# EARNINGS PRESENTATION

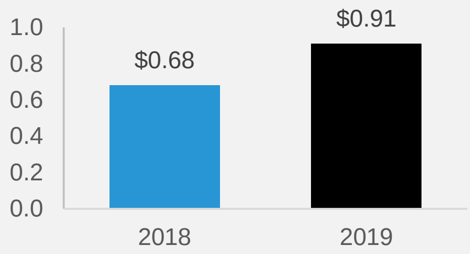
Q1 Results I April 25, 2019

# 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”, “targeting”, “projecting”, “driving” and similar expressions, as they relate to us, our performance and/or our technology, 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; our ability to attract and retain key personnel; 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; the imposition of new or incremental trade protection measures such as tariffs and import or export restrictions; 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 confidential and/or individually identifiable information of ours, our customers, clients and employees could be inadvertently disclosed or disclosed as a result of a breach of our security systems due to cyber attacks or other intentional acts; reliance on third parties, including subcontractors, for manufacturing of products and provision of services; the exit of the United Kingdom from the European Union; 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; any potential termination or restructuring of our relationship with Fujifilm Holdings Corporation; the proposed holding company reorganization; the occurrence and timing of any closing of the proposed holding company reorganization; the shared services arrangements entered into by the Company as part of Project Own It; any potential strategic transaction involving our customer financing business and/or related assets; 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 2018 Annual Report on Form 10-K, as well as in our Quarterly Reports on Form 10-Q and our Current Reports on Form 8-K filed with the SEC. Our forward-looking statements are also subject to the factors and other information set forth in the “Summary of the Holding Company Reorganization Proposal” section, the “Risk Factors” section and the “Proposal 1 – Approval of the Holding Company Reorganization” section of our definitive Joint Proxy Statement/Prospectus dated April 22, 2019 filed on Schedule 14A with the SEC. These forward-looking statements speak only as of the date of this presentation or as of the date to which they refer, and 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.

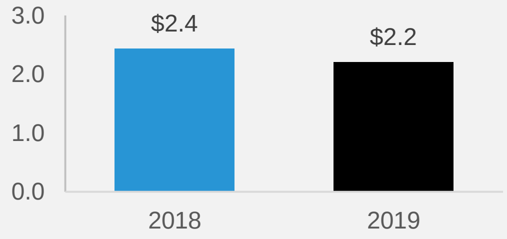
# Key Financial Measures I Q1 2019

## Adj[1] Earnings Per Share



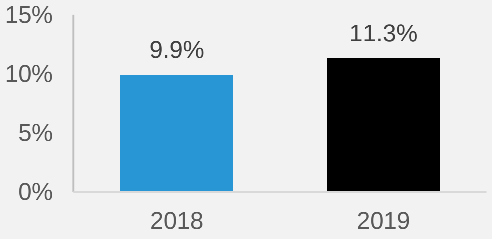

GAAP EPS $0.08 $0.55

## Revenue ($B)

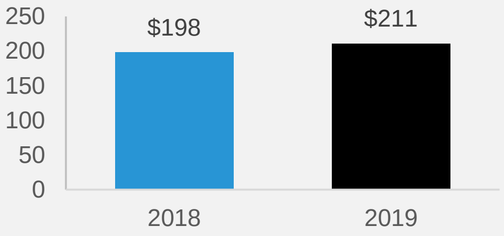



2019 % Change: (9.4)% @ AC, (7.0)% @ CC[1]

## Adj[1] Operating Margin



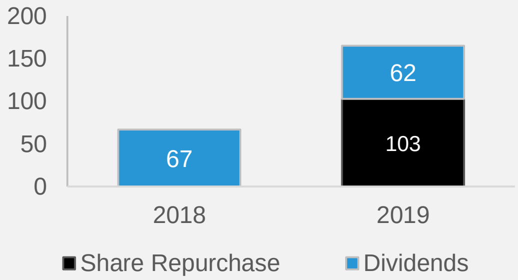

## Free Cash Flow[1] ($M)




Operating Cash Flow

$216 $226

## Shareholder Returns

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(1) Adjusted Measures, Free Cash Flow and Constant Currency: see Non-GAAP Financial Measures.

# Strategic Initiatives to Transform Xerox

| | | |
|---|---|---|
| **Optimize operations for simplicity** | | • Simplify operating model for greater accountability and efficiency<br>• Optimize the supply chain and supplier competitiveness<br>• Make it easier to do business with Xerox |
| **Drive revenue** | | • More effectively support customers<br>• Sell higher-value services and integrated solutions<br>• Expand software and services offerings |
| **Re-energize the innovation engine** | | • Focus investments in growing market segments such as AI and IoT<br>• Leverage expertise to develop differentiated technology<br>• Monetize new innovations |
| **Focus on cash flow and increasing capital returns** | | • Maximize cash flow generation<br>• Return at least 50% of free cash flow to shareholders<br>• Focus on ROI and internal rate of return to make capital allocation decisions |

# Frequently Asked Questions

### Why adopt a holding company structure?

The holding company structure provides more flexibility to develop and realize a range of strategic growth opportunities, whether incubated or acquired, as well as optionality to have these exist within or separate from our current Xerox business.

### What is the status of the potential sale of the leasing business?

We are evaluating strategic alternatives for our leasing business. It is possible that there may be no transaction. We are committed to maintaining a strong balance sheet while ensuring our clients continue to have seamless access to high-quality product offerings.

### When will you see benefits from the investments you are making?

We are at the early stage of investments. During our Investor Day, we committed to incremental investments of $0.32 in EPS (~$115M) in 2019 to support our strategic initiatives. With strong margin expansion in Q1, we are increasing investments in revenue-related initiatives in 2019. We expect to see benefits from those investments as we move through 2019 and into 2020.

### What is the progress of Project Own It?

Project Own It is on track to deliver at least $640M in gross savings in 2019, demonstrated through the 140 bps of adjusted operating margin expansion in Q1. A large majority of full year savings comes from actions that are already underway. For instance, we announced in Q1 the outsourcing of certain global administrative and support functions.

# Financial Results

| (in millions, except per share data) | Q1 2019 | Q1 2018 | B/(W) YOY | % Change YOY |
|---|---|---|---|---|
| **Revenue** | **$ 2,206** | **$ 2,435** | **$ (229)** | **(9.4)% AC (7.0)% CC[1]** |
| Gross Margin | 40.3% | 39.8% | 50 bps | |
| RD&E % | 4.2% | 4.1% | (10) bps | |
| SAG % | 24.8% | 25.8% | 100 bps | |
| **Operating Income – Adjusted[1]** | **$ 249** | **$ 242** | **$ 7** | **3%** |
| Operating Margin – Adjusted[1] | 11.3% | 9.9% | 140 bps | |
| **GAAP EPS** | **$ 0.55** | **$ 0.08** | **$ 0.47** | **nm** |
| **EPS – Adjusted[1]** | **$ 0.91** | **$ 0.68** | **$ 0.23** | **34%** |

(1) Adjusted Measures and Constant Currency: see Non-GAAP Financial Measures.

# Cash Flow

| (in millions) | Q1 2019 | Q1 2018 |
|---|---|---|
| Pre-tax Income | $ 83 | $ 134 |
| Non-cash add-backs[1] | 185 | 146 |
| Restructuring Payments | (33) | (54) |
| Pension Contributions | (34) | (38) |
| Working Capital, net[2] | (45) | 3 |
| Change in Finance Assets[3] | 110 | 93 |
| Other[4] | (40) | (68) |
| **Cash from Operations** | **$ 226** | **$ 216** |
| **Cash used in Investing** | **$ (18)** | **$ (2)** |
| **Cash used in Financing** | **$ (569)** | **$ (117)** |
| Ending Cash, Cash Equivalents and Restricted Cash[5] | $ 786 | $ 1,474 |
| **Free Cash Flow[6]** | **$ 211** | **$ 198** |

(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 inventory. (3) Includes equipment on operating leases (and its related depreciation) and finance receivables. (4) Includes other current and long-term assets and liabilities, accrued compensation, derivative assets and liabilities, other operating, net, distributions from net income of unconsolidated affiliates and taxes. (5) Includes $723M of cash and cash equivalents and $63M of restricted cash.
(6) Free Cash Flow: see Non-GAAP Financial Measures.



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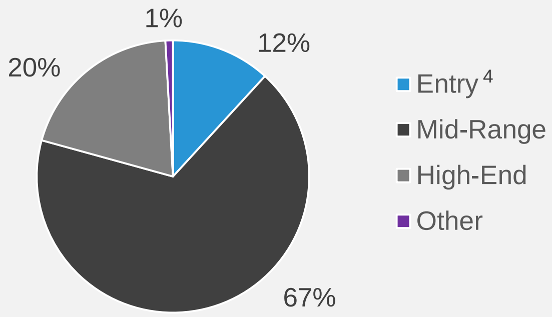
# Revenue

| (in millions) | Q1 2019 | % Mix | YOY Change AC | YOY Change CC[1] |
|---|---|---|---|---|
| Equipment | $ 448 | 20% | (10.2)% | (7.6)% |
| Post Sale | $1,758 | 80% | (9.2)% | (6.8)% |
| **Total Revenue** | **$2,206** | **100%** | **(9.4)%** | **(7.0)%** |
| Americas | 1,410 | 64% | (8.1)% | (7.5)% |
| EMEA | 712 | 32% | (10.4)% | (4.3)% |
| Other[2] | 84 | 4% | (20.0)% | (20.0)% |
| **Xerox Services[3]** | **$ 853** | **39%** | **(6.1)%** | **(2.9)%** |

## Equipment Revenue Breakdown




## Q1 Installs[5] (YOY Change)

| | Color | B&W |
|---|---|---|
| Entry A4 MFPs | 10% | (2)% |
| Mid-Range | (7)% | (19)% |
| High-End | (14)% | (12)% |

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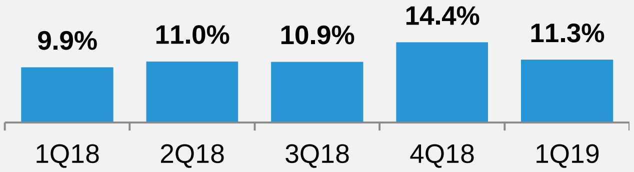
(1) Constant Currency: see Non-GAAP Financial Measures; (2) Other total revenue includes OEM business, sales to Fuji Xerox and licensing; (3) Xerox Services includes Intelligent Workplace Services (formerly MPS), Centralized Print Services (CPS), Workflow Automation and Communication and Marketing Solutions (CMS); (4) Entry revenue excludes OEM business, which is included in Other equipment revenue; (5) Entry installations exclude OEM sales; Mid-Range and High-End color installations exclude Fuji Xerox digital front-end sales.

# Profitability and Earnings

## Adjusted[1] Operating Margin

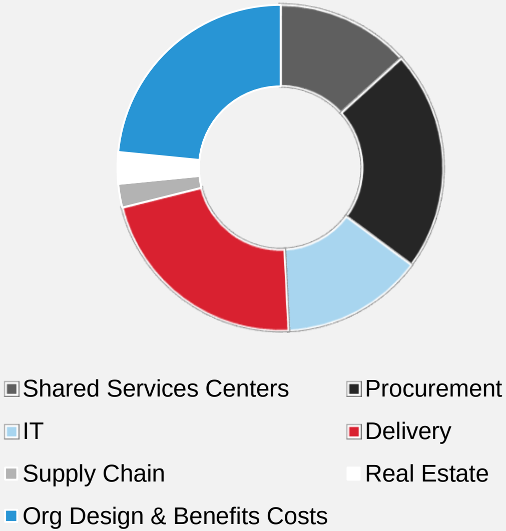



| Transaction Currency Impact | | | | |
|---|---|---|---|---|
| 70 bps | 60 bps | 40 bps | 10 bps | (30) bps |

## Adjusted[1] EPS


| GAAP | $0.08 | $0.42 | $0.34 | $0.56 | $0.55 |
|---|---|---|---|---|---|

## Project Own It Contribution:
At least $640M of Gross Savings in 2019




(1) Adjusted Measures: see Non-GAAP Financial Measures.

# Capital Structure

**Financing Debt $3.3B**
- Customer value proposition includes leasing of Xerox equipment
- Maintain 7:1 debt to equity leverage ratio on these finance assets

**Core Debt $1.5B**
- Core debt level less than 2x free cash flow
- Net core debt of $700M[1]
- $406M Mar 2019 Senior Notes repaid

**Pension $1.2B (net unfunded status as of 12/31/18)**
- ~$775M of the $1.2B net unfunded is attributable to certain plans that do not require funding
- Overall net global funded status of ~88%

## Debt Breakdown

As of March 31, 2019 ($B)

| | Finance Assets | Debt | Cash[2] |
|---|---|---|---|
| Financing | $ 3.8 | $ 3.3 | |
| Core | - | 1.5 | |
| Total Xerox | $ 3.8 | $ 4.8 | $ 0.8 |

## Debt Maturity Ladder ($B)


(1) Net core debt equals core debt net of cash, cash equivalents and restricted cash; (2) Cash, cash equivalents and restricted cash

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# Q1 Summary

**Executing on our strategic initiatives to transform Xerox for the long term**

**Positive Start to 2019 on Key Measures**

- Adjusted[1] EPS up 34% year-over year
- Adjusted[1] Operating Margin expansion of 140 basis points year-over-year
- Operating Cash Flow of $226M, up $10M year-over-year

**Raising Earnings and Share Repurchase Expectations**

- FY19 GAAP EPS range to $2.90 - $3.05 (from $2.60 - $2.70)
- FY19 Adjusted[1] EPS range to $3.80 to $3.95 (from $3.70 to $3.80)
- Share repurchase expectations from at least $300M to at least $600M

(1) Adjusted Measures: see Non-GAAP Financial Measures.



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# Appendix

# Operating Trends

| (in millions) | 2016 FY | 2017 FY | 2018 Q1 | 2018 Q2 | 2018 Q3 | 2018 Q4 | 2018 FY | 2019 Q1 |
|---|---|---|---|---|---|---|---|---|
| **Total Revenue** | **$10,771** | **$10,265** | **$2,435** | **$2,510** | **$2,352** | **$2,533** | **$9,830** | **$2,206** |
| *% Change* | *(6.1)%* | *(4.7)%* | *(0.8)%* | *(2.2)%* | *(5.8)%* | *(7.8)%* | *(4.2)%* | *(9.4)%* |
| *CC[1] % Change* | *(4.3)%* | *(4.7)%* | *(4.6)%* | *(4.0)%* | *(4.7)%* | *(6.1)%* | *(4.9)%* | *(7.0)%* |
| **Adj[1] Operating Margin** | 11.2% | 11.5% | 9.9% | 11.0% | 10.9% | 14.4% | 11.6% | 11.3% |
| **GAAP EPS[2]** | $2.33 | $0.70 | $0.08 | $0.42 | $0.34 | $0.56 | $1.38 | $0.55 |
| **Adj[1] EPS** | $3.49 | $3.45 | $0.68 | $0.80 | $0.85 | $1.14 | $3.46 | $0.91 |
| **Operating Cash Flow[3]** | $1,018 | $972 | $216 | $235 | $274 | $415 | $1,140 | $226 |
| **Free Cash Flow[3]** | $880 | $867 | $198 | $203 | $251 | $398 | $1,050 | $211 |

(1) Adjusted measures and constant currency: see Non-GAAP Financial Measures. (2) GAAP EPS from continuing operations (3) Operating Cash Flow and Free Cash Flow: 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

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 transformation programs 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 transformation programs 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. 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 transaction with Fuji, 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 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:* We excluded the following items given their discrete, unusual or infrequent nature and their impact on our results for the period.
  Fourth Quarter and Full Year 2018 - Contract termination costs associated with a minimum purchase commitment for IT services.
  Full Year 2017 - Losses on early extinguishment of debt.
  First Quarter 2019, Full Year 2017 and 2018 - Impacts associated with the Tax Cuts and Jobs Act (the "Tax Act") enacted in December 2017.

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 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.

*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 not the U.S. dollar. 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 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. In 2017, we also adjusted operating cash flows for the impacts associated with the incremental voluntary contributions to our U.S. defined benefit pension plans and the termination of our accounts receivable sales programs in the fourth quarter 2017. We adjusted for these impacts due to the one-time nature of the actions as well as to enable investors to better understand and analyze our operating cash flows as compared to prior periods and expected future trends.

**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 March 31, 2019 Net Income | Three Months Ended March 31, 2019 Diluted EPS | Three Months Ended March 31, 2018 Net Income | Three Months Ended March 31, 2018 Diluted EPS |
|---|---|---|---|---|
| **As Reported** [1] | $ 133 | **$ 0.55** | $ 23 | **$ 0.08** |
| Restructuring and related costs | 112 | | 28 | |
| Amortization of intangible assets | 15 | | 12 | |
| Transaction and Related costs, net | - | | 38 | |
| Non-service retirement-related costs | 13 | | 25 | |
| Loss on Extinguishment of Debt | - | | - | |
| ATOS Termination | - | | - | |
| Income tax on adjustments [2] | (31) | | (27) | |
| Restructuring and other charges - Fuji Xerox After Tax (3) | 12 | | 79 | |
| US Tax Act | (35) | | - | |
| Remeasurement of unrecognized tax positions | - | | - | |
| **Adjusted** | $ 219 | **$ 0.91** | $ 178 | **$ 0.68** |
| Weighted average shares for adjusted EPS [4] | | 240 | | 264 |
| Fully diluted shares at end of period [5] | | 238 | | |

(1) Net Income and EPS from continuing operations attributable to Xerox.
(2) Refer to Effective Tax Rate reconciliation.
(3) Other charges in 2018 represent withholding tax on distributions to the Parent and audit fees.
(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 March 31, 2019 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 2019.

# Effective Tax Rate reconciliation

| (in millions) | Three Months Ended March 31, 2019 | | | Three Months Ended March 31, 2018 | | |
|---|---|---|---|---|---|---|
| | Pre-Tax Income | Income Tax (Benefit) Expense | Effective Tax Rate | Pre-Tax Income | Income Tax Expense | Effective Tax Rate |
| **Reported[(1)]** | **$ 83** | **$ (8)** | **(9.6)%** | **$ 134** | **$ 40** | **29.9%** |
| Non-GAAP Adjustments[(2)] | 140 | 31 | | 103 | 27 | |
| Tax ACT | - | 35 | | - | - | |
| **Adjusted - revised [(3)]** | **$ 223** | **$ 58** | **26.0%** | **$ 237** | **$ 67** | **28.3%** |

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

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

(3) The tax impact on Adjusted Pre-Tax Income is calculated under the same accounting principles applied to the 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 March 31, 2019 Profit | Three Months Ended March 31, 2019 Revenue | Three Months Ended March 31, 2019 Margin | Three Months Ended March 31, 2018 Profit | Three Months Ended March 31, 2018 Revenue | Three Months Ended March 31, 2018 Margin |
|---|---|---|---|---|---|---|
| **Reported** [1] | $ 83 | $ 2,206 | 3.8% | $ 134 | $ 2,435 | 5.5% |
| Restructuring and related costs | 112 | | | 28 | | |
| Amortization of intangible assets | 15 | | | 12 | | |
| Transaction and related costs, net | - | | | 38 | | |
| Other expenses, net | 39 | | | 30 | | |
| **Adjusted** | $ 249 | $ 2,206 | 11.3% | $ 242 | $ 2,435 | 9.9% |

[1] Pre-Tax Income and revenue

# Free Cash Flow reconciliation

| | Three Months Ended March 31, | |
|---|---|---|
| (in millions) | 2019 | 2018 |
| **Reported[1]** | $ 226 | $ 216 |
| Capital expenditures | (15) | (18) |
| **Free Cash Flow** | $ 211 | $ 198 |

[1] Net cash provided by operating activities.

# Net Income and EPS reconciliation - historical

| (in millions, except per share amounts) | Year Ended December 31, 2016 Net Income | Year Ended December 31, 2016 EPS | Year Ended December 31, 2017 Net Income | Year Ended December 31, 2017 EPS | Q1-18 Net Income | Q1-18 EPS | Q2-18 Net Income | Q2-18 EPS | Q3-18 Net Income | Q3-18 EPS | Q4-18 Net Income | Q4-18 EPS | Year Ended December 31, 2018 Net Income | Year Ended December 31, 2018 EPS |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Reported** [1] | $ 622 | $ 2.33 | $ 192 | $ 0.70 | $ 23 | $ 0.08 | $ 112 | $ 0.42 | $ 89 | $ 0.34 | $ 137 | $ 0.56 | $ 361 | $ 138 |
| Restructuring and related costs | 259 | | 216 | | 28 | | 34 | | 29 | | 67 | | 158 | |
| Amortization of intangible assets | 58 | | 53 | | 12 | | 12 | | 12 | | 12 | | 48 | |
| Transaction and related costs, net | - | | 9 | | 38 | | 58 | | (33) | | 5 | | 68 | |
| Non-service retirement-related costs | 121 | | 188 | | 25 | | 25 | | 33 | | 67 | | 150 | |
| Loss on early extinguishment of debt | - | | 20 | | - | | - | | - | | - | | - | |
| Contract termination costs - IT services | - | | - | | - | | - | | - | | 43 | | 43 | |
| Income tax on adjustments | (145) | | (166) | | (27) | | (32) | | (10) | | (50) | | (119) | |
| Restructuring and other charges - Fuji Xerox [2] | 3 | | 10 | | 79 | | 4 | | 7 | | 5 | | 95 | |
| Tax Act | - | | 400 | | - | | - | | 95 | | (6) | | 89 | |
| Remeasurement of unrecognized tax positions | - | | (16) | | - | | - | | - | | - | | - | |
| **Adjusted** | $ 918 | $ 3.49 | $ 906 | $ 3.45 | $ 178 | $ 0.68 | $ 213 | $ 0.80 | $ 222 | $ 0.85 | $ 280 | $ 114 | $ 893 | $ 3.46 |
| Dividends on preferred stock used in adjusted EPS calculation [3] | | $ 24 | | $ - | | $ - | | $ - | | $ - | | $ - | | $ - |
| Weighted average shares for adjusted EPS [3] | | 256 | | 263 | | 264 | | 265 | | 261 | | 246 | | 258 |
| Fully diluted shares at March 31, 2019 [4] | | | | | | | | | | | | | | |

*[1] Net Income and EPS from continuing operations attributable to Xerox.*
*[2] Other charges in 2018 represent costs associated with the terminated combination transaction.*
*[3] 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, as applicable.*
*[4] Represents common shares outstanding at March 31, 2019 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 perid ended March 31, 2019.*

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# Operating Income / Margin reconciliation - historical

| (in millions) | Year Ended December 31, 2016 Profit | Year Ended December 31, 2016 Revenue | Year Ended December 31, 2016 Margin | Year Ended December 31, 2017 Profit | Year Ended December 31, 2017 Revenue | Year Ended December 31, 2017 Margin | Q1-18 Profit | Q1-18 Revenue | Q1-18 Margin | Q2-18 Profit | Q2-18 Revenue | Q2-18 Margin | Q3-18 Profit | Q3-18 Revenue | Q3-18 Margin | Q4-18 Profit | Q4-18 Revenue | Q4-18 Margin | Year Ended December 31, 2018 Profit | Year Ended December 31, 2018 Revenue | Year Ended December 31, 2018 Margin |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Reported** [(1)] | $ 568 | $ 10,771 | 5.3% | $ 570 | $ 10,265 | 5.6% | $ 134 | $2,435 | 5.5% | $ 133 | $2,510 | 5.3% | $ 192 | $2,352 | 8.2% | $ 139 | $2,533 | 5.5% | $ 598 | $9,830 | 6.1% |
| **Adjustments:** | | | | | | | | | | | | | | | | | | | | | |
| Restructuring and related costs | 259 | | | 216 | | | 28 | | | 34 | | | 29 | | | 67 | | | 158 | | |
| Amortization of intangible assets | 58 | | | 53 | | | 12 | | | 12 | | | 12 | | | 12 | | | 48 | | |
| Transaction and related costs, net | - | | | 9 | | | 38 | | | 58 | | | (33) | | | 5 | | | 68 | | |
| Other expenses, net | 321 | | | 329 | | | 30 | | | 39 | | | 57 | | | 142 | | | 268 | | |
| **Adjusted** | $1,206 | $ 10,771 | 11.2% | $ 1,177 | $ 10,265 | 11.5% | $ 242 | $2,435 | 9.9% | $ 276 | $2,510 | 11.0% | $ 257 | $2,352 | 10.9% | $ 365 | $2,533 | 14.4% | $1,140 | $9,830 | 11.6% |

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

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# Free Cash Flow reconciliation - historical

| (in millions, except per share amounts) | Year Ended December 31, 2016 | Year Ended December 31, 2017 | Q1-18 | Q2-18 | Q3-18 | Q4-18 | Year Ended December 31, 2018 |
|---|---|---|---|---|---|---|---|
| **Reported** [1] | $ 716 | $ (179) | $ 216 | $ 235 | $ 274 | $ 415 | $ 1,140 |
| Incremental Voluntary contributions to U.S. defined benefit pension plans | - | 500 | - | - | - | - | - |
| Collections on beneficial interests received in sales of receivables | 270 | 234 | - | - | - | - | - |
| Elimination of certain accounts receivables sales programs | - | 350 | - | - | - | - | - |
| Restricted cash - classification change[2] | 32 | 67 | - | - | - | - | - |
| **Operating Cash Flows from Continuing Operations - Adjusted** | $ 1,018 | $ 972 | $ 216 | $ 235 | $ 274 | $ 415 | $ 1,140 |
| Capital expenditures | (138) | (105) | (18) | (32) | (23) | (17) | (90) |
| **Free Cash Flow from Continuing Operations** | $ 880 | $ 867 | $ 198 | $ 203 | $ 251 | $ 398 | $ 1,050 |

[1] *Net cash provided by (used in) operating activities from continuing operations.*

[2] *Per ASU 2016-18, Statement of Cash Flows - Restricted Cash, restricted cash and restricted cash equivalents should be included with Cash and cash equivalents when reconciling beginning and end-of-period amounts per the Statement of Cash Flows.*