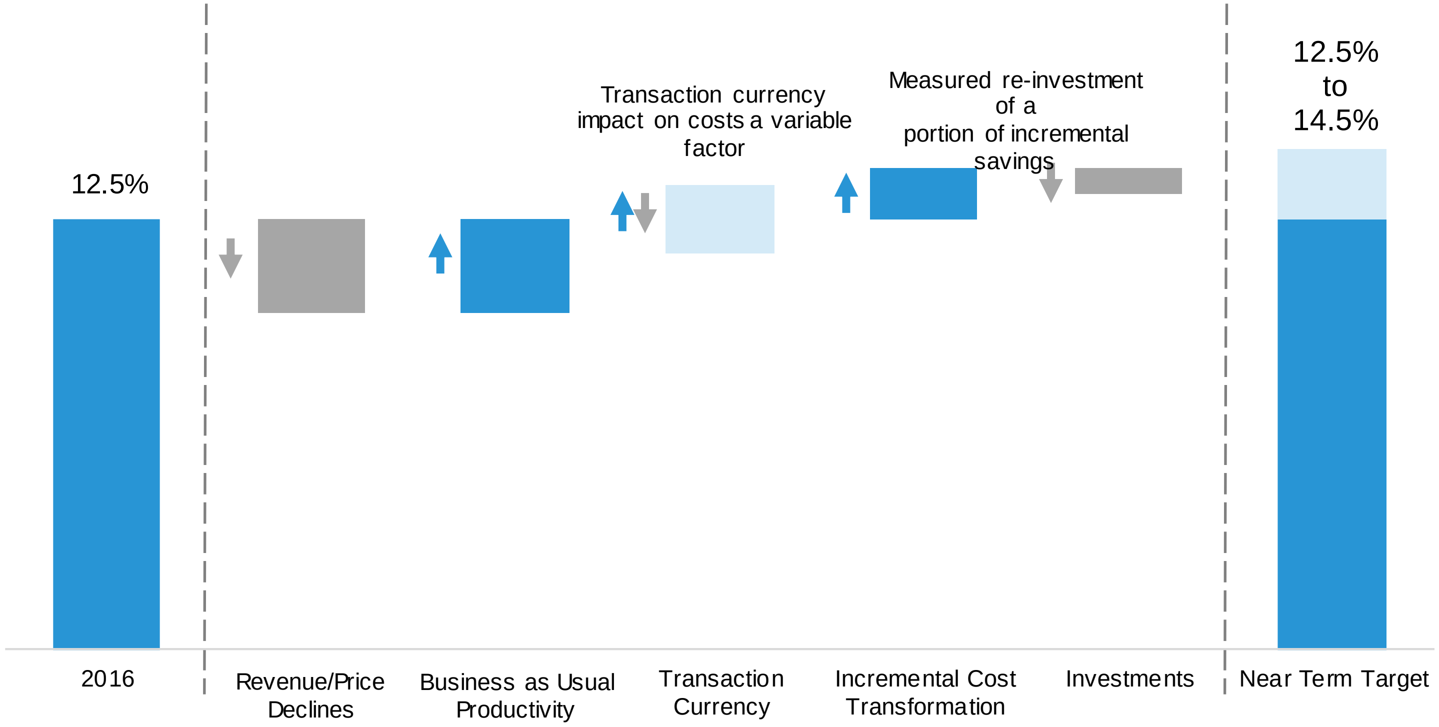
Cash Flow

High visibility to
Free Cash Flow[1]

- Strong, stable post sale revenue drives cash flow
- Strategic Transformation and modest growth investments drive improved profitability and cash flow
- Capital-light business model – CAPEX less than 2% revenue
- Restructuring and pension impacts moderate over time

[1] Operating Margin and Free Cash Flow: see Non-GAAP Financial Measures.
Note: MIF = Machines in Field; CAPEX = Capital Expenditures (including Internal Use Software)

Strategic Transformation Enables Operating Margin[1] Expansion



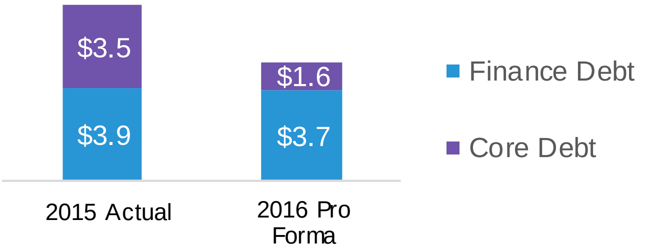
[1] Adjusted Operating Margin: see Non-GAAP Financial Measures.

Investment Grade Capital Structure

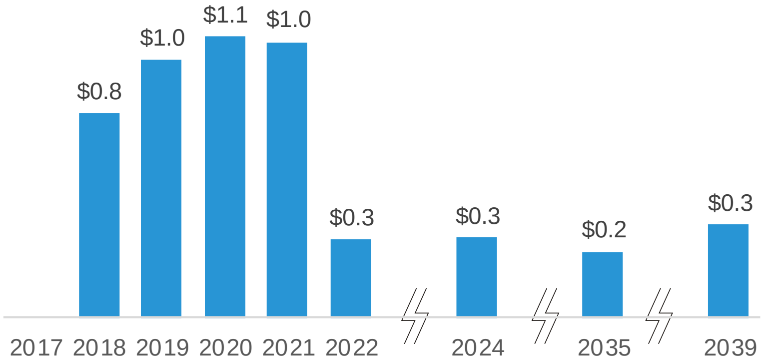
Investment Grade Profile

- Manage balance sheet to maintain an investment grade profile; optimal for business model which includes customer financing
  - Majority of pro forma debt supports customer finance assets (at 7:1 leverage)
  - Manageable schedule of debt maturities well matched to financing contract lengths
  - Core leverage managed to maintain investment grade rating; incremental debt repayment planned
- Maintain a substantial liquidity position
- Generate significant free cash flow[1] in support of capital deployment objectives

Illustrative Debt[2] ($B)



Debt Maturity Ladder ($B)



[1] Free Cash Flow: see Non-GAAP Financial Measures.

[2] Reflects use of proceeds from Conduent distribution and some cash on hand to repay $2B of debt ($1B term loan and $1B public bonds due Q1 2017).

Attractive Captive Financing Business

Finance Assets and Debt

Maintain 7:1 debt to equity leverage ratio on our finance assets

Quarter-End March 31, 2017

(in billions)	Fin. Assets	Debt	Cash
Financing	$ 4.2	$ 3.7	
Core	-	1.3	
Total Xerox	$ 4.2	$ 5.0	$ 1.0

Customer Financing is a Business Strength

- Differentiates and enhances Xerox's value proposition
- Facilitates customer acquisition of Xerox technology
- Generates profitable revenue
- Enables control of assets
- Focuses on disciplined credit processes to ensure low bad debt (<2% of finance receivables)
- Creates diverse customer, industry and geographic mix through global reach and broad product portfolio

Strong and Sustainable Cash Flow Generation

Illustrative Cash Flow ($M)

(based on 2015)

Pre-tax Income	**$924**
Non-Cash Add-backs[1]	540
Restructuring Payments	(79)
Pension Payments	(301)
Working Capital, net[2]	(95)
Change in Finance Assets[3]	33
Other[4]	33
Operating Cash Flow (OCF)	**$1,055**
(−) CAPEX[5]	148
Free Cash Flow (FCF)[6]	**$907**

Cash Flow Drivers

- Profit expansion over time from margin expansion and improving revenue trajectory
- Transformation efficiencies provide modest benefit to working capital
- Near-term restructuring payments higher to facilitate strategic transformation / normalize after 2018
- Pension contributions moderate after 2018
- Separation payments substantially complete in 2017
- Finance assets a modest source of cash
- CAPEX[5] less than 2% of revenue

Track record of strong cash generation driven by post sale business model

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

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Capital Allocation Priorities

We will apply a disciplined return on investment approach when deploying our cash flow

Leverage	Committed to maintaining investment grade credit rating
Targeted Investments	Continue capital-light business model with targeted CAPEX[1] (less than 2% of revenue) Selectively pursue M&A in targeted growth areas to improve portfolio mix and drive profit expansion
Return of Capital	Initial dividend of $0.25 per share on an annualized basis Modest share repurchase (after 2017) based on relative returns evaluation

Target >50% of Free Cash Flow[2] returned through dividends and share repurchases over time

[1] Capital Expenditures including Internal Use Software.
[2] Free Cash Flow: see Non-GAAP Financial Measures.

Xerox Dividend Policy

Xerox has a track record of attractive and increasing dividends

- 16% CAGR over last 4 years

Post-split dividend of 6.25 cents per share ($0.25 annualized) is anticipated beginning with the dividend payable April 2017

Expect future dividend increases driven by EPS and free cash flow[1] growth

Committed to a strong dividend policy supported by our annuity driven cash flow

[1] Free Cash Flow: see Non-GAAP Financial Measures

First Quarter 2017 Earnings

Jeff Jacobson, CEO
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http://www.xerox.com/investor

First-Quarter Overview

Positive beginning for Xerox post separation

- Revenue in-line with full-year expectations
- Operating margin year-over-year expansion continues
- Good operating cash flow

Revenue

$2.45B, down 6.2% or 4.3% CC[1]

Equipment down 7.4% or 5.7% CC[1]

Post Sale down 5.8% or 3.9% CC[1]

Profitability

Adj[1] operating margin: 11.4%, up 90 bps YOY

GAAP EPS[2]: 2 cents, down 4 cents YOY

Adj[1] EPS: 15 cents, down 3 cents YOY

Memo: EPS measures include negative 3 cent impact from Fuji Xerox out-of-period receivables charge

Cash and Debt

Operating cash flow from continuing operations: $190M, up $103M YOY

Ending Cash: $1.0B

Debt: reduced by $1.3B

[1] Constant Currency (CC), Adjusted Operating Margin and Adjusted EPS: see Non-GAAP Financial Measures

[2] GAAP EPS from Continuing Operations

First-Quarter Highlights

Continued Progress on Strategic Transformation

- Delivery
- Cost of Production
- Sales & Contracting
- G&A
- Supply Chain & Procurement

Targeting Strategic Growth Areas

- Capture growth in managed document services
- Increase SMB coverage
- Gain share in A4
- Extend leadership in production color

- Announced largest product launch in company history; differentiated ConnectKey portfolio and apps for customers and channel partners
- Launched Versant; refreshed competitive offering within production color

Financial Performance

(in millions, except per share data)

P&L Measures	Q1 2017	B/(W) YOY
Revenue	$ 2,454	$ (161)
Operating Income – Adjusted[1]	280	6
Equity Income	16	(21)
Other Expenses, net – Adjusted[1]	41	4
Net Income	22	(47)
Net Income – Adjusted[1]	154	(32)
GAAP EPS[2]	0.02	(0.04)
EPS – Adjusted[1]	0.15	(0.03)
Memo:		
Equity Income – Adjusted[1] (excludes Fuji Xerox charge)	46	9

P&L Ratios (Adjusted[1])	Q1 2017	B/(W) YOY
Gross Margin	39.8%	0.2 pts
RD&E %	4.5%	- pts
SAG %	25.8%	0.2 pts
Operating Income Margin	11.4%	0.9 pts
Tax Rate	27.5%	(6.1) pts

[1] Adjusted Measures: see Non-GAAP Financial Measures

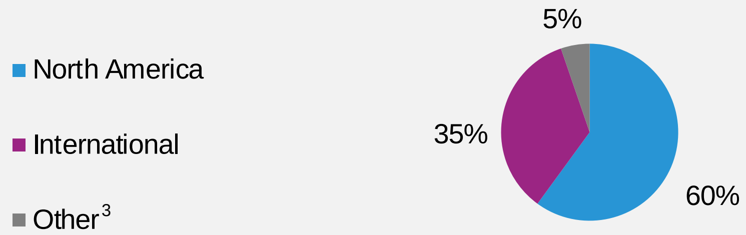
[2] GAAP EPS from Continuing Operations

Revenue Performance

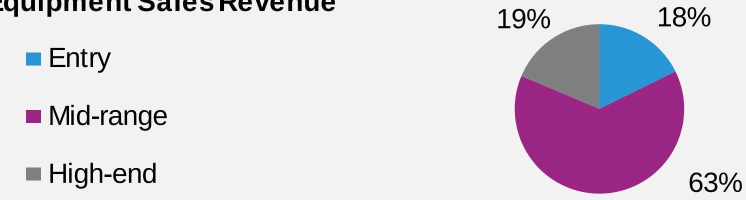
(in millions)

	Q1 2017	YOY Change AC	YOY Change CC[1]
Total Revenue	**$ 2,454**	**(6.2)%**	**(4.3)%**
North America	1,473	(4.5)%	(4.8)%
International	852	(7.3)%	(1.5)%
Other	129	(16.2)%	(16.2)%
Equipment Revenue	**$ 502**	**(7.4)%**	**(5.7)%**
Entry	88	(6.4)%	(5.5)%
Mid-range	317	(8.6)%	(7.0)%
High-end	93	(6.1)%	(3.7)%
Other	4	N/M	N/M
Managed Document Services[2]	**$ 819**	**(2.0)%**	**0.4%**

Total Revenue by Geographic Sales Channel



Equipment Sales Revenue



Managed Document Services[2]: 33% of Total Revenue

[1] Constant Currency (CC): see Non-GAAP Financial Measures

[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] Other total revenue includes OEM business, sales to Fuji Xerox and licensing

Key Performance Metrics

Strategic Growth Areas

Offering Focus Areas

- MPS & Workflow Automation
- A4 MFPs
- Production Color

First Quarter 2017 Results

↑1%	39%	↑2 pts
YOY revenue growth at CC[1]	% of Revenue in Strategic Growth Areas	Mix shift YOY

Installs

First Quarter 2017

(% change YOY)	**Color**	**B&W**
Entry A4 MFDs[3]	15%	1%
Mid-Range[3]	-%	(24)%
High-End[3]	(15)%	(25)%

Signings

% Growth CC[1]

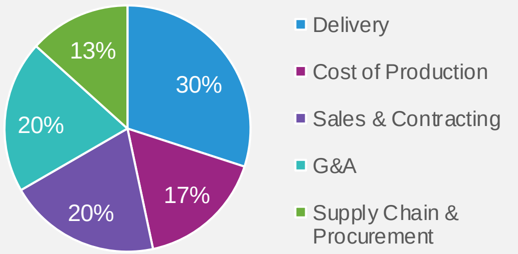
	Q1	**YOY**	**TTM**
Enterprise MDS[4]	$0.5B	(6)%	(5)%

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

Strategic Transformation

2016 FY Gross Savings[2]	$550M
2017 Target	$600M
Cumulative thru 2018 Target	$1.5B+
Q1 Restructuring	$120M
FY Restructuring Target	$225M

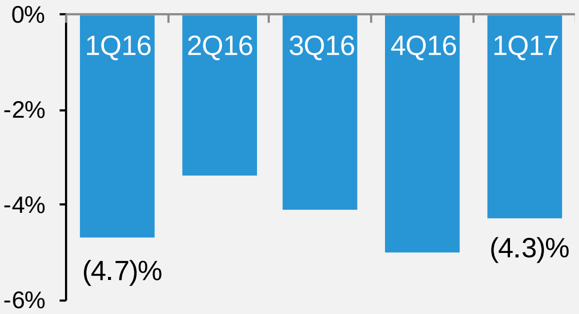
Sources of Productivity



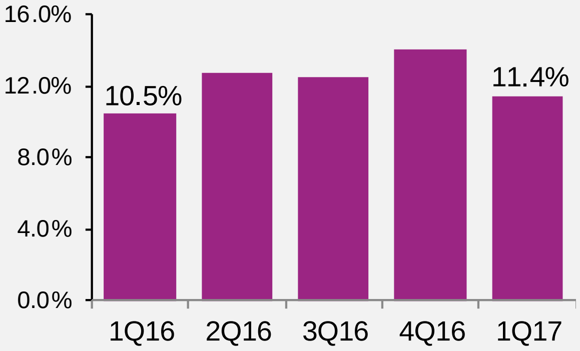
[1] Constant Currency (CC): see Non-GAAP Financial Measures
[2] Gross savings are the year over year savings, assuming similar operating levels
[3] Entry installations exclude OEM sales; Mid-range and High-end color installations exclude Fuji Xerox digital front-end sales
[4] Managed Document Services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

Performance Trends

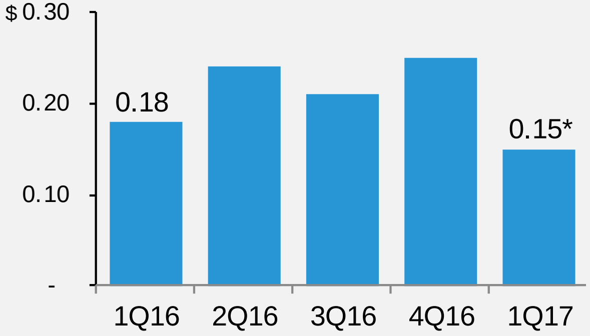
Revenue (CC[1])



Adjusted[1] Operating Margin



Adjusted[1] EPS



YOY change at CC[1]

(4.7%)	**(3.4%)**	**(4.1%)**	**(5.0%)**	**(4.3%)**

Translation Currency

(2.1) pts	(1.2) pts	(1.5) pts	(2.2) pts	(1.9) pts

Adjusted[1] Operating Margin

10.5%	**12.7%**	**12.5%**	**14.0%**	**11.4%**

Transaction Currency

(0.9) pts	(0.3) pts	(0.2) pts	(0.7) pts	(1.1) pts

Adj[1]	**$0.18**	**$0.24**	**$0.21**	**$0.25**	**$0.15***
GAAP[2]	**$0.06**	**$0.18**	**$0.16**	**$0.17**	**$0.02***
Total Currency					
	$(0.02)	-	$0.01	$(0.02)	$(0.02)

**1Q17 EPS includes negative 3 cent impact from Fuji Xerox charge*

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

Cash Flow

First quarter cash flow from continuing operations of $190M, up $103M YOY

2017 operating cash flow expected to be $200M+ below normalized level of ~$1B driven by restructuring and pension

- Restructuring - $60M in Q1, expect $215M FY
- Pension contributions - $23M in Q1, expect $350M FY

Working Capital[2] timing drives YOY increase

Capex[5] of $26M in Q1

Cash used in Financing reflects payments on senior notes

(in millions)	**Q1 2017**	**Q1 2016**
Pre-tax Income from Continuing Ops	$ (16)	$ 32
Non-cash add-backs[1]	269	225
Restructuring payments	(60)	(21)
Pension Contributions	(23)	(34)
Working Capital, net[2]	(66)	(165)
Change in Finance Assets[3]	86	80
Other[4]	-	(30)
Cash from Operations - Continuing Ops	**$ 190**	**$ 87**
Cash used in Investing - Continuing Ops	**$ (35)**	**$ (30)**
Cash used in Financing	**$ (1,258)**	**$ (42)**
Memo: Free Cash Flow[6]	**$ 164**	**$ 55**

[1] 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

[2] Working Capital, net includes accounts receivable, collections of deferred proceeds from sales of receivables, accounts payable and accrued compensation and inventory

[3] Includes equipment on operating leases and its related depreciation, finance receivables and collections on beneficial interest from sales of finance receivables

[4] 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

[5] CAPEX including Internal Use Software

[6] Free Cash Flow: see Non-GAAP Financial Measures

Capital Structure

Good progress optimizing capital structure post separation

- Reduced debt $1.3B
- Extended term of $300M of debt due 2018 through 2020 to 2022

Core debt level managed to maintain investment grade financial profile

>70% of Xerox debt supports finance assets

Customer Financing and Debt

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

Quarter-End March 31, 2017

(in billions)	Fin. Assets	Debt	Cash
Financing	$ 4.2	$ 3.7	
Core	-	1.3	
Total Xerox	$ 4.2	$ 5.0	$ 1.0

Summary

First quarter operational results in line with expectations

Focused on delivering 2017 commitments

- Reaffirming full-year guidance
- Driving profitability and enabling investment through Strategic Transformation program
- Targeting strategic growth areas to improve revenue trajectory

Appendix

Revenue Trend

(in millions)	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2016 FY	2017 Q1
Total Revenue	**$2,615**	**$2,793**	**$2,629**	**$2,734**	**$10,771**	**$2,454**
% Change	*(6.8)%*	*(4.6)%*	*(5.6)%*	*(7.2)%*	*(6.1)%*	*(6.2)%*
CC[1] % Change	*(4.7)%*	*(3.4)%*	*(4.1)%*	*(5.0)%*	*(4.3)%*	*(4.3)%*
Post Sale	**$2,073**	**$2,143**	**$2,056**	**$2,080**	**$8,352**	**$1,952**
% Change	*(5.7)%*	*(4.2)%*	*(3.9)%*	*(5.5)%*	*(4.8)%*	*(5.8)%*
CC[1] % Change	*(3.3)%*	*(2.9)%*	*(2.2)%*	*(3.2)%*	*(2.9)%*	*(3.9)%*
Post Sale % Revenue	**79%**	**77%**	**78%**	**76%**	**78%**	**80%**
Equipment[2]	**$542**	**$650**	**$573**	**$654**	**$2,419**	**$502**
% Change	*(11.0)%*	*(5.7)%*	*(11.4)%*	*(12.1)%*	*(10.0)%*	*(7.4)%*
CC[1] % Change	*(9.7)%*	*(4.9)%*	*(10.4)%*	*(10.1)%*	*(8.7)%*	*(5.7)%*
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*

[1] Constant currency: see Non-GAAP Financial Measures

[2] Equipment sales revenue in 2016 has been revised to reclassify certain GIS equipment sales to Other sales, which are included in Post Sale revenue

2016 MDS Reconciliation

(in millions)	2016				
	Q1	Q2	Q3	Q4	FY
Document Outsourcing as reported	**$ 792**	**$ 840**	**$ 791**	**$ 836**	**$ 3,259**
Adjustments:					
Net, Other Revenue previously reported in DO[1]	(6)	(6)	(9)	(7)	(28)
Global Imaging Systems MPS[2]	50	53	53	54	210
Managed Document Services	**$ 836**	**$ 887**	**$ 835**	**$ 883**	**$ 3,441**
Document Outsourcing Reported					
% Change	1.6%	0.8%	(1.2)%	(1.7)%	(0.2)%
CC[3] % Change	4.6%	2.3%	0.7%	1.2%	2.2%
Managed Document Services					
% Change	2.0%	1.7%	(0.9)%	(1.4)%	0.3%
CC[3] % Change	4.9%	3.1%	0.9%	1.5%	2.6%

[1] In 2016, Fuji Xerox and development-related revenues were included in the DO business while certain revenues from Conduent were treated as intercompany and therefore excluded
[2] In 2016, MPS revenue from Global Imaging Systems was not included in DO reporting
[3] Constant currency: see Non-GAAP Financial Measures

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, we have 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) 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

We also calculate and utilize operating income and margin earnings measures by adjusting our pre-tax income and margin amounts. In addition to the costs noted for our Adjusted Earnings measures, 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. 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. First quarter Equity in net income of unconsolidated affiliates included a charge that represents our share of the current Fujifilm estimated adjustments associated with an accounting review at Fuji Xerox's New Zealand subsidiary related to lease receivables. We have excluded this impact for adjusted operating income and margin in order to provide a more normalized view of our operations for the quarter. See Equity in Net Income of Unconsolidated Affiliates for additional information regarding this charge.

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." 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:

Q1 GAAP EPS to Adjusted EPS

(in millions, except per share amounts)	Three Months Ended March 31, 2017 Net Income	Three Months Ended March 31, 2017 Diluted EPS	Three Months Ended March 31, 2016 Net Income	Three Months Ended March 31, 2016 Diluted EPS
As Reported [(1)]	$ 22	**$ 0.02**	$ 69	**$ 0.06**
Restructuring and related costs	120		100	
Amortization of intangible assets	14		14	
Non-service retirement related costs	62		46	
Loss on extinguishment of debt	13		-	
Income tax on adjustments [(2)]	(61)		(43)	
Remeasurement of unrecognized tax positions	(16)		-	
Adjusted	$ 154	**$ 0.15**	$ 186	**$ 0.18**
Weighted average shares for adjusted EPS [(3)]		1,052		1,021
Fully diluted shares at end of period [(4)]		1,052		

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

(2) Refer to the Effective Tax Rate reconciliation.

(3) Average shares for the 2017 calculation of adjusted EPS includes 27 million shares associated with our Series B convertible preferred stock and therefore the related quarterly dividend of $4 million was excluded. Average shares for the 2016 calculation of adjusted EPS excludes 27 million shares associated with our Series A convertible preferred stock and therefore the related quarterly dividend of $6 million was included.

(4) Represents common shares outstanding at March 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 first quarter 2017.

FY EPS Guidance

	FY 2017
GAAP EPS from Continuing Operations	**$0.44 - $0.52**
Non-GAAP Adjustments	0.36
Adjusted EPS from Continuing Operations	**$0.80 - $0.88**

Note: Adjusted EPS guidance excludes non-service retirement related costs, restructuring and related costs, and amortization of intangibles.

Q1 Adjusted Effective Tax Rate

(in millions)	Three Months Ended March 31, 2017			Three Months Ended March 31, 2016		
	Pre-Tax (Loss) Income	**Income Tax (Benefit) Expense**	**Effective Tax Rate**	**Pre-Tax Income**	**Income Tax (Benefit) Expense**	**Effective Tax Rate**
Reported[(1)]	**$ (16)**	**$ (24)**	**150.0%**	**$ 32**	**$ (2)**	**(6.3)%**
Non-GAAP Adjustments[(2)]	209	61		160	43	
Remeasurement of unrecognized tax positions	-	16		-	-	
Adjusted - revised[(3)]	**$ 193**	**$ 53**	**27.5%**	**$ 192**	**$ 41**	**21.4%**

(1) Pre-Tax (Loss) Income and Income Tax Benefit 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.

Q1 Adjusted Operating Income/Margin

(in millions)	Three Months Ended March 31, 2017 (Loss) Profit	Three Months Ended March 31, 2017 Revenue	Three Months Ended March 31, 2017 Margin	Three Months Ended March 31, 2016 Profit	Three Months Ended March 31, 2016 Revenue	Three Months Ended March 31, 2016 Margin
Reported Pre-tax (Loss) Income [1]	**$ (16)**	**$ 2,454**	**(0.7%)**	**$ 32**	**$ 2,615**	**1.2%**
Adjustments:						
Restructuring and related costs	120			100		
Amortization of intangible assets	14			14		
Non-service retirement-related costs	62			46		
Equity in net income of unconsolidated affiliates	16			37		
Receivables write-off - Fuji Xerox	30			-		
Other expenses, net	54			45		
Adjusted Operating Profit/Margin	**$ 280**	**$ 2,454**	**11.4%**	**$ 274**	**$ 2,615**	**10.5%**

(1) Profit and revenue from continuing operations.

Q1/FY Free Cash Flow

(in millions)	Q1 2017 Actual	Q1 2016 Actual	FY 2017 Estimated
Operating Cash Flow from Continuing Operations	**$ 190**	**$ 87**	**$ 700 - 900**
Less: CAPEX (inclusive of Internal Use Software)	(26)	(32)	(175)
Free Cash Flow from Continuing Operations	**$ 164**	**$ 55**	**$ 525 - 725**

Q1 Adjusted Key Financial Ratios

(in millions)	Three Months Ended March 31, 2017			Three Months Ended March 31, 2016		
	As Reported[1]	Non-service retirement-related costs	Adjusted	As Reported[1]	Non-service retirement-related costs	Adjusted
Total Revenues	$ 2,454	$ -	$ 2,454	$ 2,615	$ -	$ 2,615
Total Gross Profit	954	23	977	1,018	17	1,035
Post Sale revenue	1,952	-	1,952	2,073	-	2,073
Post Sale Gross Profit	801	23	824	852	17	869
RD&E	118	(8)	110	126	(8)	118
SAG	664	(31)	633	701	(21)	680
Total Gross Margin	38.9 %		39.8 %	38.9 %		39.6 %
Post Sale Gross Margin	41.0 %		42.2 %	41.1 %		41.9 %
RD&E as a % of Revenue	4.8 %		4.5 %	4.8 %		4.5 %
SAG as a % of Revenue	27.1 %		25.8 %	26.8 %		26.0 %

(1) Revenue and costs from continuing operations.

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Q1 Adjusted Other, Net

(in millions)	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Other expenses, net - Reported	**$ 54**	**$ 45**
Adjustment:		
Loss on early extinguishment of debt	(13)	-
Other expenses, net - Adjusted	**$ 41**	**$ 45**

Q1 Adjusted Equity in Net Income of Unconsolidated Affiliates

	Three Months Ended	
(in millions)	March 31, 2017	March 31, 2016
Equity Income in unconsolidated affiliates - Reported	**$ 16**	**$ 37**
Adjustment:		
Receivables write-off - Fuji Xerox	30	-
Equity Income in unconsolidated affiliates - Adjusted	**$ 46**	**$ 37**

Q4/FY GAAP EPS to Adjusted EPS from Continuing Operations

(in millions, except per share amounts)	Three Months Ended December 31, 2016		Three Months Ended December 31, 2015		Year Ended December 31, 2016		Year Ended December 31, 2015	
	Net Income	Diluted EPS	Net Income	Diluted EPS	Net Income	Diluted EPS	Net Income	Diluted EPS
As Reported [1]	$ 181	**$ 0.17**	$ 256	**$ 0.24**	$ 616	**$ 0.58**	$ 848	**$ 0.77**
Amortization of intangible assets	14		14		58		60	
Restructuring and related costs - Xerox	92		(4)		264		27	
Non-service retirement related costs	19		34		131		116	
Income tax on adjustments [2]	(46)		(15)		(151)		(77)	
Restructuring charges - Fuji Xerox	-		-		3		4	
Adjusted	$ 260	**$ 0.25**	$ 285	**$ 0.27**	$ 921	**$ 0.88**	$ 978	**$ 0.89**
Weighted average shares - adjusted EPS [3]		1,055		1,046		1,024		1,076
Fully diluted shares at end of period [4]		1,055						

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

(2) Refer to Continuing Operations Effective Tax Rate reconciliation.

(3) Average shares for the quarterly calculations of adjusted EPS include 27 million shares associated with our Series A convertible preferred stock and therefore the related quarterly dividend of $6 million was excluded. Average shares for the yearly calculations of adjusted EPS exclude 27 million shares associated with our Series A convertible preferred stock and therefore the related annual dividend of $24 million was included.

(4) Represents common shares outstanding at December 31, 2016 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 2016.

Q4/FY Adj Effective Tax Rate from Continuing Operations

(in millions)	Three Months Ended December 31, 2016			Three Months Ended December 31, 2015			Year Ended December 31, 2016			Year Ended December 31, 2015		
	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]	**$ 179**	**$ 18**	**10.1%**	**$ 287**	**$ 58**	**20.2%**	**$ 568**	**$ 62**	**10.9%**	**$ 924**	**$ 193**	**20.9%**
Non-GAAP Adjustments[2]	125	46		44	15		453	151		203	77	
Adjusted - revised [3]	**$ 304**	**$ 64**	**21.1%**	**$ 331**	**$ 73**	**22.1%**	**$ 1,021**	**$ 213**	**20.9%**	**$ 1,127**	**$ 270**	**24.0%**

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

(2) Refer to Continuing Operations Net Income and EPS reconciliations for details. Amounts exclude Fuji Xerox restructuring as these amounts are net of tax.

(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.

FY Adjusted Operating Income/Margin

(in millions)	Year Ended December 31, 2016 Profit	Revenue	Margin	Year Ended December 31, 2015 Profit	Revenue	Margin
Reported Pre-tax Income [(1)]	**$ 568**	**$ 10,771**	**5.3%**	**$ 924**	**$ 11,465**	**8.1%**
Adjustments:						
Amortization of intangible assets	58			60		
Restructuring and related costs	264			27		
Non-service retirement-related costs	131			116		
Equity in net income of unconsolidated affiliates	121			135		
Other expenses, net	200			195		
Adjusted Operating	**$ 1,342**	**$ 10,771**	**12.5%**	**$ 1,457**	**$ 11,465**	**12.7%**

(1) Profit and revenue from continuing operations.