First Quarter 2018 Earnings

May 2, 2018

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Cautionary Statement Regarding Forward-Looking Statements

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

Cautionary Statement Regarding Forward-Looking Statements (cont’d)

Fuji Xerox Co., Ltd. (“Fuji Xerox”) is a joint venture between Xerox and Fujifilm in which Xerox holds a noncontrolling 25% equity interest and Fujifilm holds the remaining equity interest. Given our status as a minority investor, we have limited contractual and other rights to information with respect to Fuji Xerox matters. In April 2017, Fujifilm formed an independent investigation committee (the “IIC”) to primarily conduct a review of the appropriateness of the accounting practices at Fuji Xerox’s New Zealand subsidiary and at other subsidiaries. The IIC completed its review during the second quarter 2017 and identified aggregate adjustments to Fuji Xerox’s financial statements of approximately JPY 40 billion (approximately $360 million) primarily related to misstatements at Fuji Xerox’s New Zealand and Australian subsidiaries. We determined that our share of the total adjustments identified as part of the investigation was approximately $90 million and impacted our fiscal years 2009 through 2017. We revised our previously issued annual and interim consolidated financial statements for 2014, 2015 and 2016 and the first quarter of 2017. However, Fujifilm and Fuji Xerox continue to review Fujifilm’s oversight and governance of Fuji Xerox as well as Fuji Xerox’s oversight and governance over its businesses in light of the findings of the IIC.

In 2018, in connection with the completion of audits of Fuji Xerox’s fiscal year-end financial statements as of and for the years ended March 31, 2016 and 2017, as well as the review of Fuji Xerox’s unaudited interim financial statements as of and for the nine months ended December 31, 2017 and 2016, additional adjustments and misstatements were identified. These additional adjustments and misstatements were to the net income of Fuji Xerox for the period from 2010 through 2017 previously revised for the items identified by the IIC noted above. At this time, we can provide no assurances relative to the outcome of any potential governmental investigations or any consequences thereof that may happen as a result of this matter.

First Quarter Overview

Revenue

$2.4B, down 0.8% or 4.6% CC[1]
Equipment down 2.7% or 6.4% CC[1]
Post sale down 0.3% or 4.1% CC[1]

Profitability

Adj[1] operating margin: 10.4%, down 60 bps
- Excluding Equity Income margin up 50 bps

GAAP[2] EPS: $0.08, down 8 cents
- Includes 10 cents of transaction and related costs

Adj[1] EPS: $0.68, up 1 cent

Cash

Operating cash flow: $216M
Free cash flow[1]: $198M, up $38M
Ending cash: $1.4B
Returned $67M in dividends to shareholders

(1) Constant Currency (CC) and other adjusted measures: see Non-GAAP Financial Measures. (2) GAAP EPS from Continuing Operations. Note: all numerical comparisons shown above are on a year-over-year basis.

Financial Performance

(in millions, except per share data)

P&L Measures	Q1 2018	B/(W) YOY
Revenue	$ 2,435	$ (19)
Operating Income – Adjusted[1]	253	(17)
excluding Equity Income	*242*	*12*
Equity Income – Adjusted[1]	11	(29)
Other Expenses, net – Adjusted[1]	5	36
Net Income[2]	23	(23)
Net Income – Adjusted[1]	178	2
GAAP EPS[2]	0.08	(0.08)
EPS – Adjusted[1]	0.68	0.01

P&L Ratios	Q1 2018	B/(W) YOY
Gross Margin	39.8%	0.1 pts
RD&E %	4.1%	0.4 pts
SAG %	25.8%	Flat
Operating Margin – Adjusted[1]	10.4%	(0.6) pts
excluding Equity Income	*9.9%*	*0.5 pts*
Tax Rate – Adjusted[1]	28.3%	(1.3) pts

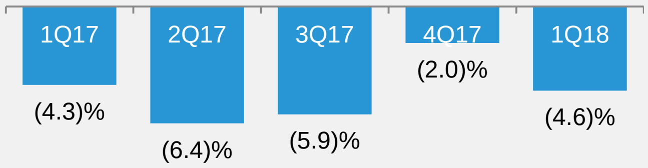
(1) Adjusted Measures: see Non-GAAP Financial Measures. (2) Net Income and GAAP EPS from continuing operations include $36M or 10 cents per share of transaction and related costs.

Revenue Performance

(in millions)

	Q1 2018	% Mix	YOY Change AC	YOY Change CC[4]
Total Revenue	**$ 2,435**	**100%**	**(0.8)%**	**(4.6)%**
North America	1,438	59%	(2.4)%	(2.8)%
International	891	37%	4.6%	(5.5)%
Other[1]	106	4%	(17.8)%	(17.8)%
Equipment Revenue	**$ 499**	**100%**	**(2.7)%**	**(6.4)%**
Entry[2]	53	11%	(5.4)%	(10.9)%
Mid-range	334	67%	0.6%	(2.5)%
High-end	92	18%	(5.2)%	(9.4)%
Other[2]	20	4%	(28.6)%	(28.6)%
Managed Document Services[3]	**$ 862**	**35%**	**5.1%**	**0.6%**

Total Revenue Trend (CC[4])



Actual Currency YOY Change

1Q17	2Q17	3Q17	4Q17	1Q18
(6.2)%	(8.1)%	(5.0)%	0.5%	(0.8)%

1Q18 Installs[5]

	YOY Change Color	YOY Change B&W
Entry A4 MFPs	4%	18%
Mid-Range	16%	11%
High-End	6%	(9)%

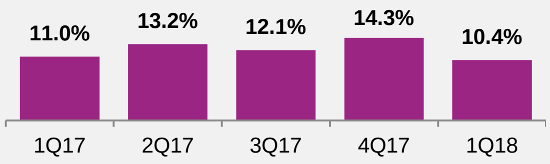
Strategic Growth Areas[6]:

- 42% of total revenue, +2pts YOY
- 1.3% growth @ CC[4]

(1) Other total revenue includes OEM business, sales to Fuji Xerox and licensing . (2) Entry revenue excludes OEM business, which is included in Other revenue. (3) Managed Document Services (MDS) includes Managed Print Services (MPS) (including Global Imaging Systems MPS), Centralized Print Services (CPS) and Workflow Automation and excludes Communication and Marketing Solutions (CMS). (4) Constant Currency (CC): see Non-GAAP Financial Measures. (5) Entry installations exclude OEM sales; Mid-range and High-end color installations exclude Fuji Xerox digital front-end sales. (6) Includes MPS and Workflow Automation, A4 MFPs and Production Color.

Profitability Performance

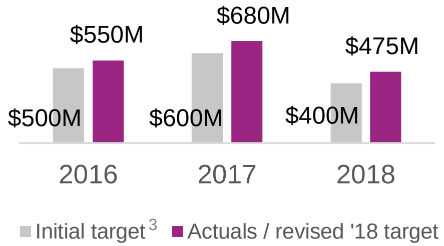
Adjusted[1] Operating Margin



	1Q17	2Q17	3Q17	4Q17	1Q18
Operating Margin excluding Equity Income	9.4%	12.3%	10.7%	13.3%	9.9%
Transaction Currency Impact	(1.1) pts	(1.0) pts	(0.6) pts	(0.3) pts	0.7 pts

3-Year Strategic Transformation

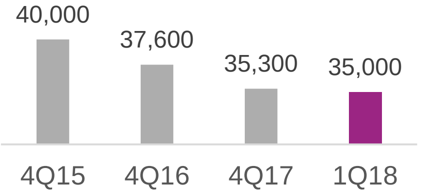
$1.7B+ in gross savings[2]



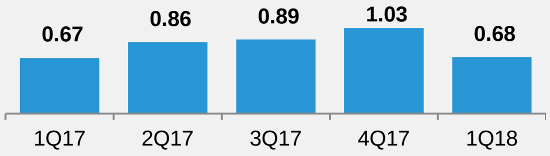
Restructuring

Q1: $28M

Headcount



Adjusted[1] EPS



	1Q17	2Q17	3Q17	4Q17	1Q18
GAAP[4]	$0.16	$0.63	$0.67	$(0.78)[5]	$0.08[6]

Adjusted[1] EPS - Key Drivers YOY

Operating Profit (excl Equity Income)	3 cents	(2.5) cents headwind from real estate lease termination
Lower Other, net	10 cents	4 cents tailwind from non-core business assets sale
Higher Tax Rate	(1) cent	28.3% vs. 27.0% in 2017
Lower Equity Income	(11) cents	lower Fuji Xerox equity earnings
Total YOY impact	**1 cent**	

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(1) Constant Currency (CC) and other adjusted measures: see Non-GAAP Financial Measures. (2) Gross savings are the year-over-year savings, assuming similar operating levels. (3) Initial Strategic Transformation gross savings target provided at our December 2016 Investor Day. (4) GAAP Earnings (Loss) per share from continuing operations. (5) Q4 2017 GAAP Loss per share includes estimated non-cash charge of $400M associated with the enactment of U.S. Tax Act in December 2017. (6) Q1 2018 GAAP EPS includes 10 cents of transaction and related costs.

Cash Flow

(in millions)	Q1 2018
Pre-tax Income from Continuing Ops	$ 134
Non-cash add-backs[1]	171
Restructuring Payments	(54)
Pension Contributions	(38)
Working Capital, net[2]	(29)
Change in Finance Assets[3]	93
Other[4]	(61)
Cash from Operations	**$ 216**
Cash used in Investing	**$ (2)**
Cash used in Financing	**$ (117)**
Ending Cash, Cash Equivalents and Restricted Cash	**$ 1,474**

Memo:

Free Cash Flow[5]	$ 198

Operating cash flow at $216M

Free cash flow[5] at $198M, up $38M YOY

Working Capital[2] a modest use driven by inventory seasonality

CAPEX[6] of $18M

(1) Non-cash add-backs include depreciation & amortization (excluding equipment on operating lease), provisions, stock-based compensation, defined benefit pension expense, restructuring charges and gain on sales of businesses and assets. (2) Working Capital, net includes accounts receivable, accounts payable and accrued compensation and inventory. (3) Includes equipment on operating leases (and its related depreciation) and finance receivables. (4) Includes other current and long-term assets and liabilities, derivative assets and liabilities, other operating, net, distributions from net income of unconsolidated affiliates and taxes. (5) Free Cash Flow: see Non-GAAP Financial Measures. (6) CAPEX including Internal Use Software.

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Capital Structure

Financing Debt **$3.6B**

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

Core Debt **$1.9B**

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

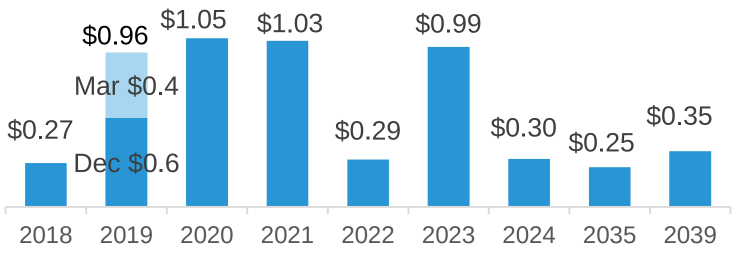
Pension **$1.4B** (net unfunded status as of 12/31/17)

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

As of March 31, 2018 ($B)

	Finance Assets	Debt	Cash
Financing	$ 4.1	$ 3.6	
Core	-	1.9	
Total Xerox	$ 4.1	$ 5.5	$ 1.4

Debt Maturity Ladder ($B)



Appendix

2018 Reporting Changes

P&L Changes

	Change	Impact
ASU 2014-09 – Revenue from Contracts with Customers	Certain revenues previously classified in Services will be classified to Equipment sale revenue in 2018.	Not material
ASU 2017-07 – Reporting of Retirement Related Benefit Costs	In 2018, we will only report the service cost component of these costs in Cost of sales, services, RD&E, SAG and restructuring. The other components of our retirement related benefit costs such as interest, return on assets, amortization of prior service costs/credits and actuarial gains/losses as well as the impacts of any plan settlements/curtailments will be reported in Other expenses, net.	Non-GAAP measures* FY17: Adj EPS: $(0.03) FY17: Adj OM: (0.1) pt (when recast to conform)

Cash Flow Changes

	Change	Impact
ASU 2016-15 - Classification of Certain Cash Receipts and Cash Payments	Cash collected on beneficial interests received in a sale of receivables must now be classified as investing cash flows (previously these collections were reported in operating cash flows).	FY17: OCF $(234)M FY17: ICF $234M (when recast to conform) FY18: no impact
ASU 2016-18 – Restricted Cash	Restricted cash balances must now be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. Previously these amounts were excluded from cash and cash equivalents presented in the cash flow statement.	FY18: not material

*Refer to “Non-GAAP Financial Measures” for calculation and to Form 10-K filed with the SEC on Feb 23, 2018 for more information. See our web financial model for restated P&L figures.

Revenue Trend

(in millions)	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2016 FY	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2017 FY	2018 Q1
Total Revenue	**$2,615**	**$2,793**	**$2,629**	**$2,734**	**$10,771**	**$2,454**	**$2,567**	**$2,497**	**$2,747**	**$10,265**	**$2,435**
% Change	*(6.8)%*	*(4.6)%*	*(5.6)%*	*(7.2)%*	*(6.1)%*	*(6.2)%*	*(8.1)%*	*(5.0)%*	*0.5%*	*(4.7)%*	*(0.8)%*
CC[1] % Change	*(4.7)%*	*(3.4)%*	*(4.1)%*	*(5.0)%*	*(4.3)%*	*(4.3)%*	*(6.4)%*	*(5.9)%*	*(2.0)%*	*(4.7)%*	*(4.6)%*
Post Sale[2]	**$2,061**	**$2,130**	**$2,043**	**$2,066**	**$8,300**	**$1,941**	**$2,011**	**$1,966**	**$2,052**	**$7,970**	**$1,936**
% Change	*(5.7)%*	*(4.2)%*	*(4.0)%*	*(5.4)%*	*(4.8)%*	*(5.8)%*	*(5.6)%*	*(3.8)%*	*(0.7)%*	*(4.0)%*	*(0.3)%*
CC[1] % Change	*(3.3)%*	*(2.9)%*	*(2.3)%*	*(3.1)%*	*(2.9)%*	*(3.9)%*	*(3.7)%*	*(4.7)%*	*(3.2)%*	*(3.9)%*	*(4.1)%*
Post Sale % Revenue	79%	76%	78%	76%	77%	79%	78%	79%	75%	78%	80%
Equipment[2]	**$554**	**$663**	**$586**	**$668**	**$2,471**	**$513**	**$556**	**$531**	**$695**	**$2,295**	**$499**
% Change	*(11.0)%*	*(5.5)%*	*(11.1)%*	*(12.4)%*	*(10.0)%*	*(7.4)%*	*(16.1)%*	*(9.4)%*	*4.0%*	*(7.1)%*	*(2.7)%*
CC[1] % Change	*(9.6)%*	*(4.8)%*	*(10.0)%*	*(10.4)%*	*(8.7)%*	*(5.7)%*	*(14.8)%*	*(10.3)%*	*1.7%*	*(7.3)%*	*(6.4)%*
Memo:											
OEM & CMS impact on Total Revenue	*(0.3) pts*	*(0.2) pts*	*(0.6) pts*	*(0.7) pts*	*(0.4) pts*	*(0.9) pts*	*(0.6) pts*	*(0.3) pts*	*(0.7) pts*	*(0.6) pts*	*(0.7) pts*

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

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Non-GAAP Financial Measures

Non-GAAP Financial Measures

We have reported our financial results in accordance with generally accepted accounting principles (GAAP). In addition, we have discussed our financial results using the non-GAAP measures described below. We believe these non-GAAP measures allow investors to better understand the trends in our business and to better understand and compare our results. Accordingly, we believe it is necessary to adjust several reported amounts, determined in accordance with GAAP, to exclude the effects of certain items as well as their related income tax effects.

A reconciliation of these non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP are set forth below as well as on our website at www.xerox.com/investor.

These non-GAAP financial measures should be viewed in addition to, and not as a substitute for, the company's reported results prepared in accordance with GAAP.

Adjusted Earnings Measures

- Net income and Earnings per share (EPS)
- Effective tax rate

The above measures were adjusted for the following items:

- *Amortization of intangible assets*: The amortization of intangible assets is driven by our acquisition activity which can vary in size, nature and timing as compared to other companies within our industry and from period to period. The use of intangible assets contributed to our revenues earned during the periods presented and will contribute to our future period revenues as well. Amortization of intangible assets will recur in future periods.

- *Restructuring and related costs:* Restructuring and related costs include restructuring and asset impairment charges as well as costs associated with our Strategic Transformation program beyond those normally included in restructuring and asset impairment charges. Restructuring consists of costs primarily related to severance and benefits paid to employees pursuant to formal restructuring and workforce reduction plans. Asset impairment includes costs incurred for those assets sold, abandoned or made obsolete as a result of our restructuring actions, exiting from a business or other strategic business changes. Additional costs for our Strategic Transformation program are primarily related to the implementation of strategic actions and initiatives and include third-party professional service costs as well as one-time incremental costs. All of these costs can vary significantly in terms of amount and frequency based on the nature of the actions as well as the changing needs of the business. Accordingly, due to that significant variability, we will exclude these charges since we do not believe they provide meaningful insight into our current or past operating performance nor do we believe they are reflective of our expected future operating expenses as such charges are expected to yield future benefits and savings with respect to our operational performance.

Non-GAAP Financial Measures

- *Non-service retirement-related costs:* Our defined benefit pension and retiree health costs include several elements impacted by changes in plan assets and obligations that are primarily driven by changes in the debt and equity markets as well as those that are predominantly legacy in nature and related to employees who are no longer providing current service to the company (e.g. retirees and ex-employees). These elements include (i) interest cost, (ii) expected return on plan assets, (iii) amortization of prior plan amendments, (iv) amortized actuarial gains/losses and (v) the impacts of any plan settlements/curtailments. Accordingly, we consider these elements of our periodic retirement plan costs to be outside the operational performance of the business or legacy costs and not necessarily indicative of current or future cash flow requirements. This approach is consistent with the classification of these costs as non-operating in Other expenses, net as a result of our adoption of ASU 2017-07 - Reporting of Retirement Related Benefit Costs in 2018. Adjusted earnings will continue to include the service cost elements of our retirement costs, which is related to current employee service as well as the cost of our defined contribution plans.

- *Transaction and related costs:* Transaction and related costs are expenses incurred in connection with Xerox's planned combination transaction with Fuji Xerox, which is currently halted as a result of a court injunction. These costs are primarily for third-party investment banking, accounting, legal, consulting and other similar types of services as well as certain employee-related costs associated with the planned combination. These costs will include additional expenses expected to be incurred in the second quarter 2018 related to the previously disclosed settlement agreement reached with certain shareholders primarily for third-party legal and other related costs. These costs are considered incremental to our normal operating charges and were incurred or are expected to be incurred solely as a result of the planned combination transaction and the related shareholder settlement agreement. Accordingly, we are excluding these expenses from our Adjusted Earnings Measures in order to evaluate our performance on a comparable basis.

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

- *Other discrete, unusual or infrequent items:* In addition, we also excluded the following items given their discrete, unusual or infrequent nature and their impact on our results for the period:
  - 2018 - Bridge facility costs relate to the previously disclosed $2.5 billion bridge loan facility, which was entered into in the first quarter 2018 to provide funding for the payment of the expected $2.5 billion dividend associated with the Fuji Xerox combination transaction in the event Xerox does not secure permanent financing. Since these costs are related to the Fuji Xerox combination transaction, the exclusion was considered consistent with Transaction and related costs discussed above.
  - 2017 - Loss on early extinguishment of debt in the first quarter of 2017.
  - 2017 - A benefit from the remeasurement of a tax matter in the first quarter of 2017 that related to a previously adjusted item.

We believe the exclusion of these items allows investors to better understand and analyze the results for the period as compared to prior periods and expected future trends in our business.

Non-GAAP Financial Measures

Adjusted Operating Income/Margin

We also calculate and utilize adjusted operating income and margin measures by adjusting our reported pre-tax income (loss) and margin amounts. In addition to the costs and expenses noted as adjustments for our Adjusted Earnings measures, adjusted operating income and margin also exclude the remaining amounts included in Other expenses, net, which are primarily non-financing interest expense and certain other non-operating costs and expenses. We exclude these amounts in order to evaluate our current and past operating performance and to better understand the expected future trends in our business. Adjusted Operating income and margin also include Equity in net (loss) income of unconsolidated affiliates. Equity in net (loss) income of unconsolidated affiliates primarily reflects our 25% share of Fuji Xerox's net income. We include this amount in our measure of operating income and margin as Fuji Xerox is our primary product supplier and intermediary to the Asia/Pacific market for distribution of Xerox branded products and services.

Constant Currency

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

Free Cash Flow

To better understand trends in our business, we believe that it is helpful to adjust operating cash flows from continuing operations by subtracting amounts related to capital expenditures (inclusive of internal use software). In addition, we also believe that prior period operating cash flows from continuing operations should also be adjusted to include the collections on beneficial interests received in a sale of receivables as these cash flows were the result of sales to customers. Management believes this measure gives investors an additional perspective on cash flow from operating activities in excess of amounts required for reinvestment. It provides a measure of our ability to fund acquisitions, dividends and share repurchase.

Summary:

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

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

Net Income and EPS reconciliation

(in millions, except per share amounts)	Three Months Ended March 31, 2018 Net Income	Three Months Ended March 31, 2018 EPS	Three Months Ended March 31, 2017 Net Income	Three Months Ended March 31, 2017 EPS
Reported [1]	$ 23	**$ 0.08**	$ 46	**$ 0.16**
Adjustments:				
Restructuring and related costs	28		118	
Amortization of intangible assets	12		14	
Transaction and related costs	36		-	
Non-service retirement-related costs	25		60	
Loss on extinguishment of debt	-		13	
Bridge facility costs	2		-	
Income tax on adjustments [2]	(27)		(59)	
Remeasurement of unrecognized tax positions	-		(16)	
Restructuring and other charges - Fuji Xerox [3]	79		-	
Adjusted	$ 178	**$ 0.68**	$ 176	**$ 0.67**
Weighted average shares for adjusted EPS [4]		264		263
Fully diluted shares at end of period [5]		264		

(1) Net Income and EPS from continuing operations attributable to Xerox.
(2) Refer to Effective Tax Rate reconciliation.
(3) Other charges in 2018 represent costs associated with the combination transaction.
(4) For those periods that exclude the preferred stock dividend, the average shares for the calculations of diluted EPS include 7 million shares associated with our Series B convertible preferred stock, as applicable.
(5) Represents common shares outstanding at March 31, 2018 as well as shares associated with our Series B convertible preferred stock plus potential dilutive common shares as used for the calculation of diluted earnings per share for the first quarter 2018.

Effective Tax Rate reconciliation

(in millions)	Three Months Ended March 31, 2018			Three Months Ended March 31, 2017		
	Pre-Tax Income	Income Tax Expense	Effective Tax Rate	Pre-Tax (Loss) Income	Income Tax (Benefit) Expense	Effective Tax Rate
Reported (1)	**$ 134**	**$ 40**	**29.9%**	**$ (16)**	**$ (24)**	**150.0%**
Non-GAAP Adjustments (2)	103	27		205	59	
Remeasurement of unrecognized tax positions	-	-		-	16	
Adjusted (3)	**$ 237**	**$ 67**	**28.3%**	**$ 189**	**$ 51**	**27.0%**

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

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

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

Operating Income/Margin reconciliation

(in millions)	Three Months Ended March 31, 2018 Profit	Revenue	Margin	Three Months Ended March 31, 2017 Profit	Revenue	Margin
Reported [1]	**$ 134**	**$ 2,435**	**5.5%**	**$ (16)**	**$ 2,454**	**(0.7%)**
Adjustments:						
Restructuring and related costs	28			118		
Amortization of intangible assets	12			14		
Transaction and related costs	36			-		
Non-service retirement-related costs	25			60		
Equity in net (loss) income of unconsolidated affiliates	(68)			40		
Restructuring and other charges - Fuji Xerox [2]	79			-		
Other expenses, net	7			54		
Adjusted	**$ 253**	**$ 2,435**	**10.4%**	**$ 270**	**$ 2,454**	**11.0%**
Equity in net (loss) income of unconsolidated affiliates	68			(40)		
Restructuring and other charges - Fuji Xerox [2]	(79)			-		
Adjusted - excluding Equity Income	**$ 242**	**$ 2,435**	**9.9%**	**$ 230**	**$ 2,454**	**9.4%**

(1) Pre-Tax Income (Loss) and revenue from continuing operations.
(2) Other charges in 2018 represent costs associated with the combination transaction.

Other expenses, net

(in millions)	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Reported	**$ 32**	**$ 114**
Adjustments:		
Non-service retirement-related costs	(25)	(60)
Bridge facility costs	(2)	-
Loss on early extinguishment of debt	-	(13)
Adjusted	**$ 5**	**$ 41**

Equity in net (loss) income of unconsolidated affiliates

(in millions)	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Reported	$ (68)	$ 40
Adjustment:		
Restructuring and other charges – Fuji Xerox [(1)]	79	-
Adjusted	**$ 11**	**$ 40**

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

Free Cash Flow reconciliation

(in millions)	Q1 2018 Actual	Q1 2017 Actual
Operating Cash Flow [(1)]	**$ 216**	**$ 132**
Less: CAPEX (inclusive of Internal Use Software)	(18)	(26)
Plus: Collections of deferred proceeds from sales of receivables	-	48
Plus: Collections on beneficial interest from sales of finance receivables	-	6
Free Cash Flow [(1)]	**$ 198**	**$ 160**

(1) Operating Cash Flow and Free Cash Flow from continuing operations.