

Xerox Financial Model
(unaudited)

(in \$ millions, except per-share data)

	2016	2017					2018					2019		
	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	YTD	Q1	Q2	YTD
Total Revenues	10,771	2,454	2,567	2,497	2,747	10,265	2,435	2,510	2,352	2,533	9,830	2,206	2,289	4,495
Cost of Revenue														
Cost of sales	2,456	527	589	548	683	2,347	532	593	539	631	2,295	464	552	1,016
Cost of services, maintenance, and rentals	3,882	919	902	915	922	3,658	899	883	838	856	3,476	821	807	1,628
Cost of financing	128	33	33	33	34	133	34	33	33	32	132	32	33	65
Total Cost of Revenue	6,466	1,479	1,524	1,496	1,639	6,138	1,465	1,509	1,410	1,519	5,903	1,317	1,392	2,709
Gross Profit														
Sales gross profit	1,405	316	327	324	370	1,337	313	334	317	362	1,326	286	273	559
Services, maintenance and rentals gross profit	2,703	616	675	637	701	2,629	620	632	593	620	2,465	572	596	1,168
Financing gross profit	197	43	41	40	37	161	37	35	32	32	136	31	28	59
Gross Profit	4,305	975	1,043	1,001	1,108	4,127	970	1,001	942	1,014	3,927	889	897	1,786
Research, development & engineering	463	111	102	105	106	424	100	101	102	94	397	92	88	180
Bad Debt Expense	37	13	9	8	3	33	13	12	10	1	36	13	12	25
Selling, administrative and general exp. (Excl Bad Debts)	2,599	621	617	622	633	2,493	615	612	573	554	2,354	535	507	1,042
Total Selling, administrative and general exp.	2,636	634	626	630	636	2,526	628	624	583	555	2,390	548	519	1,067
Non-financing interest expense	181	36	24	29	30	119	29	27	28	28	112	27	26	53
Aggregate Exchange losses / (gains)	13	3	1	-	-	4	(2)	1	3	3	5	2	-	2
All other, net	127	75	43	23	65	206	3	11	26	111	151	10	12	22
Total Other, net	321	114	68	52	95	329	30	39	57	142	268	39	38	77
Restructuring and related costs	259	118	39	35	24	216	28	34	29	67	158	112	37	149
Amortization of intangible assets	58	14	15	12	12	53	12	12	12	12	48	15	11	26
Transaction and related costs	-	-	-	-	9	9	38	58	(33)	5	68	-	4	4
Total Costs and Expenses	10,203	2,470	2,374	2,330	2,521	9,695	2,301	2,377	2,160	2,394	9,232	2,123	2,089	4,212
Income (Loss) before Income Taxes & Equity Income	568	(16)	193	167	226	570	134	133	192	139	598	83	200	283
Income Taxes	62	(24)	43	18	444	481	40	38	142	37	257	(8)	50	42
Equity in net income of unconsolidated affiliates	127	40	20	30	25	115	(68)	19	43	39	33	45	34	79
Income from Continuing Operations	633	48	170	179	(193)	204	26	114	93	141	374	136	184	320
(Loss) Income from discontinued operations, net of tax	(1,093)	(6)	-	3	6	3	-	-	-	-	-	-	-	-
Net Income (Loss)	(460)	42	170	182	(187)	207	26	114	93	141	374	136	184	320
Less: Net Income attributable to Noncontrolling Interests	11	2	4	3	3	12	3	2	4	4	13	3	3	6
Net Income (Loss) Attributable to Xerox	(471)	40	166	179	(190)	195	23	112	89	137	361	133	181	314
Amounts Attributable to Xerox														
Net income from continuing operations	622	46	166	176	(196)	192	23	112	89	137	361	133	181	314
(Loss) Income from discontinued operations, net of tax	(1,093)	(6)	-	3	6	3	-	-	-	-	-	-	-	-
Net Income (Loss) Attributable to Xerox	(471)	40	166	179	(190)	195	23	112	89	137	361	133	181	314
Preferred Dividends/	- Basic	24	4	3	4	3	4	3	4	3	14	4	3	7
Other	- Diluted *	24	4	-	-	3	4	3	4	-	14	-	-	-
Weighted Average Shares	- Basic	253	254	254	255	254	255	255	251	236	249	229	224	226

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	2016	2017					2018					2019		
	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	YTD	Q1	Q2	YTD
- Diluted *	256	256	263	263	255	257	257	258	254	246	252	240	235	237
Earnings Per Share														
- Basic:														
Continuing operations	2.36	0.17	0.64	0.68	(0.78)	0.70	0.08	0.42	0.34	0.56	1.40	0.57	0.79	1.36
Discontinued operations	(4.31)	(0.03)	-	0.01	0.02	0.01	-	-	-	-	-	-	-	-
<u>Total Basic Earnings (Loss) per Share</u>	<u>(1.95)</u>	<u>0.14</u>	<u>0.64</u>	<u>0.69</u>	<u>(0.76)</u>	<u>0.71</u>	<u>0.08</u>	<u>0.42</u>	<u>0.34</u>	<u>0.56</u>	<u>1.40</u>	<u>0.57</u>	<u>0.79</u>	<u>1.34</u>
- Diluted:														
Continuing operations	2.33	0.16	0.63	0.67	(0.78)	0.70	0.08	0.42	0.34	0.56	1.38	0.55	0.77	1.32
Discontinued operations	(4.26)	(0.02)	-	0.01	0.02	0.01	-	-	-	-	-	-	-	-
<u>Total Diluted Earnings (Loss) per Share</u>	<u>(1.93)</u>	<u>0.14</u>	<u>0.63</u>	<u>0.68</u>	<u>(0.76)</u>	<u>0.71</u>	<u>0.08</u>	<u>0.42</u>	<u>0.34</u>	<u>0.56</u>	<u>1.38</u>	<u>0.55</u>	<u>0.77</u>	<u>1.32</u>
Key Ratios - GAAP:														
Gross Margins														
- Sales	36.4%	37.5%	35.7%	37.2%	35.1%	36.3%	37.0%	36.0%	37.0%	36.5%	36.6%	38.1%	33.1%	35.5%
- Services/Maintenance/Rentals	41.0%	40.1%	42.8%	41.0%	43.2%	41.8%	40.8%	41.7%	41.4%	42.0%	41.5%	41.1%	42.5%	41.8%
- Financing	60.6%	56.6%	55.4%	54.8%	52.1%	54.8%	52.1%	51.5%	49.2%	50.0%	50.7%	49.2%	45.9%	47.6%
- Total	40.0%	39.7%	40.6%	40.1%	40.3%	40.2%	39.8%	39.9%	40.1%	40.0%	39.9%	40.3%	39.2%	39.7%
SAG as a % of Revenue	24.5%	25.8%	24.4%	25.2%	23.2%	24.6%	25.8%	24.9%	24.8%	21.9%	24.3%	24.8%	22.7%	23.7%
Tax Rate	10.9%	150.0%	22.3%	10.8%	196.5%	84.4%	29.9%	28.6%	74.0%	26.6%	43.0%	-9.6%	25.0%	14.8%
Ending Xerox Employment	37,600	37,200	36,900	36,100	35,300	35,300	35,000	34,300	33,200	32,400	32,400	30,900	27,900	27,900

*For those periods that exclude the preferred stock dividend the average shares for the calculations of diluted EPS include 7 million shares associated with our Series A or Series B convertible preferred stock.

**Xerox Financial Model - Non-GAAP basis
(unaudited)**

Non-GAAP basis is adjusted to exclude restructuring and related costs, amortization of intangible assets, transaction and related costs, non-service retirement-related costs as well as other discrete, unusual or infrequent items as described in our Non-GAAP Financial Measures section of our Quarterly Reports on Form 10-Q and our Annual Report on Form 10-K

(in \$ millions, except per-share data)

	2016	2017				2018					2019			
	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	YTD	Q1	Q2	YTD
Revenues														
Sales	3,861	843	916	872	1,053	3,684	845	927	856	993	3,621	750	825	1,575
Services, maintenance and rentals	6,585	1,535	1,577	1,552	1,623	6,287	1,519	1,515	1,431	1,476	5,941	1,393	1,403	2,796
Financing	325	76	74	73	71	294	71	68	65	64	268	63	61	124
Total Revenues	10,771	2,454	2,567	2,497	2,747	10,265	2,435	2,510	2,352	2,533	9,830	2,206	2,289	4,495
Cost of Revenue														
Cost of sales	2,456	527	589	548	683	2,347	532	593	539	631	2,295	464	552	1,016
Cost of services, maintenance and rentals	3,882	919	902	915	922	3,658	899	883	838	856	3,476	821	807	1,628
Cost of financing	128	33	33	33	34	133	34	33	33	32	132	32	33	65
Total Cost of Revenue	6,466	1,479	1,524	1,496	1,639	6,138	1,465	1,509	1,410	1,519	5,903	1,317	1,392	2,709
Gross Profit														
Sales gross profit	1,405	316	327	324	370	1,337	313	334	317	362	1,326	286	273	559
Services, maintenance and rentals gross profit	2,703	616	675	637	701	2,629	620	632	593	620	2,465	572	596	1,168
Financing gross profit	197	43	41	40	37	161	37	35	32	32	136	31	28	59
Gross Profit	4,305	975	1,043	1,001	1,108	4,127	970	1,001	942	1,014	3,927	889	897	1,786
Research, development & engineering	463	111	102	105	106	424	100	101	102	94	397	92	88	180
Bad Debt Expense	37	13	9	8	3	33	13	12	10	1	36	13	12	25
Selling, administrative and general exp. (Excl Bad Debts)	2,599	621	617	622	633	2,493	615	612	573	554	2,354	535	507	1,042
Total Selling, administrative and general exp.	2,636	634	626	630	636	2,526	628	624	583	555	2,390	548	519	1,067
Non-financing interest expense	181	36	24	29	30	119	29	27	28	28	112	27	26	53
Aggregate Exchange losses / (gains)	13	3	1	-	-	4	(2)	1	3	3	5	2	-	2
All other, net	6	2	9	(12)	(1)	(2)	(22)	(14)	(7)	1	(42)	(3)	2	(1)
Total Other, net	200	41	34	17	29	121	5	14	24	32	75	26	28	54
Total Costs and Expenses	9,765	2,265	2,286	2,248	2,410	9,209	2,198	2,248	2,119	2,200	8,765	1,983	2,027	4,010
Income before Income Taxes & Equity Income	1,006	189	281	249	337	1,056	237	262	233	333	1,065	223	262	485
Income Taxes	207	51	76	48	88	263	67	70	57	93	287	58	67	125
Equity in Net Income of Unconsol. Affil.	130	40	23	36	26	125	11	23	50	44	128	57	41	98
Income from Continuing Operations	929	178	228	237	275	918	181	215	226	284	906	222	236	458
Less: Net Income attributable to Noncontrolling Interests	11	2	4	3	3	12	3	2	4	4	13	3	3	6
Net Income from Continuing Operations Attributable to Xerox	918	176	224	234	272	906	178	213	222	280	893	219	233	452

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(in \$ millions, except per-share data)

	2016	2017				2018					2019			
	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	YTD	Q1	Q2	YTD
Earnings Per Share														
Continuing Operations:														
Preferred Dividends - Adjusted EPS *	(24)	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted Earnings per Share	3.49	0.67	0.86	0.89	1.03	3.45	0.68	0.80	0.85	1.14	3.46	0.91	0.99	1.90
Adjusted Weighted Average Shares *	256	263	263	263	264	263	264	265	261	246	258	240	235	237
Key Ratios - Adjusted:														
Gross Margins														
- Sales	36.4%	37.5%	35.7%	37.2%	35.1%	36.3%	37.0%	36.0%	37.0%	36.5%	36.6%	38.1%	33.1%	35.5%
- Services/Maintenance/Rentals	41.0%	40.1%	42.8%	41.0%	43.2%	41.8%	40.8%	41.7%	41.4%	42.0%	41.5%	41.1%	42.5%	41.8%
- Financing	60.6%	56.6%	55.4%	54.8%	52.1%	54.8%	52.1%	51.5%	49.2%	50.0%	50.7%	49.2%	45.9%	47.6%
- Total	40.0%	39.7%	40.6%	40.1%	40.3%	40.2%	39.8%	39.9%	40.1%	40.0%	39.9%	40.3%	39.2%	39.7%
Adjusted Operating Margin	11.2%	9.4%	12.3%	10.7%	13.3%	11.5%	9.9%	11.0%	10.9%	14.4%	11.6%	11.3%	12.7%	12.0%
SAG as a % of Revenue	24.5%	25.8%	24.4%	25.2%	23.2%	24.6%	25.8%	24.9%	24.8%	21.9%	24.3%	24.8%	22.7%	23.7%
Adjusted Effective Tax Rate	20.6%	27.0%	27.0%	19.3%	26.1%	24.9%	28.3%	26.7%	24.5%	27.9%	26.9%	26.0%	25.6%	25.8%
Non-GAAP Adjustments:														
Restructuring and related costs	259	118	39	35	24	216	28	34	29	67	158	112	37	149
Amortization of intangible assets	58	14	15	12	12	53	12	12	12	12	48	15	11	26
Non-service retirement-related costs	121	60	34	35	59	188	25	25	33	67	150	13	10	23
Contract termination costs - IT service provider	-	-	-	-	-	-	-	-	-	43	43	-	-	-
Transaction and related costs	-	-	-	-	9	9	38	58	(33)	5	68	-	4	4
Loss on early extinguishment of debt	-	13	-	-	7	20	-	-	-	-	-	-	-	-
Restructuring and other charges - Fuji Xerox	3	-	3	6	1	10	79	4	7	5	95	12	7	19
Remeasurement of unrecognized tax positions	-	(16)	-	-	-	(16)	-	-	-	-	-	-	-	-
Tax on adjusted items	(145)	(59)	(33)	(30)	(44)	(166)	(27)	(32)	(10)	(50)	(119)	(31)	(17)	(48)
US Tax Act	-	-	-	-	400	400	-	-	95	(6)	89	(35)	-	(35)
Total Non-GAAP Adjustments	296	130	58	58	468	714	155	101	133	143	532	86	52	138

*For those periods that exclude the preferred stock dividend the average shares for the calculations of diluted EPS include 7 million shares associated with our Series A or Series B convertible preferred stock.

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(unaudited)

(in \$ millions)	2018					2019	2019	2019	2019	2019
									YOY CC	YOY CC
	%	%								
	Q1	Q2	Q3	Q4	FY	Q1	Q2	YTD	Change	Change
									Q2	YTD
									%	%
Revenue										
Entry	53	62	56	66	237	53	52	105	(14.5)%	(6.4)%
Mid-range	334	390	351	418	1,493	302	350	652	(9.3)%	(8.3)%
High-end	92	100	94	138	424	89	97	186	(0.5)%	(0.5)%
Other	20	9	10	7	46	4	5	9	(44.4)%	(69.0)%
Total Equipment Revenue	499	561	511	629	2,200	448	504	952	(9.0)%	(8.4)%
Americas	1,535	1,612	1,545	1,616	6,308	1,410	1,504	2,914	(6.3)%	(6.9)%
EMEA	795	799	713	830	3,137	712	708	1,420	(7.1)%	(5.7)%
Other	105	99	94	87	385	84	77	161	(22.2)%	(21.1)%
Total Revenue	2,435	2,510	2,352	2,533	9,830	2,206	2,289	4,495	(7.2)%	(7.1)%
Installs (1)										
Entry A4 MFPs										
Color	4%	21%	(8)%	11%	12%	10%	(12)%	(3)%		
B&W	18%	21%	21%	9%	17%	(2)%	1%	-		
Mid-range										
Color	16%	29%	8%	3%	10%	(7)%	(12)%	(10)%		
B&W	11%	13%	19%	1%	8%	(19)%	(9)%	(13)%		
High-end										
Color	6%	(9)%	(17)%	(12)%	(9)%	(14)%	1%	(6)%		
B&W	(9)%	(12)%	(3)%	(34)%	(18)%	(12)%	(33)%	(22)%		

Notes:

(1) Entry installations exclude OEM sales; Mid-range and High-end color installations exclude Fuji Xerox digital front-end sales.

CC = Constant Currency