UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

# FORM 10-Q

**(Mark One)**

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended: March 31, 2022**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from to**

# XEROX HOLDINGS CORPORATION
# XEROX CORPORATION

(Exact Name of Registrant as specified in its charter)

| | | |
|---|---|---|
| **New York** | **001-39013** | **83-3933743** |
| **New York** | **001-04471** | **16-0468020** |
| (State or other jurisdiction of incorporation or organization) | (Commission File Number) | (IRS Employer Identification No.) |

**P.O. Box 4505, 201 Merritt 7**
**Norwalk, Connecticut 06851-1056**
(Address of principal executive offices)

**(203) 849-5216**
(Registrant's telephone number, including area code)

**Securities registered pursuant to Section 12(b) of the Act:**

| | | |
|---|---|---|
| **Xerox Holdings Corporation Common Stock, $1 par value** | **XRX** | **Nasdaq Global Select Market** |
| (Title of each class) | (Trading Symbol) | (Name of each exchange on which registered) |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

**Xerox Holdings Corporation** Yes ☒ No ☐ **Xerox Corporation** Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

**Xerox Holdings Corporation** Yes ☒ No ☐ **Xerox Corporation** Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| **Xerox Holdings Corporation** | | **Xerox Corporation** | |
|---|---|---|---|
| Large accelerated filer | ☒ | Large accelerated filer | ☐ |
| Accelerated filer | ☐ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ | Non-accelerated filer | ☒ |
| Smaller reporting company | ☐ | Smaller reporting company | ☐ |
| Emerging growth company | ☐ | Emerging growth company | ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

**Xerox Holdings Corporation** o **Xerox Corporation** o

Indicate by a check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

**Xerox Holdings Corporation** Yes ☐ No ☒ **Xerox Corporation** Yes ☐ No ☒

| **Class** | **Outstanding at April 30, 2022** |
|---|---|
| Xerox Holdings Corporation Common Stock, $1 par value | 154,862,456 shares |

## Forward-Looking Statements

This document, 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: the effects of pandemics, such as the COVID-19 pandemic, on our and our customers' businesses and the duration and extent to which this will impact our future results of operations and overall financial performance; 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 successfully develop new products, technologies and service offerings and to protect our intellectual property rights; reliance on third parties, including subcontractors, for manufacturing of products and provision of services and the shared service arrangements entered into by us as part of Project Own It; our ability to attract and retain key personnel; 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 or that cyberattacks could result in a shutdown of our systems; 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 and transformation actions; our ability to manage changes in the printing environment like the decline in the volume of printed pages and extension of equipment placements; 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 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; interest rates, cost of borrowing and access to credit markets; the imposition of new or incremental trade protection measures such as tariffs and import or export restrictions; funding requirements associated with our employee pension and retiree health benefit plans; changes in foreign currency exchange rates; 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; and any impacts resulting from the restructuring of our relationship with Fujifilm Holdings Corporation.

Additional risks that may affect Xerox’s operations 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 this combined Quarterly Report on Form 10-Q, and Xerox Holdings Corporation’s and Xerox Corporation’s combined 2021 Annual Report on Form 10-K, as well as in Xerox Holdings Corporation’s and Xerox Corporation’s Current Reports on Form 8-K filed with the Securities and Exchange Commission. These forward-looking statements speak only as of the date of this document or as of the date to which they refer, and we assume no obligation to update any forward-looking statements as a result of new information or future events or developments, except as required by law.

Throughout this combined Quarterly Report on Form 10-Q (combined Form 10-Q), references to “Xerox Holdings” refer to Xerox Holdings Corporation and its consolidated subsidiaries while references to “Xerox” refer to Xerox Corporation and its consolidated subsidiaries. References herein to “we,” “us,” “our,” the “Company” refer collectively to both Xerox Holdings and Xerox unless the context suggests otherwise. References to “Xerox Holdings Corporation” refer to the stand-alone parent company and do not include its subsidiaries. References to “Xerox Corporation” refer to the stand-alone company and do not include subsidiaries.

Xerox Holdings Corporation's primary direct operating subsidiary is Xerox and therefore Xerox reflects nearly all of Xerox Holdings' operations.

**XEROX HOLDINGS CORPORATION**
**XEROX CORPORATION**
**FORM 10-Q**
**March 31, 2022**

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For additional information about Xerox Holdings Corporation and Xerox Corporation and access to our Annual Reports to Shareholders and SEC filings, free of charge, please visit our website at www.xerox.com/investor. The content of our website is not incorporated by reference into this combined Form 10-Q unless expressly noted.

## PART I — FINANCIAL INFORMATION
## ITEM 1 — FINANCIAL STATEMENTS

## XEROX HOLDINGS CORPORATION
## CONDENSED CONSOLIDATED STATEMENTS OF (LOSS) INCOME (UNAUDITED)

| (in millions, except per-share data) | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 |
|---|---|---|
| **Revenues** | | |
| Sales | $ 592 | $ 602 |
| Services, maintenance and rentals | 1,023 | 1,053 |
| Financing | 53 | 55 |
| **Total Revenues** | 1,668 | 1,710 |
| **Costs and Expenses** | | |
| Cost of sales | 435 | 420 |
| Cost of services, maintenance and rentals | 679 | 651 |
| Cost of financing | 24 | 28 |
| Research, development and engineering expenses | 78 | 74 |
| Selling, administrative and general expenses | 455 | 448 |
| Restructuring and related costs, net | 18 | 17 |
| Amortization of intangible assets | 11 | 15 |
| Other expenses, net | 57 | 4 |
| **Total Costs and Expenses** | 1,757 | 1,657 |
| **(Loss) Income before Income Taxes and Equity Income** | (89) | 53 |
| Income tax (benefit) expense | (31) | 14 |
| Equity in net income of unconsolidated affiliates | 1 | — |
| **Net (Loss) Income** | (57) | 39 |
| Less: Net loss attributable to noncontrolling interests | (1) | — |
| **Net (Loss) Income Attributable to Xerox Holdings** | $ (56) | $ 39 |
| | | |
| **Basic (Loss) Earnings per Share** | $ (0.38) | $ 0.18 |
| **Diluted (Loss) Earnings per Share** | $ (0.38) | $ 0.18 |

*The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.*

## XEROX HOLDINGS CORPORATION
## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME (UNAUDITED)

| (in millions) | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 |
|---|---|---|
| **Net (Loss) Income** | $ (57) | $ 39 |
| Less: Net loss attributable to noncontrolling interests | (1) | — |
| **Net (Loss) Income Attributable to Xerox Holdings** | (56) | 39 |
| | | |
| **Other Comprehensive (Loss) Income, Net**[(1)] | | |
| Translation adjustments, net | (72) | (51) |
| Unrealized losses, net | (11) | (7) |
| Changes in defined benefit plans, net | 39 | 55 |
| **Other Comprehensive Loss, Net Attributable to Xerox Holdings** | (44) | (3) |
| | | |
| **Comprehensive (Loss) Income, Net** | (101) | 36 |
| Less: Comprehensive loss, net attributable to noncontrolling interests | (1) | — |
| **Comprehensive (Loss) Income, Net Attributable to Xerox Holdings** | $ (100) | $ 36 |

*(1) Refer to Note 19 - Other Comprehensive (Loss) Income for gross components of Other comprehensive loss, net, reclassification adjustments out of Accumulated other comprehensive loss and related tax effects.*

*The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.*

## XEROX HOLDINGS CORPORATION
## CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

| (in millions, except share data in thousands) | March 31, 2022 | December 31, 2021 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 1,681 | $ 1,840 |
| Accounts receivable (net of allowance of $63 and $58, respectively) | 807 | 818 |
| Billed portion of finance receivables (net of allowance of $3 and $4, respectively) | 89 | 94 |
| Finance receivables, net | 1,023 | 1,042 |
| Inventories | 732 | 696 |
| Other current assets | 234 | 211 |
| Total current assets | 4,566 | 4,701 |
| Finance receivables due after one year (net of allowance of $117 and $114, respectively) | 1,893 | 1,934 |
| Equipment on operating leases, net | 254 | 253 |
| Land, buildings and equipment, net | 350 | 358 |
| Intangible assets, net | 240 | 211 |
| Goodwill | 3,300 | 3,287 |
| Deferred tax assets | 528 | 519 |
| Other long-term assets | 1,951 | 1,960 |
| **Total Assets** | $ 13,082 | $ 13,223 |
| **Liabilities and Equity** | | |
| Short-term debt and current portion of long-term debt | $ 1,450 | $ 650 |
| Accounts payable | 1,183 | 1,069 |
| Accrued compensation and benefits costs | 258 | 239 |
| Accrued expenses and other current liabilities | 878 | 871 |
| Total current liabilities | 3,769 | 2,829 |
| Long-term debt | 2,821 | 3,596 |
| Pension and other benefit liabilities | 1,359 | 1,373 |
| Post-retirement medical benefits | 247 | 277 |
| Other long-term liabilities | 473 | 481 |
| **Total Liabilities** | 8,669 | 8,556 |
| | | |
| **Commitments and Contingencies (See Note 21)** | | |
| | | |
| **Noncontrolling Interests** | 10 | 10 |
| | | |
| **Convertible Preferred Stock** | 214 | 214 |
| | | |
| Common stock | 156 | 168 |
| Additional paid-in capital | 1,560 | 1,802 |
| Treasury stock, at cost | (32) | (177) |
| Retained earnings | 5,532 | 5,631 |
| Accumulated other comprehensive loss | (3,032) | (2,988) |
| Xerox Holdings shareholders' equity | 4,184 | 4,436 |
| Noncontrolling interests | 5 | 7 |
| **Total Equity** | 4,189 | 4,443 |
| **Total Liabilities and Equity** | $ 13,082 | $ 13,223 |
| | | |
| Shares of common stock issued | 156,358 | 168,069 |
| Treasury stock | (1,508) | (8,675) |
| **Shares of Common Stock Outstanding** | 154,850 | 159,394 |

*The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.*

## XEROX HOLDINGS CORPORATION
## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

| (in millions) | Three Months Ended March 31, 2022 | 2021 |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Net (Loss) Income | $ (57) | $ 39 |
| **Adjustments required to reconcile Net (loss) income to Cash flows from operating activities** | | |
| Depreciation and amortization | 72 | 86 |
| Provisions | 19 | 20 |
| Stock-based compensation | 15 | 16 |
| Restructuring and asset impairment charges | 20 | 21 |
| Payments for restructuring | (7) | (27) |
| Non-service retirement-related costs(1) | (7) | (20) |
| Contributions to retirement plans(1) | (38) | (41) |
| Decrease in accounts receivable and billed portion of finance receivables | 13 | 92 |
| Increase in inventories | (31) | (18) |
| Increase in equipment on operating leases | (36) | (28) |
| Decrease in finance receivables | 41 | 37 |
| (Increase) decrease in other current and long-term assets | (1) | 18 |
| Increase (decrease) in accounts payable | 111 | (31) |
| Increase (decrease) in accrued compensation(1) | 22 | (10) |
| Decrease in other current and long-term liabilities | (43) | (35) |
| Net change in income tax assets and liabilities | (39) | 6 |
| Net change in derivative assets and liabilities | 7 | 3 |
| Other operating, net | 5 | (11) |
| Net cash provided by operating activities | 66 | 117 |
| **Cash Flows from Investing Activities** | | |
| Cost of additions to land, buildings, equipment and software | (16) | (17) |
| Acquisitions, net of cash acquired | (54) | — |
| Other investing, net | (5) | — |
| Net cash used in investing activities | (75) | (17) |
| **Cash Flows from Financing Activities** | | |
| Proceeds from issuance of long-term debt | 668 | — |
| Payments on long-term debt | (646) | (95) |
| Dividends | (46) | (54) |
| Payments to acquire treasury stock, including fees | (113) | (162) |
| Other financing, net | (12) | (7) |
| Net cash used in financing activities | (149) | (318) |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | 10 | (12) |
| Decrease in cash, cash equivalents and restricted cash | (148) | (230) |
| Cash, cash equivalents and restricted cash at beginning of period | 1,909 | 2,691 |
| **Cash, Cash Equivalents and Restricted Cash at End of Period** | $ 1,761 | $ 2,461 |

*(1) Captions were changed in 2022 to reflect the inclusion of expense and contributions for our Retiree Health plans, which were previously reported as part of the Increase (decrease) in accrued compensation. There was no change to Net cash provided by operating activities as a result of the reclassification. Prior year amounts have been revised to conform to this presentation. Refer to Note 16 - Employee Benefit Plans for additional information.*

*The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.*

## XEROX CORPORATION
## CONDENSED CONSOLIDATED STATEMENTS OF (LOSS) INCOME (UNAUDITED)

| | Three Months Ended March 31, | |
|---|---|---|
| (in millions) | 2022 | 2021 |
| **Revenues** | | |
| Sales | $ 592 | $ 602 |
| Services, maintenance and rentals | 1,023 | 1,053 |
| Financing | 53 | 55 |
| **Total Revenues** | 1,668 | 1,710 |
| **Costs and Expenses** | | |
| Cost of sales | 435 | 420 |
| Cost of services, maintenance and rentals | 679 | 651 |
| Cost of financing | 24 | 28 |
| Research, development and engineering expenses | 78 | 74 |
| Selling, administrative and general expenses | 455 | 448 |
| Restructuring and related costs, net | 18 | 17 |
| Amortization of intangible assets | 11 | 15 |
| Other expenses, net | 57 | 4 |
| **Total Costs and Expenses** | 1,757 | 1,657 |
| **(Loss) Income before Income Taxes and Equity Income** | (89) | 53 |
| Income tax (benefit) expense | (31) | 14 |
| Equity in net income of unconsolidated affiliates | 1 | — |
| **Net (Loss) Income** | (57) | 39 |
| Less: Net loss attributable to noncontrolling interests | (1) | — |
| **Net (Loss) Income Attributable to Xerox** | $ (56) | $ 39 |

*The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.*

## XEROX CORPORATION
## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME (UNAUDITED)

| | Three Months Ended March 31, | |
|---|---|---|
| (in millions) | 2022 | 2021 |
| **Net (Loss) Income** | $ (57) | $ 39 |
| Less: Net loss attributable to noncontrolling interests | (1) | — |
| **Net (Loss) Income Attributable to Xerox** | (56) | 39 |
| | | |
| **Other Comprehensive (Loss) Income, Net**[1] | | |
| Translation adjustments, net | (72) | (51) |
| Unrealized losses, net | (11) | (7) |
| Changes in defined benefit plans, net | 39 | 55 |
| **Other Comprehensive Loss, Net Attributable to Xerox** | (44) | (3) |
| | | |
| **Comprehensive (Loss) Income, Net** | (101) | 36 |
| Less: Comprehensive loss, net attributable to noncontrolling interests | (1) | — |
| **Comprehensive (Loss) Income, Net Attributable to Xerox** | $ (100) | $ 36 |

*(1) Refer to Note 19 - Other Comprehensive (Loss) Income for gross components of Other comprehensive loss, net, reclassification adjustments out of Accumulated other comprehensive loss and related tax effects.*

*The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.*

## XEROX CORPORATION
## CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

| (in millions) | March 31, 2022 | December 31, 2021 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 1,681 | $ 1,840 |
| Accounts receivable (net of allowance of $63 and $58, respectively) | 807 | 818 |
| Billed portion of finance receivables (net of allowance of $3 and $4, respectively) | 89 | 94 |
| Finance receivables, net | 1,023 | 1,042 |
| Inventories | 732 | 696 |
| Other current assets | 234 | 211 |
| Total current assets | 4,566 | 4,701 |
| Finance receivables due after one year (net of allowance of $117 and $114, respectively) | 1,893 | 1,934 |
| Equipment on operating leases, net | 254 | 253 |
| Land, buildings and equipment, net | 350 | 358 |
| Intangible assets, net | 240 | 211 |
| Goodwill | 3,300 | 3,287 |
| Deferred tax assets | 528 | 519 |
| Other long-term assets | 1,939 | 1,952 |
| **Total Assets** | $ 13,070 | $ 13,215 |
| **Liabilities and Equity** | | |
| Short-term debt and current portion of long-term debt | $ 1,450 | $ 650 |
| Accounts payable | 1,183 | 1,069 |
| Accrued compensation and benefits costs | 258 | 239 |
| Accrued expenses and other current liabilities | 833 | 823 |
| Total current liabilities | 3,724 | 2,781 |
| Long-term debt | 1,326 | 2,102 |
| Related party debt | 1,495 | 1,494 |
| Pension and other benefit liabilities | 1,359 | 1,373 |
| Post-retirement medical benefits | 247 | 277 |
| Other long-term liabilities | 473 | 481 |
| **Total Liabilities** | 8,624 | 8,508 |
| | | |
| **Commitments and Contingencies (See Note 21)** | | |
| | | |
| **Noncontrolling Interests** | 10 | 10 |
| | | |
| Additional paid-in capital | 3,592 | 3,202 |
| Retained earnings | 3,871 | 4,476 |
| Accumulated other comprehensive loss | (3,032) | (2,988) |
| Xerox shareholder's equity | 4,431 | 4,690 |
| Noncontrolling interests | 5 | 7 |
| **Total Equity** | 4,436 | 4,697 |
| **Total Liabilities and Equity** | $ 13,070 | $ 13,215 |

*The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.*

## XEROX CORPORATION
## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

| (in millions) | Three Months Ended March 31, 2022 | 2021 |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Net (Loss) Income | $ (57) | $ 39 |
| **Adjustments required to reconcile Net (loss) income to Cash flows from operating activities** | | |
| Depreciation and amortization | 72 | 86 |
| Provisions | 19 | 20 |
| Stock-based compensation | 15 | 16 |
| Restructuring and asset impairment charges | 20 | 21 |
| Payments for restructurings | (7) | (27) |
| Non-service retirement-related costs[(1)] | (7) | (20) |
| Contributions to retirement plans[(1)] | (38) | (41) |
| Decrease in accounts receivable and billed portion of finance receivables | 13 | 92 |
| Increase in inventories | (31) | (18) |
| Increase in equipment on operating leases | (36) | (28) |
| Decrease in finance receivables | 41 | 37 |
| (Increase) decrease in other current and long-term assets | (1) | 18 |
| Increase (decrease) in accounts payable | 111 | (31) |
| Increase (decrease) in accrued compensation[(1)] | 22 | (10) |
| Decrease in other current and long-term liabilities | (43) | (35) |
| Net change in income tax assets and liabilities | (39) | 6 |
| Net change in derivative assets and liabilities | 7 | 3 |
| Other operating, net | 5 | (11) |
| Net cash provided by operating activities | 66 | 117 |
| **Cash Flows from Investing Activities** | | |
| Cost of additions to land, buildings, equipment and software | (16) | (17) |
| Acquisitions, net of cash acquired | (54) | — |
| Net cash used in investing activities | (70) | (17) |
| **Cash Flows from Financing Activities** | | |
| Proceeds from issuance of long-term debt | 668 | — |
| Payments on long-term debt | (646) | (95) |
| Distributions to parent | (174) | (220) |
| Other financing, net | (2) | (3) |
| Net cash used in financing activities | (154) | (318) |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | 10 | (12) |
| Decrease in cash, cash equivalents and restricted cash | (148) | (230) |
| Cash, cash equivalents and restricted cash at beginning of period | 1,909 | 2,691 |
| **Cash, Cash Equivalents and Restricted Cash at End of Period** | $ 1,761 | $ 2,461 |

(1) *Captions were changed in 2022 to reflect the inclusion of expense and contributions for our Retiree Health plans, which were previously reported as part of the Increase (decrease) in accrued compensation. There was no change to Net cash provided by operating activities as a result of the reclassification. Prior year amounts have been revised to conform to this presentation. Refer to Note 16 - Employee Benefit Plans for additional information.*

*The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.*

## Note 1 – Basis of Presentation

References to “Xerox Holdings” refer to Xerox Holdings Corporation and its consolidated subsidiaries while references to “Xerox” refer to Xerox Corporation and its consolidated subsidiaries. References herein to “we,” “us,” “our,” the “Company” refer collectively to both Xerox Holdings and Xerox unless the context suggests otherwise. References to "Xerox Holdings Corporation" refer to the stand-alone parent company and do not include its subsidiaries. References to "Xerox Corporation" refer to the stand-alone company and do not include its subsidiaries.

The accompanying unaudited Condensed Consolidated Financial Statements and footnotes represent the respective, consolidated results and financial results of Xerox Holdings and Xerox and all respective companies that each registrant directly or indirectly controls, either through majority ownership or otherwise. This is a combined report of Xerox Holdings and Xerox, which includes separate unaudited Condensed Consolidated Financial Statements for each registrant.

The accompanying unaudited Condensed Consolidated Financial Statements of both Xerox Holdings and Xerox have been prepared in accordance with the accounting policies described in the Combined 2021 Annual Report on Form 10-K (2021 Annual Report), except as noted herein, and the interim reporting requirements of Form 10-Q. Accordingly, certain information and note disclosures normally included in our annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) have been condensed or omitted. You should read these Condensed Consolidated Financial Statements in conjunction with the Consolidated Financial Statements included in the 2021 Annual Report.

In our opinion, all adjustments necessary for a fair statement of financial position, operating results and cash flows for the interim periods presented have been made. These adjustments consist of normal recurring items. Interim results of operations are not necessarily indicative of the results of the full year.

For convenience and ease of reference, we refer to the financial statement caption “(Loss) Income before Income Taxes and Equity Income” as “pre-tax (loss) income”.

Notes to the Condensed Consolidated Financial Statements reflect the activity for both Xerox Holdings and Xerox for all periods presented, unless otherwise noted.

### Segments

During the first quarter of 2022, the Company made a change to its reportable segments from one reportable segment to two reportable segments - Print and Other, and Financing (FITTLE) - to align with a change in how the Chief Operating Decision Maker (CODM), our Chief Executive Officer (CEO), allocates resources and assesses performance against the Company’s key growth strategies. As such, prior period reportable segment results and related disclosures have been conformed to reflect the Company’s current reportable segments.

Refer to Note 4 - Segment Reporting for additional information regarding this change.

### Goodwill

#### Interim Impairment Evaluation

Our goodwill balance was $3.3 billion at March 31, 2022 and December 31, 2021, respectively. The balance at December 31, 2021 reflects a pre-tax impairment charge of $781 recorded in the fourth quarter 2021 after completion of our fourth quarter annual goodwill impairment assessment. We assess goodwill for impairment at least annually during the fourth quarter and whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

As noted above, during the first quarter 2022, the Company made a change to its operating and reportable segments from one operating/reportable segment - Printing - to two operating/reportable segments - Print and Other, and Financing (FITTLE). As a result of the new operating and reportable segments, we also reassessed our reporting units for the evaluation of goodwill. Prior to this change, consistent with the determination that we had one operating/reportable segment, we determined that we had one reporting unit for goodwill assessment purposes. Our reassessment during the first quarter of 2022 determined that likewise consistent with the determination that we had two operating/reportable segments, we now have two reporting units – Print and Other, and Financing (FITTLE).

As a result of the change in reporting units, effective January 1, 2022, we estimated the fair value of our new reporting units and, based on an assessment of the relative fair values of our new reporting units after the change, we determined that no goodwill was allocable to the Financing (FITTLE) segment. This determination was largely based on the fact that at this stage in the stand-up of the Financing (FITTLE) business, its separate valuation is constrained and limited because the operation is significantly integrated with the Print and Other segment and is primarily an extension or enabler to facilitate the sale of the Company’s products. The change in reporting units was also considered a triggering event indicating a test for goodwill impairment was required as of January 1, 2022 before and after the change in reporting units. The Company performed those impairment tests, which did not result in the identification of an impairment loss as of January 1, 2022.

During the first quarter 2022, the Company encountered significant operational challenges and uncertainties, due to supply chain constraints, inflationary pressure on costs, geopolitical uncertainty in Europe and the threat of additional COVID-19 variants. Despite these uncertainties, the Company expects to maintain its full year 2022 financial outlook since at this stage in the year we do not have enough information or clarity (positive or negative) on these uncertainties to warrant an adjustment in our outlook. Accordingly, based on our interim assessment as of March 31, 2022, we determined that it was more-likely-than-not that the fair value of Print and Other reporting unit (the only reporting unit with goodwill) was still greater than its net book value and that we did not have a “triggering event” requiring a quantitative assessment of Goodwill. Despite indications that our excess fair value is likely reduced as compared to the impairment test as of January 1, 2022, the Company's projections for the full year 2022, reviewed as part of our quantitative analysis, are still within the range of our sensitivity analysis performed as part of our January 1, 2022 interim impairment assessment.

If assumptions or estimates with respect to the Company's future performance vary from what is expected, including those assumptions relating to the supply chain constraints, inflationary pressure on costs, geopolitical uncertainty in Europe and the threat of additional COVID-19 variants, this may impact the impairment analysis and could reduce the underlying cash flows used to estimate fair values and result in a decline in fair value that may trigger future impairment charges.

## Note 2 – Recent Accounting Pronouncements

Xerox Holdings and Xerox consider the applicability and impact of all Accounting Standards Updates (ASUs) issued by the Financial Accounting Standards Board (FASB). The ASUs listed below apply to both registrants. ASUs not listed below were assessed and determined to be not applicable to the Condensed Consolidated Financial Statements of either registrant.

**Accounting Standard Updates to be Adopted:**

### Financial Instruments

In March 2022, the FASB issued **ASU 2022-02**, *Financial Instruments - Credit Losses (Topic 326), Troubled Debt Restructurings and Vintage Disclosures - Gross Write-offs.* The amendments in this update eliminate the accounting guidance for Troubled Debt Restructurings (TDRs) by creditors while enhancing disclosure requirements for certain loan refinancing and restructurings by creditors made to borrowers experiencing financial difficulty. The amendments also require disclosure of current-period gross write-offs by year of origination for financing receivables. The update is applicable for financing receivables and net investments in leases that are within the scope of **ASC 326-20**, *Financial Instruments - Credit Losses - Measured at Amortized Cost*. This update is effective for our fiscal year beginning on January 1, 2023, but early adoption is permitted. The provisions of this amendment are to be applied on a prospective basis. We are currently evaluating the impact of the adoption of this standard on the Company's consolidated financial statements and related disclosures.

### Reference Rate Reform

In March 2020, the FASB issued **ASU 2020-04**, *Reference Rate Reform (Topic 848), Facilitation of the Effects of Reference Rate Reform on Financial Reporting,* which provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions affected by the discontinuation of the London Interbank Offered Rate (LIBOR) or by another reference rate expected to be discontinued. In January 2021, the FASB issued **ASU 2021-01**, *Reference Rate Reform (Topic 848): Scope*, which provided clarification guidance to ASU 2020-04. These ASUs were effective commencing with our quarter ended March 31, 2020 through December 31, 2022. There has been no impact to date as a result of ASU 2020-04 or ASU 2021-01 and subsequent amendments on reference rate reform. However, we continue to evaluate potential future impacts that may result from the discontinuation of LIBOR or other reference rates as well as the accounting provided in this update on our financial condition, results of operations, and cash flows.

## Accounting Standard Updates Adopted in 2022:

### Government Assistance

In November 2021, the FASB issued **ASU 2021-10**, *Government Assistance (Topic 832), Disclosures by Business Entities about Government Assistance.* The update increases the transparency surrounding government assistance by requiring disclosure of 1) the types of assistance received, 2) an entity's accounting for the assistance, and 3) the effect of the assistance on the entity's financial statements. We adopted this update effective for our fiscal year beginning January 1, 2022. The impact of adoption was not material to our Consolidated Financial Statements. Impacts on future periods will depend on the amounts of government assistance received. Prior to the COVID pandemic, the amounts of government assistance the Company received were not material and since the update is limited to increased disclosures, we do not expect the adoption to have a material impact on our financial condition, results of operations, and cash flows in future periods.

### Business Combinations

In October 2021, the FASB issued **ASU 2021-08**, *Business Combinations (Topic 805), Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*. The new guidance requires contract assets and contract liabilities acquired in a business combination to be recognized and measured by the acquirer on the acquisition date in accordance with ASC Topic 606, Revenue from Contracts with Customers, as if the acquirer had originated the contracts. This approach differs from the current requirement to measure contract assets and contract liabilities acquired in a business combination at fair value. We early adopted this update effective for our fiscal year beginning January 1, 2022. The impact of adopting the new standard will depend on the magnitude of future acquisitions. The standard will not impact contract assets or liabilities acquired in business combinations that occurred prior to the adoption date.

### Debt

In August 2020, the FASB issued **ASU 2020-06**, *Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40).* This update simplified the accounting for convertible instruments by reducing the number of accounting models available for convertible debt instruments and convertible preferred stock. This update also amended the guidance for the derivatives scope exception for contracts in an entity's own equity to reduce form-over-substance-based accounting conclusions and required the application of the if-converted method for calculating diluted earnings per share. We adopted this update effective for our fiscal year beginning January 1, 2022. The adoption of this update did not have a material impact on the Company's consolidated financial statements and related disclosures.

## Other Updates

In 2022 and 2021, the FASB also issued the following ASUs, which impact the Company but did not have, or are not expected to have, a material impact on our financial condition, results of operations or cash flows upon adoption. Those updates are as follows:

- ***Derivatives and Hedging:*** **ASU 2022-01**, *Derivatives and Hedging (Topic 815), Fair Value Hedging - Portfolio Layer Method.* This update is effective for our fiscal year beginning January 1, 2023.
- ***Equity Instruments:*** **ASU 2021-04**, *Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40) Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options).* This update is effective for our fiscal year beginning January 1, 2022.
- ***Leases:*** **ASU 2021-05**, *Leases - Certain Lease Payments with Variable Lease Payments (ASC 842).* This update is effective for our fiscal year beginning January 1, 2022.

## Note 3 – Revenue

Revenues disaggregated by primary geographic markets, major product lines, and sales channels are as follows:

| | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 |
|---|---|---|
| **Primary geographical markets[(1)]:** | | |
| United States | $ 940 | $ 974 |
| Europe | 466 | 499 |
| Canada | 115 | 93 |
| Other | 147 | 144 |
| **Total Revenues** | $ 1,668 | $ 1,710 |
| | | |
| **Major product and services lines:** | | |
| Equipment | $ 314 | $ 381 |
| Supplies, paper and other sales | 278 | 221 |
| Maintenance agreements[(2)] | 429 | 435 |
| Service arrangements[(3)] | 486 | 489 |
| Rental and other | 108 | 129 |
| Financing | 53 | 55 |
| **Total Revenues** | $ 1,668 | $ 1,710 |
| | | |
| **Sales channels:** | | |
| Direct equipment lease[(4)] | $ 135 | $ 147 |
| Distributors & resellers[(5)] | 261 | 254 |
| Customer direct | 196 | 201 |
| **Total Sales** | $ 592 | $ 602 |

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*(1) Geographic area data is based upon the location of the subsidiary reporting the revenue.*
*(2) Includes revenues from maintenance agreements on sold equipment as well as revenues associated with service agreements sold through our channel partners as Xerox Partner Print Services (XPPS).*
*(3) Primarily includes revenues from our Managed Services arrangements. Also includes revenues from embedded operating leases in our Managed Service arrangements, which were not significant.*
*(4) Primarily reflects sales through bundled lease arrangements.*
*(5) Primarily reflects sales through our two-tier distribution channels.*

**Contract Assets and Liabilities:** We normally do not have contract assets, which are primarily unbilled accounts receivable that are conditional on something other than the passage of time. Our contract liabilities, which represent billings in excess of revenue recognized, are primarily related to advance billings for maintenance and other services to be performed and were approximately $138 and $144 at March 31, 2022 and December 31, 2021, respectively. The majority of the balance at March 31, 2022 will be amortized to revenue over approximately the next 30 months.

**Contract Costs:** Incremental direct costs of obtaining a contract primarily include sales commissions paid to sales people and agents in connection with the placement of equipment with associated post sale services arrangements. These costs are deferred and amortized on the straight-line basis over the estimated contract term, which is currently estimated to be approximately four years. We pay commensurate sales commissions upon customer renewals, therefore our amortization period is aligned to our initial contract term.

Incremental direct costs are as follows:

| | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 |
|---|---|---|
| Incremental direct costs of obtaining a contract | $ 13 | $ 13 |
| Amortization of incremental direct costs | 18 | 19 |

The balance of deferred incremental direct costs net of accumulated amortization at March 31, 2022 and December 31, 2021 was $128 and $132, respectively. This amount is expected to be amortized over its estimated period of benefit, which we currently estimate to be approximately four years.

We may also incur costs associated with our services arrangements to generate or enhance resources and assets that will be used to satisfy our future performance obligations included in these arrangements. These costs are considered contract fulfillment costs and are amortized over the contractual service period of the arrangement to cost of services. In addition, we provide inducements to certain customers in various forms, including contractual credits, which are capitalized and amortized as a reduction of revenue over the term of the contract. As of March 31, 2022 and December 31, 2021, amounts deferred associated with contract fulfillment costs and inducements were $14 and $15, respectively, and the related amortization was $1 and $1 for the three months ended March 31, 2022 and 2021, respectively.

Equipment and software used in the fulfillment of service arrangements, and where the Company retains control, are capitalized and depreciated over the shorter of their useful life or the term of the contract if an asset is contract specific.

## Note 4 – Segment Reporting

Our reportable segments are aligned with how we manage the business and view the markets we serve. During the first quarter of 2022, the Company changed to its reportable segments from one reportable segment to two reportable segments - Print and Other, and Financing (FITTLE) to align with a change in how the Chief Operating Decision Maker (CODM), our Chief Executive Officer (CEO), allocates resources and assesses performance against the Company's key growth strategies. Our two reportable segments are based on the information reviewed by the CODM together with the Company's management to evaluate performance of the business and allocate resources. As such, prior period reportable segment results and related disclosures have been conformed to reflect the Company's current reportable segments.

During 2021 we progressed with the standing up of three new businesses: Software (CareAR), Financing (FITTLE) and Innovation (PARC). As a result of this effort, during the first quarter of 2022, we reassessed our operating and reportable segments and determined that, based on the financial information reviewed by our CODM as well as the CEO's management and assessment of the Company's operations, we had two operating and reportable segments - Print and Other, and Financing.

- **Print and Other** - the design, development and sale of document management systems, solutions and services as well as associated technology offerings including IT and software products and services.
- **Financing (FITTLE)** – primarily provides financing for the sales of Xerox equipment.

We also determined that the other businesses – Software and Innovation - did not meet the requirements to be considered separate operating segments largely due to their continued management through the Print and Other Segment as well as their immateriality to our results at this stage. Accordingly, those groups will continue to be reported as part of the Print and Other Segment.

Our **Print and Other** segment includes the sale of document systems, supplies and technical services and managed services. The segment also includes the delivery of managed services that involve a continuum of solutions and services that help our customers optimize their print and communications infrastructure, apply automation and simplification to maximize productivity, and ensure the highest levels of security. This segment also includes IT services and software. Our product groupings range from:

- **"Entry,"** which includes A4 devices and desktop printers; to
- **"Mid-range,"** which includes A3 devices that generally serve workgroup environments in mid to large enterprises and includes products that fall into the following market categories: Color 41+ ppm priced at less than $100 thousand and Light Production 91+ ppm priced at less than $100 thousand; to
- "**High-end,"** which includes production printing and publishing systems that generally serve the graphic communications marketplace and large enterprises.

Customers range from small and mid-sized businesses to large enterprises. Customers also include graphic communication enterprises as well as channel partners including distributors and resellers. Segment revenues also include commissions and other payments from the Financing segment for the exclusive right to provide lease financing for Xerox products. These revenues are reported as part of Intersegment Revenues, which are eliminated in consolidated revenues.

The **Financing (FITTLE)** segment provides leasing solutions through either bundled or unbundled lease agreements of Xerox products or direct purchases of equipment. These leasing solutions support a wide range of customers, from government to graphic communications and SMB to Enterprise as well as financing for direct channel customer purchases of both Xerox and non-Xerox equipment. Segment revenues primarily includes financing income on sales-type leases, operating lease income (including month to month rentals and extensions) and leasing fees.

## Segment Policy

We derive the results of our business segments directly from our internal management reporting system. The accounting policies that the Company uses to derive its segment results are substantially the same as those used by the Company in preparing its consolidated financial statements. The segment results include a significant level of management estimates regarding the allocation of revenues such as finance income in bundled lease arrangements and other leasing revenues and operating lease revenues embedded in our managed services contracts as well as the allocation of expenses for shared selling and administrative services. Accordingly, the financial results for the Financing segment may not be indicative of the results the business would have as on a standalone basis or what might be presented for the business in stand-alone financial statements. The CODM measures the performance of each segment based on several metrics, including segment revenues and profit. The CODM uses these results, in part, to evaluate the performance of, and to allocate resources to each segment. The Financing (FITTLE) segment also includes interest expense associated with allocated debt of the Company in support of its Finance assets, while no interest expense is allocated to the Print and Other segment.

Selected financial information for our reportable segments was as follows:

| | Three Months Ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| | Print and Other | Financing (FITTLE) | Total | Print and Other | Financing (FITTLE) | Total |
| External net revenue | $ 1,513 | $ 155 | $ 1,668 | $ 1,533 | $ 177 | $ 1,710 |
| Intersegment net revenue[(1)] | 37 | 3 | 40 | 48 | 3 | 51 |
| **Total Segment net revenue** | $ 1,550 | $ 158 | $ 1,708 | $ 1,581 | $ 180 | $ 1,761 |
| | | | | | | |
| Segment (loss) profit | $ (20) | $ 17 | $ (3) | $ 71 | $ 18 | $ 89 |
| Segment margin[(2)] | (1.3)% | 11.0 % | (0.2)% | 4.6 % | 10.2 % | 5.2 % |
| | | | | | | |
| Depreciation and amortization | $ 29 | $ 32 | $ 61 | $ 29 | $ 42 | $ 71 |
| Interest income | — | 53 | 53 | — | 55 | 55 |
| Interest expense[(3)] | — | 26 | 26 | — | 30 | 30 |

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*(1) Intersegment net revenue is primarily commissions and other payments made by the Financing Segment to the Print and Other Segment for the lease of Xerox Equipment placements.*

*(2) Segment margin based on External net revenue only.*

*(3) Interest expense for the Financing Segment includes $2 and $2 of non-financing interest expense on allocated debt associated with Equipment on operating lease for the three months ended March 31, 2022 and 2021, respectively.*

Selected financial information for our reportable segments was as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| **Pre-tax (Loss) Income** | | |
| Total reported segments | $ (3) | $ 89 |
| Restructuring and related costs, net | (18) | (17) |
| Amortization of intangible assets | (11) | (15) |
| Other expenses, net | (57) | (4) |
| **Total Pre-tax (loss) income** | $ (89) | $ 53 |
| | | |
| **Depreciation and Amortization** | | |
| Total reported segments | $ 61 | $ 71 |
| Amortization of intangible assets | 11 | 15 |
| **Total Depreciation and amortization** | $ 72 | $ 86 |
| | | |
| **Interest Expense** | | |
| Total reported segments | $ 26 | $ 30 |
| Corporate | 27 | 22 |
| **Total Interest expense** | $ 53 | $ 52 |
| | | |
| **Interest Income** | | |
| Total reported segments | $ 53 | $ 55 |
| Corporate | 1 | 1 |
| **Total Interest income** | $ 54 | $ 56 |

## Note 5 – Lessor

Revenue from sales-type leases is presented on a gross basis when the Company enters into a lease to realize value from a product that it would otherwise sell in its ordinary course of business, whereas in transactions where the Company enters into a lease for the purpose of generating revenue by providing financing, the profit or loss, if any, is presented on a net basis. In addition, we have elected to account for sales tax and other similar taxes collected from a lessee as lessee costs and therefore we exclude these costs from contract consideration and variable consideration and present revenue net of these costs.

The components of lease income are as follows:

| | | Three Months Ended March 31, | |
|---|---|---|---|
| | Location in Statements of (Loss) Income | 2022 | 2021 |
| Revenue from sales type leases | Sales | $ 135 | $ 147 |
| Interest income on lease receivables | Financing | 53 | 55 |
| Lease income - operating leases | Services, maintenance and rentals | 48 | 67 |
| Variable lease income | Services, maintenance and rentals | 15 | 15 |
| **Total Lease income** | | $ 251 | $ 284 |

Profit at lease commencement on sales-type leases was estimated to be $44 and $56 for the three months ended March 31, 2022 and 2021, respectively.

## Note 6 – Acquisitions and Investments

### Acquisition

In the first quarter 2022, Xerox acquired Powerland, a leading IT services provider in Canada, for approximately $54 (CAD 69 million). The acquisition also includes contingent consideration up to approximately $22 (CAD 28 million) based on future performance of the acquisition over the next two years. The acquisition strengthens Xerox's IT services offerings in North America, which include cloud, cyber security, end user computing and managed services. The goodwill associated with the acquisition of Powerland is included in our Print and Other segment.

The operating results of this acquisition are not material to our financial statements and are included within our results from the acquisition date. The purchase price was all cash for 100% ownership of the acquired company and was primarily allocated to Intangible assets, net (approximately $40) and Goodwill (approximately $41), with the remainder to tangible assets and assumed/recorded liabilities. The allocations are based on preliminary management estimates, which continue to be reviewed, and are expected to be finalized by the end of 2022 and may include input and support from third-party valuations. Any adjustments to the preliminary allocations are not expected to be material.

## Note 7 – Supplementary Financial Information

### Government Assistance

In response to the COVID-19 pandemic, various governments employed temporary measures to provide aid and economic stimulus to companies through cash grants and credits or indirectly through payments to temporarily furloughed employees. Estimated savings from these various government assistance programs are recorded as follows in the Condensed Consolidated Statements of (Loss) Income:

| | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 |
|---|---|---|
| Cost of services, maintenance and rentals | $ — | $ 7 |
| Selling, administrative and general expenses | — | 3 |
| Total Estimated savings | $ — | $ 10 |

### Cash, Cash Equivalents and Restricted Cash

Restricted cash primarily relates to escrow cash deposits made in Brazil associated with ongoing litigation as well as cash collections on finance receivables that were pledged for secured borrowings. As more fully discussed in Note 21 - Contingencies and Litigation, various litigation matters in Brazil require us to make cash deposits to escrow as a condition of continuing the litigation. Restricted cash amounts are classified in our Condensed Consolidated Balance Sheets based on when the cash will be contractually or judicially released.

Cash, cash equivalents and restricted cash amounts are as follows:

| | March 31, 2022 | December 31, 2021 |
|---|---|---|
| **Cash and cash equivalents** | $ 1,681 | $ 1,840 |
| **Restricted cash** | | |
| Litigation deposits in Brazil | 42 | 34 |
| Escrow and cash collections related to secured borrowing arrangements[1] | 37 | 32 |
| Other restricted cash | 1 | 3 |
| **Total Restricted cash** | 80 | 69 |
| **Cash, cash equivalents and restricted cash** | $ 1,761 | $ 1,909 |

*(1) Represents collections on finance receivables pledged for secured borrowings that will be remitted to lenders in the following month.*

Restricted cash is reported in the Condensed Consolidated Balance Sheets as follows:

| | March 31, 2022 | December 31, 2021 |
|---|---|---|
| Other current assets | $ 38 | $ 33 |
| Other long-term assets | 42 | 36 |
| **Total Restricted cash** | $ 80 | $ 69 |

### Supplemental Cash Flow Information

Summarized cash flow information is as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| Provision for receivables | $ 14 | $ 11 |
| Provision for inventory | 5 | 9 |
| Provision for product warranties | 1 | 2 |
| Depreciation of buildings and equipment | 18 | 19 |
| Depreciation and obsolescence of equipment on operating leases | 32 | 42 |
| Amortization of internal use software | 11 | 10 |
| Amortization of acquired intangible assets | 11 | 15 |
| Amortization of customer contract costs(1) | 19 | 20 |
| Cost of additions to land, buildings and equipment | 12 | 8 |
| Cost of additions to internal use software | 4 | 9 |
| Common stock dividends - Xerox Holdings | 42 | 50 |
| Preferred stock dividends - Xerox Holdings | 4 | 4 |
| Payments to noncontrolling interests | 1 | — |
| Repurchases related to stock-based compensation - Xerox Holdings | 10 | 4 |

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*(1) Amortization of customer contract costs is reported in* (Increase) decrease in other current and long-term assets *in the Condensed Consolidated Statements of Cash Flows. Refer to Note 3 - Revenue - Contract Costs for additional information.*

## Note 8 – Accounts Receivable, Net

Accounts receivable, net were as follows:

| | March 31, 2022 | December 31, 2021 |
|---|---|---|
| Invoiced | $ 658 | $ 660 |
| Accrued(1) | 212 | 216 |
| Allowance for doubtful accounts | (63) | (58) |
| **Accounts receivable, net** | $ 807 | $ 818 |

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*(1) Accrued receivables include amounts to be invoiced in the subsequent quarter for current services provided.*

The allowance for doubtful accounts was as follows:

| | 2022 | 2021 |
|---|---|---|
| **Balance at January 1st** | $ 58 | $ 69 |
| Provision | 9 | 4 |
| Charge-offs | (3) | (5) |
| Recoveries and other(1) | (1) | 0 |
| **Balance at March 31st** | $ 63 | $ 68 |

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*(1) Includes the impacts of foreign currency translation and adjustments to reserves necessary to reflect events of non-payment such as customer accommodations and contract terminations.*

We perform ongoing credit evaluations of our customers and adjust credit limits based upon customer payment history and current creditworthiness. The allowance for uncollectible accounts receivable is determined based on an assessment of past collection experience as well as consideration of current and future economic conditions and changes in our customer collection trends. Based on that assessment the allowance for doubtful accounts as a percent of gross accounts receivable was 7.2% at March 31, 2022 and 6.6% at December 31, 2021. The increase in the allowance is primarily due to an increased provision to cover expected write-offs of receivables in our Russian subsidiary.

### Accounts Receivable Sales Arrangements

Accounts receivable sales arrangements are utilized in the normal course of business as part of our cash and liquidity management. The accounts receivable sold are generally short-term trade receivables with payment due dates of less than 60 days. We have one facility in Europe that enables us to sell accounts receivable associated with our distributor network on an ongoing basis, without recourse. Under this arrangement, we sell our entire interest in the related accounts receivable for cash and no portion of the payment is held back or deferred by the purchaser.

Of the accounts receivable sold and derecognized from our balance sheet, $87 and $102 remained uncollected as of March 31, 2022 and December 31, 2021, respectively.

Accounts receivable sales activity was as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| Accounts receivable sales[(1)] | $ 116 | $ 107 |

*(1) Losses on sales were not material. Customers may also enter into structured-payable arrangements that require us to sell our receivables from that customer to a third-party financial institution, which then makes payments to us to settle the customer's receivable. In these instances, we ensure the sale of the receivables are bankruptcy-remote and the payment made to us is without recourse. The activity associated with these arrangements is not reflected in this disclosure, as payments under these arrangements have not been material and these are customer directed arrangements.*

## Note 9 - Finance Receivables, Net

Finance receivables include sales-type leases and installment loans arising from the marketing of our equipment. These receivables are typically collateralized by a security interest in the underlying assets.

Finance receivables, net were as follows:

| | March 31, 2022 | December 31, 2021 |
|---|---|---|
| Gross receivables | $ 3,490 | $ 3,568 |
| Unearned income | (365) | (380) |
| Subtotal | 3,125 | 3,188 |
| Residual values | — | — |
| Allowance for doubtful accounts | (120) | (118) |
| **Finance receivables, net** | 3,005 | 3,070 |
| Less: Billed portion of finance receivables, net | 89 | 94 |
| Less: Current portion of finance receivables not billed, net | 1,023 | 1,042 |
| **Finance receivables due after one year, net** | $ 1,893 | $ 1,934 |

### Finance Receivables – Allowance for Credit Losses and Credit Quality

Our finance receivable portfolios are primarily in the U.S., Canada and EMEA. We generally establish customer credit limits and estimate the allowance for credit losses on a country or geographic basis. Customer credit limits are based upon an initial evaluation of the customer's credit quality and we adjust that limit accordingly based upon ongoing credit assessments of the customer, including payment history and changes in credit quality.

The allowance for doubtful credit losses is principally determined based on an assessment of origination year and past collection experience as well as consideration of current and future economic conditions and changes in our customer collection trends. Based on that assessment, the allowance for doubtful credit losses as a percentage of gross finance receivables (net of unearned income) was 3.8% at March 31, 2022 and 3.7% at December 31, 2021. In determining the level of reserve required, we critically assessed current and forecasted economic conditions in light of the COVID-19 pandemic to ensure we objectively included those expected impacts in the determination of our reserve. Our assessment also included a review of current portfolio credit metrics and the level of write-offs incurred over the past year of the COVID-19 pandemic.

Our allowance for doubtful finance receivables is effectively determined by geography. The risk characteristics in our finance receivable portfolio segments are generally consistent with the risk factors associated with the economies of the countries/regions included in those geographies. Since EMEA is comprised of various countries and regional economies, the risk profile within that portfolio segment is somewhat more diversified due to the varying economic conditions among and within the countries.

Although actual finance receivable write-offs incurred to date continue to lag expectations, we believe our current reserve position remains sufficient to cover expected future losses that may result from current and future macro-economic conditions. We continue to believe that uncertainties remain as economies continue to recover from the impacts of the COVID-19 pandemic including the cessation of government support as well as labor, interest rate and inflation risks and the potential for higher taxes. In addition, there is also considerable uncertainty regarding the impact the Russia/Ukraine war and related global sanctions will have on the macro or global economy. As a result of these uncertainties, our reserves as a percent of receivables have remained elevated and fairly consistent subsequent to the first quarter 2020 increase to initially record expected losses from the COVID-19 pandemic. We continue to monitor developments in future economic conditions, and as a result, our reserves may need to be updated in future periods.

The allowance for doubtful accounts as well as the related investment in finance receivables were as follows:

| | United States | Canada | EMEA[(1)] | Total |
|---|---|---|---|---|
| **Balance at December 31, 2021** | $ 77 | $ 11 | $ 30 | $ 118 |
| Provision | 3 | — | 3 | 6 |
| Charge-offs | (2) | (1) | (1) | (4) |
| Recoveries and other[(2)] | — | 1 | (1) | — |
| **Balance at March 31, 2022** | $ 78 | $ 11 | $ 31 | $ 120 |
| **Finance receivables as of March 31, 2022 collectively evaluated for impairment[(3)]** | $ 1,863 | $ 246 | $ 1,016 | $ 3,125 |
| | | | | |
| **Balance at December 31, 2020** | $ 77 | $ 15 | $ 41 | $ 133 |
| Provision | 2 | 1 | 3 | 6 |
| Charge-offs | (2) | — | (1) | (3) |
| Recoveries and other[(2)] | 1 | — | (2) | (1) |
| **Balance at March 31, 2021** | $ 78 | $ 16 | $ 41 | $ 135 |
| **Finance receivables as of March 31, 2021 collectively evaluated for impairment[(3)]** | $ 1,806 | $ 288 | $ 1,118 | $ 3,212 |

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*(1) Includes developing market countries.*

*(2) Includes the impacts of foreign currency translation and adjustments to reserves necessary to reflect events of non-payment such as customer accommodations and contract terminations.*

*(3) Total Finance receivables exclude the allowance for credit losses of $120 and $135 at March 31, 2022 and 2021, respectively.*

In the U.S., customers are further evaluated by class based on the type of lease origination. The primary categories are direct, which primarily includes leases originated directly with end customers through bundled lease arrangements, and indirect, which primarily includes leases originated through our XBS sales channel and lease financing to end-user customers who purchased equipment we sold to distributors or resellers.

We evaluate our customers based on the following credit quality indicators:

- **Low Credit Risk:** This rating includes accounts with excellent to good business credit, asset quality and capacity to meet financial obligations. These customers are less susceptible to adverse effects due to shifts in economic conditions or changes in circumstance. The rating generally equates to a Standard & Poor's (S&P) rating of BBB- or better. Loss rates in this category in the normal course are generally less than 1%.
- **Average Credit Risk:** This rating includes accounts with average credit risk that are more susceptible to loss in the event of adverse business or economic conditions. This rating generally equates to a BB S&P rating. Although we experience higher loss rates associated with this customer class, we believe the risk is somewhat mitigated by the fact that our leases are fairly well dispersed across a large and diverse customer base. In addition, the higher loss rates are largely offset by the higher rates of return we obtain with such leases. Loss rates in this category in the normal course are generally in the range of 2% to 5%.
- **High Credit Risk:** This rating includes accounts that have marginal credit risk such that the customer’s ability to make repayment is impaired or may likely become impaired. We use numerous strategies to mitigate risk including higher rates of interest, prepayments, personal guarantees, etc. Accounts in this category include customers who were downgraded during the term of the lease from low and average credit risk evaluation when the lease was originated. Accordingly, there is a distinct possibility for a loss of principal and interest or customer default. The loss rates in this category in the normal course are generally in the range of 7% to 10%.

Credit quality indicators are updated at least annually, or more frequently to the extent required by economic conditions, and the credit quality of any given customer can change during the life of the portfolio.

Details about our finance receivables portfolio based on geography, origination year and credit quality indicators are as follows:

| | March 31, 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2020 | 2019 | 2018 | Prior | Total Finance Receivables |
| **United States (Direct)** | | | | | | | |
| Low Credit Risk | $ 43 | $ 128 | $ 110 | $ 85 | $ 54 | $ 15 | $ 435 |
| Average Credit Risk | 24 | 47 | 39 | 52 | 20 | 7 | 189 |
| High Credit Risk | 12 | 86 | 66 | 27 | 12 | 5 | 208 |
| **Total** | $ 79 | $ 261 | $ 215 | $ 164 | $ 86 | $ 27 | $ 832 |
| **United States (Indirect)** | | | | | | | |
| Low Credit Risk | $ 66 | $ 205 | $ 124 | $ 83 | $ 30 | $ 7 | $ 515 |
| Average Credit Risk | 55 | 200 | 99 | 69 | 31 | 6 | 460 |
| High Credit Risk | 8 | 24 | 14 | 6 | 3 | 1 | 56 |
| **Total** | $ 129 | $ 429 | $ 237 | $ 158 | $ 64 | $ 14 | $ 1,031 |
| **Canada** | | | | | | | |
| Low Credit Risk | $ 5 | $ 30 | $ 26 | $ 20 | $ 11 | $ 3 | $ 95 |
| Average Credit Risk | 8 | 33 | 32 | 25 | 13 | 5 | 116 |
| High Credit Risk | 1 | 8 | 12 | 6 | 5 | 3 | 35 |
| **Total** | $ 14 | $ 71 | $ 70 | $ 51 | $ 29 | $ 11 | $ 246 |
| **EMEA[(1)]** | | | | | | | |
| Low Credit Risk | $ 107 | $ 190 | $ 120 | $ 90 | $ 49 | $ 11 | $ 567 |
| Average Credit Risk | 76 | 126 | 86 | 69 | 30 | 8 | 395 |
| High Credit Risk | 9 | 15 | 13 | 11 | 5 | 1 | 54 |
| **Total** | $ 192 | $ 331 | $ 219 | $ 170 | $ 84 | $ 20 | $ 1,016 |
| **Total Finance Receivables** | | | | | | | |
| Low Credit Risk | $ 221 | $ 553 | $ 380 | $ 278 | $ 144 | $ 36 | $ 1,612 |
| Average Credit Risk | 163 | 406 | 256 | 215 | 94 | 26 | 1,160 |
| High Credit Risk | 30 | 133 | 105 | 50 | 25 | 10 | 353 |
| **Total** | $ 414 | $ 1,092 | $ 741 | $ 543 | $ 263 | $ 72 | $ 3,125 |

| | December 31, 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2019 | 2018 | 2017 | Prior | Total Finance Receivables |
| **United States (Direct)** | | | | | | | |
| Low Credit Risk | $ 148 | $ 121 | $ 98 | $ 68 | $ 21 | $ 3 | $ 459 |
| Average Credit Risk | 60 | 40 | 57 | 23 | 8 | 2 | 190 |
| High Credit Risk | 91 | 73 | 31 | 16 | 6 | 1 | 218 |
| **Total** | $ 299 | $ 234 | $ 186 | $ 107 | $ 35 | $ 6 | $ 867 |
| **United States (Indirect)** | | | | | | | |
| Low Credit Risk | $ 235 | $ 145 | $ 100 | $ 43 | $ 11 | $ — | $ 534 |
| Average Credit Risk | 201 | 103 | 74 | 35 | 10 | — | 423 |
| High Credit Risk | 24 | 15 | 8 | 4 | 1 | — | 52 |
| **Total** | $ 460 | $ 263 | $ 182 | $ 82 | $ 22 | $ — | $ 1,009 |
| **Canada** | | | | | | | |
| Low Credit Risk | $ 32 | $ 27 | $ 22 | $ 13 | $ 3 | $ 1 | $ 98 |
| Average Credit Risk | 34 | 34 | 27 | 15 | 6 | 1 | 117 |
| High Credit Risk | 8 | 12 | 7 | 5 | 4 | — | 36 |
| **Total** | $ 74 | $ 73 | $ 56 | $ 33 | $ 13 | $ 2 | $ 251 |
| **EMEA**[(1)] | | | | | | | |
| Low Credit Risk | $ 229 | $ 143 | $ 121 | $ 71 | $ 22 | $ 6 | $ 592 |
| Average Credit Risk | 156 | 109 | 84 | 45 | 15 | 3 | 412 |
| High Credit Risk | 18 | 15 | 13 | 8 | 3 | — | 57 |
| **Total** | $ 403 | $ 267 | $ 218 | $ 124 | $ 40 | $ 9 | $ 1,061 |
| **Total Finance Receivables** | | | | | | | |
| Low Credit Risk | $ 644 | $ 436 | $ 341 | $ 195 | $ 57 | $ 10 | $ 1,683 |
| Average Credit Risk | 451 | 286 | 242 | 118 | 39 | 6 | 1,142 |
| High Credit Risk | 141 | 115 | 59 | 33 | 14 | 1 | 363 |
| **Total** | $ 1,236 | $ 837 | $ 642 | $ 346 | $ 110 | $ 17 | $ 3,188 |

*(1) Includes developing market countries.*

The aging of our receivables portfolio is based upon the number of days an invoice is past due. Receivables that are more than 90 days past due are considered delinquent. Receivable losses are charged against the allowance when management believes the uncollectibility of the receivable is confirmed and is generally based on individual credit evaluations, results of collection efforts and specific circumstances of the customer. Subsequent recoveries, if any, are credited to the allowance.

We generally continue to maintain equipment on lease and provide services to customers that have invoices for finance receivables that are 90 days or more past due and, as a result of the bundled nature of billings, we also continue to accrue interest on those receivables. However, interest revenue for such billings is only recognized if collectability is deemed reasonably assured.

The aging of our billed finance receivables is as follows:

| | March 31, 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Current | 31-90 Days Past Due | >90 Days Past Due | Total Billed | Unbilled | Total Finance Receivables | >90 Days and Accruing |
| Direct | $ 26 | $ 6 | $ 7 | $ 39 | $ 793 | $ 832 | $ 50 |
| Indirect | 23 | 6 | 4 | 33 | 998 | 1,031 | — |
| **Total United States** | 49 | 12 | 11 | 72 | 1,791 | 1,863 | 50 |
| Canada | 6 | 2 | — | 8 | 238 | 246 | 10 |
| EMEA[(1)] | 8 | 2 | 1 | 11 | 1,005 | 1,016 | 9 |
| **Total** | $ 63 | $ 16 | $ 12 | $ 91 | $ 3,034 | $ 3,125 | $ 69 |

| | December 31, 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Current | 31-90 Days Past Due | >90 Days Past Due | Total Billed | Unbilled | Total Finance Receivables | >90 Days and Accruing |
| Direct | $ 28 | $ 7 | $ 7 | $ 42 | $ 825 | $ 867 | $ 61 |
| Indirect | 28 | 5 | 4 | 37 | 972 | 1,009 | — |
| **Total United States** | 56 | 12 | 11 | 79 | 1,797 | 1,876 | 61 |
| Canada | 6 | 1 | — | 7 | 244 | 251 | 9 |
| EMEA[(1)] | 9 | 2 | 1 | 12 | 1,049 | 1,061 | 13 |
| **Total** | $ 71 | $ 15 | $ 12 | $ 98 | $ 3,090 | $ 3,188 | $ 83 |

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*(1) Includes developing market countries*

## Secured Borrowings and Collateral

In January 2022, we sold $789 of U.S. based finance receivables to a consolidated special purpose entity (SPE). At March 31, 2022, the SPE held $758 of total Finance receivables, net, which are included in our Condensed Consolidated Balance Sheet as collateral for a secured loan.

In September 2021, we sold $331 of U.S. based finance receivables to a consolidated SPE. At March 31, 2022 and December 31, 2021, the SPE held $272 and $308, respectively, of total Finance receivables, net, which are included in our Condensed Consolidated Balance Sheet as collateral for a secured loan.

Refer to Note 13 - Debt, for additional information related to these arrangements.

## Note 10 – Inventories and Equipment on Operating Leases, Net

The following is a summary of Inventories by major category:

| | March 31, 2022 | December 31, 2021 |
|---|---|---|
| Finished goods | $ 586 | $ 568 |
| Work-in-process | 42 | 43 |
| Raw materials | 104 | 85 |
| **Total Inventories** | $ 732 | $ 696 |

The transfer of equipment from our inventories to equipment subject to an operating lease is presented in our Condensed Consolidated Statements of Cash Flows in the operating activities section. Equipment on operating leases and similar arrangements consists of our equipment rented to customers and depreciated to estimated salvage value at the end of the lease term.

Equipment on operating leases and the related accumulated depreciation were as follows:

| | March 31, 2022 | December 31, 2021 |
|---|---|---|
| Equipment on operating leases | $ 1,256 | $ 1,266 |
| Accumulated depreciation | (1,002) | (1,013) |
| **Equipment on operating leases, net** | $ 254 | $ 253 |

Total contingent rentals on operating leases, consisting principally of usage charges in excess of minimum contracted amounts, were $15 and $15 for the three months ended March 31, 2022 and 2021, respectively.

### Secured Borrowings and Collateral

In September 2021, we sold the rights to payments under operating leases with an equipment net book value of $9 to a consolidated SPE. The SPE held Equipment on operating leases, net of $7 and $8 as of March 31, 2022 and December 31, 2021, respectively, which are included in our Condensed Consolidated Balance Sheets as collateral for the secured loan agreement.

Refer to Note 13 - Debt, for additional information related to this arrangement.

## Note 11 – Lessee

### Operating Leases

We have operating leases for real estate and vehicles in our domestic and international operations and for certain equipment in our domestic operations. Additionally, we have identified embedded operating leases within certain supply chain contracts for warehouses, primarily within our domestic operations. Our leases have remaining terms of up to eleven years and a variety of renewal and/or termination options.

The components of lease expense are as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| Operating lease expense | $ 25 | $ 27 |
| Short-term lease expense | 4 | 5 |
| Variable lease expense[1] | 12 | 12 |
| Sublease income | (2) | (1) |
| **Total Lease expense** | $ 39 | $ 43 |

*(1) Variable lease expense is related to our leased real estate for offices and warehouses and primarily includes labor and operational costs as well as taxes and insurance.*

As of March 31, 2022, operating leases that had not yet commenced were not material.

Operating lease ROU assets, net and operating lease liabilities were reported in the Condensed Consolidated Balance Sheets as follows:

| | March 31, 2022 | December 31, 2021 |
|---|---|---|
| Other long-term assets | $ 252 | $ 264 |
| | | |
| Accrued expenses and other current liabilities | $ 79 | $ 79 |
| Other long-term liabilities | 191 | 204 |
| **Total Operating lease liabilities** | $ 270 | $ 283 |

## Note 12 – Restructuring Programs

We engage in restructuring actions, including Project Own It, as well as other transformation efforts in order to reduce our cost structure and realign it to the changing nature of our business. As part of our efforts to reduce costs, our restructuring actions may also include the off-shoring and/or outsourcing of certain operations, services and other functions, as well as reducing our real estate footprint.

During the three months ended March 31, 2022, we recorded net restructuring and asset impairment charges of $20, which included $22 of severance costs related to headcount reductions of approximately 450 employees worldwide and $1 of asset impairment charges, both of which were partially offset by $3 of net reversals. The net reversals primarily resulted from changes in estimated reserves from prior period initiatives. Charges were primarily related to the Print and Other segment as amounts related to the Financing (FITTLE) segment were immaterial for all periods presented.

Information related to restructuring program activity is outlined below:

| | Severance and Related Costs | Other Contractual Termination Costs[2] | Asset Impairments[3] | Total |
|---|---|---|---|---|
| **Balance at December 31, 2021** | $ 25 | $ 2 | $ — | $ 27 |
| Provision | 22 | — | 1 | 23 |
| Reversals | (3) | — | — | (3) |
| **Net current period charges[1]** | 19 | — | 1 | 20 |
| Charges against reserve and currency | (7) | — | (1) | (8) |
| **Balance at March 31, 2022** | $ 37 | $ 2 | $ — | $ 39 |

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*(1) Represents net amount recognized within the Condensed Consolidated Statements of (Loss) Income for the period shown for restructuring and asset impairment charges.*
*(2) Primarily includes additional costs incurred upon the exit from our facilities including decommissioning costs and associated contractual termination costs.*
*(3) Primarily relates to the exit and abandonment of leased and owned facilities. The charges include the accelerated write-off of $1 for leased ROU assets upon exit from the facilities, net of any potential sublease income and other recoveries, including potential sales.*

The following table summarizes the reconciliation to the Condensed Consolidated Statements of Cash Flows:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| Charges against reserve and currency | $ (8) | $ (40) |
| Asset impairments | 1 | — |
| Effects of foreign currency and other non-cash items | — | 13 |
| **Restructuring cash payments** | $ (7) | $ (27) |

In connection with our restructuring programs, we also incurred certain related costs as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| Retention related severance/bonuses[1] | $ (2) | $ (4) |
| **Total** | $ (2) | $ (4) |

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*(1) Includes retention related severance and bonuses for employees expected to continue working beyond their minimum notification period before termination. The credit for the three months ended March 31, 2022 and 2021 reflects a change in estimate.*

Cash paid for restructuring related costs were $1 and $3 for the three months ended March 31, 2022 and 2021, respectively. The restructuring related costs reserve was $15 and $18 at March 31, 2022 and December 31, 2021, respectively. The balance at March 31, 2022 is expected to be paid over the next twelve months.

## Note 13 – Debt

### Xerox Holdings Corporation / Xerox Corporation Intercompany Loan

In February 2021, Xerox Holdings Corporation and Xerox Corporation entered into an Intercompany Loan agreement for the net proceeds of $1,494 contributed by Xerox Holdings Corporation to Xerox Corporation in 2020. The intercompany loan was established to mirror the terms included in Xerox Holdings Corporation’s 2025 and 2028 Senior Notes, including interest rates and payment dates. The intercompany interest expense also includes a ratable amount to reimburse Xerox Holdings Corporation for its debt issuance costs and premium.

At March 31, 2022 and December 31, 2021, the balance of the Intercompany Loan reported in Xerox Corporation’s Condensed Consolidated Balance Sheet was $1,495 and $1,494, respectively, which is net of related debt issuance costs, and the intercompany interest payable was $10 and $30, respectively. Xerox Corporation’s interest expense included interest expense associated with this Intercompany Loan of $20 and $20 for the three months ended March 31, 2022 and 2020, respectively.

### Credit Facility

In March 2022, Xerox and Xerox Holdings entered into Amendment No. 4 to the Credit Facility. The Amendment, which became effective on March 24, 2022, included the following changes:

(1) reduced the aggregate amount of the revolving credit commitments under the Credit Agreement from $1.8 billion to $1.5 billion; and

(2) modified the financial covenants in the Credit Agreement to now require that, during a specified Covenant Modification Period, which began on January 1, 2022 and ends on the earlier of (a) June 30, 2022 and (b) the date on which Xerox Corp. delivers a written notice to the Administrative Agent electing to end such period:

   a. Xerox Corporation maintain unrestricted cash (as defined in the Amendment) at the end of each fiscal quarter in an amount not less than $500.

   b. With respect to each fiscal quarter ending during the Covenant Modification Period, Xerox Corporation maintain a ratio of Net Debt for Borrowed Money to consolidated EBITDA of not greater than 4.25x with Net Debt for Borrowed Money including a cash netting with a cap of $1,250 for the quarter ending March 31, 2022 and $1,000 for the quarter ending June 30, 2022. This covenant is in lieu of the 4.25x Net Debt for Borrowed Money to consolidated EBITDA ratio requirement without cash netting applicable prior to the Amendment.

As of March 31, 2022, we were in full compliance with the covenants and other provisions of our Credit Facility.

### Secured Borrowings and Collateral

In January 2022, we entered into a secured loan agreement with financial institutions where we sold $789 of U.S. based finance receivables to a special purpose entity (SPE). The purchase by the SPE was funded through a $668 amortizing secured loan to the SPE from the financial institutions. The SPE is fully consolidated in our financial statements. The secured loan was an amendment of the December 2020 secured borrowing, which had a remaining balance of $248, and we received the incremental net cash. The transaction was accounted for as an extinguishment of debt and the issuance of new debt and associated collateral. The new loan has a variable interest rate based on the financial institutions' cost of funds plus a spread (current rate of 1.71% at March 31, 2022) and an expected life of approximately 2.5 years, with half of the loan projected to be repaid within the first year based on collections of the underlying portfolio of receivables.

In September 2021, we entered into a secured loan agreement with a financial institution where we sold $331 of U.S. based finance receivables and the rights to payments under operating leases with an equipment net book value of $9 to a SPE. The purchase by the SPE was funded through a $311 amortizing secured loan to the SPE from the financial institution. The debt has a variable interest rate based on LIBOR plus a spread (current rate of 1.75% at March 31, 2022). In October 2021, we entered into an interest rate hedge agreement to cap LIBOR over the life of the loan.

The sales of the receivables to the SPEs were structured as "true sales at law," and we have received opinions to that effect from outside legal counsel. However, the transactions were accounted for as secured borrowings as we consolidate the SPEs since we have both the power to direct the activities that most significantly impact the SPEs' economic performance through our role as servicer of all the receivables held by the SPEs, and the obligation through variable interests in the SPEs to absorb losses or receive benefits that could potentially be significant to the

SPEs. As a result, the assets of the SPEs are not available to satisfy any of our other obligations. Conversely, the credit holders of these SPEs do not have legal recourse to the Company's general credit.

Below are the assets and liabilities held by the consolidated SPEs, which are included in our Condensed Consolidated Balance Sheets.

| | March 31, 2022 | December 31, 2021 |
|---|---|---|
| **Assets held by SPEs** | | |
| Billed portion of finance receivables, net | $ 31 | $ 27 |
| Finance receivables, net | 402 | 299 |
| Finance receivables due after one year, net | 597 | 362 |
| Equipment on operating leases, net | 7 | 8 |
| Restricted cash(1) | 37 | 32 |
| **Total Assets** | $ 1,074 | $ 728 |
| **Liabilities held by SPEs** | | |
| Current portion of long-term debt, net(2) | $ 451 | $ 350 |
| Long term debt, net(2) | 432 | 210 |
| **Total Liabilities** | $ 883 | $ 560 |

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*(1) Restricted cash is included in Other current assets in our Condensed Consolidated Balance Sheet.*
*(2) Net of debt issuance costs of $2 and $1 as of March 31, 2022 and December 31, 2021, respectively.*

### Interest Expense and Income

Interest expense and income were as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| Interest expense(1)(2) | $ 53 | $ 52 |
| Interest income(3) | 54 | 56 |

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*(1) Includes Cost of financing as well as non-financing interest expense that is included in Other expenses, net in the Condensed Consolidated Statements of (Loss) Income.*
*(2) Interest expense of Xerox Corporation included intercompany interest expense associated with the Xerox Holdings Corporation / Xerox Corporation Intercompany Loan of $20 and $20 for the three months ended March 31, 2022 and 2021, respectively.*
*(3) Includes Financing revenue as well as other interest income that is included in Other expenses, net in the Condensed Consolidated Statements of (Loss) Income.*

## Note 14 – Financial Instruments

### Interest Rate Risk Management

We use interest rate swap and interest rate cap agreements to manage our interest rate exposure and to achieve a desired proportion of variable and fixed rate debt. These derivatives may be designated as **fair value hedges** or **cash flow hedges** depending on the nature of the risk being hedged. At March 31, 2022, there was one interest rate cap contract outstanding.

### Foreign Exchange Risk Management

We are a global company and we are exposed to foreign currency exchange rate fluctuations in the normal course of our business. As a part of our foreign exchange risk management strategy, we use derivative instruments, primarily forward contracts and purchased option contracts, to hedge the following foreign currency exposures, thereby reducing volatility of earnings or protecting fair values of assets and liabilities:

- Foreign currency-denominated assets and liabilities
- Forecasted purchases and sales in foreign currency

At March 31, 2022 and December 31, 2021, we had outstanding forward exchange and purchased option contracts with gross notional values of $1,126 and $1,113 respectively, with terms of less than 12 months. Approximately 77% of the contracts at March 31, 2022 mature within three months, 13% mature in three to six months and 10% in six to twelve months. There have not been any material changes in our hedging strategy.

### *Foreign Currency Cash Flow Hedges*

We designate a portion of our foreign currency derivative contracts as cash flow hedges of our foreign currency-denominated inventory purchases, sales and expenses. The net liability fair value of these contracts were $18 and $3 as of March 31, 2022 and December 31, 2021, respectively.

### Summary of Derivative Instruments Fair Value

The following table provides a summary of the fair value amounts of our derivative instruments:

| **Designation of Derivatives** | **Balance Sheet Location** | March 31, 2022 | December 31, 2021 |
|---|---|---|---|
| **Derivatives Designated as Hedging Instruments** | | | |
| Foreign exchange contracts - forwards | Other current assets | $ 1 | $ 3 |
| | Accrued expenses and other current liabilities | (19) | (6) |
| Interest rate cap | Other long-term assets | 3 | 1 |
| | **Net designated derivative liabilities** | $ (15) | $ (2) |
| **Derivatives NOT Designated as Hedging Instruments** | | | |
| Foreign exchange contracts – forwards | Other current assets | $ 3 | $ 1 |
| | Accrued expenses and other current liabilities | (13) | (5) |
| | **Net undesignated derivative liabilities** | $ (10) | $ (4) |
| **Summary of Derivatives** | Total Derivative assets | $ 7 | $ 5 |
| | Total Derivative liabilities | (32) | (11) |
| | **Net Derivative liabilities** | $ (25) | $ (6) |

### Summary of Derivative Instruments Gains (Losses)

Derivative gains and (losses) affect the income statement based on whether such derivatives are designated as hedges of underlying exposures. The following is a summary of derivative gains (losses).

### Designated Derivative Instruments Gains (Losses)

The following table provides a summary of gains (losses) on derivative instruments:

| | Three Months Ended March 31, | |
|---|---|---|
| **Loss on Derivative Instruments** | 2022 | 2021 |
| **Cash Flow Hedges - Foreign Exchange Forward Contracts and Options** | | |
| Derivative loss recognized in OCI (effective portion) | $ (15) | $ (10) |
| Derivative loss reclassified from AOCL to income - Cost of sales (effective portion) | (2) | (1) |

During the three months ended March 31, 2022 and 2021, no amount of ineffectiveness was recorded in the Condensed Consolidated Statements of (Loss) Income for these designated cash flow hedges and all components of each derivative's gain or (loss) were included in the assessment of hedge effectiveness. In addition, no amount was recorded for an underlying exposure that did not occur or was not expected to occur.

As of March 31, 2022, a net after-tax loss of $13 was recorded in Accumulated other comprehensive loss associated with our cash flow hedging activity. The entire balance is expected to be reclassified into net income within the next 12 months, providing an offsetting economic impact against the underlying anticipated transactions.

### Non-Designated Derivative Instruments Gains (Losses)

Non-designated derivative instruments are primarily instruments used to hedge foreign currency-denominated assets and liabilities. They are not designated as hedges since there is a natural offset for the remeasurement of the underlying foreign currency-denominated asset or liability.

The following table provides a summary of gains and (losses) on non-designated derivative instruments:

| | | Three Months Ended March 31, | |
|---|---|---|---|
| Derivatives NOT Designated as Hedging Instruments | Location of Derivative Gain (Loss) | 2022 | 2021 |
| Foreign exchange contracts – forwards | Other expense – Currency losses, net | $ (9) | $ (18) |

Currency losses, net were $0 and $2 for three months ended March 31, 2022 and 2021, respectively. Net currency gains and losses include the mark-to-market adjustments of the derivatives not designated as hedging instruments and the related cost of those derivatives as well as the remeasurement of foreign currency-denominated assets and liabilities and are included in Other expenses, net.

## Note 15 – Fair Value of Financial Assets and Liabilities

The following table represents assets and liabilities measured at fair value on a recurring basis. The basis for the measurement at fair value in all cases is Level 2 – Significant Other Observable Inputs.

| | March 31, 2022 | December 31, 2021 |
|---|---|---|
| **Assets** | | |
| Foreign exchange contracts - forwards | $ 4 | $ 4 |
| Interest rate cap | 3 | 1 |
| Deferred compensation plan investments in mutual funds | 17 | 18 |
| **Total** | $ 24 | $ 23 |
| **Liabilities** | | |
| Foreign exchange contracts - forwards | $ 32 | $ 11 |
| Deferred compensation plan liabilities | 16 | 18 |
| **Total** | $ 48 | $ 29 |

We utilize the income approach to measure the fair value for our derivative assets and liabilities. The income approach uses pricing models that rely on market observable inputs such as yield curves, currency exchange rates and forward prices, and therefore are classified as Level 2.

Fair value for our deferred compensation plan investments in mutual funds is based on quoted market prices for those funds. Fair value for deferred compensation plan liabilities is based on the fair value of investments corresponding to employees' investment selections.

### Summary of Other Financial Assets and Liabilities

The estimated fair values of our other financial assets and liabilities were as follows:

| | March 31, 2022 | | December 31, 2021 | |
|---|---|---|---|---|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Cash and cash equivalents | $ 1,681 | $ 1,681 | $ 1,840 | $ 1,840 |
| Accounts receivable, net | 807 | 807 | 818 | 818 |
| Short-term debt and current portion of long-term debt | 1,450 | 1,459 | 650 | 653 |
| **Long-term Debt** | | | | |
| Xerox Holdings Corporation | 1,495 | 1,489 | 1,494 | 1,579 |
| Xerox Corporation | 894 | 864 | 1,892 | 1,987 |
| Xerox - Other Subsidiaries[(1)] | 432 | 433 | 210 | 210 |
| **Long-term debt** | $ 2,821 | $ 2,786 | $ 3,596 | $ 3,776 |

*(1) Represents subsidiaries of Xerox Corporation*

The fair value amounts for Cash and cash equivalents and Accounts receivable, net, approximate carrying amounts due to the short maturities of these instruments. The fair value of Short-term debt, including the current portion of long-term debt, and Long-term debt was estimated based on the current rates offered to us for debt of similar maturities (Level 2). The difference between the fair value and the carrying value represents the theoretical net premium or discount we would pay or receive to retire all debt at such date.

## Note 16 – Employee Benefit Plans

The components of Net periodic benefit cost and other changes in plan assets and benefit obligations were as follows:

| | Three Months Ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| | Pension Benefits | | | | | |
| | U.S. Plans | | Non-U.S. Plans | | Retiree Health | |
| **Components of Net Periodic Benefit Costs:** | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Service cost | $ — | $ — | $ 4 | $ 5 | $ — | $ 1 |
| Interest cost | 20 | 18 | 29 | 22 | 2 | 2 |
| Expected return on plan assets | (27) | (28) | (55) | (52) | — | — |
| Recognized net actuarial loss | 4 | 5 | 6 | 15 | — | — |
| Amortization of prior service credit | — | — | — | — | (4) | (17) |
| Recognized settlement loss | 18 | 15 | — | — | — | — |
| Defined benefit plans | 15 | 10 | (16) | (10) | (2) | (14) |
| Defined contribution plans | 5 | — | 4 | 5 | n/a | n/a |
| **Net Periodic Benefit Cost (Credit)** | 20 | 10 | (12) | (5) | (2) | (14) |
| **Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive (Loss) Income:** | | | | | | |
| Net actuarial loss (gain)[(1)] | 14 | (44) | — | 1 | (7) | — |
| Prior service credit | — | — | — | — | (23) | — |
| Amortization of net actuarial loss | (22) | (20) | (6) | (15) | — | — |
| Amortization of prior service credit | — | — | — | — | 4 | 17 |
| **Total Recognized in Other Comprehensive (Loss) Income[(2)]** | (8) | (64) | (6) | (14) | (26) | 17 |
| **Total Recognized in Net Periodic Benefit Cost (Credit) and Other Comprehensive (Loss) Income** | $ 12 | $ (54) | $ (18) | $ (19) | $ (28) | $ 3 |

*(1) The net actuarial loss (gain) for U.S. Plans primarily reflects the remeasurement of our primary U.S. pension plans as a result of the payment of periodic settlements. The Retiree Health net actuarial gain reflects remeasurement related to the first quarter 2022 Plan Amendment.*

*(2) Amounts represent the pre-tax effect included within Other Comprehensive (Loss) Income. Refer to Note 19 - Other Comprehensive (Loss) Income for related tax effects and the after-tax amounts.*

### Contributions

The following table summarizes cash contributions to our defined benefit pension plans and retiree health benefit plans.

| | Three Months Ended March 31, | | Year Ended December 31, | |
|---|---|---|---|---|
| | 2022 | 2021 | Estimated 2022 | 2021 |
| U.S. plans | $ 6 | $ 6 | $ 25 | $ 24 |
| Non-U.S. plans | 26 | 29 | 110 | 111 |
| **Total Pension plans** | 32 | 35 | 135 | 135 |
| Retiree Health | 6 | 6 | 25 | 25 |
| **Total Retirement plans** | $ 38 | $ 41 | $ 160 | $ 160 |

There are no mandatory contributions required in 2022 for our U.S. tax-qualified defined benefit plans to meet the minimum funding requirements.

### Retiree Health Plan Amendment

During the first quarter of 2022, we amended our U.S. Retiree Health Plan to reduce certain benefits for existing union retirees through the reduction or elimination of coverage or cost-sharing subsidies for retiree health care and life insurance costs. This negative plan amendment resulted in a reduction of approximately $23 in the Company's postretirement benefit obligation. The amount for the plan amendment will be amortized to future net periodic benefit costs as a prior service credit.

## Note 17 – Shareholders' Equity of Xerox Holdings

(shares in thousands)

The shareholders' equity information presented below reflects the consolidated activity of Xerox Holdings.

| | Common Stock(1) | Additional Paid-in Capital | Treasury Stock | Retained Earnings | AOCL(2) | Xerox Holdings Shareholders' Equity | Non-controlling Interests | Total Equity |
|---|---|---|---|---|---|---|---|---|
| **Balance at December 31, 2021** | $ 168 | $ 1,802 | $ (177) | $ 5,631 | $ (2,988) | $ 4,436 | $ 7 | $ 4,443 |
| Comprehensive loss, net | — | — | — | (56) | (44) | (100) | (1) | (101) |
| Cash dividends declared - common(3) | — | — | — | (39) | — | (39) | — | (39) |
| Cash dividends declared - preferred(4) | — | — | — | (4) | — | (4) | — | (4) |
| Stock option and incentive plans, net | — | 4 | — | — | — | 4 | — | 4 |
| Payments to acquire treasury stock, including fees | — | — | (113) | — | — | (113) | — | (113) |
| Cancellation of treasury stock | (12) | (246) | 258 | — | — | — | — | — |
| Distributions to noncontrolling interests | — | — | — | — | — | — | (1) | (1) |
| **Balance at March 31, 2022** | $ 156 | $ 1,560 | $ (32) | $ 5,532 | $ (3,032) | $ 4,184 | $ 5 | $ 4,189 |

| | Common Stock(1) | Additional Paid-in Capital | Treasury Stock | Retained Earnings | AOCL(2) | Xerox Holdings Shareholders' Equity | Non-controlling Interests | Total Equity |
|---|---|---|---|---|---|---|---|---|
| **Balance at December 31, 2020** | $ 198 | $ 2,445 | $ — | $ 6,281 | $ (3,332) | $ 5,592 | $ 4 | $ 5,596 |
| Comprehensive income (loss), net | — | — | — | 39 | (3) | 36 | — | 36 |
| Cash dividends declared - common(3) | — | — | — | (49) | — | (49) | — | (49) |
| Cash dividends declared - preferred(4) | — | — | — | (4) | — | (4) | — | (4) |
| Stock option and incentive plans, net | 1 | 11 | — | — | — | 12 | — | 12 |
| Payments to acquire treasury stock, including fees | — | — | (162) | — | — | (162) | — | (162) |
| **Balance at March 31, 2021** | $ 199 | $ 2,456 | $ (162) | $ 6,267 | $ (3,335) | $ 5,425 | $ 4 | $ 5,429 |

*(1) Common Stock has a par value of $1 per share.*
*(2) Refer to Note 19 - Other Comprehensive (Loss) Income for the components of AOCL.*
*(3) Cash dividends declared on common stock for the three months ended March 31, 2022 and 2021 were $0.25 per share, respectively.*
*(4) Cash dividends declared on preferred stock for the three months ended March 31, 2022 and 2021 were $20.00 per share, respectively.*

### Common Stock and Treasury Stock

The following is a summary of the changes in Common and Treasury stock shares:

| | Common Stock Shares | Treasury Stock Shares |
|---|---|---|
| **Balance at December 31, 2021** | 168,069 | 8,675 |
| Stock based compensation plans, net | 630 | — |
| Acquisition of Treasury stock | — | 5,174 |
| Cancellation of Treasury stock | (12,341) | (12,341) |
| **Balance at March 31, 2022** | 156,358 | 1,508 |

## Note 18 – Shareholder's Equity of Xerox

The shareholder's equity information presented below reflects the consolidated activity of Xerox.

| | Additional Paid-in Capital | Retained Earnings | AOCL[(1)] | Xerox Shareholder's Equity | Non- controlling Interests | Total Equity |
|---|---|---|---|---|---|---|
| **Balance at December 31, 2021** | $ 3,202 | $ 4,476 | $ (2,988) | $ 4,690 | $ 7 | $ 4,697 |
| Comprehensive loss, net | — | (56) | (44) | (100) | (1) | (101) |
| Dividends declared to parent | — | (549) | — | (549) | — | (549) |
| Transfers from parent | 390 | — | — | 390 | — | 390 |
| Distributions to noncontrolling interests | — | — | — | — | (1) | (1) |
| **Balance at March 31, 2022** | $ 3,592 | $ 3,871 | $ (3,032) | $ 4,431 | $ 5 | $ 4,436 |

| | Additional Paid-in Capital | Retained Earnings | AOCL[(1)] | Xerox Shareholder's Equity | Non- controlling Interests | Total Equity |
|---|---|---|---|---|---|---|
| **Balance at December 31, 2020** | $ 4,888 | $ 5,834 | $ (3,332) | $ 7,390 | $ 4 | $ 7,394 |
| Comprehensive income (loss), net | — | 39 | (3) | 36 | — | 36 |
| Dividends declared to parent | — | (201) | — | (201) | — | (201) |
| Intercompany loan capitalization | (1,494) | — | — | (1,494) | — | (1,494) |
| Transfers to parent | (34) | — | — | (34) | — | (34) |
| **Balance at March 31, 2021** | $ 3,360 | $ 5,672 | $ (3,335) | $ 5,697 | $ 4 | $ 5,701 |

*(1) Refer to Note 19 - Other Comprehensive (Loss) Income for the components of AOCL.*

## Note 19 - Other Comprehensive (Loss) Income

Other Comprehensive (Loss) Income is comprised of the following:

| | Three Months Ended March 31, | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| | Pre-tax | Net of Tax | Pre-tax | Net of Tax |
| **Translation Adjustments Losses** | $ (71) | $ (72) | $ (52) | $ (51) |
| **Unrealized (Losses) Gains** | | | | |
| Changes in fair value of cash flow hedges losses | (15) | (13) | (10) | (8) |
| Changes in cash flow hedges reclassed to earnings(1) | 2 | 2 | 1 | 1 |
| **Net Unrealized Losses** | (13) | (11) | (9) | (7) |
| | | | | |
| **Defined Benefit Plans Gains (Losses)** | | | | |
| Net actuarial/prior service gains | 16 | 12 | 43 | 32 |
| Prior service amortization(2) | (4) | (3) | (17) | (12) |
| Actuarial loss amortization/settlement(2) | 28 | 21 | 35 | 26 |
| Other gains(3) | 9 | 9 | 9 | 9 |
| **Changes in Defined Benefit Plans Gains** | 49 | 39 | 70 | 55 |
| | | | | |
| **Other Comprehensive (Loss) Income Attributable to Xerox Holdings/Xerox** | $ (35) | $ (44) | $ 9 | $ (3) |

_____________
*(1) Reclassified to Cost of sales - refer to Note 14 - Financial Instruments for additional information regarding our cash flow hedges.*
*(2) Reclassified to Total Net Periodic Benefit Cost - refer to Note 16 - Employee Benefit Plans for additional information.*
*(3) Primarily represents currency impact on cumulative amount of benefit plan net actuarial losses and prior service credits in AOCL.*

### Accumulated Other Comprehensive Loss (AOCL)

AOCL is comprised of the following:

| | March 31, 2022 | December 31, 2021 |
|---|---|---|
| Cumulative translation adjustments | $ (1,933) | $ (1,861) |
| Other unrealized losses, net | (13) | (2) |
| Benefit plans net actuarial losses and prior service credits | (1,086) | (1,125) |
| **Total Accumulated Other Comprehensive Loss Attributable to Xerox Holdings/Xerox** | $ (3,032) | $ (2,988) |

## Note 20 – (Loss) Earnings per Share

(shares in thousands)

The following table sets forth the computation of basic and diluted earnings per share of Xerox Holdings Corporation's common stock:

| | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 |
|---|---|---|
| **Basic (Loss) Earnings per Share** | | |
| Net (Loss) Income Attributable to Xerox Holdings | $ (56) | $ 39 |
| Accrued dividends on preferred stock | (4) | (4) |
| Adjusted Net (loss) income available to common shareholders | $ (60) | $ 35 |
| Weighted average common shares outstanding | 156,362 | 195,985 |
| **Basic (Loss) Earnings per Share** | $ (0.38) | $ 0.18 |
| **Diluted (Loss) Earnings per Share** | | |
| Net (Loss) Income Attributable to Xerox Holdings | $ (56) | $ 39 |
| Accrued dividends on preferred stock | (4) | (4) |
| Adjusted Net (loss) income available to common shareholders | $ (60) | $ 35 |
| Weighted average common shares outstanding | 156,362 | 195,985 |
| Common shares issuable with respect to: | | |
| Stock options | — | — |
| Restricted stock and performance shares | — | 2,181 |
| Convertible preferred stock | — | — |
| Adjusted weighted average common shares outstanding | 156,362 | 198,166 |
| **Diluted (Loss) Earnings per Share** | $ (0.38) | $ 0.18 |
| The following securities were not included in the computation of diluted earnings per share as they were either contingently issuable shares or shares that if included would have been anti-dilutive: | | |
| Stock options | 612 | 693 |
| Restricted stock and performance shares | 6,470 | 5,327 |
| Convertible preferred stock | 6,742 | 6,742 |
| **Total Anti-Dilutive Securities** | 13,824 | 12,762 |
| **Dividends per Common Share** | $ 0.25 | $ 0.25 |

## Note 21 – Contingencies and Litigation

### Legal Matters

We are involved in a variety of claims, lawsuits, investigations and proceedings concerning: securities law; governmental entity contracting; servicing and procurement law; intellectual property law; environmental law; employment law; the Employee Retirement Income Security Act (ERISA); and other laws and regulations. We determine whether an estimated loss from a contingency should be accrued by assessing whether a loss is deemed probable and can be reasonably estimated. We assess our potential liability by analyzing our litigation and regulatory matters using available information. We develop our views on estimated losses in consultation with outside counsel handling our defense in these matters, which involves an analysis of potential results, assuming a combination of litigation and settlement strategies. Should developments in any of these matters cause a change in our determination as to an unfavorable outcome and result in the need to recognize a material accrual, or should any of these matters result in a final adverse judgment or be settled for significant amounts, they could have a material adverse effect on our results of operations, cash flows and financial position in the period or periods in which such change in determination, judgment or settlement occurs.

### Brazil Contingencies

Our Brazilian operations have received or been the subject of numerous governmental assessments related to indirect and other taxes. The tax matters principally relate to claims for taxes on the internal transfer of inventory, municipal service taxes on rentals and gross revenue taxes. We are disputing these tax matters and intend to vigorously defend our positions. Based on the opinion of legal counsel and current reserves for those matters deemed probable of loss, we do not believe that the ultimate resolution of these matters will materially impact our results of operations, financial position or cash flows. Below is a summary of our Brazilian tax contingencies:

| | March 31, 2022 | December 31, 2021 |
|---|---|---|
| Tax contingency - unreserved | $ 368 | $ 292 |
| Escrow cash deposits | 39 | 32 |
| Surety bonds | 69 | 96 |
| Letters of credit | 93 | 74 |
| Liens on Brazilian assets | — | — |

The increase in the unreserved portion of the tax contingency, inclusive of any related interest, was primarily due to currency, as well as interest. With respect to the unreserved tax contingency, the majority has been assessed by management as being remote as to the likelihood of ultimately resulting in a loss to the Company. In connection with the above proceedings, customary local regulations may require us to make escrow cash deposits or post other security of up to half of the total amount in dispute, as well as, additional surety bonds and letters of credit, which include associated indexation. Generally, any escrowed amounts would be refundable and any liens on assets would be removed to the extent the matters are resolved in our favor. We are also involved in certain disputes with contract and former employees. Exposures related to labor matters are not material to the financial statements as of March 31, 2022 and December 31, 2021. We routinely assess all these matters as to the probability of ultimately incurring a liability against our Brazilian operations and record our best estimate of the ultimate loss in situations where we assess the likelihood of an ultimate loss as probable.

### Litigation Against the Company

***Miami Firefighters' Relief & Pension Fund v. Icahn, et al.:***

On December 13, 2019, alleged shareholder Miami Firefighters' Relief & Pension Fund ("Miami Firefighters") filed a purported derivative complaint in New York State Supreme Court, New York County on behalf of Xerox Holdings Corporation ("Xerox Holdings") (as nominal defendant) against Carl Icahn and his affiliated entities High River Limited Partnership and Icahn Capital LP (the "Icahn defendants"), Xerox Holdings, and all then-current Xerox Holdings directors (the "Directors"). Plaintiff made no demand on the Board before bringing the action, but instead alleges that doing so would be futile because the Directors lack independence due to alleged direct or indirect relationships with Icahn. Among other things, the complaint alleges that Icahn controls and dominates Xerox Holdings and therefore owes a fiduciary duty of loyalty to Xerox Holdings, which he breached by acquiring HP stock at a time when he knew that Xerox Holdings was considering an offer to acquire HP or had knowledge of the "obvious merits" of such potential acquisition, and that the Icahn defendants' holdings of HP common stock have risen in market value by approximately $128 since disclosure of the offer. The complaint includes four causes of action: breach of fiduciary duty of loyalty against the Icahn defendants; breach of contract against the Icahn defendants (for purchasing HP stock in violation of Icahn's confidentiality agreement with Xerox Holdings); unjust enrichment against the Icahn defendants; and breach of fiduciary duty of loyalty against the Directors (for any consent to the Icahn defendants' purchases of HP common stock while Xerox Holdings was considering acquiring HP). The complaint seeks a judgment of breach of fiduciary duties against the Icahn defendants and the Directors; a declaration that Icahn breached his confidentiality agreement with Xerox Holdings; a constructive trust on Icahn Capital and High River's investments in HP securities; disgorgement to Xerox Holdings of profits Icahn Capital and High River earned from trading in HP stock; payment of unspecified damages by the Directors for breaching fiduciary duties; and attorneys' fees, costs, and other relief the Court deems just and proper. On January 15, 2020, the Court entered an order granting plaintiff's unopposed motion to consolidate with Miami Firefighters a similar action filed on December 26, 2019 by alleged shareholder Steven J. Reynolds against the same parties in the same court, and designating Miami Firefighters' counsel as lead counsel in the consolidated action.

Discovery commenced. On August 10, 2020, the Xerox defendants and the Icahn defendants filed separate motions to dismiss. Briefing on the motions was completed on October 21, 2020. On December 14, 2020, following oral argument, the Court issued a decision and order granting defendants' motions and dismissing the action in its entirety as to all defendants. Dismissal as to the Icahn defendants was conditioned on the filing of an affidavit, which the Icahn defendants filed on December 16, 2020, indicating whether defendant Icahn gained a profit or incurred a loss on purchases of HP stock during the relevant time period.

On December 23, 2020, plaintiff filed a motion seeking discovery related to the Icahn defendants' losses resulting from their investment in HP. The motion was fully briefed on January 7, 2021. On January 15, 2021, the Court issued a decision and order denying the motion.

Also on January 15, 2021, plaintiff filed a notice of appeal of the December 14, 2020 dismissal order to the Appellate Division, First Department. On January 20, 2021, plaintiff filed a notice of appeal of the January 15, 2021 order denying its motion for discovery to the Appellate Division, First Department. On July 15, 2021, plaintiff filed its brief in connection with the appeals of the December 14, 2020 dismissal order and the January 15, 2021 discovery order.

On November 18, 2021, the Appellate Division issued its decision. The Court reversed the lower court's ruling to the extent that it dismissed the claims asserted against the Icahn defendants. The claims asserted against the Directors remain dismissed. On December 8, 2021, the Xerox Board approved the formation of a Special Litigation Committee to investigate and evaluate the claims and allegations asserted in the Miami Firefighters' case and determine the course of action that would be in the best interests of the Company and its shareholders. The Special Litigation Committee moved to stay the litigation pending its investigation and on January 25, 2022, the Court issued an order staying all discovery until February 28, 2022, except as related to the issue of the alleged damages sustained by Xerox.

On March 18, 2022, following the conclusion of its investigation, the Special Litigation Committee filed a motion to dismiss plaintiffs' claims on the grounds that the derivative claims are without merit and pursuing the claims would not be in the best interest of Xerox or its shareholders. One week later the Icahn Defendants filed a motion for summary judgment. On April 4, 2022, Miami Firefighters filed papers in opposition to the pending motions and cross-moved to, among other things, seek discovery regarding the Special Litigation Committee's investigation. Miami Firefighters also cross-moved seeking an order granting partial summary judgment against the Icahn Defendants for disgorgement of alleged unrealized profits in the amount of $18.12. Oral argument on the pending motions is scheduled for May 26, 2022.

***Xerox Holdings Corporation v. Factory Mutual Insurance Company and Related Actions:***

On March 10, 2021, Xerox Holdings Corporation ("Xerox Holdings") filed a complaint for breach of contract and declaratory judgment against Factory Mutual Insurance Company in Rhode Island Superior Court, Providence County seeking insurance coverage for business interruption losses resulting from the coronavirus/COVID-19 pandemic. The complaint alleges that defendant agreed to provide Xerox Holdings with up to $1 billion in per-occurrence coverage for losses resulting from pandemic-related loss or damage to certain real and other property, including business interruption loss resulting from insured property damage; that the pandemic had inflicted significant physical loss or damage to property of Xerox Holdings and its direct and indirect customers; that Xerox Holdings' worldwide actual and projected losses through the end of 2020 totaled in excess of $300 (and is still increasing); and that following Xerox Holdings' timely and proper claim in March 2020 for coverage under the "all risk" commercial property insurance policy it had purchased from defendant, defendant improperly denied and rejected coverage for most of the claim. The complaint seeks a jury trial, a declaratory judgment against defendant declaring that Xerox is entitled to full coverage of costs and losses under defendant's policy and declaring that defendant is required to pay for such costs and losses, subject to any applicable limits; damages in an amount to be determined at trial; consequential damages; attorneys' fees and costs; pre- and post-judgment interest; and other relief the Court deems just and proper. Also on March 10, 2021, subsidiaries of Xerox Holdings filed similar complaints and related requests for arbitration in Toronto, London, and Amsterdam for Canadian, UK and European losses.

Xerox Holdings consented to defendant's request for an extension of its time in which to answer or otherwise respond to the complaint. On May 6, 2021, FMG filed its answer to the complaint. The parties thereafter agreed to stay all non-U.S. proceedings pending the outcome of the U.S. litigation.

### Guarantees

We have issued or provided approximately $279 of guarantees as of March 31, 2022 in the form of letters of credit or surety bonds issued to i) support certain insurance programs; ii) support our obligations related to the Brazil contingencies; and iii) support certain contracts, primarily with public sector customers, which require us to provide a surety bond as a guarantee of our performance of contractual obligations.

In general, we would only be liable for the amount of these guarantees in the event we defaulted in performing our obligations under each contract, the probability of which we believe is remote. We believe that our capacity in the surety markets as well as under various credit arrangements (including our Credit Facility) is sufficient to allow us to respond to future requests for proposals that require such credit support.

## Note 22 – Subsequent Events

### Pension

In April 2022, our U.K. defined benefit pension plan was amended, at the sole discretion of the Plan Trustees as legally allowed, to increase the capped inflation indexation for the April 2022 pension increase award to 7.5% in line with the December 2021 UK Retail Price Index (RPI). This plan amendment is expected to result in an increase of approximately $53 (GBP 40 million) in the projected benefit obligation (PBO) for this plan (approximately 1.4% of the plan PBO as of December 31, 2021). However, at this stage, we are still evaluating the full impact of this amendment including the associated impacts from the required remeasurement of the plan assets and obligations for updates to discount rates, actual returns and actuarial experience as of the effective date of the amendment. Refer to Note 19 - Employee Benefit Plans in the Consolidated Financial Statements included in the 2021 Annual Report for additional information regarding our U.K. defined benefit pension plan including its funding status as of December 31, 2021.

### Secured Borrowing

In April 2022, we entered into a secured loan agreement with a financial institution where we sold $94 (119 million CAD) of finance receivables of our Canadian subsidiary to a special purpose entity (SPE). The purchase by the SPE was funded through an $85 (108 million CAD) amortizing secured loan to the SPE from the financial institution. The transaction was accounted for as a secured borrowing and the SPE is fully consolidated in our financial statements. As a result, the assets of the SPE are not available to satisfy any of our other obligations. Conversely, the credit holder of this SPE does not have legal recourse to the Company's general credit.

The loan has a variable interest rate that was swapped to a fixed interest rate of 3.32% and it has an expected life of less than 3 years, with half of the loan projected to be repaid within the first year based on collections of the underlying portfolio of receivables.

## ITEM 2 — MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Throughout the Management's Discussion and Analysis (MD&A), references to "Xerox Holdings" refer to Xerox Holdings Corporation and its consolidated subsidiaries while references to "Xerox" refer to Xerox Corporation and its consolidated subsidiaries. References herein to "we," "us," "our," the "Company" refer collectively to both Xerox Holdings and Xerox unless the context suggests otherwise. References to "Xerox Holdings Corporation" refer to the stand-alone parent company and do not include its subsidiaries. References to "Xerox Corporation" refer to the stand-alone company and do not include its subsidiaries.

Currently, Xerox Holdings' primary direct operating subsidiary is Xerox and Xerox reflects nearly all of Xerox Holdings' operations. Accordingly, the following MD&A primarily focuses on the operations of Xerox and is intended to help the reader understand Xerox's business and its results of operations and financial condition. The MD&A is provided as a supplement to, and should be read in conjunction with, the Condensed Consolidated Financial Statements and the accompanying notes. Throughout this MD&A, references are made to various notes in the Condensed Consolidated Financial Statements which appear in Item 1 of this Combined Quarterly Report on Form 10-Q, and the information contained in such notes is incorporated by reference into the MD&A in the places where such references are made.

Xerox Holdings' other direct subsidiary is Xerox Ventures LLC, which was established in 2021 solely to invest in startups and early/mid-stage growth companies aligned with the Company's innovation focus areas and targeted adjacencies. Xerox Ventures LLC had investments of approximately $13 million at March 31, 2022. Due to its immaterial nature, and for ease of discussion, Xerox Ventures LLC's results are included within the following discussion.

### Currency Impact

To understand the trends in the business, we believe that it is helpful to analyze the impact of changes in the translation of foreign currencies into U.S. Dollars on revenue and expenses. We refer to this analysis as "constant currency", "currency impact" or "the impact from 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. We do not hedge the translation effect of revenues or expenses denominated in currencies where the local currency is the functional currency. Management believes the constant currency measure provides investors an additional perspective on revenue trends. Currency impact can be determined as the difference between actual growth rates and constant currency growth rates.

### Overview

During the first quarter 2022, our business faced several challenges. Supply constraints continued to inhibit our ability to fulfill demand, negatively impacting our Equipment Sales Revenue but resulting in the growth of our backlog[1] to $422 million, a 21% sequential increase and nearly three times the prior year period's levels. As demand and backlog grow, we are focused on maintaining our level of client satisfaction. We continue to expect supply chain constraints to begin easing in the second half of the year and we did see slight improvements in page volumes and volume-driven post sale revenue in the first quarter 2022, particularly in March, as the Omicron variant waned and more employees returned to the office. Third-party[2] data points to gathering momentum in return to office trends. Progressive improvement in workplace attendance is expected each month, with a broader return of employees to the office in the second half of the year. Lastly, in the first quarter 2022, we also saw an acceleration of inflationary pressure on costs throughout our business, particularly for logistics and labor. The Company is enacting a series of price increases with the intent to offset these inflation-related cost increases over time as price adjustments are enforced within our contractual business and we further rationalize our cost base.

_(1) Order backlog is measured as the value of unfulfilled sales orders, shipped and non-shipped, received from our customers waiting to be installed, including orders with future installation dates. It includes printing devices as well as IT hardware associated with our IT services offerings. First quarter 2022 backlog of $422 million excludes sales orders from Russia and Powerland, which was acquired in the first quarter of 2022._

_(2) Third party data is Kastle Systems U.S. offices badge swipe data metric._

## Russia-Ukraine Conflict

With respect to the war in Ukraine, in the first quarter 2022, we halted shipments to Russia when sanctions were imposed. The resulting financial impact has thus far been minimal. The Eurasian region in total comprised a low single digit percentage of our revenue and operating profits in 2021. As of March 31, 2022 the net assets of our Eurasian operations were approximately $20 million (approximately $35 million of assets) and comprised approximately 0.5% of consolidated net assets.

## Reportable Segment Change

During the first quarter of 2022, the Company made a change to its reportable segments from one reportable segment to two reportable segments - Print and Other, and Financing (FITTLE) to align with a change in how the Chief Operating Decision Maker (CODM), our Chief Executive Officer (CEO) allocates resources and assesses performance against the Company's key growth strategies. As such, prior period reportable segment results and related disclosures have been conformed to reflect the Company's current reportable segments.

## First Quarter 2022 Review

Total revenue of $1.67 billion for first quarter 2022 decreased 2.5% from first quarter 2021, including a 1.8-percentage point adverse impact from currency. Total revenue reflected an increase of 1.9% in Post sale revenue, including a 1.8-percentage point adverse impact from currency, and a decrease of 17.6% in Equipment sales revenue, including a 1.5-percentage point adverse impact from currency. The benefits from slightly higher page volumes on post-sale revenues were offset by the continued impacts from a constrained supply chain.

Print and Other segment revenues of $1.55 billion, which represented 93% of total revenue, decreased 2.0%. Print and Other segment loss of $20 million, decreased $91 million as compared to the first quarter 2021. Financing segment (FITTLE) revenues of $158 million, which represented 9% of total revenue, decreased 12.2%. Financing segment (FITTLE) profit of $17 million, decreased $1 million as compared to the first quarter of 2021.

Net (loss) income attributable to Xerox Holdings and adjusted[1] Net (loss) income attributable to Xerox Holdings were as follows:

| | Three Months Ended March 31, | | |
|---|---|---|---|
| (in millions) | 2022 | 2021 | B/(W) |
| Net (loss) income attributable to Xerox Holdings | $ (56) | $ 39 | $ (95) |
| Adjusted[(1)] Net (loss) income attributable to Xerox Holdings | (14) | 47 | (61) |

First quarter 2022 Net loss attributable to Xerox Holdings of $(56) million decreased $95 million as compared to first quarter 2021 primarily reflecting lower gross margin, as a result of unfavorable mix as well as higher logistics costs associated with product supply constraints and higher Selling, administrative and general expenses. Other expenses, net were $53 million higher primarily due to a $33 million charge ($25 million after-tax) associated with the termination of a product supply agreement, higher non-financing interest expense, and a lower benefit from non-service retirement costs. These negative impacts were partially offset by income tax benefits. First quarter 2022 Adjusted[1] net loss attributable to Xerox Holdings of $14 million decreased $61 million as compared to the prior year, primarily reflecting lower gross margin, as a result of unfavorable mix as well as higher logistics costs associated with product supply constraints, and higher Selling, administrative and general expenses, and Other expenses, net. These negative impacts were partially offset by income tax benefits.

Cash flows provided by operating activities during the first quarter 2022 were $66 million, as compared to $117 million in the prior year period, as lower earnings, which included investments in our new businesses, and lower royalty payments, were offset by decreased working capital[2] and lower restructuring payments. Working capital[2] was a source of cash of $93 million this quarter, $50 million higher than the prior year, entirely driven by accounts payable. Cash used in investing activities during the first quarter 2022 was $75 million reflecting capital expenditures of $16 million, acquisitions of $54 million and $5 million of noncontrolling investments as part of our corporate venture capital fund. Cash used in financing activities during the first quarter 2022 was $149 million reflecting $113 million for repurchases of our Common Stock, proceeds of $668 million on a new secured financing arrangement, partially offset by payments of $346 million on existing secured financing arrangements and $300 million on Senior Notes, and dividend payments of $46 million.

## 2022 Outlook

Despite the continuing uncertainties encountered in the first quarter 2022, we are maintaining our revenue and cash flow outlook, as we continue to expect supply chain constraints and office trends to improve in the second half of the year, and we are implementing counteractive measures in response to geopolitical uncertainty and inflationary pressures. These measures include generating additional savings through Project Own It, which may include additional restructuring actions, with a planned 50% increase in our targeted savings amount for the year.

Accordingly, we continue to expect revenue to grow to $7.1 billion in actual currency, and expect that profitability will be weighted to the second half of the year. We are confident in our ability to generate cash and plan to continue our capital allocation policy of returning at least 50% of our annual free cash flow to shareholders and expect full year Operating cash flows to be at least $475 million (excluding the payments associated with the first quarter 2022 contract termination charge), and capital expenditures of at least $75 million.

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*(1) See the "Non-GAAP Financial Measures" section for an explanation of the non-GAAP financial measure.*
*(2) Working capital, net reflects Accounts receivable, net, Inventories and Accounts payable.*

## Critical Accounting Policies and Estimates - Update

### Goodwill - Interim Impairment Evaluation – Change in Segments

Our goodwill balance was $3.3 billion at March 31, 2022 and December 31, 2021, respectively. The balance at December 31, 2021 reflects a pre-tax impairment charge of $781 million recorded in the fourth quarter 2021 after completion of our fourth quarter annual goodwill impairment assessment. We assess goodwill for impairment at least annually during the fourth quarter and whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

During the first quarter 2022, the Company made a change to its operating and reportable segments from one operating/reportable segment - Printing - to two operating/reportable segments - Print and Other, and Financing (FITTLE). As a result of the new operating and reportable segments, we also reassessed our reporting units for the evaluation of goodwill. Prior to this change, consistent with the determination that we had one operating/reportable segment, we determined that we had one reporting unit for goodwill assessment purposes. Our reassessment during the first quarter of 2022 determined that likewise consistent with the determination that we had two operating/reportable segments, we now have two reporting units for goodwill assessment purposes – Print and Other, and Financing (FITTLE).

As a result of the change in reporting units, effective January 1, 2022, we estimated the fair value of our new reporting units and, based on an assessment of the relative fair values of our new reporting units after the change, we determined that no goodwill was allocable to the Financing (FITTLE) segment. This determination was largely based on the fact that at this stage in the stand-up of the Financing (FITTLE) business, its separate valuation is constrained and limited because the operation is significantly integrated with the Print and Other segment and is primarily an extension or enabler to facilitate the sale of the Company's products. The change in reporting units was also considered a triggering event indicating a test for goodwill impairment was required as of January 1, 2022 before and after the change in reporting units. The Company performed those impairment tests, which did not result in the identification of an impairment loss as of January 1, 2022.

We perform an assessment of goodwill, utilizing either a qualitative or quantitative impairment test. As a result of our impairment charge in the fourth quarter 2021, we elected to bypass the qualitative impairment test and proceed to the quantitative test for the assessment of the recoverability of our Goodwill balance effective January 1, 2022 before and after the change in segments.

In estimating the fair value of our single reporting unit before the change in segments, our analysis reflected a 75/25 allocation between the income and market approach and the application of a discount rate applied to our projected cash flows of approximately 7.50%. The weighting between the income and market approach was consistent with our assessment in the fourth quarter 2021. The applied discount rate was 25 basis points lower than the rate applied in the fourth quarter 2021 assessment largely due to changes in market inputs with respect to the Cost of Equity as well as a slightly higher Cost of Debt weighting, which carries a lower cost. We continue to believe that the discount rate applied was reasonable based on the estimated capital costs of applicable market participants and an appropriate company-specific risk premium that reflected current market and industry conditions.

In estimating the fair value of our reporting unit with goodwill after the change in segments (Print and Other), our analysis likewise reflected a 75/25 allocation between the income and market approach but the discount rate applied to our projected cash flows was increased to approximately 8.75%. The increase in the discount rate was largely due to an increase in the Company Specific Risk Premium to balance the overall Company valuation and to reflect an increased risk to Print and Other as a result of the removal of a portion of the steadier annuity financing revenues to the Financing (FITTLE) reporting unit. As with the assessment before the segment change, we continue to believe that the discount rate applied was reasonable based on the estimated capital costs of applicable market participants and an appropriate company-specific risk premium that reflected current market and industry conditions. Based on our forecast model, which we believe reflects the inherent uncertainty of the future, we estimated that the excess of fair value over carrying value for the reporting unit with goodwill ranged between 15% and 20%.

In performing its assessment, the Company believes it has made reasonable estimates based on the facts and circumstances available as of the assessment date and taking into consideration the macro-economic and industry factors existing at that point. However, the determination of fair value includes assumptions that are subject to risk and uncertainty. The discounted cash flow calculations are dependent on subjective factors including the timing and amount of future cash flows and the discount rate. If assumptions or estimates used in the fair value calculations change, including assumptions related to future cash flows as well as the impact of future macro-economic and industry conditions and our ability to initiate management actions to recover from those issues, it may result in a further decline in our estimated fair value and trigger future impairment charges. We will continue to monitor developments in 2022 including updates to our forecasts as well as our market capitalization, and an update of our assessment and related estimates may be required in the future.

## Financial Review

### Revenues

| | Three Months Ended March 31, | | | | | % of Total Revenue | |
|---|---|---|---|---|---|---|---|
| (in millions) | 2022 | 2021 | % Change | CC % Change | | 2022 | 2021 |
| Equipment sales | $ 314 | $ 381 | (17.6)% | (16.1)% | | 19 % | 22 % |
| Post sale revenue | 1,354 | 1,329 | 1.9 % | 3.7 % | | 81 % | 78 % |
| **Total Revenue** | $ 1,668 | $ 1,710 | (2.5)% | (0.7)% | | 100 % | 100 % |
| | | | | | | | |
| **Reconciliation to Condensed Consolidated Statements of (Loss) Income:** | | | | | | | |
| Sales | $ 592 | $ 602 | (1.7)% | 0.1 % | | | |
| Less: Supplies, paper and other sales | (278) | (221) | 25.8 % | 28.0 % | | | |
| **Equipment sales** | $ 314 | $ 381 | (17.6)% | (16.1)% | | | |
| | | | | | | | |
| Services, maintenance and rentals | $ 1,023 | $ 1,053 | (2.8)% | (1.1)% | | | |
| Add: Supplies, paper and other sales | 278 | 221 | 25.8 % | 28.0 % | | | |
| Add: Financing | 53 | 55 | (3.6)% | (2.5)% | | | |
| **Post sale revenue** | $ 1,354 | $ 1,329 | 1.9 % | 3.7 % | | | |
| | | | | | | | |
| **Segments** | | | | | | | |
| Print and Other | $ 1,550 | $ 1,581 | (2.0)% | | | 93 % | 92 % |
| Financing (FITTLE) | 158 | 180 | (12.2)% | | | 9 % | 11 % |
| Intersegment elimination[(1)] | (40) | (51) | (21.6)% | | | (2)% | (3)% |
| **Total Revenue[(2)]** | $ 1,668 | $ 1,710 | (2.5)% | | | 100 % | 100 % |
| | | | | | | | |
| **Go-To-Market** | | | | | | | |
| Americas | $ 1,071 | $ 1,076 | (0.5)% | (0.4)% | | 64 % | 63 % |
| EMEA | 554 | 587 | (5.6)% | (0.8)% | | 33 % | 34 % |
| Other | 43 | 47 | (8.5)% | (8.5)% | | 3 % | 3 % |
| **Total Revenue[(2)]** | $ 1,668 | $ 1,710 | (2.5)% | (0.7)% | | 100 % | 100 % |

*CC - See "Currency Impact" section for a description of Constant Currency.*

*(1) Reflects net revenue, primarily commissions and other payments, made by the Financing segment (FITTLE) to the Print and Other segment for the lease of Xerox equipment placements.*

*(2) Refer to the "Reportable Segments and Geographic Sales Channels" section.*

Total revenue for the three months ended March 31, 2022 decreased 2.5% as compared to first quarter 2021, including a 1.8-percentage point benefit from acquisitions as well as a 1.8-percentage point adverse impact from currency. The decrease in organic revenue reflected continued global product supply constraints and freight disruptions, which limited our ability to fulfill orders and resulted in growth of our order backlog. In March, we saw a modest increase in page volumes and page volume-driven post sale revenue as the Omicron variant waned in our key markets and businesses welcomed employees back to the office. We continue to expect supply constraints and return to office trends to improve beginning in the second half of the year.

Geographically, revenue in our EMEA operations decreased 5.6% as compared to first quarter 2021, including a 4.8-percentage point adverse impact from currency. Revenue decreased 0.5% in our Americas operations with relatively no impact from currency. Both regions were negatively affected by product supply shortages and global freight disruptions. First quarter 2022 page volumes grew slightly faster in EMEA than in the Americas when compared to first quarter 2021 as Omicron-related closures affected the EMEA operations earlier than in the Americas.

Total revenue for the three months ended March 31, 2022 reflected the following:

### Post sale revenue

Post sale revenue primarily reflects contracted services, equipment maintenance, supplies and financing. These revenues are associated not only with the population of devices in the field, which are affected by installs and removals, but also by the page volumes generated from the usage of such devices and the revenue per printed page. Post sale revenue also includes transactional IT hardware sales and implementation services primarily from our XBS organization in the U.S.

For the three months ended March 31, 2022, Post sale revenue increased 1.9% as compared to first quarter 2021, including a 1.8-percentage point adverse impact from currency. Post sale revenue reflected the following:

- **Services, maintenance and rentals revenue** includes rental and maintenance revenue (including bundled supplies) as well as the post sale component of the document services offerings from our Xerox Services offerings. For the three months ended March 31, 2022, these revenues decreased 2.8% as compared to first quarter 2021, including a 1.7-percentage point adverse impact from currency, reflecting the impact of lower royalty revenues from FUJIFILM Business Innovation Systems (formerly Fuji Xerox), lower third-party leasing commissions (resulting from higher XFS lease penetration of our XBS operations), a lower net population of devices and an ongoing competitive price environment. Declines were partially offset by modestly higher page volumes, particularly in the last month of the quarter, corresponding with the gradual reopening of workplaces.
- **Supplies, paper and other sales** includes unbundled supplies, IT services and other sales. For the three months ended March 31, 2022, these revenues increased 25.8% as compared to first quarter 2021, including a 2.2-percentage point adverse impact from currency, and primarily reflected higher IT Services sales, which increased more than 20% year-over-year excluding revenue from our recent acquisition of Powerland, as well as higher sold supplies and paper revenues. The higher supplies revenues reflects higher channel demand and is consistent with the gradual reopening of workplaces.
- **Financing revenue** is generated from financed equipment sale transactions. For the three months ended March 31, 2022, these revenues decreased 3.6% as compared to first quarter 2021, including a 1.1-percentage point adverse impact from currency. The decrease reflected a lower finance receivables balance due to the pace of run-off of our lease portfolio and lower equipment sales in prior periods, as well as the impact of lower equipment sales in the current period. Lease originations decreased in the quarter as compared to first quarter 2021. Xerox channel originations declined due primarily to supply constraints. These declines were partially offset by an increase in originations from third-party dealers and non-Xerox equipment providers.

### Equipment sales revenue

Equipment sales revenue decreased 17.6% for the three months ended March 31, 2022 as compared to first quarter 2021, including a 1.5-percentage point adverse impact from currency. The decrease reflected the adverse impact of product supply constraints (consistent with market-wide shortages of computer chips and resins) and global freight disruptions. Demand continued to increase as businesses reopened, resulting in a backlog of orders at the end of the quarter that increased sequentially and was above both prior year and pre-pandemic levels. Equipment sales revenue decreased in EMEA and the Americas due to supply chain disruptions, which impacted all product categories (Entry, Mid-Range, and High-End).

See **Segment Review - Print and Other** below for additional discussion on Equipment sales revenue.

## Costs, Expenses and Other Income

### Summary of Key Financial Ratios

The following is a summary of key financial ratios used to assess our performance:

| (in millions) | Three Months Ended March 31, 2022 | 2021 | B/(W) |
|---|---|---|---|
| Gross Profit | $ 530 | $ 611 | $ (81) |
| RD&E | 78 | 74 | (4) |
| SAG | 455 | 448 | (7) |
| | | | |
| Equipment Gross Margin | 20.4 % | 27.9 % | (7.5) pts. |
| Post sale Gross Margin | 34.4 % | 38.0 % | (3.6) pts. |
| Total Gross Margin | 31.8 % | 35.7 % | (3.9) pts. |
| RD&E as a % of Revenue | 4.7 % | 4.3 % | (0.4) pts. |
| SAG as a % of Revenue | 27.3 % | 26.2 % | (1.1) pts. |
| | | | |
| Pre-tax (Loss) Income | $ (89) | $ 53 | $ (142) |
| Pre-tax (Loss) Income Margin | (5.3)% | 3.1 % | (8.4) pts. |
| | | | |
| Adjusted(1) Operating (Loss) Profit | $ (3) | $ 89 | $ (92) |
| Adjusted(1) Operating (Loss) Income Margin | (0.2)% | 5.2 % | (5.4) pts. |

_(1) See the "Non-GAAP Financial Measures" section for an explanation of the non-GAAP financial measure._

### Pre-tax (Loss) Income Margin

First quarter 2022 pre-tax loss margin of (5.3)% decreased 8.4-percentage points as compared to first quarter 2021. The decrease primarily reflected the impact of lower adjusted[1] operating margin (see below), as well as higher Other expenses, net, which included a $33 million charge ($25 million after-tax) associated with the termination of a product supply agreement.

### Adjusted[1] Operating Margin

First quarter 2022 adjusted[1] operating loss margin of (0.2)% decreased by 5.4-percentage points as compared to first quarter 2021, primarily reflecting lower revenues and lower gross margin, which includes the impact of higher freight costs associated with product supply constraints, as well as higher expenses reflecting increased investments in new businesses, higher bad debt expense, and benefits from temporary government assistance and furlough measures in the prior year. These impacts were partially offset by lower selling expenses resulting from lower sales volumes as well as productivity and cost savings associated with our Project Own It transformation actions.

_(1) Refer to the Operating (Loss) Income and Margin reconciliation table in the "Non-GAAP Financial Measures" section._

### Gross Margin

First quarter 2022 gross margin of 31.8% decreased by 3.9-percentage points as compared to first quarter 2021, reflecting unfavorable mix to Entry products and IT services as well as the unfavorable impacts of approximately 2.5-percentage points associated with supply chain costs and capacity restrictions, which reflects significantly higher freight and shipping costs and constrained availability of higher margin equipment. In addition, gross margin was negatively impacted by lower third-party financing commissions, lower royalty revenue, benefits from temporary government assistance and furlough measures in the prior year, and a competitive pricing environment.

First quarter 2022 equipment gross margin of 20.4% decreased by 7.5-percentage points as compared to first quarter 2021, primarily reflecting an unfavorable mix of mid-range products and the impact of higher freight costs associated with product supply constraints and higher product costs.

First quarter 2022 Post sale gross margin of 34.4% decreased by 3.6-percentage points as compared to first quarter 2021, reflecting higher component and logistics costs associated with supply chain disruption, benefits from temporary government assistance and furlough measures in the prior year, a competitive pricing environment, and lower royalty revenues and third-party financing commissions. In addition, a higher mix of IT services revenues also contributed to the decrease in margins. These impacts were partially offset by productivity and cost savings and restructuring savings associated with Project Own It transformation actions.

## Research, Development and Engineering Expenses (RD&E)

| | Three Months Ended March 31, | | |
|---|---|---|---|
| (in millions) | 2022 | 2021 | Change |
| R&D | $ 64 | $ 59 | $ 5 |
| Sustaining engineering | 14 | 15 | (1) |
| **Total RD&E Expenses** | $ 78 | $ 74 | $ 4 |

First quarter 2022 RD&E as a percentage of revenue of 4.7% increased by 0.4-percentage points as compared to first quarter 2021, as a result of revenue declines that outpaced the rate of investments.

RD&E of $78 million increased $4 million as compared to first quarter 2021 primarily reflecting investments in our innovation portfolio and software, partially offset by savings from restructuring and productivity as well as lower RD&E for our print business.

## Selling, Administrative and General Expenses (SAG)

First quarter 2022 SAG as a percentage of revenue of 27.3% increased by 1.1-percentage points as compared to first quarter 2021, due to higher administrative and bad debt expenses, as well as the impact of lower revenues, partially offset by lower selling expenses as a result of lower sales volumes and lower marketing costs.

First quarter 2022 SAG of $455 million increased $7 million as compared to first quarter 2021, primarily reflecting investments in new businesses, higher bad debt expense and acquisitions as well as, benefits from temporary government assistance and furlough measures in the prior year. These actions were partially offset by lower sales and marketing expenses resulting from lower sales volumes as well as productivity and cost savings associated with our Project Own It transformation actions and the favorable impact from currency.

Our bad debt provision for the three months ended March 31, 2022 of $15 million increased by $5 million as compared to the first quarter 2021, primarily related to reserves for trade receivables in our Eurasia operations, primarily in Russia. Although actual finance receivable write-offs incurred to date continue to lag expectations, we believe our current reserve position remains sufficient to cover expected future losses that may result from current and future macro-economic conditions. We continue to believe that uncertainties remain as economies continue to recover from the impacts of the COVID-19 pandemic including the cessation of government support as well as labor, interest rate and inflation risks and the potential for higher taxes. In addition, there is also considerable uncertainty regarding the impact the Russia/Ukraine war and related global sanctions will have on the macro or global economy. As a result of these uncertainties, our reserves as a percent of receivables have remained fairly consistent subsequent to the first quarter 2020 increase to initially record expected losses from the COVID-19 pandemic. We continue to monitor developments in future economic conditions, and as a result, our reserves may need to be updated in future periods. On a trailing twelve-month basis (TTM), bad debt expense was approximately 1.0% of total receivables (excluding the 2021 reserve reductions of approximately $31 million), which is consistent with the pre-pandemic trend and reflects the consistent level of reserves subsequent to the first quarter 2020 charge.

Refer to Note 8 - Accounts Receivable, Net and Note 9 - Finance Receivables, Net in the Condensed Consolidated Financial Statements for additional information regarding our bad debt provision.

## Restructuring and Related Costs, Net

We incurred Restructuring and related costs, net of $18 million for the first quarter 2022, as compared to $17 million for first quarter 2021. These costs were primarily related to the implementation of initiatives under our business transformation projects including Project Own It. The following is a breakdown of those costs:

| (in millions) | Three Months Ended March 31, 2022 | 2021 |
|---|---|---|
| Severance[1] | $ 22 | $ 14 |
| Asset impairments - leased right-of-use assets[2] | 1 | 1 |
| Asset impairments - owned assets[2] | — | 9 |
| Other contractual termination costs[3] | — | 1 |
| Net reversals[4] | (3) | (4) |
| Restructuring and asset impairment costs | 20 | 21 |
| Retention-related severance/bonuses[5] | (2) | (4) |
| **Total** | $ 18 | $ 17 |

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(1) *Reflects headcount reductions of approximately 450 and 350 employees worldwide in first quarter 2022 and 2021, respectively.*
(2) *Primarily related to the exit and abandonment of leased and owned facilities net of any potential sublease income and other recoveries.*
(3) *Primarily includes additional costs incurred upon the exit from our facilities including decommissioning costs and associated contractual termination costs.*
(4) *Reflects net reversals for changes in estimated reserves from prior period initiatives.*
(5) *Includes retention-related severance and bonuses for employees expected to continue working beyond their minimum notification period before termination. The reversals in first quarter 2022 and 2021, respectively, reflect a change in estimates.*

First quarter 2022 actions impacted several functional areas, with approximately 30% focused on gross margin improvements, approximately 60% focused on SAG reductions and the remainder focused on RD&E optimization.

First quarter 2021 actions impacted several functional areas, with approximately 30% focused on gross margin improvements, approximately 65% focused on SAG reductions and the remainder focused on RD&E optimization.

The Restructuring and related costs, net reserve balance for all programs as of March 31, 2022 was $53 million, which is expected to be paid over the next twelve months.

Refer to Note 12 - Restructuring Programs in the Condensed Consolidated Financial Statements for additional information regarding our restructuring programs.

## Amortization of Intangible Assets

First quarter 2022 Amortization of intangible assets of $11 million was $4 million lower as compared to the first quarter 2021, primarily related to the write-off of certain XBS tradenames in first quarter 2022 as part of our continued efforts to realign and consolidate this sales unit as part of Project Own It.

## Worldwide Employment

Worldwide employment was approximately 23,400 as of March 31, 2022, an increase of approximately 100 from December 31, 2021. The increase resulted from net hires (gross hires net of attrition), as well as the impact of organizational changes.

## Other Expenses, Net

| (in millions) | Three Months Ended March 31, 2022 | 2021 |
|---|---|---|
| Non-financing interest expense | $ 29 | $ 24 |
| Interest income | (1) | (1) |
| Non-service retirement-related costs | (7) | (20) |
| Currency losses, net | — | 2 |
| Contract termination costs - product supply | 33 | — |
| All other expenses, net | 3 | (1) |
| **Other expenses, net** | $ 57 | $ 4 |

### Non-Financing Interest Expense

First quarter 2022 non-financing interest expense of $29 million was $5 million higher than first quarter 2021. When combined with financing interest expense (Cost of financing), total interest expense remained relatively flat as compared to first quarter 2021.

Refer to Note 13 - Debt in the Condensed Consolidated Financial Statements, for additional information regarding debt activity and interest expense.

### Non-Service Retirement-Related Costs

First quarter 2022 non-service retirement-related costs were $13 million higher as compared to the first quarter 2021, primarily driven by an increase in interest costs due to higher discount rates and higher settlement losses.

NOTE: First quarter 2022 service retirement-related costs, which are included in operating expenses, were $4 million and $6 million in the first quarter 2022 and 2021, respectively.

Refer to Note 16 - Employee Benefit Plans in the Condensed Consolidated Financial Statements, for additional information regarding service and non-service retirement-related costs.

### Contract termination costs

In the first quarter 2022, we recorded a $33 million charge ($25 million after-tax) associated with the termination of a product supply agreement. The charge primarily reflects the payment of the contractual cancellation fee plus interest and related legal fees.

## Income Taxes

First quarter 2022 effective tax rate was 34.8% and included benefits from additional tax incentives as well as a change in our indefinite reinvestment tax liability due to a recent acquisition of approximately 10%. On an adjusted[1] basis, first quarter 2022 effective tax rate was 52.9%. The adjusted[1] effective tax rate was higher than the U.S. federal statutory tax rate of 21% primarily due to benefits from additional tax incentives and a change in our indefinite reinvestment tax liability due to a recent acquisition of approximately 25% as well as the geographical mix of earnings. The adjusted[1] effective tax rate excludes the tax impacts associated with the following charges: Restructuring and related costs, net, Amortization of intangible assets, non-service retirement-related costs and other discrete, unusual or infrequent items (as applicable), as described in our Non-GAAP Financial Measures section.

First quarter 2021 effective tax rate was 26.4%. On an adjusted[1] basis, first quarter 2021 effective tax rate was 27.7%. This rate was higher than the U.S. federal statutory tax rate of 21% primarily due to state taxes and the geographical mix of earnings. The adjusted[1] effective tax rate excludes the tax impacts associated with the following charges: Restructuring and related costs, net, Amortization of intangible assets, non-service retirement-related costs and other discrete, unusual or infrequent items (as applicable), as described in our Non-GAAP Financial Measures section.

Our effective tax rate is based on nonrecurring events as well as recurring factors, including the taxation of foreign income. In addition, our effective tax rate will change based on discrete or other nonrecurring events that may not be predictable.

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*(1) Refer to the Effective Tax Rate reconciliation table in the "Non-GAAP Financial Measures" section.*

## Equity in Net Income of Unconsolidated Affiliates

Investment in Affiliates, at Equity largely consists of several minor investments in entities in the Middle East region. Equity in net income of unconsolidated affiliates for the three months ended March 31, 2022 was $1 million higher as compared to the prior year period.

## Net (Loss) Income

First quarter 2022 Net Loss Attributable to Xerox Holdings was $56 million, or $(0.38) per diluted share. On an adjusted[1] basis, Net Loss Attributable to Xerox Holdings was $14 million, or $(0.12) per diluted share. First quarter 2022 adjustments to Net Loss Attributable to Xerox Holdings included Restructuring and related costs, net, Amortization of intangible assets, non-service retirement-related costs and other discrete items (see **Non-GAAP Financial Measures**).

First quarter 2021 Net Income Attributable to Xerox Holdings was $39 million, or $0.18 per diluted share. On an adjusted[1] basis, Net Income Attributable to Xerox Holdings was $47 million, or $0.22 per diluted share. First quarter 2021 adjustments to Net Income Attributable to Xerox Holdings included Restructuring and related costs, net, Amortization of intangible assets, and non-service retirement-related costs (see **Non-GAAP Financial Measures**).

Refer to Note 20 - (Loss) Earnings per Share in the Condensed Consolidated Financial Statements, for additional information regarding the calculation of basic and diluted earnings per share.

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*(1) Refer to the Net (Loss) Income and EPS reconciliation table in the "Non-GAAP Financial Measures" section.*

## Other Comprehensive (Loss) Income

First quarter 2022 Other Comprehensive Loss, Net Attributable to Xerox was $44 million and included the following: i) net translation adjustment losses of $72 million reflecting the weakening of our major foreign currencies against the U.S. Dollar during the quarter; ii) $11 million of net unrealized losses; and iii) $39 million of net gains from the changes in defined benefit plans primarily due to a prior service credit as well as the amortization of actuarial losses and settlement losses and the positive impact of currency. This compares to Other Comprehensive Loss, Net Attributable to Xerox of $3 million for the first quarter 2021, which reflected the following: i) net translation adjustment losses of $51 million reflecting the weakening of the Euro against the U.S. Dollar that was only partially offset by the strengthening of the GBP and CAD; ii) $7 million of net unrealized losses; and iii) $55 million of net gains from the changes in defined benefit plans primarily due to net actuarial gains as a result of higher discount rates in the U.S.

Refer to Note 19 - Other Comprehensive (Loss) Income in the Condensed Consolidated Financial Statements, for the components of Other Comprehensive (Loss) Income, Note 14 - Financial Instruments in the Condensed Consolidated Financial Statements, for additional information regarding unrealized losses, net, and Note 16 - Employee Benefit Plans in the Condensed Consolidated Financial Statements, for additional information regarding net changes in our defined benefit plans.

## Reportable Segments and Geographic Sales Channels

Our business is organized to ensure we focus on efficiently managing operations while serving our customers and the markets in which we operate.

During 2021 we progressed with the standing up of three new businesses: Software (CareAR), Financing (FITTLE) and Innovation (PARC). As a result of this effort, during the first quarter of 2022, we reassessed our operating and reportable segments and determined that, based on the financial information reviewed by our chief operating decision maker (CODM), who is the Chief Executive Officer (CEO), as well as the CEO’s management and assessment of the Company’s operations, we had two operating and reportable segments - Print and Other and Financing.

- **Print and Other** - the design, development and sale of document management systems, solutions and services as well as associated technology offerings including IT and software products and services.
- **Financing (FITTLE)** – a financing solutions business primarily providing financing for the sales of Xerox equipment.

We also determined that the other businesses – Software and Innovation - did not meet the requirements to be considered separate operating segments largely due to their continued management through the Print and Other segment as well as their immateriality to our results at this stage. Accordingly, those groups will continue to be reported as part of the Print and Other Segment.

We also operate a matrix organization that includes a geographic focus that is primarily organized from a sales perspective on the basis of “go-to-market” (GTM) sales channels as follows:

- **Americas**, which includes our sales channels in the U.S. and Canada, as well as Mexico, and Central and South America.
- **EMEA**, which includes our sales channels in Europe, the Middle East, Africa and India.
- **Other**, primarily includes sales to Fuji Xerox as well as royalties and licensing revenue.

These GTM sales channels are structured to serve a range of customers for our products and services, including financing. Accordingly, we will continue to provide information, primarily revenue related, with respect to our principal GTM sales channels.

## Segment Review

| (in millions) | Three Months Ended March 31, External Net Revenue | Intersegment Net Revenue[1] | Total Segment Revenue | % of Total Revenue | Segment (Loss) Profit | Segment Margin[2] |
|---|---|---|---|---|---|---|
| **2022** | | | | | | |
| Print and Other | $ 1,513 | $ 37 | $ 1,550 | 91 % | $ (20) | (1.3)% |
| Financing (FITTLE) | 155 | 3 | 158 | 9 % | 17 | 11.0 % |
| **Total** | $ 1,668 | $ 40 | $ 1,708 | 100 % | $ (3) | (0.2)% |
| | | | | | | |
| **2021** | | | | | | |
| Print and Other | $ 1,533 | $ 48 | $ 1,581 | 90 % | $ 71 | 4.6 % |
| Financing (FITTLE) | 177 | 3 | 180 | 10 % | 18 | 10.2 % |
| **Total** | $ 1,710 | $ 51 | $ 1,761 | 100 % | $ 89 | 5.2 % |

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*(1) Reflects net revenue, primarily commissions and other payments, made by the Financing segment (FITTLE) to the Print and Other segment for the lease of Xerox equipment placements.*

*(2) Segment margin based on external net revenue only.*

## Print and Other

Print and Other includes the design, development and sale of document management systems, solutions and services as well as associated technology offerings including IT and software products and services.

## Revenue

| (in millions) | Three Months Ended March 31, 2022 | 2021 | % Change |
|---|---|---|---|
| Equipment sales | $ 309 | $ 373 | (17.2)% |
| Post-sale revenue | 1,204 | 1,160 | 3.8% |
| Intersegment net revenue [1] | 37 | 48 | (22.9)% |
| **Total Print and Other Revenue** | $ 1,550 | $ 1,581 | (2.0)% |

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*(1) Reflects net revenue, primarily commissions and other payments, made by the Financing segment (FITTLE) to the Print and Other segment for the lease of Xerox equipment placements.*

First quarter 2022 Print and Other revenue decreased 2.0% as compared to first quarter 2021 primarily due to supply shortages, which caused a 17.2% decline in Equipment sales revenue as compared to first quarter 2021. This decline was partially offset by an increase in Post sale revenue of 3.8% as compared to first quarter 2021. Print and Other segment revenue results included the following:

**Equipment sales revenue** decreased 17.2% as compared to first quarter 2021 due to the adverse impact of product supply constraints (consistent with market-wide shortages of computer chips and resins) and global freight disruptions. Demand continued to increase as businesses reopened, resulting in a backlog of orders at the end of the quarter that increased sequentially and was above both prior year and pre-pandemic levels.

**Post-sale revenue** increased by 3.8% as compared to first quarter 2021 primarily due to growth in supplies, paper and other revenue, and includes growth from our IT Services business, which included two months of revenue from our recent acquisition of Powerland. We also experienced growth in page volume-driven service revenues, reflecting modest growth in page volumes during the quarter. These increases were partially offset by a decline in royalty income and third-party leasing commissions.

Detail by product group is shown below.

| (in millions) | Three Months Ended March 31, 2022 | 2021 | % Change | CC % Change | % of Equipment Sales 2022 | 2021 |
|---|---|---|---|---|---|---|
| Entry | $ 61 | $ 68 | (10.3)% | (7.6)% | 19% | 18% |
| Mid-range | 194 | 238 | (18.5)% | (17.1)% | 62% | 63% |
| High-end | 54 | 70 | (22.9)% | (21.0)% | 17% | 18% |
| Other | 5 | 5 | —% | —% | 2% | 1% |
| **Equipment sales(1)(2)** | $ 314 | $ 381 | (17.6)% | (16.1)% | 100% | 100% |

*CC - See "Currency Impact" section for a description of constant currency.*
*(1) Refer to the Products and Offerings Definitions section.*
*(2) The three months ended March 31, 2022 and 2021, includes $5 million and $8 million, respectively, of equipment sales related to the Financing (FITTLE) segment.*

The change at constant currency[1] reflected the following:

- **Entry** - The decrease for the three months ended March 31, 2022 as compared to first quarter 2021, was driven by supply constraints, which most significantly affected our black-and-white devices.
- **Mid-range** - The decrease for the three months ended March 31, 2022 as compared to first quarter 2021, was primarily driven by the impact of global product supply constraints and freight disruptions, which had a slightly more pronounced effect on our U.S. operations and availability of our black-and-white devices.
- **High-end** - The decrease for the three months ended March 31, 2022 as compared to first quarter 2021, primarily reflected the impact of global product supply constraints and freight disruptions, partially offset by a more favorable mix.

*(1) Refer to the Non-GAAP Financial Measures section for an explanation of the non-GAAP financial measure.*

## Total Installs

Installs reflect only new placements of devices (i.e., measure does not take into account removal of devices which may occur as a result of contract renewals or cancellations). Revenue associated with equipment installations may be reflected up-front in Equipment sales or over time either through rental income or as part of our services revenues (which are both reported within our Post sale revenues), depending on the terms and conditions of our agreements with customers. Installs include activity for Xerox and non-Xerox branded products installed by our XBS sales unit. Detail by product group (see ***Products and Offerings Definitions***) is shown below.

Installs for the three months ended March 31, 2022:

### Entry

- Installs of color multifunction devices were flat reflecting supply constraints that offset strong demand for recently launched products.
- 39% decrease in black-and-white multifunction devices reflecting lower installs as a result of product constraints and a larger number of installs of black-and-white devices in the prior year, primarily associated with work-from-home demand associated with the COVID-19 pandemic.

### Mid-Range

- 9% decrease in mid-range color installs primarily reflecting the impact of freight disruption and product supply constraints, offsetting strong demand for recently launched products.
- 61% decrease in mid-range black-and-white installs reflecting the impact of freight disruption and product supply constraints.

### High-End

- 29% decrease in high-end color installs primarily reflecting the impact of global product constraints and freight disruptions.
- 15% decrease in high-end black-and-white systems reflecting the impact of global product constraints and freight disruptions.

### Products and Offerings Definitions

Our Equipment sale product groupings are as follows:

- "Entry", which includes A4 devices and desktop printers. Prices in this product group can range from approximately $150 to $3,000.
- "Mid-Range", which includes A3 Office and Light Production devices that generally serve workgroup environments in mid to large enterprises. Prices in this product group can range from approximately $2,000 to $75,000+.
- "High-End", which includes production printing and publishing systems that generally serve the graphic communications marketplace and large enterprises. Prices for these systems can range from approximately $30,000 to $1,000,000+.

### Segment Margin

First quarter 2022 Print and Other segment (loss) margin of (1.3)% decreased by 5.9-percentage points as compared to first quarter 2021 primarily due to the impact of higher freight and production costs associated with product supply constraints, investments in new businesses, benefits from temporary government assistance and furlough measures in the prior year, lower royalty revenues and third-party leasing commissions, partially offset by productivity and cost savings associated with Project Own It transformation actions.

## Financing (FITTLE)

Financing (FITTLE) represents a global financing solutions business, providing financing for the sales of Xerox equipment .

## Revenue

| | Three Months Ended March 31, | | |
|---|---|---|---|
| (in millions) | 2022 | 2021 | % Change |
| Equipment sales | $ 5 | $ 8 | (37.5)% |
| Financing income | 53 | 55 | (3.6)% |
| Other Post-sale revenue[(1)] | 97 | 114 | (14.9)% |
| Intersegment net revenue | 3 | 3 | —% |
| **Total Financing (FITTLE) Revenue** | $ 158 | $ 180 | (12.2)% |

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*(1) Other Post-sale revenue includes operating lease/rental revenues as well as lease renewal and fee income.*

First quarter 2022 Financing (FITTLE) segment revenue decreased 12.2% as compared to first quarter 2021, and included the following:

**Equipment Sales** for the three months ended March 31, 2022 decreased 37.5% as compared to first quarter 2021 as reduced end of lease equipment inventory resulted in fewer opportunities.

**Financing Income** for the three months ended March 31, 2022 decreased by 3.6% as compared to first quarter 2021 due to a lower finance receivables balance, as collections continue to outpace originations. Originations have been impacted by the global product supply constraints and freight disruptions.

**Other Post-sale revenue** for the three months ended March 31, 2022 decreased 14.9% as compared to first quarter 2021 due to a decline in operating lease rental income, which is consistent with the overall decline of equipment installs.

### Segment Margin

First quarter 2022 Financing (FITTLE) segment margin of 11% increased 0.8-percentage points as compared to first quarter 2021 due to a reduction in commissions paid to equipment suppliers (primarily the Print and Other segment), partially offset by incremental costs associated with standing up the business.

## 2021 Segment Review

The following are our 2021 results that correspond, for comparison purposes, to the new segment reporting in 2022.

| (in millions) | External Net Revenue | Intersegment Net Revenue(1) | Total Segment Revenue | % of Total Revenue | Segment Profit | Segment Margin(2) |
|---|---|---|---|---|---|---|
| **Q1 2021** | | | | | | |
| Print and Other | $ 1,533 | $ 48 | $ 1,581 | 90 % | $ 71 | 4.6 % |
| Financing (FITTLE) | 177 | 3 | 180 | 10 % | 18 | 10.2 % |
| **Total** | $ 1,710 | $ 51 | $ 1,761 | 100 % | $ 89 | 5.2 % |
| **Q2 2021** | | | | | | |
| Print and Other | $ 1,619 | $ 53 | $ 1,672 | 90 % | $ 111 | 6.9 % |
| Financing (FITTLE) | 174 | 3 | 177 | 10 % | 15 | 8.6 % |
| **Total** | $ 1,793 | $ 56 | $ 1,849 | 100 % | $ 126 | 7.0 % |
| **Q3 2021** | | | | | | |
| Print and Other | $ 1,590 | $ 46 | $ 1,636 | 91 % | $ 50 | 3.1 % |
| Financing (FITTLE) | 168 | 3 | 171 | 9 % | 24 | 14.3 % |
| **Total** | $ 1,758 | $ 49 | $ 1,807 | 100 % | $ 74 | 4.2 % |
| **Q4 2021** | | | | | | |
| Print and Other | $ 1,613 | $ 46 | $ 1,659 | 91 % | $ 61 | 3.8 % |
| Financing (FITTLE) | 164 | 3 | 167 | 9 % | 25 | 15.2 % |
| **Total** | $ 1,777 | $ 49 | $ 1,826 | 100 % | $ 86 | 4.8 % |
| **2021** | | | | | | |
| Print and Other | $ 6,355 | $ 193 | $ 6,548 | 90 % | $ 293 | 4.6 % |
| Financing (FITTLE) | 683 | 12 | 695 | 10 % | 82 | 12.0 % |
| **Total** | $ 7,038 | $ 205 | $ 7,243 | 100 % | $ 375 | 5.3 % |

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*(1) Reflects net revenue, primarily commissions and other payments, made by the Financing segment (FITTLE) to the Print and Other segment for the lease of Xerox equipment placements.*
*(2) Segment margin based on external net revenue only.*

| (in millions) | Q1 2021 | Q2 2021 | Q3 2021 | Q4 2021 | Full Year 2021 |
|---|---|---|---|---|---|
| **Pre-tax Income (Loss)** | | | | | |
| Total reported segments | $ 89 | $ 126 | $ 74 | $ 86 | $ 375 |
| Goodwill impairment | — | — | — | (781) | (781) |
| Restructuring and related costs, net | (17) | (12) | (10) | 1 | (38) |
| Amortization of intangible assets | (15) | (14) | (13) | (13) | (55) |
| Other expenses, net | (4) | (1) | 33 | (4) | 24 |
| **Total Pre-tax income (loss)** | $ 53 | $ 99 | $ 84 | $ (711) | $ (475) |

## Capital Resources and Liquidity

The following is a summary of our liquidity position:

- As of March 31, 2022 and December 31, 2021, total cash, cash equivalents and restricted cash were $1,761 million and $1,909 million, respectively, and apart from restricted cash of $80 million and $69 million, respectively, was readily accessible for use. The decrease in total cash, cash equivalents and restricted cashof $148 million primarily reflects payments to shareholders of $159 million (repurchases of $113 million and dividends of $46 million).
- No amounts are due under our Senior Note borrowings for the remainder of 2022.
- In March 2022, Xerox and Xerox Holdings entered into Amendment No. 4 to the Credit Facility, which became effective on March 24, 2022. As of March 31, 2022, we have access to an undrawn $1.5 billion Credit Facility that terminates in August 2022. Refer to Note 13 - Debt in the Condensed Consolidated Financial Statements for additional information regarding our Credit Facility.
- The Credit Facility, which as noted above terminates in August 2022, contains various investment grade covenants at a time when the Company is not investment grade rated. The Company may seek to renegotiate or replace such facility, including reducing the size of such facility, or may determine not to replace such facility at all and may instead pursue other forms of liquidity. Any new credit agreement may result in higher borrowing costs and may contain non-investment grade covenants, such as those that would place greater restrictions on how the Company can run its businesses and/or limit the Company from taking certain actions that might otherwise be beneficial to the Company and/or its shareholders, customers, suppliers, partners and/or lenders.

### Cash Flow Analysis

The following summarizes our cash, cash equivalents and restricted cash:

| | Three Months Ended March 31, | | |
|---|---|---|---|
| (in millions) | 2022 | 2021 | Change |
| Net cash provided by operating activities | $ 66 | $ 117 | $ (51) |
| Net cash used in investing activities | (75) | (17) | (58) |
| Net cash used in financing activities | (149) | (318) | 169 |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | 10 | (12) | 22 |
| Decrease in cash, cash equivalents and restricted cash | (148) | (230) | 82 |
| Cash, cash equivalents and restricted cash at beginning of period | 1,909 | 2,691 | (782) |
| **Cash, Cash Equivalents and Restricted Cash at End of Period** | $ 1,761 | $ 2,461 | $ (700) |

### Cash Flows from Operating Activities

Net cash provided by operating activities was $66 million in the first quarter 2022. The $51 million decrease in operating cash from the prior year period was primarily due to the following:

- $109 million decrease in pre-tax income before depreciation and amortization, restructuring and related costs and non-service retirement-related costs.
- $79 million decrease from accounts receivable primarily due to a lower sequential revenue decrease compared to the prior year as well as the timing of collections.
- $13 million decrease from inventory primarily due to higher non-equipment inventories.
- $142 million increase from accounts payable primarily due to the timing of supplier and vendor payments as payment terms were extended on multiple suppliers.
- $22 million increase from lower payments for restructuring and related costs.

### Cash Flows from Investing Activities

Net cash used in investing activities was $75 million in the first quarter 2022. The $58 million change from the prior year period was primarily due to one acquisition for $54 million in the current year compared to no acquisitions in the prior year. Other investing, net includes $5 million of noncontrolling investments as part of our corporate venture capital fund.

## Cash Flows from Financing Activities

Net cash used in financing activities was $149 million in the first quarter 2022. The $169 million decrease in the use of cash from the prior year period was primarily due to the following:

- $117 million decrease from net debt activity. 2022 reflects proceeds of $668 million on a new secured financing arrangement offset by payments of $346 million on existing secured financing arrangements[1] and $300 million on Senior Notes. 2021 reflects payments of $94 million on secured financing arrangements.
- $49 million decrease due to share repurchases in the current year of $113 million compared to share repurchases of $162 million in the prior year.

(1) The payments on existing secured financing arrangements of $346 million include $248 million associated with the early extinguishment of an existing arrangement that was funded through the new secured financing arrangement. Refer to Note 13 - Debt for further information.

## Cash, Cash Equivalents and Restricted Cash

Refer to Note 7 - Supplementary Financial Information in the Condensed Consolidated Financial Statements for additional information regarding Cash, cash equivalents and restricted cash.

## Operating Leases

We have operating leases for real estate and vehicles in our domestic and international operations and for certain equipment in our domestic operations. Additionally, we have identified embedded operating leases within certain supply chain contracts for warehouses, primarily within our domestic operations. Our leases have remaining terms of up to eleven years and a variety of renewal and/or termination options. As of March 31, 2022 and December 31, 2021, total operating lease liabilities were $270 million and $283 million, respectively.

Refer to Note 11 - Lessee in the Condensed Consolidated Financial Statements for additional information regarding our leases accounted for under lessee accounting.

## Debt and Customer Financing Activities

The following summarizes our debt:

| (in millions) | March 31, 2022 | December 31, 2021 |
|---|---|---|
| Xerox Holdings Corporation | $ 1,500 | $ 1,500 |
| Xerox Corporation | 1,900 | 2,200 |
| Xerox - Other Subsidiaries[(1)] | 885 | 561 |
| **Subtotal - Principal debt balance** | 4,285 | 4,261 |
| **Debt issuance costs** | | |
| Xerox Holdings Corporation | (10) | (11) |
| Xerox Corporation | (5) | (6) |
| Xerox - Other Subsidiaries[(1)] | (1) | (1) |
| **Subtotal - Debt issuance costs** | (16) | (18) |
| Net unamortized premium | 2 | 3 |
| **Total Debt** | $ 4,271 | $ 4,246 |

*(1) Represents secured debt issued by subsidiaries of Xerox Corporation as part of the securitization of Finance Receivables.*

Refer to Note 13 - Debt in the Condensed Consolidated Financial Statements for additional information regarding debt.

## Finance Assets and Related Debt

The following represents our total finance assets, net associated with our lease and finance operations:

| (in millions) | March 31, 2022 | December 31, 2021 |
|---|---|---|
| Total finance receivables, net[(1)] | $ 3,005 | $ 3,070 |
| Equipment on operating leases, net | 254 | 253 |
| **Total Finance Assets, net[(2)]** | $ 3,259 | $ 3,323 |

*(1) Includes (i) Billed portion of finance receivables, net, (ii) Finance receivables, net and (iii) Finance receivables due after one year, net as included in our Condensed Consolidated Balance Sheets.*
*(2) The change from December 31, 2021 includes a decrease of $14 million due to currency.*

Our lease contracts permit customers to pay for equipment over time rather than at the date of installation; therefore, we maintain a certain level of debt (that we refer to as financing debt) to support our investment in these lease contracts, which are reflected in Total finance assets, net. For this financing aspect of our business, we maintain an assumed 7:1 leverage ratio of debt to equity as compared to our finance assets.

Based on this leverage, the following represents the breakdown of total debt between financing debt and core debt:

| (in millions) | March 31, 2022 | December 31, 2021 |
|---|---|---|
| Finance receivables debt[1] | $ 2,630 | $ 2,687 |
| Equipment on operating leases debt | 222 | 221 |
| Financing debt | 2,852 | 2,908 |
| Core debt | 1,419 | 1,338 |
| **Total Debt** | $ 4,271 | $ 4,246 |

*(1) Finance receivables debt is the basis for our calculation of "Cost of financing" expense in the Condensed Consolidated Statements of (Loss) Income.*

## Sales of Accounts Receivable

Activity related to sales of accounts receivable is as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| (in millions) | 2022 | 2021 |
| Estimated decrease to net operating cash flows[1] | $ (13) | $ (27) |

*(1) Represents the difference between current and prior period accounts receivable sales adjusted for the effects of currency.*

Refer to Note 8 - Accounts Receivable, Net in the Condensed Consolidated Financial Statements for additional information regarding our accounts receivable sales arrangements.

## Liquidity and Financial Flexibility

We manage our worldwide liquidity using internal cash management practices, which are subject to i) the statutes, regulations and practices of each of the local jurisdictions in which we operate, ii) the legal requirements of the agreements to which we are a party and iii) the policies and cooperation of the financial institutions we utilize to maintain and provide cash management services.

Our principal debt maturities are spread over the next five years as follows:

| (in millions) | Xerox Holdings Corporation | Xerox Corporation | Xerox - Other Subsidiaries[1] | Total |
|---|---|---|---|---|
| 2022 Q2 | $ — | $ — | $ 42 | $ 42 |
| 2022 Q3 | — | — | 39 | 39 |
| 2022 Q4 | — | — | 339 | 339 |
| 2023 | — | 1,000 | 111 | 1,111 |
| 2024 | — | 300 | 25 | 325 |
| 2025 | 750 | — | 329 | 1,079 |
| 2026 | — | — | — | — |
| 2027 and thereafter | 750 | 600 | — | 1,350 |
| **Total[2]** | $ 1,500 | $ 1,900 | $ 885 | $ 4,285 |

*(1) Represents secured debt issued by subsidiaries of Xerox Corporation as part of securitization of Finance Receivables.*
*(2) Includes fair value adjustments.*

Refer to Note 13 - Debt in the Condensed Consolidated Financial Statements for additional information regarding debt.

## Treasury Stock

Xerox Holdings Corporation repurchased 5.2 million shares of its common stock for an aggregate $113 million, including fees, in first quarter 2022. The cumulative total of shares repurchased by Xerox Holdings Corporation under the current share repurchase program is 24.6 million shares for an aggregate cost of approximately $500 million, including fees. As of March 31, 2022, there was no repurchase authority remaining.

## Financial Risk Management

We are exposed to market risk from foreign currency exchange rates and interest rates, which could affect operating results, financial position and cash flows. We manage our exposure to these market risks through our regular operating and financing activities and, when appropriate, through the use of derivative financial instruments. We utilize derivative financial instruments to hedge economic exposures, as well as to reduce earnings and cash flow volatility resulting from shifts in market rates. We enter into limited types of derivative contracts, including interest rate swap agreements, interest rate caps, foreign currency spot, forward and swap contracts and net purchased foreign currency options to manage interest rate and foreign currency exposures. Our primary foreign currency market exposures include the Japanese Yen, Euro and U.K. Pound Sterling. The fair market values of all our derivative contracts change with fluctuations in interest rates and/or currency exchange rates and are designed so that any changes in their values are offset by changes in the values of the underlying exposures. Derivative financial instruments are held solely as risk management tools and not for trading or speculative purposes. The related cash flow impacts of all of our derivative activities are reflected as cash flows from operating activities.

We are required to recognize all derivative instruments as either assets or liabilities at fair value in the balance sheet. As permitted, certain of these derivative contracts have been designated for hedge accounting treatment. Certain of our derivatives that do not qualify for hedge accounting are effective as economic hedges. These derivative contracts are likewise required to be recognized each period at fair value and therefore do result in some level of volatility. The level of volatility will vary with the type and amount of derivative hedges outstanding, as well as fluctuations in the currency and interest rate markets during the period. The related cash flow impacts of all of our derivative activities are reflected as cash flows from operating activities.

By their nature, all derivative instruments involve, to varying degrees, elements of market and credit risk. The market risk associated with these instruments resulting from currency exchange and interest rate movements is expected to offset the market risk of the underlying transactions, assets and liabilities being hedged. We do not believe there is significant risk of loss in the event of non-performance by the counterparties associated with these instruments because these transactions are executed with a diversified group of major financial institutions. Further, our policy is to deal with counterparties having a minimum investment grade or better credit rating. Credit risk is managed through the continuous monitoring of exposures to such counterparties.

The current market events have not required us to materially modify or change our financial risk management strategies with respect to our exposures to interest rate and foreign currency risk. Refer to Note 14 – Financial Instruments in the Condensed Consolidated Financial Statements for further discussion and information on our financial risk management strategies.

## 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.

Reconciliations 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 in the first quarter 2022 presentation slides available 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 (Loss) Income and EPS
- Effective Tax Rate

The above measures were adjusted for the following items:

Restructuring and related costs, net: Restructuring and related costs, net 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.

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-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.

Other discrete, unusual or infrequent items: We excluded these items, when applicable, given their discrete, unusual or infrequent nature and its impact on our results for the period.

- Contract termination costs - product supply

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 (Loss) Income and Margin

We calculate and utilize adjusted operating (loss) income and margin measures by adjusting our reported pre-tax (loss) income and margin amounts. In addition to the costs and expenses noted above 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 (CC)

Refer to "Currency Impact" for a discussion of this measure and its use in our analysis of revenue growth.

### 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 Condensed 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.

Reconciliations 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 (Loss) Income and EPS reconciliation:

| | Three Months Ended March 31, | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| (in millions, except per share amounts) | Net Loss | EPS | Net Income | EPS |
| **Reported**[1] | $ (56) | $ (0.38) | $ 39 | $ 0.18 |
| **Adjustments:** | | | | |
| Restructuring and related costs, net | 18 | | 17 | |
| Amortization of intangible assets | 11 | | 15 | |
| Non-service retirement-related costs | (7) | | (20) | |
| Contract termination costs - product supply | 33 | | — | |
| Income tax on adjustments[2] | (13) | | (4) | |
| **Adjusted** | $ (14) | $ (0.12) | $ 47 | $ 0.22 |
| | | | | |
| Dividends on preferred stock used in adjusted EPS calculation[3] | | $ 4 | | $ 4 |
| Weighted average shares for adjusted EPS[3] | | 156 | | 198 |
| Fully diluted shares at March 31, 2022[4] | | 155 | | |

*(1) Net (Loss) Income and EPS attributable to Xerox Holdings.*
*(2) Refer to Effective Tax Rate reconciliation.*
*(3) For those periods that include the preferred stock dividend, the average shares for the calculations of diluted EPS exclude the 7 million shares associated with Xerox Holdings Corporation's Series A convertible preferred stock.*
*(4) Represents common shares outstanding at March 31, 2022 and excludes potential dilutive common shares used for the calculation of adjusted diluted earnings per share for the first quarter 2022 as well as shares associated with Xerox Holdings Corporation's Series A convertible preferred stock, all of which were anti-dilutive for the first quarter 2022.*

## Effective Tax Rate reconciliation:

| | Three Months Ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| (in millions) | Pre-Tax Loss | Income Tax Benefit | Effective Tax Rate | Pre-Tax Income | Income Tax Expense | Effective Tax Rate |
| **Reported**(1) | $ (89) | $ (31) | 34.8 % | $ 53 | $ 14 | 26.4 % |
| Non-GAAP Adjustments(2) | 55 | 13 | | 12 | 4 | |
| **Adjusted**(3) | $ (34) | $ (18) | 52.9 % | $ 65 | $ 18 | 27.7 % |

*(1) Pre-tax (loss) income and Income tax (benefit) expense.*
*(2) Refer to Net (Loss) Income and EPS reconciliation for details.*
*(3) The tax impact on Adjusted Pre-tax (loss) income is calculated under the same accounting principles applied to the Reported Pre-tax (loss) income under ASC 740, which employs an annual effective tax rate method to the results.*

## Operating (Loss) Income and Margin reconciliation:

| | Three Months Ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| (in millions) | Loss | Revenue | Margin | Profit | Revenue | Margin |
| **Reported**(1) | $ (89) | $ 1,668 | (5.3)% | $ 53 | $ 1,710 | 3.1 % |
| **Adjustments:** | | | | | | |
| Restructuring and related costs, net | 18 | | | 17 | | |
| Amortization of intangible assets | 11 | | | 15 | | |
| Other expenses, net | 57 | | | 4 | | |
| **Adjusted** | $ (3) | $ 1,668 | (0.2)% | $ 89 | $ 1,710 | 5.2 % |

*(1) Pre-tax (loss) income.*

## ITEM 3 — QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information set forth under the "Financial Risk Management" section of this Quarterly Report on Form 10-Q is hereby incorporated by reference in answer to this Item.

## ITEM 4 — CONTROLS AND PROCEDURES

### (a) Evaluation of Disclosure Controls and Procedures

### Xerox Holdings Corporation

The management of Xerox Holdings Corporation evaluated, with the participation of its principal executive officer and principal financial officer, or persons performing similar functions, the effectiveness of its disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as of the end of the period covered by this report. Based on this evaluation, the principal executive officer and principal financial officer of Xerox Holdings Corporation have concluded that, as of the end of the period covered by this report, the disclosure controls and procedures of Xerox Holdings Corporation were effective to ensure that information required to be disclosed in the reports filed or submitted under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms relating to Xerox Holdings Corporation, including its consolidated subsidiaries, and was accumulated and communicated to the management of Xerox Holdings Corporation, including the principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

### Xerox Corporation

The management of Xerox Corporation evaluated, with the participation of its principal executive officer and principal financial officer, or persons performing similar functions, the effectiveness of its disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as of the end of the period covered by this report. Based on this evaluation, the principal executive officer and principal financial officer of Xerox Corporation have concluded that, as of the end of the period covered by this report, the disclosure controls and procedures of Xerox Corporation were effective to ensure that information required to be disclosed in the reports that or submitted under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms relating to Xerox Corporation, including its consolidated subsidiaries, and was accumulated and communicated to the management of Xerox Corporation, including the principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

### (b) Changes in Internal Controls

### Xerox Holdings Corporation

As required by paragraph (d) of Rule 13a-15 under the Exchange Act, we evaluated changes in our internal control over financial reporting during the last fiscal quarter. There were no changes identified in our internal control over financial reporting that occurred during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### Xerox Corporation

As required by paragraph (d) of Rule 13a-15 under the Exchange Act, we evaluated changes in our internal control over financial reporting during the last fiscal quarter. There were no changes identified in our internal control over financial reporting that occurred during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II — OTHER INFORMATION

## ITEM 1 — LEGAL PROCEEDINGS

The information set forth under Note 21 – Contingencies and Litigation in the Condensed Consolidated Financial Statements of this Quarterly Report on Form 10-Q is incorporated by reference in answer to this item.

## ITEM 1A — RISK FACTORS

Reference is made to the Risk Factors set forth in Part I, Item 1A of the combined Xerox Holdings Corporation and Xerox Corporation Annual Report on Form 10-K for the year ended December 31, 2021.

## ITEM 2 — UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

### (a) Sales of Unregistered Securities during the Quarter ended March 31, 2022

During the quarter ended March 31, 2022, Xerox Holdings Corporation issued the following securities in transactions that were not registered under the Securities Act of 1933, as amended (the Act).

**Annual Director Fees:**

(a) Securities issued on February 17, 2022: Xerox Holdings Corporation issued an aggregate of 520 units - 371 deferred stock units (DSUs) and 149 restricted stock units (RSUs), representing the right to receive shares of Common Stock, par value $1 per share, at a future date.

(b) No underwriters participated. The DSUs were issued to Scott Letier and Steven D. Miller and the RSUs were issued to James L. Nelson, non-employee Directors of Xerox Holdings Corporation.

(c) The DSUs and RSUs were issued at a deemed purchase price of $22.54 per DSU or RSU (aggregate price $11,721), based upon the market value of our Common Stock on the date of issuance, in payment of the Annual Director's fees pursuant to Xerox Holdings Corporation's 2004 Equity Compensation Plan for Non-Employee Directors (as amended and restated in 2021 (the 2021 Restatement)). The number of DSUs and RSUs awarded were prorated to reflect payment of their fees for serving on the newly formed Technology Committee (February 2022 - May 2022).

(d) Exemption from registration under the Act was claimed based upon Section 4(2) as a sale by an issuer not involving a public offering.

**Dividend Equivalents:**

(a) Securities issued on January 31, 2022: Xerox Holdings Corporation issued 2,798 DSUs, representing the right to receive shares of Common Stock, par value $1 per share, at a future date.

(b) No underwriters participated. The DSUs were issued to each of the non-employee Directors of Xerox Holdings Corporation and to two former non-employee Directors of Xerox Corporation: Jonathan Christodoro, Keith Cozza, Joseph J. Echevarria, Nicholas Graziano, Cheryl Gordon Krongard, Scott Letier, Jesse A. Lynn, Nichelle Maynard-Elliott, Steven D. Miller, and Margarita Paláu-Hernández.

(c) The DSUs were issued at a deemed purchase price of $22.795 per DSU (aggregate price $63,780), based upon the market value of our Common Stock on the date of record, in payment of the dividend equivalents due to DSU holders pursuant to Xerox Holdings Corporation's 2004 Equity Compensation Plan for Non-Employee Directors (as amended and restated in 2021 (the 2021 Restatement)).

(d) Exemption from registration under the Act was claimed based upon Section 4(2) as a sale by an issuer not involving a public offering.

## (b) Issuer Purchases of Equity Securities during the Quarter ended March 31, 2022

Repurchases of Xerox Holdings Corporation's Common Stock, par value $1 per share, include the following:

### Board Authorized Share Repurchase Program:

| | Total Number of Shares Purchased | Average Price Paid per Share[1] | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[2] | Maximum Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs[2] |
|---|---|---|---|---|
| January 1 through 31 | 3,666,387 | $ 22.06 | 3,666,387 | $ 31,823,523 |
| February 1 through 28 | 1,507,539 | 21.11 | 1,507,539 | — |
| March 1 through 31 | — | — | — | — |
| **Total** | 5,173,926 | | 5,173,926 | |

*(1) Exclusive of fees and expenses.*

*(2) Of the $500 million of share repurchase authority previously granted by Xerox Holdings Corporation's Board of Directors, exclusive of fees and expenses, approximately $500 million has been used through March 31, 2022. Repurchases may be made on the open market, or through derivative or negotiated contracts. Open-market repurchases will be made in compliance with the Securities and Exchange Commission's Rule 10b-18, and are subject to market conditions, as well as applicable legal and other considerations.*

### Repurchases Related to Stock Compensation Programs[1]:

| | Total Number of Shares Purchased | Average Price Paid per Share[2] | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs |
|---|---|---|---|---|
| January 1 through 31 | 403,142 | $ 23.82 | n/a | n/a |
| February 1 through 28 | 3,889 | 22.26 | n/a | n/a |
| March 1 through 31 | 514 | 19.71 | n/a | n/a |
| **Total** | 407,545 | | | |

*(1) These repurchases are made under a provision in our restricted stock compensation programs for the indirect repurchase of shares through a net-settlement feature upon the vesting of shares in order to satisfy minimum statutory tax-withholding requirements.*

*(2) Exclusive of fees and expenses.*

## ITEM 3 — DEFAULTS UPON SENIOR SECURITIES

None.

## ITEM 4 — MINE SAFETY DISCLOSURES

Not applicable.

## ITEM 5 — OTHER INFORMATION

None.

## ITEM 6 — EXHIBITS

| | |
|---|---|
| 3.2.1 | First Amendment dated February 17, 2022 to By-Laws of Xerox Holdings Corporation.<br>Incorporated by reference to Exhibit 3.2 to Xerox Holdings Corporation’s and Xerox Corporation’s combined Current Report on Form 8-K dated February 17, 2022. See SEC File Numbers 001-39013 and 001-04471. |
| 3.2.2 | Amended and Restated By-Laws of Xerox Holdings Corporation dated February 17, 2022.<br>Incorporated by reference to Exhibit 3(b)(2) to Xerox Holdings Corporation’s and Xerox Corporation’s combined Annual Report on Form 10-K for the fiscal year ended December 31, 2021. See SEC File Numbers 001-39013 and 001-04471. |
| 4 | Amendment No. 4 to Credit Agreement, dated as of March 24, 2022, among Xerox Corporation, Xerox Holdings Corporation, certain Lenders signatory thereto, and Citibank, N.A., as administrative agent.<br>Incorporated by reference to Exhibit 4.1 to Xerox Holdings Corporation’s and Xerox Corporation’s combined Current Report on Form 8-K dated March 24, 2022. See SEC File Numbers 001-39013 and 001-04471. |
| 10.1 | Management Incentive Plan for 2021.<br>Incorporated by reference to Exhibit 10(f)(14) to Xerox Holdings Corporation’s and Xerox Corporation’s combined Annual Report on Form 10-K for the fiscal year ended December 31, 2021. See SEC File Numbers 001-39013 and 001-04471. |
| 10.2 | Form of E-LTIP Performance Share Unit (“PSU”) Award Agreement (2022) under Xerox Holdings Corporation Performance Incentive Plan (“XHCPIP”).<br>Incorporated by reference to Exhibit 10(f)(17) to Xerox Holdings Corporation’s and Xerox Corporation’s combined Annual Report on Form 10-K for the fiscal year ended December 31, 2021. See SEC File Numbers 001-39013 and 001-04471. |
| 10.3 | Form of E-LTIP Restricted Stock Unit (“RSU”) Graduated-Vesting Award Agreement (2022) under XHCPIP.<br>Incorporated by reference to Exhibit 10(f)(18) to Xerox Holdings Corporation’s and Xerox Corporation’s combined Annual Report on Form 10-K for the fiscal year ended December 31, 2021. See SEC File Numbers 001-39013 and 001-04471. |
| 10.4 | Form of E-LTIP RSU Cliff-Vesting Award Agreement (2022) under XHCPIP.<br>Incorporated by reference to Exhibit 10(f)(19) to Xerox Holdings Corporation’s and Xerox Corporation’s combined Annual Report on Form 10-K for the fiscal year ended December 31, 2021. See SEC File Numbers 001-39013 and 001-04471. |
| 10.5 | Form of International Appendix to E-LTIP PSU and RSU Award Agreements (2022) under XHCPIP.<br>Incorporated by reference to Exhibit 10(f)(20) to Xerox Holdings Corporation’s and Xerox Corporation’s combined Annual Report on Form 10-K for the fiscal year ended December 31, 2021. See SEC File Numbers 001-39013 and 001-04471. |
| 10.6 | Management Incentive Plan for 2022.<br>Incorporated by reference to Exhibit 10(f)(21) to Xerox Holdings Corporation’s and Xerox Corporation’s combined Annual Report on Form 10-K for the fiscal year ended December 31, 2021. See SEC File Numbers 001-39013 and 001-04471. |
| 10.7 | Performance Elements for 2022 Executive Long-Term Incentive Program.<br>Incorporated by reference to Exhibit 10(f)(22) to Xerox Holdings Corporation’s and Xerox Corporation’s combined Annual Report on Form 10-K for the fiscal year ended December 31, 2021. See SEC File Numbers 001-39013 and 001-04471. |
| 31(a)(1) | Certification of Xerox Holdings Corporation CEO pursuant to Rule 13a-14(a) or Rule 15d-14(a). |
| 31(a)(2) | Certification of Xerox Corporation CEO pursuant to Rule 13a-14(a) or Rule 15d-14(a). |
| 31(b)(1) | Certification of Xerox Holdings Corporation CFO pursuant to Rule 13a-14(a) or Rule 15d-14(a). |
| 31(b)(2) | Certification of Xerox Corporation CFO pursuant to Rule 13a-14(a) or Rule 15d-14(a). |
| 32(a) | Certification of Xerox Holdings Corporation CEO and CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32(b) | Certification of Xerox Corporation CEO and CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

| | |
|---|---|
| 101 | The following financial information from Xerox Holdings Corporation and Xerox Corporation's combined Quarterly Report on Form 10-Q for the quarter ended March 31, 2022 was formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Xerox Holdings Corporation Condensed Consolidated Statements of (Loss) Income, (ii) Xerox Holdings Corporation Condensed Consolidated Statements of Comprehensive (Loss) Income, (iii) Xerox Holdings Corporation Condensed Consolidated Balance Sheets, (iv) Xerox Holdings Corporation Condensed Consolidated Statements of Cash Flows, (v) Xerox Corporation Condensed Consolidated Statements of (Loss) Income, (vi) Xerox Corporation Condensed Consolidated Statements of Comprehensive (Loss) Income, (vii) Xerox Corporation Condensed Consolidated Balance Sheets, (viii) Xerox Corporation Condensed Consolidated Statements of Cash Flows, and (ix) Notes to the Condensed Consolidated Financial Statements. |
| 104 | The cover page from this Quarterly Report on Form 10-Q, (formatted as Inline XBRL and contained in Exhibit 101). |

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, each registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. The signatures for each undersigned shall be deemed to relate only to matters having reference to such company and its subsidiaries.

**XEROX HOLDINGS CORPORATION**
(Registrant)

By: /S/ JOSEPH H. MANCINI, JR.

**Joseph H. Mancini, Jr.**
**Vice President and**
**Chief Accounting Officer**
**(Principal Accounting Officer)**

Date: May 3, 2022

**XEROX CORPORATION**
(Registrant)

By: /S/ JOSEPH H. MANCINI, JR.

**Joseph H. Mancini, Jr.**
**Vice President and**
**Chief Accounting Officer**
**(Principal Accounting Officer)**

Date: May 3, 2022

## EXHIBIT INDEX

| | |
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| 10.7 | Performance Elements for 2022 Executive Long-Term Incentive Program.<br>Incorporated by reference to Exhibit 10(f)(22) to Xerox Holdings Corporation's and Xerox Corporation's combined Annual Report on Form 10-K for the fiscal year ended December 31, 2021. See SEC File Numbers 001-39013 and 001-04471. |
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| 104 | The cover page from this Quarterly Report on Form 10-Q, (formatted as Inline XBRL and contained in Exhibit 101). |

## CEO CERTIFICATIONS

I, Giovanni Visentin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Xerox Holdings Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 3, 2022

/S/ GIOVANNI VISENTIN

**Giovanni Visentin**
**Principal Executive Officer**

## CEO CERTIFICATIONS

I, Giovanni Visentin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Xerox Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

May 3, 2022

/S/ GIOVANNI VISENTIN

**Giovanni Visentin**
**Principal Executive Officer**

## CFO CERTIFICATIONS

I, Xavier Heiss, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Xerox Holdings Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 3, 2022

/S/ XAVIER HEISS

**Xavier Heiss**
**Principal Financial Officer**

## CFO CERTIFICATIONS

I, Xavier Heiss, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Xerox Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 3, 2022

/S/ XAVIER HEISS

**Xavier Heiss**
**Principal Financial Officer**

## CERTIFICATION OF CEO AND CFO PURSUANT TO 18 U.S.C. § 1350, AS ADOPTED PURSUANT TO § 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Form 10-Q of Xerox Holdings Corporation, a New York corporation (the "Company"), for the quarter ended March 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Giovanni Visentin, Vice Chairman and Chief Executive Officer of the Company, and Xavier Heiss, Executive Vice President and Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of his/her knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/S/ GIOVANNI VISENTIN

**Giovanni Visentin**
**Chief Executive Officer**
**May 3, 2022**

/S/ XAVIER HEISS

**Xavier Heiss**
**Chief Financial Officer**
**May 3, 2022**

This certification accompanies this Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of § 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by § 906 has been provided to Xerox Holdings Corporation and will be retained by Xerox Holdings Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

## CERTIFICATION OF CEO AND CFO PURSUANT TO 18 U.S.C. § 1350, AS ADOPTED PURSUANT TO § 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Form 10-Q of Xerox Corporation, a New York corporation (the “Company”), for the quarter ended March 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Giovanni Visentin, Vice Chairman and Chief Executive Officer of the Company, and Xavier Heiss, Executive Vice President and Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of his/her knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/S/ GIOVANNI VISENTIN

**Giovanni Visentin**
**Chief Executive Officer**
**May 3, 2022**

/S/ XAVIER HEISS

**Xavier Heiss**
**Chief Financial Officer**
**May 3, 2022**

This certification accompanies this Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of § 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by § 906 has been provided to Xerox Corporation and will be retained by Xerox Corporation and furnished to the Securities and Exchange Commission or its staff upon request.