Xerox Investor Handout as of Q4 2018

Third Quarter 2018 Earnings
http://www.xerox.com/investor

Forward-Looking Statements

This presentation, and other written or oral statements made from time to time by management contain “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. The words “anticipate”, “believe”, “estimate”, “expect”, “intend”, “will”, “should” and similar expressions, as they relate to us, are intended to identify forward-looking statements. These statements reflect management’s current beliefs, assumptions and expectations and are subject to a number of factors that may cause actual results to differ materially. Such factors include but are not limited to: our ability to address our business challenges in order to reverse revenue declines, reduce costs and increase productivity so that we can invest in and grow our business; changes in economic and political conditions, trade protection measures, licensing requirements and tax laws in the United States and in the foreign countries in which we do business; changes in foreign currency exchange rates; our ability to successfully develop new products, technologies and service offerings and to protect our intellectual property rights; the risk that multi-year contracts with governmental entities could be terminated prior to the end of the contract term and that civil or criminal penalties and administrative sanctions could be imposed on us if we fail to comply with the terms of such contracts and applicable law; the risk that partners, subcontractors and software vendors will not perform in a timely, quality manner; actions of competitors and our ability to promptly and effectively react to changing technologies and customer expectations; our ability to obtain adequate pricing for our products and services and to maintain and improve cost efficiency of operations, including savings from restructuring actions; the risk that individually identifiable information of customers, clients and employees could be inadvertently disclosed or disclosed as a result of a breach of our security systems; reliance on third parties, including subcontractors, for manufacturing of products and provision of services; our ability to manage changes in the printing environment and expand equipment placements; interest rates, cost of borrowing and access to credit markets; funding requirements associated with our employee pension and retiree health benefit plans; the risk that our operations and products may not comply with applicable worldwide regulatory requirements, particularly environmental regulations and directives and anti-corruption laws; the outcome of litigation and regulatory proceedings to which we may be a party; the outcome of our process to evaluate all strategic alternatives to maximize shareholder value, including terminating or restructuring Xerox's relationship with FUJIFILM Holdings Corporation ("Fujifilm"); 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 2017 Annual Report on Form 10-K, as well as our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the SEC. Xerox assumes no obligation to update any forward looking statements as a result of new information or future events or developments, except as required by law.

Initial Perspectives on the Business

Strengths

- Customers, partners and employees who want Xerox to succeed
- Globally recognized brand for quality, reliability and ease of use
- Market share leadership
- Robust portfolio of products and solutions
- Leadership in managed print services
- Innovation capabilities
- Cash generation

Areas to Improve

- **Complex** operating **model**; lack of accountability
- **Supply chain**
- Software and R&D “lost” in product business
- **Capitalization** on innovation
- **Strategic transformation** flow-through
- Capital deployment and returns

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Positioning Xerox for Success

Launched Project “Own It” to drive business optimization

1	Drive revenue	• Serve customers via channels that most effectively meet their requirements • Enhance capabilities to sell higher-value services • Make it easier for customers and partners to do business with Xerox
2	Optimize operations for simplicity to better serve clients & partners	• Simplify operating model for greater accountability and ownership • Drive effectiveness and efficiency in business operations • Optimize supply chain and increase supplier competitiveness
3	Re-energize the innovation engine	• Drive growth in software and services businesses • Create incubation businesses for focus and accountability • Revamp innovation business model: investments, M&A, monetization
4	Focus on cash flow and increase capital returns	• Maximize cash flow potential • Deliver on commitment to return at least 50% of free cash flow to shareholders; opportunistic share repurchase up to $700 million in 2018

Third Quarter in Summary

Revenue

$2.4B, down 5.8% or 4.7% CC[1]

Equipment down 3.8% or 2.7% CC[1]

Post sale down 6.4% or 5.2% CC[1]

Earnings

GAAP[2] EPS: $0.34, down $0.33 YOY

Adj[1] EPS: $0.85, down $0.04 YOY

Cash

OCF[3]: $274M, up $157M YOY*

FCF[3]: $251M, up $157M YOY*

Ending cash[5]: $1.2B

Market Share

#1 Equipment Share Leader[4]

- A3 share increase of 3 points YOY

Leader in Managed Print[4]

Profitability

Gross margin: 40.1%, flat YOY

Adj[1] op margin: 13.1%, up 1.0 pt YOY

Shareholder Returns

$353M (141% FCF) returned through share repurchase and dividends

Increasing 2018 share repurchase expectations up to $700M (from $500M)

Focused on driving operational improvement to generate sustainable shareholder value

Note: all numerical comparisons shown above are on a year-over-year basis. (1) Constant Currency (CC) and other adjusted measures: see Non-GAAP Financial Measures. (2) GAAP EPS from Continuing Operations. (3) OCF= Operating Cash Flow from Continuing Operations , FCF = Free Cash Flow from Continuing Operations. (4) Source equipment share leader: IDC and Internal Xerox estimates, Source leader in Managed Print: IDC. (5) Cash, Cash Equivalents and Restricted Cash

* Prior year cash flow compares adjusted to exclude incremental pension contribution of $500M and to include deferred proceeds and beneficial interest from sales of receivables within working capital

Financial Performance

(in millions, except per share data)

P&L Measures	Q3 2018	B/(W) YOY
Revenue	$ 2,352	$ (145)
Operating Income – Adjusted[1,3]	307	5
Equity Income– Adjusted[1]	50	14
Other Expenses, net – Adjusted[1]	24	(7)
Net Income[2]	89	(87)
Net Income – Adjusted[1]	222	(12)
GAAP EPS[2]	0.34	(0.33)
EPS – Adjusted[1]	0.85	(0.04)

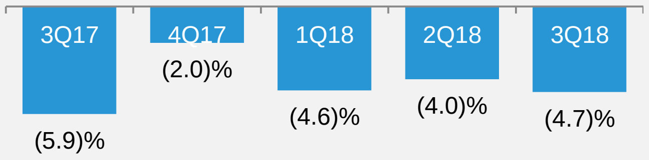
P&L Ratios	Q3 2018	B/(W) YOY
Gross Margin	40.1%	flat
RD&E %	4.3%	(0.1) pts
SAG %	24.8%	0.4 pts
Operating Margin – Adjusted[1]	13.1%	1.0 pts
Tax Rate – Adjusted[1] (note: adj tax rates are estimates)	24.5%	(5.2) pts

(1) Adjusted Measures: see Non-GAAP Financial Measures. (2) Net Income and GAAP EPS from continuing operations. (3) Adjusted Operating Income includes adjusted Equity Income in the calculation.

Revenue Performance
(in millions)

	Q3 2018	% Mix	YOY Change AC	YOY Change CC[3]
Total Revenue	**$ 2,352**	**100%**	**(5.8)%**	**(4.7)%**
North America	1,444	61%	(4.6)%	(4.2)%
International	814	35%	(4.6)%	(2.0)%
Other[1]	94	4%	(27.7)%	(27.7)%
Equipment Revenue	**$ 511**	**22%**	**(3.8)%**	**(2.7)%**
Entry[2]	56	11%	7.7%	9.1%
Mid-range	351	69%	0.3%	1.0%
High-end	94	18%	(6.9)%	(5.1)%
Other[2]	10	2%	(64.3)%	(64.3)%
Post Sale	**$ 1,841**	**78%**	**(6.4)%**	**(5.2)%**

Total Revenue Trend (CC[3])



Actual Currency YOY Change

3Q17	4Q17	1Q18	2Q18	3Q18
(5.0)%	0.5%	(0.8)%	(2.2)%	(5.8)%

Installs[4] (YOY Change)

	Q3 2018 Color	Q3 2018 B&W	YTD 2018 Color	YTD 2018 B&W
Entry A4 MFPs	(8)%	21%	5%	20%
Mid-Range	8%	19%	18%	16%
High-End	(17)%	(3)%	(7)%	(10)%

Managed Document Services[5]

- 36% of total revenue
- 0.9% growth @ CC[3]

(1) Other total revenue includes OEM business, sales to Fuji Xerox and licensing . (2) Entry revenue excludes OEM business, which is included in Other equipment revenue. (3) Constant Currency (CC): see Non-GAAP Financial Measures. (4) Entry installations exclude OEM sales; Mid-range and High-end color installations exclude Fuji Xerox digital front-end sales. (5) 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).

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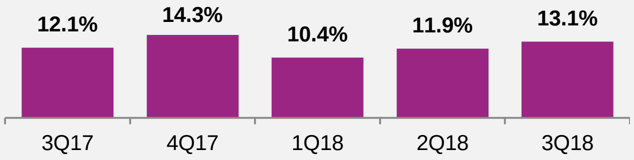
Profitability Performance

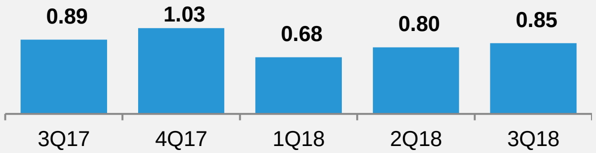
Adjusted[1] Operating Margin



Transaction Currency Impact

3Q17	4Q17	1Q18	2Q18	3Q18
(0.6) pts	(0.3) pts	0.7 pts	0.6 pts	0.4 pts

Adjusted[1] EPS



	3Q17	4Q17	1Q18	2Q18	3Q18
GAAP[2]	$0.67	$(0.78)[3]	$0.08	$0.42	$0.34

Profitability Walk YOY

	Adj[1] OM	Adj[1] EPS	
Q3 2017	**12.1%**	**89 cents**	
Lower Xerox Profit	~0.4%	~(2) cents	Impact of lower revenue is partially offset by margin expansion and O(I)D improvement
Higher Equity Income	~0.6%	~5 cents	
Gains on Asset Sales	N/A	~(3) cents	YOY impact from the 2017 sale of our research facility in Grenoble France.
Higher Tax Rate	N/A	~(5) cents	24.5% in Q3'18 vs.19.3% in Q3'17
Lower Shares	N/A	~1 cent	YOY impact of lower shares driven by share repurchases
Q3 2018	**13.1%**	**85 cents**	

(1) Adjusted measures: see Non-GAAP Financial Measures. (2) GAAP Earnings (Loss) per share from continuing operations. (3) Q4 2017 GAAP Loss per share includes estimated non-cash charge of $400M associated with the enactment of U.S. Tax Act in December 2017.

Cash Flow

(in millions)	Q3 2018	YTD 2018
Pre-tax income from Continuing Ops	$ 192	$ 459
Non-cash add-backs[1]	151	454
Restructuring Payments	(39)	(130)
Pension Contributions	(36)	(111)
Working Capital, net[2]	(47)	(140)
Change in Finance Assets[3]	38	188
Other[4]	15	5
Cash provided by Operations	**$ 274**	**$ 725**
Cash (used in) Investing	**$ (23)**	**$ (40)**
Cash (used in) Financing	**$ (359)**	**$ (815)**
Ending Cash, Cash Equivalents and Restricted Cash	**$ 1,218**	**$ 1,218**

Memo:

Free Cash Flow[5]	$ 251	$ 652

Operating cash flow (OCF): $274M, up $157M YOY*

- $725M Sep YTD, up $85M YOY*

Free cash flow (FCF)[5]: $251M, up $157M YOY*

- $652M Sep YTD, up $82M YOY*

Increasing full-year OCF and FCF guidance

	Previous	Updated
OCF	$900M - $1.1B	$1.0B - $1.1B
FCF	$750M - $950M	$900M - $1.0B

Working Capital[2] improves $32M YOY*

CAPEX: $(23)M, flat YOY

* Prior year compares adjusted to exclude incremental pension contribution of $500M and to include deferred proceeds and beneficial interest from sales of receivables within working capital.

(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, accounts payable and accrued compensation and inventory. (3) Includes equipment on operating leases (and its related depreciation) and 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) Free Cash Flow: see Non-GAAP Financial Measures.

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Capital Structure

Financing Debt **$3.4B**

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

Core Debt **$1.8B**

- Core debt level managed to maintain investment grade financial profile
- $265M May 2018 Senior Notes repayment in Q2

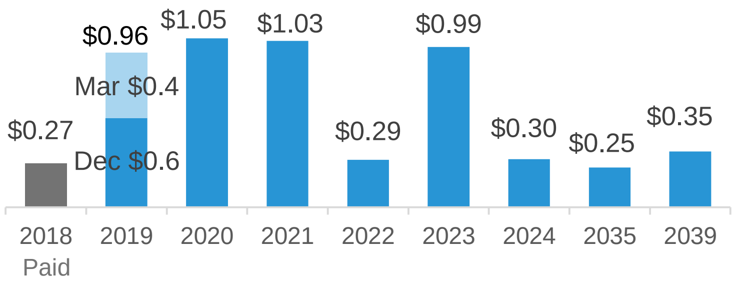
Pension **$1.4B** (net unfunded status as of 12/31/17)

- Overall net global funded status of ~88% as of 12/31/17

As of Sep 30, 2018 ($B)

	Finance Assets	Debt	Cash
Financing	$ 3.9	$ 3.4	
Core	-	1.8	
Total Xerox	$ 3.9	$ 5.2	$ 1.2

Debt Maturity Ladder ($B)



Summary

- Delivered solid Q3 results on profitability and cash flow; raising full-year free cash flow guidance
- Revenue will take time to improve and requires action plans that are in process
- Launched project “Own It” focused on simplifying the business to drive end-to-end transformation of our business
- Shareholder returns are a top priority: Increasing 2018 share repurchase expectations up to $700M (from $500M)
- In depth review of our strategy planned for an analyst day in early February 2019

Appendix

Revenue Trend

(in millions)	2016 FY	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2017 FY	2018 Q1	2018 Q2	2018 Q3	2018 YTD
Total Revenue	**$10,771**	**$2,454**	**$2,567**	**$2,497**	**$2,747**	**$10,265**	**$2,435**	**$2,510**	**$2,352**	**$7,297**
% Change	*(6.1)%*	*(6.2)%*	*(8.1)%*	*(5.0)%*	*0.5%*	*(4.7)%*	*(0.8)%*	*(2.2)%*	*(5.8)%*	*(2.9)%*
CC[1] % Change	*(4.3)%*	*(4.3)%*	*(6.4)%*	*(5.9)%*	*(2.0)%*	*(4.7)%*	*(4.6)%*	*(4.0)%*	*(4.7)%*	*(4.4)%*
Post Sale[2]	**$8,300**	**$1,941**	**$2,011**	**$1,966**	**$2,052**	**$7,970**	**$1,936**	**$1,949**	**$1,841**	**$5,726**
% Change	*(4.8)%*	*(5.8)%*	*(5.6)%*	*(3.8)%*	*(0.7)%*	*(4.0)%*	*(0.3)%*	*(3.1)%*	*(6.4)%*	*(3.2)%*
CC[1] % Change	*(2.9)%*	*(3.9)%*	*(3.7)%*	*(4.7)%*	*(3.2)%*	*(3.9)%*	*(4.1)%*	*(5.0)%*	*(5.2)%*	*(4.8)%*
Post Sale % Revenue	77%	79%	78%	79%	75%	78%	80%	78%	78%	78%
Equipment[2]	**$2,471**	**$513**	**$556**	**$531**	**$695**	**$2,295**	**$499**	**$561**	**$511**	**$1,571**
% Change	*(10.0)%*	*(7.4)%*	*(16.1)%*	*(9.4)%*	*4.0%*	*(7.1)%*	*(2.7)%*	*0.9%*	*(3.8)%*	*(1.8)%*
CC[1] % Change	*(8.7)%*	*(5.7)%*	*(14.8)%*	*(10.3)%*	*1.7%*	*(7.3)%*	*(6.4)%*	*(0.6)%*	*(2.7)%*	*(3.1)%*
Memo:										
OEM & CMS impact on Total Revenue	*(0.4) pts*	*(0.9) pts*	*(0.6) pts*	*(0.3) pts*	*(0.7) pts*	*(0.6) pts*	*(0.7) pts*	*(1.3) pts*	*(1.4) pts*	*(1.1) pts*

(1) Constant currency: see Non-GAAP Financial Measures. (2) In 2018, upon adoption of ASU 2014-09 Revenue Recognition, revenue from training related to equipment installation is now included in Equipment Sales. In prior periods, this revenue was reported as Services, maintenance and rentals.

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

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.

- *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-GAAP Financial Measures (cont’d)

- *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) amortization of prior plan amendments, (iv) amortized actuarial gains/losses and (v) 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. This approach is consistent with the classification of these costs as non-operating in other expenses, net as a result of our adoption of ASU 2017-07 - Reporting of Retirement Related Benefit Costs in 2018. Adjusted earnings will continue to include the service cost elements of our retirement costs, which is related to current employee service as well as the cost of our defined contribution plans.

- *Transaction and related costs, net:* Transaction and related costs, net are expenses incurred in connection with Xerox's planned combination transaction with Fuji Xerox, which was terminated in May 2018, as well as costs and expenses related to the previously disclosed settlement agreement reached with certain shareholders and litigation related to the terminated transaction and other shareholder actions. These costs are considered incremental to our normal operating charges and were incurred or are expected to be incurred solely as a result of the planned combination transaction and the related shareholder settlement agreement and litigation. Accordingly, we are excluding these expenses from our Adjusted Earnings Measures in order to evaluate our performance on a comparable basis.

- *Restructuring and other charges - Fuji Xerox*: We also adjust our 25% share of Fuji Xerox’s net income for similar items noted above such as Restructuring and related costs and Transaction and related costs, net based on the same rationale discussed above.

- *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:
  - 2017 - Loss on early extinguishment of debt in the first quarter of 2017.
  - 2017 - A benefit from the remeasurement of a tax matter in the first quarter of 2017 that related to a previously adjusted item.
  - An additional charge in third quarter 2018 related to a change in the provisional estimated impact from the 2017 Tax Cuts and Jobs Act (the "Tax Act").

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 (cont'd)

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 the remaining amounts included in Other expenses, net, which are primarily non-financing interest expense and 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 (loss) of unconsolidated affiliates. Equity in net income (loss) of unconsolidated affiliates primarily reflects our 25% share of Fuji Xerox's net income. We include this amount in our measure of operating income and margin as Fuji Xerox is our primary product supplier and intermediary to the Asia/Pacific market for distribution of Xerox branded products and services.

Constant Currency

To better understand trends in our business, we believe that it is helpful to adjust revenue to exclude the impact of changes in the translation of foreign currencies into U.S. dollars. We refer to this adjusted revenue as "constant currency." This impact is calculated by translating current period activity in local currency using the comparable prior year period's currency translation rate. This impact is calculated for all countries where the functional currency is the local country currency. The constant currency impact for signings growth is calculated on the basis of plan currency rates. Management believes the constant currency measure provides investors an additional perspective on revenue trends. Currency impact can be determined as the difference between actual growth rates and constant currency growth rates.

Free Cash Flow

To better understand trends in our business, we believe that it is helpful to adjust operating cash flows from continuing operations by subtracting amounts related to capital expenditures. Management believes this measure gives investors an additional perspective on cash flow from operating activities in excess of amounts required for reinvestment. It provides a measure of our ability to fund acquisitions, dividends and share repurchase.

Summary:

Management believes that all of these non-GAAP financial measures provide an additional means of analyzing the current period's results against the corresponding prior period's results. However, these non-GAAP financial measures should be viewed in addition to, and not as a substitute for, the company's reported results prepared in accordance with GAAP. Our non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable GAAP measures and should be read only in conjunction with our consolidated financial statements prepared in accordance with GAAP. Our management regularly uses our supplemental non-GAAP financial measures internally to understand, manage and evaluate our business and make operating decisions. These non-GAAP measures are among the primary factors management uses in planning for and forecasting future periods. Compensation of our executives is based in part on the performance of our business based on these non-GAAP measures.

A reconciliation of these non-GAAP financial measures and the most directly comparable measures calculated and presented in accordance with GAAP are set forth on the following tables.

Net Income and EPS reconciliation

(in millions, except per share amounts)	Three Months Ended September 30, 2018 Net Income	Three Months Ended September 30, 2018 Diluted EPS	Three Months Ended September 30, 2017 Net Income	Three Months Ended September 30, 2017 Diluted EPS	Nine Months Ended September 30, 2018 Net Income	Nine Months Ended September 30, 2018 Diluted EPS	Nine Months Ended September 30, 2017 Net Income	Nine Months Ended September 30, 2017 Diluted EPS
Reported (1)	$ 89	**$ 0.34**	$ 176	**$ 0.67**	$ 224	**$ 0.83**	$ 388	**$ 1.47**
Restructuring and related costs	29		35		91		192	
Amortization of intangible assets	12		12		36		41	
Transaction and related costs, net	(33)		-		63		-	
Non-service retirement-related costs	33		35		83		129	
Loss on extinguishment of debt	-		-		-		13	
Income tax on adjustments (2)	(10)		(30)		(69)		(122)	
Restructuring and other charges - Fuji Xerox (3)	7		6		90		9	
Tax Act	95		-		95		-	
Remeasurement of unrecognized tax positions	-		-		-		(16)	
Adjusted	$ 222	**$ 0.85**	$ 234	**$ 0.89**	$ 613	**$ 2.33**	$ 634	**$ 2.41**
Dividends on preferred stock used in adjusted EPS calculation(4)		-		-		-		-
Weighted average shares for adjusted EPS (4)		261		263		263		263
Fully diluted shares at end of period (5)		255						

(1) Net Income and EPS from continuing operations attributable to Xerox.
(2) Refer to Effective Tax Rate reconciliation.
(3) Other charges in 2018 represent costs associated with the terminated combination transaction.
(4) For those periods that exclude the preferred stock dividend, the average shares for the calculations of diluted EPS include 7 million shares associated with our Series B convertible preferred stock.
(5) Represents common shares outstanding at September 30, 2018 as well as shares associated with our Series B convertible preferred stock plus potential dilutive common shares as used for the calculation of diluted earnings per share for the third quarter 2018.

Effective Tax Rate reconciliation

(in millions)	Three Months Ended September 30, 2018			Three Months Ended September 30, 2017			Nine Months Ended September 30, 2018			Nine Months Ended September 30, 2017		
	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)]	**$ 192**	**$ 142**	**74.0%**	**$ 167**	**$ 18**	**10.8%**	**$ 459**	**$ 220**	**47.9%**	**$ 344**	**$ 37**	**10.8%**
Non-GAAP Adjustments[(2)]	41	10		82	30		273	69		375	122	
Tax ACT	-	(95)		-	-		-	(95)		-	-	
Remeasurement of unrecognized tax positions	-	-		-	-		-	-		-	16	
Adjusted [(3)]	**$ 233**	**$ 57**	**24.5%**	**$ 249**	**$ 48**	**19.3%**	**$ 732**	**$ 194**	**26.5%**	**$ 719**	**$ 175**	**24.3%**

(1) Pre-Tax Income and Income Tax Expense from continuing operations.
(2) Refer to Net Income and EPS reconciliation for details.

(3) The tax impact on the Adjusted Pre-Tax Income from continuing operations is calculated under the same accounting principles applied to the As Reported Pre-Tax Income under ASC 740, which employs an annual effective tax rate method to the results.

Operating Income/Margin reconciliation

(in millions)	Three Months Ended September 30, 2018 Profit	Revenue	Margin	Three Months Ended September 30, 2017 Profit	Revenue	Margin	Nine Months Ended September 30, 2018 Profit	Revenue	Margin	Nine Months Ended September 30, 2017 Profit	Revenue	Margin
Reported [1]	**$ 192**	**$ 2,352**	**8.2%**	**$ 167**	**$ 2,497**	**6.7%**	**$ 459**	**$ 7,297**	**6.3%**	**$ 344**	**$ 7,518**	**4.6%**
Adjustments:												
Restructuring and related costs	29			35			91			192		
Amortization of intangible assets	12			12			36			41		
Transaction and related costs, net	(33)			-			63			-		
Non-service retirement-related costs	33			35			83			129		
Equity in net income (loss) of unconsolidated affiliates	43			30			(6)			90		
Restructuring and other charges - Fuji Xerox [2]	7			6			90			9		
Other expenses, net	24			17			43			105		
Adjusted	**$ 307**	**$ 2,352**	**13.1%**	**$ 302**	**$ 2,497**	**12.1%**	**$ 859**	**$ 7,297**	**11.8%**	**$ 910**	**$ 7,518**	**12.1%**

[1] Pre-Tax Income and revenue from continuing operations.

[2] Other charges in 2018 represent costs associated with the terminated combination transactions.

Other expenses, net

(in millions)	Three Months Ended September 30, 2018		Three Months Ended September 30, 2017		Nine Months Ended September 30, 2018		Nine Months Ended September 30, 2017	
Reported	**$**	**57**	**$**	**52**	**$**	**126**	**$**	**234**
Non-service retirement-related costs		(33)		(35)		(83)		(129)
Loss on early extinguishment of debt		-		-		-		(13)
Adjusted	**$**	**24**	**$**	**17**	**$**	**43**	**$**	**92**

Equity in net income (loss) of unconsolidated affiliates

(in millions)	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Reported	$ 43	$ 30	$ (6)	$ 90
Restructuring and other charges - Fuji Xerox[1]	7	6	90	9
Adjusted	**$ 50**	**$ 36**	**$ 84**	**$ 99**

(1) Other charges in 2018 represent costs associated with the terminated combination transaction.

Free Cash Flow reconciliation

(in millions)	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Reported[1]	**$274**	**($443)**	**$725**	**($30)**
Add: Voluntary contributions to U.S. defined benefit pension plans	—	500	—	500
Add: Collections on beneficial interests received in sales of receivables	—	60	—	170
Operating Cash Flows from Continuing Operations - Adjusted	**$274**	**$117**	**$725**	**$640**
Less: Capital expenditures	(23)	(23)	(73)	(70)
Free Cash Flow from Continuing Operations	**$251**	**$94**	**$652**	**$570**

[1] Operating cash flow from continuing operations