



Xerox to Combine with Fuji Xerox

Introducing a global leader in innovative print technologies
and intelligent work solutions

January 31, 2018

Safe Harbor

Additional Information and Where to Find It

This release may be deemed to be solicitation material in respect of the transactions with FUJIFILM Holdings Corporation (“Fujifilm”) described herein (the “Transactions”) and/or the matters to be considered at the Company’s 2018 Annual Meeting of Shareholders. In connection with the Transactions and the 2018 Annual Meeting, Xerox plans to file with the Securities and Exchange Commission (“SEC”) and furnish to Xerox’s shareholders one or more proxy statements and other relevant documents. BEFORE MAKING ANY VOTING DECISION, XEROX’S SHAREHOLDERS ARE URGED TO READ THE PROXY STATEMENT(S) IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE AND ANY OTHER DOCUMENTS TO BE FILED WITH THE SEC IN CONNECTION WITH THE TRANSACTIONS AND/OR THE COMPANY’S 2018 ANNUAL MEETING OR INCORPORATED BY REFERENCE IN THE PROXY STATEMENTS BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE TRANSACTIONS AND/OR THE COMPANY’S 2018 ANNUAL MEETING AND THE PARTIES RELATED THERETO. Xerox’s shareholders will be able to obtain a free copy of documents filed with the SEC at the SEC’s website at <http://www.sec.gov>. In addition, Xerox’s shareholders may obtain a free copy of Xerox’s filings with the SEC from Xerox’s website at <http://www.xerox.com> under the heading “Investor Relations” and then under the heading “SEC Filings.”

Participants in the Solicitation

The directors, executive officers and certain other members of management and employees of Xerox may be deemed “participants” in the solicitation of proxies from shareholders of Xerox in favor of the Transactions or in connection with the matters to be considered at the Company’s 2018 Annual Meeting. Information regarding the persons who may, under the rules of the SEC, be considered participants in the solicitation of the shareholders of Xerox in connection with the Transactions or the Company’s 2018 Annual Meeting will be set forth in the applicable proxy statement and other relevant documents to be filed with the SEC. You can find information about Xerox’s executive officers and directors in Xerox’s Annual Report on Form 10-K for the fiscal year ended December 31, 2016, Xerox’s and such persons’ other filings with the SEC and in Xerox’s definitive proxy statement filed with the SEC on Schedule 14A.

Forward-Looking Statements

This release, 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;

Safe Harbor (cont'd)

Forward-Looking Statements (cont'd)

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 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.

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.

What We Are Announcing Today

Strong Q4 Xerox results with significant improvement across all key metrics, providing positive momentum entering 2018

Xerox and Fuji Xerox to combine, creating a global leader in innovative print technologies and intelligent work solutions

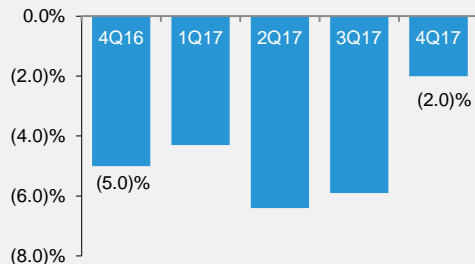
Xerox Q4 and FY17 Results

Strong Fourth-Quarter Results

Improvement across all key metrics; positions us well entering 2018

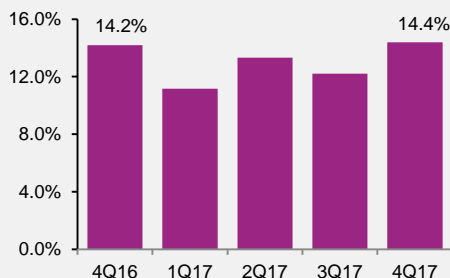
- Adjusted¹ EPS and net income expand year-over-year
- Equipment turns to growth with increasing demand for new products; strategic growth areas up 5% in CC¹
- Achieved operating margin gains while supporting future revenue initiatives
- Continued strong adjusted¹ operating cash flow, at higher end of guidance range

Revenue (CC¹)



- Revenue of \$2.7B, up 0.5% or down 2.0% CC¹
- Equipment up 4.3% or 1.5% CC¹
- Post sale down 0.7% or 3.1% CC¹

Adjusted¹ Operating Margin



- Adj.¹ operating margin: 14.4%, up 20 bps YOY

Adjusted¹ EPS



- GAAP Loss : (\$0.78), down \$1.48 due to \$400M tax charge²
- Adj.¹ EPS: \$1.04, up 4 cents

Note: All numerical comparisons shown above are on a year-over-year basis.

1. Constant Currency (CC), Adjusted Operating Margin, Adjusted EPS and Net Income, Adjusted Operating Cash Flow: see Non-GAAP Financial Measures.

2. Q4 2017 GAAP Loss per share from continuing operations includes estimated non-cash charge of \$400M associated with the enactment of the U.S. Tax Act in December 2017.

Delivering on Our 2017 Commitments

New Xerox

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

Achieved FY 2017 Guidance

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% CC¹ FY (up 5% CC¹ 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

- Revenue: **down 4.7%** in-line with down mid-single digits at CC¹
- Adj¹ Operating Margin: **12.8%, up 30 bps** within 12.5-13.5% range
- Adj¹ EPS: **\$3.48** above \$3.28-\$3.44 range
- Adj¹ Operating Cash Flow: **\$972M** at high end of \$800M-\$1B range

Note: All numerical comparisons shown above are on a year-over-year basis.

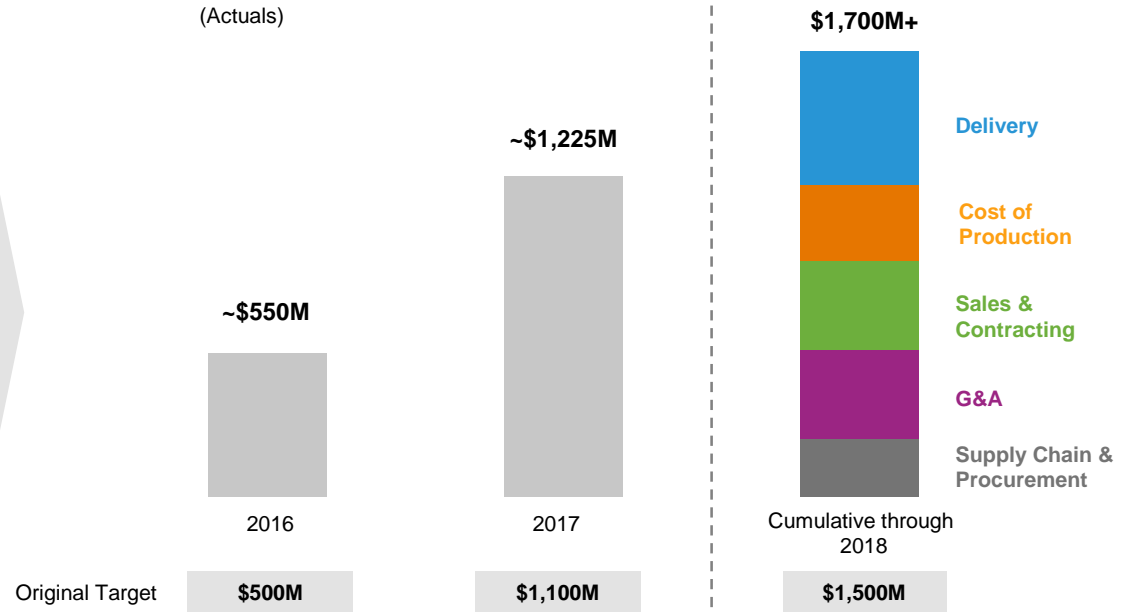
1. Constant Currency (CC), Adjusted Operating Margin, Adjusted EPS, and Adjusted Operating Cash Flow from Continuing Operations: see Non-GAAP Financial Measures.

Overachieving on Strategic Transformation

Sources of Productivity and Cost Savings

Delivery	<ul style="list-style-type: none"> • MPS⁽¹⁾ delivery • Technical service • Remote connectivity
Cost of Production	<ul style="list-style-type: none"> • Manufacturing • RD&E and design efficiency
Sales & Contracting	<ul style="list-style-type: none"> • Sales productivity • Pricing tools • Real estate
G&A	<ul style="list-style-type: none"> • IT • Finance • Management structure • Facilities
Supply Chain & Procurement	<ul style="list-style-type: none"> • Integrated supply chain • Procurement

Cumulative Gross Productivity & Cost Savings



1. MPS = Managed Print Services.

Xerox to Combine with Fuji Xerox

Xerox and Fuji Xerox – Better Together

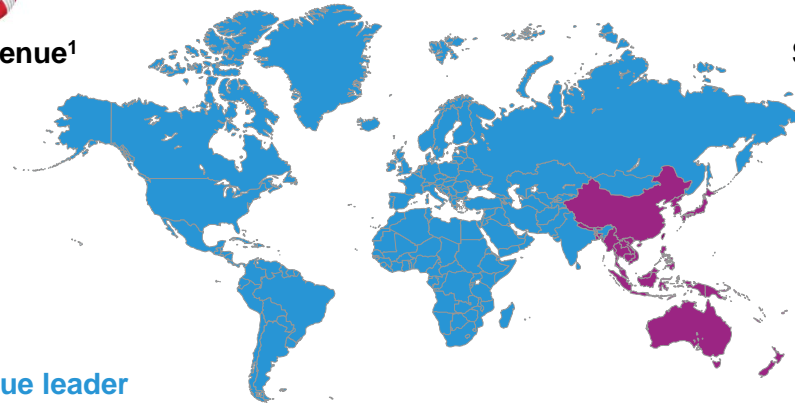
Combining to lead the evolution of the industry and unleash competitive strengths



\$10.3 Billion 2017 Revenue¹



\$9.6 Billion 2017 Revenue¹



■ Xerox Regions

■ Fuji Xerox Regions

#1 worldwide equipment revenue leader for 8 consecutive years

- **Iconic**, global technology brand
- **Innovation DNA**: Invented xerography and pioneered MPS
- Among the **best operating margins** in the industry
- **>75%** recurring revenue²

#1 share in Asia

#1 share in Japan for 8 consecutive years

- Strong market presence in **faster-growing geographies**
- **World-class R&D, manufacturing** and **sales** platform
- **Leading** in Office Products / Office Printer market
- **~40% of revenue from growing market segments** of Graphic Communications and Solutions & Services



Notes: Assumes exchange rate of JPY114: US\$1.

1. Reflects 2017 actual revenue for Xerox and calendar year 2017 estimated revenue for Fuji Xerox (includes inter-company revenues of ~\$0.1B for Xerox and ~\$1.6B for Fuji Xerox).

2. Recurring revenue is equal to Post sale revenue.



Strategic Value Unlocked

Fujifilm and Xerox have 56 years of history as one of the most successful Japan/U.S. cross-border collaborations

Fuji Xerox JV Today

- Xerox **unable to access** growth markets
- **Separate product portfolios and go-to-market strategies**, limiting effectiveness in global deals
- **Product launch delays** due to handoff processes
- **R&D investment overlap**
- **Suboptimal supply chain and sourcing** relationship
- **Distinct visions for long-term growth** and strategic investments in future IP

Opportunities for Optimization

- **Enables access** to high growth territories
- **Streamlined product portfolio strategy**, including launch timing and R&D coordination
- More **efficient R&D and corporate functions**
- Shared access to **critical IP and technology**
- Enhanced **customer value proposition** on a broader **global scale**
- **Fully integrated** supply chain
- **Common long-term vision** and strategic growth development

Financial Value Unlocked

Post Close Consideration

xerox  shareholders receive:

\$2.5B

Cash Dividend¹

+

49.9%

Of Combined Company including:

All of xerox 
All of Fuji Xerox JV

\$1.25B Transaction Cost Synergies **+** **\$450M** Fuji Xerox JV Cost Savings

Illustrative Value of Transaction Cost Synergies

\$1.25B

Annual cost synergies in 2022

7-8x EBITDA

Illustrative industry valuation multiple

~\$12 / share²
Implied present value based on 49.9% allocation to Xerox shareholders

1. Funded through new Combined Company debt of \$2.5B.
2. Based on midpoint of 7 – 8x EBITDA range and 8.5% discount rate.

Compelling Strategic Rationale

1

Creates a **global leader in innovative print technologies and intelligent work solutions** with \$18 billion in revenue

2

Delivers \$1.7 billion in total annual **cost savings**, with \$1.2 billion to be achieved by 2020

3

Accelerates **path to revenue growth** through enhanced global reach, scale and customer value proposition

4

Unleashes **world-class innovation capabilities** to capture significant long-term growth opportunities

5

Enhances **financial profile and flexibility** to support strategic growth investments and attractive capital returns

Substantial Value for Xerox Shareholders

Transaction
Consideration



\$2.5B
Cash Dividend
(~\$9.80/share¹)

49.9%
of Combined
Company

Cost Savings



Optimized
**Operating
Structure**

\$1.7B+
Total Annual Cost
Savings by 2022

\$1.2B
Annual Cost Savings
by 2020

Growth
Opportunities



Improved
**Competitive
Strength**

Leadership in Key
**Growth
Markets**

World-Class
Innovation

Above-Market
**Revenue
Growth**

Capital
Deployment



**Investment
Grade
Credit Rating**

Greater
**Financial
Flexibility**

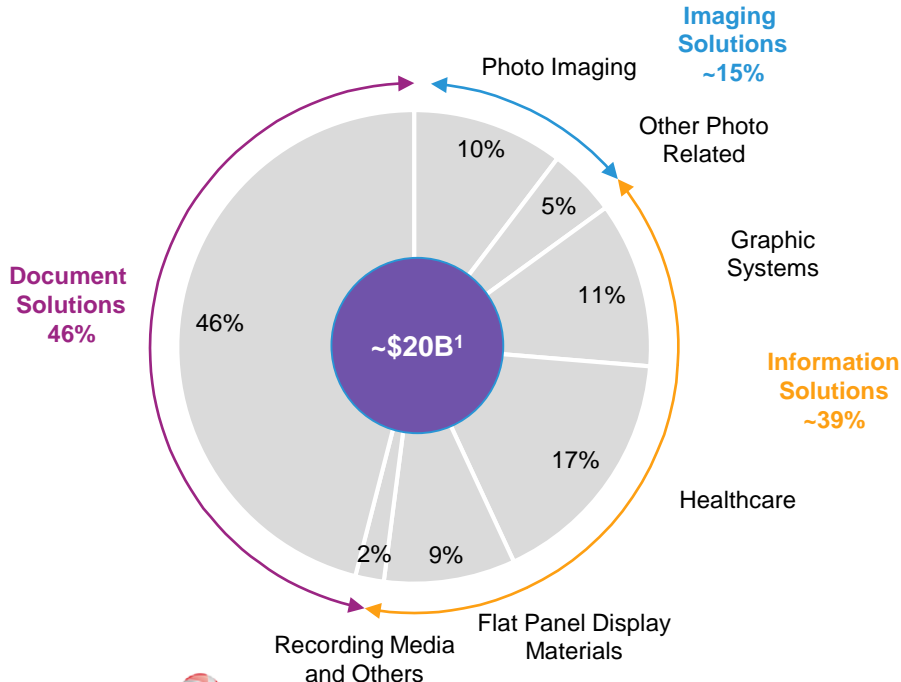
Strategic
**Growth
Investments**

Attractive
**Capital
Returns**

Fujifilm – Ideal Long-Term Partner

Japan-based leader in document, imaging and information solutions with strong culture of innovation and transformation

Revenue Breakdown – FY ended March 2017



Growth Strategies

Selectively concentrating resources to growth segments through M&A, capital and R&D investments

Document Solutions

Document-related business activities including the provision of digital multifunction devices for offices and related services

Information Solutions

Range of activities focusing mainly on B2B businesses, including healthcare and highly functional materials

Imaging Solutions

Provides photo-related products and services ranging from photo-taking to printing

Combined Company Facts and Figures

Broad
Global Scale

180+
Countries

#1
Equipment
Revenue Share

~\$120B
Total Addressable
Opportunity

\$18B+
In Annual Revenue

World-Class
Innovation

~\$1B
Combined R&D

6
Innovation Labs

6,600+
Engineers

18,880
Patents

Strong
Financial Profile

2020
Return To Revenue
Growth

\$1.7B+
Total Annual Cost
Savings

2022
High-teens
Operating Margin

\$1.5B
FCF¹ By 2020

Transaction Summary

Transaction Consideration	<ul style="list-style-type: none">• Xerox shareholders to receive \$2.5 billion special cash dividend (~\$9.80/share¹) at closing, for which committed funding has been obtained• Xerox shareholders to own 49.9% of Combined Company; Fujifilm to own 50.1%• Combined Company will be listed on the NYSE post-transaction under the ticker "XRX"
Value Creation	<ul style="list-style-type: none">• Immediate, significant cash payment, representing more than 30% of Xerox's unaffected share price of \$30.35 as of January 10, 2018 market close• At least \$1.7 billion total annual cost savings opportunity – \$1.2 billion to be achieved by 2020• Significant revenue synergy opportunities from innovation and footprint in faster-growing markets
Capital Structure and Returns	<ul style="list-style-type: none">• Expect to maintain investment grade credit ratings at closing• Maintain \$1.00/share annual dividend• Maintain Xerox's current capital return policy of at least 50% of combined free cash flow² to shareholders• Opportunity for greater capital deployment including share repurchases and increased dividends over time
Governance	<ul style="list-style-type: none">• Jeff Jacobson, current CEO of Xerox, to be named CEO of Combined Company• Shigetaka Komori, current Chairman and CEO of Fujifilm, will serve as Chairman of the Board• Board will include seven Directors appointed by Fujifilm and five Independent Directors from current Xerox Board• Dual headquarters in Norwalk, CT and in Minato, Tokyo
Approvals and Timing	<ul style="list-style-type: none">• Transaction expected to close in the second half of 2018, subject to customary conditions, regulatory and shareholder approval

The New Fuji Xerox

Compelling Strategic Rationale

1

Creates a **global leader in innovative print technologies and intelligent work solutions** with \$18 billion in revenue

2

Delivers \$1.7 billion in total annual **cost savings**, with \$1.2 billion to be achieved by 2020

3

Accelerates **path to revenue growth** through enhanced global reach, scale and customer value proposition

4

Unleashes **world-class innovation capabilities** to capture significant long-term growth opportunities

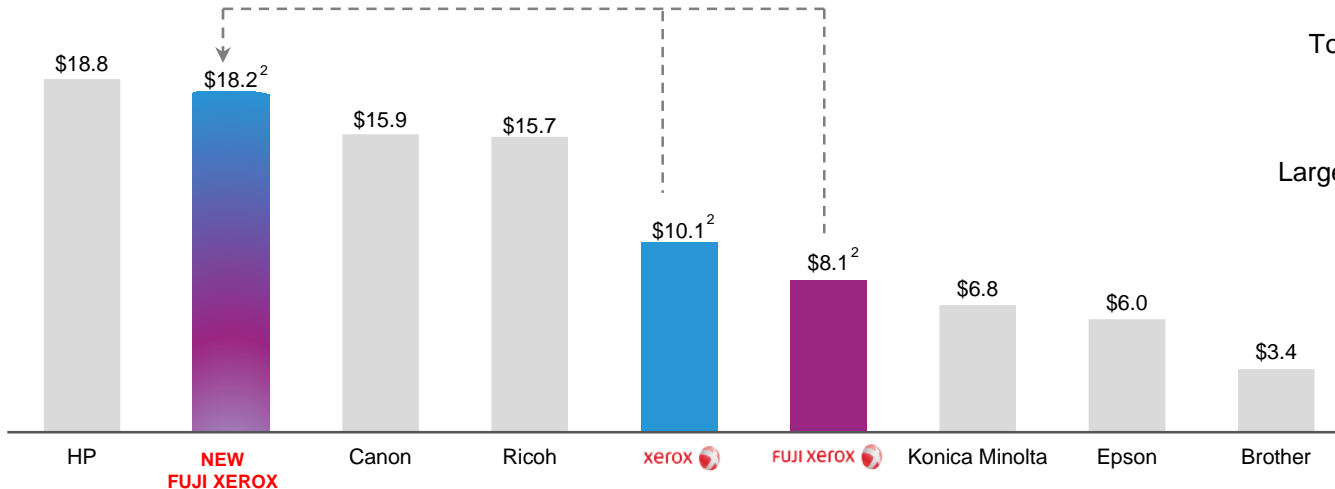
5

Enhances **financial profile and flexibility** to support strategic growth investments and attractive capital returns

1 A Global Leader in Innovative Print Technologies and Intelligent Work Solutions

Realization of Clear Industry Leadership

Printing Revenue (\$B)¹



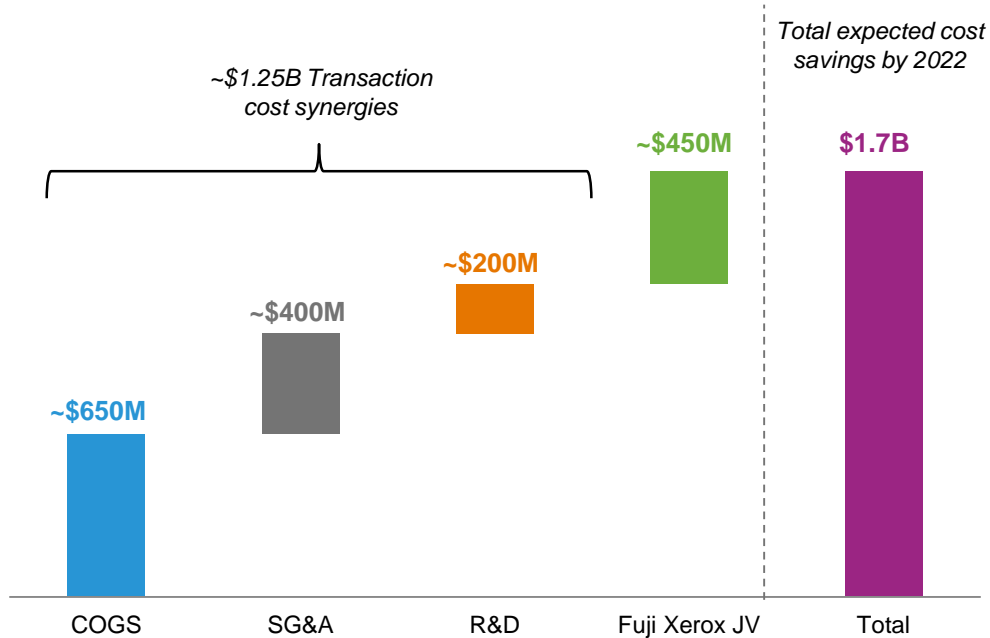
#1

Total Equipment Revenue
Color
A3 MFPs
Production Cut Sheet
Large Enterprise MPS³ & CPS³



2 Significant Cost Savings Opportunities

At least \$1.7 billion in total annual cost savings by 2022 – \$1.2 billion to be achieved by 2020



- Cost savings **incremental to Xerox's ongoing Strategic Transformation** program
- Leveraging **Xerox's strong track record** of productivity enhancements
- **\$450 million Fuji Xerox JV cost reduction program** commencing immediately
- Combining **best manufacturing practices** to drive COGS efficiency
- One-time integration and restructuring costs of approximately \$1.4 billion mainly in the first three years

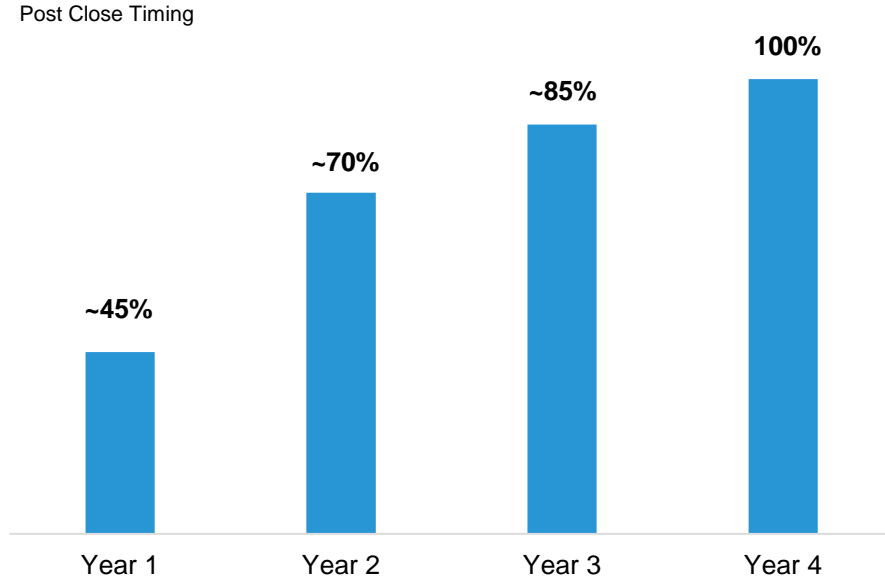
2 \$1.7B in Total Annual Cost Savings

Combining companies unlocks substantial incremental cost savings opportunities

Sources of \$1.7B Total Annual Cost Reductions¹

COGS	<ul style="list-style-type: none">Plant footprint optimizationOptimization of 3rd party outsourcersImproved design efficiency and scaleIntegrate supply chain and procurement
SG&A	<ul style="list-style-type: none">Consolidation of central support functions i.e. Finance, HROptimize selling related costsPurchasing scale
R&D	<ul style="list-style-type: none">Eliminate redundancies and optimize footprint of research centersIntegrate device controllersCombine print drivers, apps, solutions, MPS² tools for best of class
Fuji Xerox JV Savings	<ul style="list-style-type: none">Manufacturing and R&D costs reductionProduct portfolio optimizationSG&A productivity initiatives

Expected Cost Reduction Progression



3 Enhanced Global Leadership

Xerox Regions

\$83B¹ | Low-Single Digit Decline²

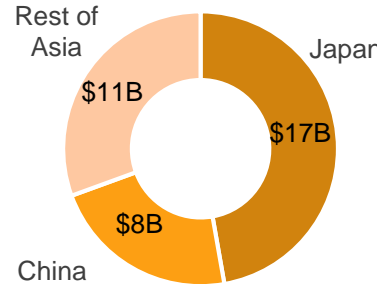
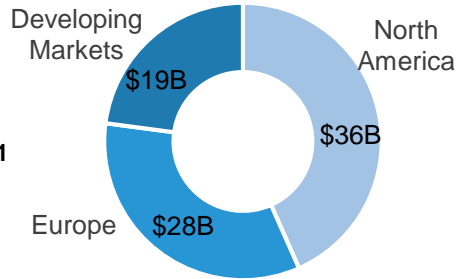
Fuji Xerox JV Regions

\$36B¹ | Low-Single Digit Growth²

Combined Company

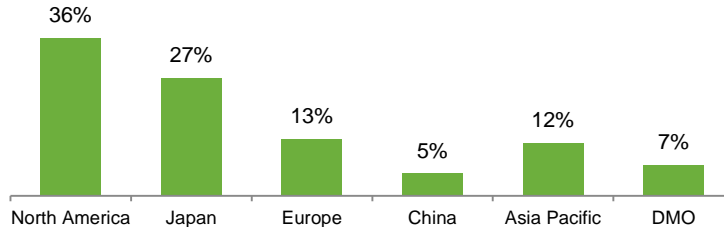
**~\$120B
Global Opportunity¹
Flat to Slightly
Down²**

**Market
Opportunity¹**

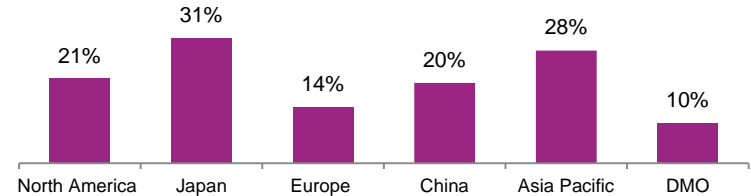


Revenue³ by Region (as % of \$18.2B Total)

**Combined
Company**



Market Share By Region



Source: IDC and company estimates.

Notes: Figures in USD billions. Exchange rate of JPY114: US\$1. Market size in 2017 USD; Market share based on 2016 equipment revenues; Asia Pacific market share includes China. DMO is Developing Markets.

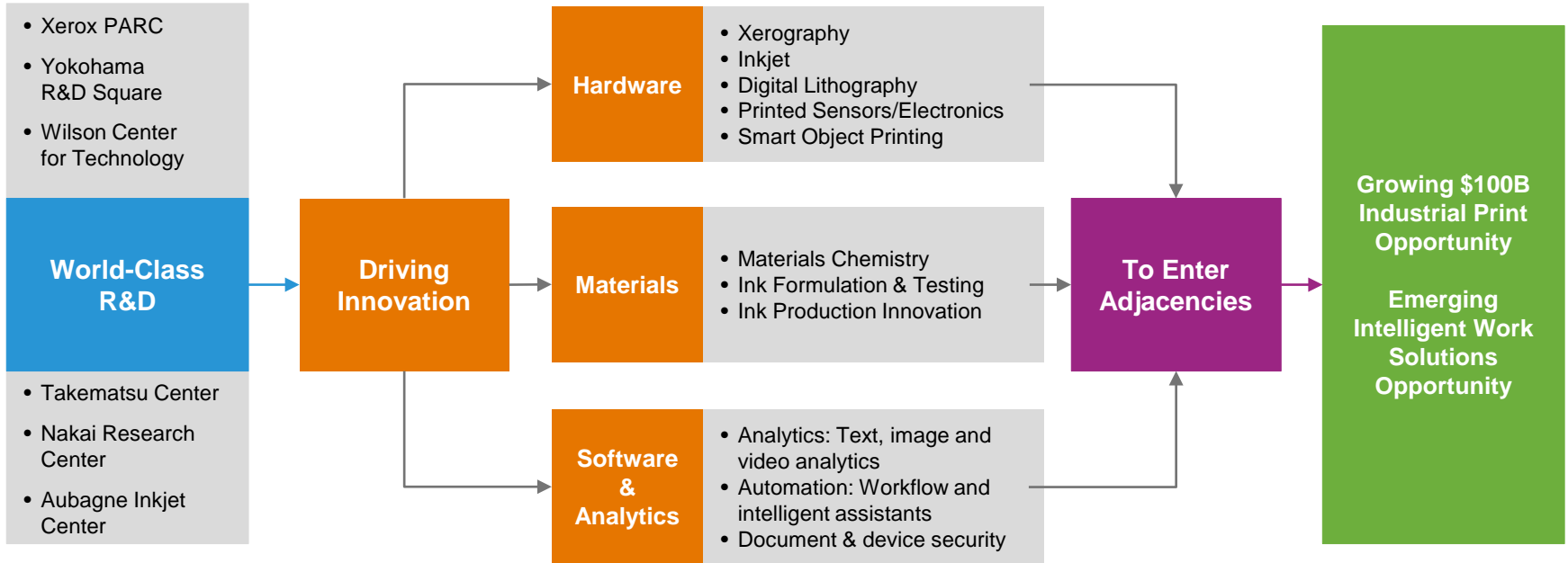
1. Represents Total Addressable Opportunity.

2. Represents CAGRs from 2016-2020.

3. Reflects Xerox revenue breakdown for full-year 2017 and preliminary Fuji Xerox JV revenue breakdown for calendar year 2017. China segment includes Hong Kong.

4 Dramatically Accelerates Innovation

Enables Combined Company to compete in adjacent Industrial Print and Intelligent Work Solutions markets



5 Enhanced Financial Profile

Combined Company (2017 Proforma)

Revenue	\$18.2B
Adj. Operating Profit Margin ¹	10%
Adj. EBITDA ^{1,2}	\$2.6B
Adj. EBITDA less Capex ^{1,3}	\$1.8B

Combined Company (Targets)

- **Achieves revenue** growth in 2020
- Adjusted **operating profit margin in the high teens** in 2022
- **\$1.5 billion free cash flow¹** in 2020
- **Accretive to EPS** in 2020

Note: Assumes exchange rate of JPY114: US\$1. All figures are based on calendar year.

1. Adjusted Operating Profit/Margin is calculated by adjusting our reported pre-tax income and margin amounts for Amortization of intangible assets, Restructuring and related costs, Non-service retirement-related costs and Other expenses, net. Free cash flow defined as cash flow from operations minus CAPEX, including internal use software.
2. In addition to the costs and expenses noted as adjustments for our Adjusted Operating Profit/Margin measure, Adjusted EBITDA also excludes Depreciation.
3. Including change in equipment on operating lease.

Capital Structure and Balance Sheet

Selected Balance Sheet Items at December 31, 2017¹

USD Billions



	Xerox	Fuji Xerox
Cash & Cash Equivalents	\$1.3	\$0.7
Total Debt	\$5.5	\$0.5
Pension and OPEB ² (pre-tax)	\$2.1	\$0.1
Finance Assets ³	\$4.2	\$1.6

- Xerox plans to repay \$265 million bond maturing in May 2018 with cash on hand
- Transaction impact:
 - All Xerox and Fuji Xerox debt to be retained on the Combined Company's balance sheet
 - \$150 million of fees and expenses (*preliminary estimate*)
 - \$2.85 billion of new debt:
 - \$2.5 billion bridge financing commitment has been obtained to support the \$2.5 billion special cash dividend to Xerox shareholders
 - \$350 million to fund mandatory pension contribution⁴

Note: Assumes exchange rate of JPY114: US\$1.

1. Reflects 2017 actuals for Xerox and calendar year 2017 estimated revenue for Fuji Xerox.

2. Other post employment benefits reflects retiree health benefits.

3. Finance Assets Include:

- Xerox: \$3.7B of Finance receivables and \$0.5B of Equipment on operating lease.

- Fuji Xerox: \$1.6B of Finance receivables exclude Equipment on operating lease.

4. \$350M pension contribution required as a result of change in control.

Capital Allocation Policy

Maintain the principles of Xerox's disciplined return on investment approach

Leverage

- Expected to maintain investment grade credit ratings
- Maintain a substantial liquidity position with cash on hand and committed credit facilities
- Stronger balance sheet supports credit rating profile and provides more financial flexibility

Targeted Investments

- Strengthened cash flows support incremental investments in growth and value creation opportunities
- Selectively pursue M&A in strategic growth areas to improve portfolio mix and drive profit expansion

Capital Return

- Maintain \$1.00 annual dividend per share
- Maintain commitment to return at least 50% of free cash flow to shareholders
- Opportunity for greater capital deployment, including share repurchases and increased dividends over time

Summary

Strong Q4 and FY17 performance reflects **successful execution of our strategic priorities**, providing positive momentum as we enter the new chapter of Xerox's transformation

Combining forces with Fuji Xerox to create a global leader in innovative print technologies and intelligent work solutions

Transaction unlocks **substantial shareholder value** and creates **significantly stronger and more competitive** combined company

Combined Company will have **enhanced prospects for revenue growth and margin expansion**

Committed to continued progress on **our operational and financial performance** in 2018, while driving toward the successful completion of our proposed combination with Fuji Xerox

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.

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.

EBITDA

Adjusted EBITDA represents Income before Income Taxes adjusted for depreciation and amortization, restructuring and related costs, non-service retirement related costs, transaction/proxy contest costs and other expenses, net, which includes interest expense. Adjusted EBITDA is not intended to represent cash flows from operations, income before taxes or net income as defined by U.S. GAAP and is not necessarily comparable to similar measures disclosed by other companies as not all companies calculate Adjusted EBITDA in the same manner. We believe Adjusted EBITDA is useful to investors and other users of the financial statements in evaluating operating performance because it provides an additional tool to compare business performance across companies and across periods.

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.

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:

