

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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (date of earliest event reported): January 20, 2026



XEROX HOLDINGS CORPORATION
XEROX CORPORATION

(Exact name of registrant as specified in its charter)

New York
New York
(State or other jurisdiction
of incorporation)

001-39013
001-04471
(Commission
File Number)

83-3933743
16-0468020
(IRS Employer
Identification No.)

401 Merritt 7
Norwalk, Connecticut
06851-1056
(Address of principal executive offices) (Zip Code)

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

Not applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Xerox Holdings Corporation Common Stock, \$1.00 par value	XRX	Nasdaq Global Select Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Xerox Holdings Corporation
Emerging growth company

Xerox Corporation
☐ 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

☐ **Xerox Corporation**

☐

Item 8.01 Other Events

On July 1, 2025, Xerox Corporation, a New York corporation (“Xerox”), completed the acquisition of Lexmark International II, LLC (“Lexmark”), pursuant to the Equity Purchase Agreement, dated as of December 22, 2024, by and between Xerox, Ninestar Group Company Limited and Lexmark. Xerox and Xerox Holdings Corporation, a New York corporation, are filing (a) unaudited condensed consolidated financial statements for the three and six months ended June 30, 2025 and 2024 of Lexmark (the “Lexmark Interim Financial Information”) and (b) unaudited pro forma condensed combined financial information for the year ended December 31, 2024 and the nine months ended September 30, 2025, related to Xerox’s acquisition of Lexmark (the “Pro Forma Financial Information”), as set forth in Exhibits 99.1 and 99.2, respectively, to this Current Report on Form 8-K (this “Form 8-K”). The purpose of this Form 8-K is to file the Lexmark Interim Financial Information and the Pro Forma Financial Information, and to allow such financial information to be incorporated by reference into a registration statement to be filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended. Exhibits 99.1 and 99.2 are hereby incorporated by reference into this Item 8.01.

Item 9.01 Financial Statements and Exhibits**(a) Financial Statements of Business Acquired**

The unaudited condensed consolidated financial statements for the three and six months ended June 30, 2025 and 2024 of Lexmark are attached as Exhibit 99.1 to this Form 8-K and incorporated herein by reference. Such financial statements were prepared in accordance with accounting principles generally accepted in the United States of America.

(b) Pro Forma Financial Information

The unaudited pro forma condensed combined financial information for the year ended December 31, 2024 and the unaudited pro forma condensed combined financial information for the nine months ended September 30, 2025, related to Xerox’s acquisition of Lexmark, are attached as Exhibit 99.2 to this Form 8-K and incorporated herein by reference.

(d) Exhibits

Exhibit No.	Description
99.1	Unaudited Consolidated Financial Statements of Lexmark as of and for the three and six months ended June 30, 2025 and 2024.
99.2	Unaudited Pro Forma Condensed Combined Financial Information for the year ended December 31, 2024 and the nine months ended September 30, 2025
104	Cover Page Interactive Data File (formatted as Inline XBRL)

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

Date: January 20, 2026

By: /s/ William Twomey
Name: William Twomey
Title: Vice President and Chief Accounting Officer

XEROX CORPORATION

Date: January 20, 2026

By: /s/ William Twomey
Name: William Twomey
Title: Vice President and Chief Accounting Officer



LEXMARK INTERNATIONAL II, LLC
June 30, 2025
Consolidated Condensed Financial Statements

LEXMARK INTERNATIONAL II, LLC AND SUBSIDIARIES

Consolidated Condensed Financial Statements

For the Three and Six Months Ended June 30, 2025 and 2024

FINANCIAL STATEMENTS

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Lexmark Confidential

Lexmark International II, LLC and Subsidiaries
CONSOLIDATED CONDENSED STATEMENTS OF EARNINGS
(In Millions)
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Revenue:				
Product	\$ 415.3	\$ 463.2	\$ 828.2	\$ 920.7
Product, related party	26.3	9.1	51.1	16.5
Service	75.3	73.4	149.0	149.0
Revenue	516.9	545.7	1,028.3	1,086.2
Cost of revenue:				
Product	301.3	315.9	585.4	651.7
Product, related party	10.8	4.1	31.0	8.0
Service	51.2	49.2	104.1	100.1
Cost of Revenue	363.3	369.2	720.5	759.8
Gross profit (loss)	153.6	176.5	307.8	326.4
Research and development	30.3	29.3	61.2	61.1
Selling, general and administrative	121.8	43.6	211.2	150.9
Restructuring and related charges (reversals)	—	(2.8)	0.3	(3.9)
Operating expense	152.1	70.1	272.7	208.1
Operating income (loss)	1.5	106.4	35.1	118.3
Interest expense	20.7	22.3	40.2	42.6
Interest (income)	(1.0)	(2.1)	(1.9)	(4.2)
Other expense (income), net	(6.2)	1.9	(4.0)	1.1
Earnings (loss) before income taxes	(12.0)	84.3	0.8	78.8
Provision for income taxes	19.8	37.9	31.0	23.1
Net earnings (loss)	\$ (31.8)	\$ 46.4	\$ (30.2)	\$ 55.7

See Notes to Consolidated Condensed Financial Statements.

Lexmark International II, LLC and Subsidiaries
CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE EARNINGS
(In Millions)
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Net earnings (loss)	\$ (31.8)	\$ 46.4	\$ (30.2)	\$ 55.7
Other comprehensive earnings (loss):				
Foreign currency translation adjustment, net of tax	23.8	(21.5)	33.4	(26.1)
Pension and other post retirement benefits	(0.1)	—	(0.1)	—
Unrealized gain (loss) on cash flow hedges, net of tax	(7.1)	0.1	(14.9)	(3.4)
Total other comprehensive earnings (loss)	16.6	(21.4)	18.4	(29.5)
Comprehensive earnings (loss)	\$ (15.2)	\$ 25.0	\$ (11.8)	\$ 26.2

See Notes to Consolidated Condensed Financial Statements.

Lexmark International II, LLC and Subsidiaries
CONSOLIDATED CONDENSED STATEMENTS OF FINANCIAL POSITION
(In Millions, Except Units and Unit Value)
(Unaudited)

	June 30, 2025	December 31, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 93.1	\$ 100.3
Trade receivables, net of allowances of \$2.5 in 2025 and \$2.5 in 2024	318.6	365.3
Trade receivables, related party	9.6	16.2
Inventories	304.7	304.4
Prepaid expenses and other current assets	230.7	207.6
Prepaid expenses and other current assets, related party	0.8	1.4
Total current assets	<u>957.5</u>	<u>995.2</u>
Property, plant and equipment, net	215.3	208.0
Goodwill	1,096.6	1,096.6
Intangibles, net	412.4	424.9
Right-of-use assets from operating leases, net	245.8	253.1
Other assets	153.8	128.4
Non-current assets held-for-sale	—	0.9
Total assets	<u><u>\$3,081.4</u></u>	<u><u>\$ 3,107.1</u></u>
LIABILITIES AND MEMBER'S EQUITY		
Current liabilities:		
Accounts payable	468.4	501.7
Accounts payable, related party	22.2	23.0
Short-term debt	—	0.9
Short-term debt, related party	—	0.1
Current portion of long-term debt	158.7	132.6
Current operating lease liabilities	23.8	23.2
Accrued liabilities	474.1	437.5
Accrued liabilities, related party	8.5	8.0
Total current liabilities	<u>1,155.7</u>	<u>1,127.0</u>
Long-term debt, net of unamortized issuance costs	808.6	831.4
Long-term operating lease liabilities	216.7	220.5
Other liabilities	276.9	292.9
Total liabilities	<u>2,457.9</u>	<u>2,471.8</u>
Member's equity:		
Member units, \$0.10 value, 100 units issued and outstanding in 2025 and 2024	—	—
Member's capital	1,361.6	1,361.6
Retained earnings (deficit)	(691.0)	(660.8)
Accumulated other comprehensive earnings (loss)	(47.1)	(65.5)
Total member's equity	<u>623.5</u>	<u>635.3</u>
Total liabilities and member's equity	<u><u>\$3,081.4</u></u>	<u><u>\$ 3,107.1</u></u>

See Notes to Consolidated Condensed Financial Statements.

Lexmark International II, LLC and Subsidiaries
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(In Millions)
(Unaudited)

	Six Months Ended	
	June 30, 2025	June 30, 2024
Cash flows from operating activities:		
Net earnings (loss)	\$ (30.2)	\$ 55.7
Adjustments to reconcile net earnings (loss) to net cash flows provided by (used for) operating activities:		
Depreciation and amortization	41.7	50.5
Deferred taxes	0.2	(3.0)
Gain on sale lease-back	—	(42.9)
Inventory reserves	11.7	9.8
Pension and other postemployment expense (income)	4.8	1.4
Other	0.6	1.3
Change in assets and liabilities:		
Trade receivables	46.2	18.5
Trade receivables, related party	6.6	6.6
Inventories	(12.0)	3.5
Accounts payable	(33.3)	(49.9)
Accounts payable, related party	(0.8)	(51.1)
Accrued liabilities	43.7	(22.8)
Accrued liabilities, related party	0.5	0.1
Other assets and liabilities	(71.5)	(55.7)
Other assets and liabilities, related party	0.6	0.1
Net cash provided by (used for) operating activities	8.8	(77.9)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(14.8)	(9.6)
Proceeds from sale of facilities	—	75.8
Net cash provided by (used for) investing activities	(14.8)	66.2
Cash flows from financing activities:		
Proceeds from debt	129.0	185.6
Payments on debt	(131.2)	(268.9)
Payments on debt, related party	(0.1)	—
Other	(0.3)	(0.5)
Net cash provided by (used for) financing activities	(2.6)	(83.8)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	1.8	(1.3)
Net change in cash, cash equivalents and restricted cash	(6.8)	(96.8)
Cash, cash equivalents and restricted cash - beginning of period	111.4	201.5
Cash, cash equivalents and restricted cash - end of period	\$ 104.6	\$ 104.7

See Notes to Consolidated Condensed Financial Statements.

Lexmark International II, LLC and Subsidiaries
CONSOLIDATED STATEMENTS OF MEMBER'S EQUITY
For the periods ended June 30, 2025 and June 30, 2024
(In Millions, Except Units Issued and Unit Value)

	<u>Member Units</u>		<u>Member's</u>	<u>Retained</u>	<u>Accumulated</u>	<u>Total</u>
	<u>Units</u>	<u>Value</u>	<u>Capital</u>	<u>Earnings</u>	<u>Other</u>	<u>Member's</u>
				<u>(Accumulated</u>	<u>Comprehensive</u>	<u>Equity</u>
				<u>Deficit)</u>	<u>Earnings</u>	
					<u>(Loss)</u>	
Balance at December 31, 2023	100.0	\$10.0	\$1,361.6	\$ 82.1	\$ (18.2)	\$1,425.5
Comprehensive earnings (loss), net of taxes:						
Net earnings (loss)				55.7		55.7
Other comprehensive earnings (loss)					(29.5)	(29.5)
Balance at June 30, 2024	100.0	\$10.0	\$1,361.6	\$ 137.8	\$ (47.7)	\$1,451.7
Balance at December 31, 2024	100.0	\$10.0	\$1,361.6	\$ (660.8)	\$ (65.5)	\$ 635.3
Comprehensive earnings (loss), net of taxes:						
Net earnings (loss)				(30.2)		(30.2)
Other comprehensive earnings (loss)					18.4	18.4
Balance at June 30, 2025	100.0	\$10.0	\$1,361.6	\$ (691.0)	\$ (47.1)	\$ 623.5

See Notes to Consolidated Condensed Financial Statements.

LEXMARK INTERNATIONAL II, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Tabular Dollars in Millions, Except Units and Unit Value)

1. BASIS OF PRESENTATION

Lexmark International II, LLC (together with its subsidiaries, the “Company” or “Lexmark”) is a limited liability company organized under the laws of the State of Delaware, whose principal operations and holdings relate to the operations conducted by Lexmark International, Inc. (“LII”) and its subsidiaries. Lexmark is owned by a consortium of investors composed of Ninestar Corporation (“Ninestar”), PAG Asia Capital (“PAG”) and Legend Capital Management Co. Ltd.

LII is a leading developer, manufacturer and supplier of printing, imaging, device management, managed print services (“MPS”), cloud services, document workflow, and technology solutions. LII operates in the office printing and imaging markets and its products include laser printers, multifunction devices, and the associated supplies/solutions/services. The major customers for LII’s products are large corporations, small and medium businesses, and the public sector. LII’s products are principally sold through resellers, retailers and distributors in various countries around the world.

Acquisition of Lexmark International, II, LLC.

On July 1, 2025, Lexmark International II, LLC (“Lexmark”) was acquired by Xerox Holdings Corporation (“Xerox”) in a transaction valued at approximately \$1.5 billion, inclusive of assumed liabilities. Lexmark incurred \$31.9 million in transaction expenses during the three months ended June 30, 2025, which are recorded in *Selling, general and administrative* in the Consolidated Condensed Statements of Earnings. The acquisition was completed according to a definitive agreement between Xerox and Lexmark’s former owners, including Ninestar Corporation, PAG Asia Capital, and Shanghai Shouda Investment Centre. Refer to Note 19 of the Notes to the Consolidated Condensed Financial Statements for more information regarding subsequent events to the reporting period.

The accompanying unaudited Consolidated Condensed Financial Statements omit certain information and disclosures normally included in the notes to the annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). However, the Company believes that the disclosures made are adequate to ensure that the information presented is not misleading. We suggest that you read these Consolidated Condensed Financial Statements in conjunction with the Consolidated Financial Statements and notes thereto for the fiscal year ended December 31, 2024 included in the Form 8-K filed by Xerox Holdings Corporation on July 31, 2025.

In the opinion of management, the unaudited interim consolidated condensed financial statements reflect all adjustments of a normal recurring nature that are necessary for a fair presentation of the results for the interim periods presented. Interim results are not necessarily indicative of results for a full year.

2. NEW ACCOUNTING STANDARDS AND ACCOUNTING CHANGES

Lexmark considers the applicability and impact of all Accounting Standards Updates (“ASUs”) issued by the Financial Accounting Standards Board (“FASB”). Except for the ASUs discussed below, the new ASUs issued by the FASB during the last two years were assessed and determined to not have a material impact on the Company.

Recently issued accounting pronouncements not yet adopted:

In July 2025, the FASB issued ASU 2025-05, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets, which provides new optional guidance relating to the estimation of expected credit losses on current accounts receivable and current contract assets under ASC326. This ASU permits entities to apply a practical expedient when estimating credit losses and is effective for annual reporting periods beginning after December 15, 2025, and interim reporting periods within those annual reporting periods, with early adoption permitted, and should be applied prospectively. The Company is currently evaluating the impact of the adoption of this standard to determine its impact on the Company’s disclosures.

In November 2024, the FASB issued ASU 2024-03, Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures. ASU 2024-03 is intended to improve disclosures about a public business entity’s expense and provide more detailed information to investors about the types of expenses in commonly presented expense captions. ASU 2024-03 is effective for fiscal years beginning after December 15, 2026, and for interim periods beginning after December 15, 2027, with early adoption permitted. The Company is currently evaluating the potential impact of this guidance on its disclosures.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which includes amendments that further enhance income tax disclosures, primarily through standardization and disaggregation of rate reconciliation categories and income taxes paid by jurisdiction. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact of the adoption of this standard to determine its impact on the Company's disclosures.

3. CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash, cash equivalents and restricted cash* reported within the Consolidated Condensed Statements of Financial Position to the total of the amounts shown in the Consolidated Condensed Statements of Cash Flows:

	June 30, 2025	December 31, 2024
Cash and cash equivalents	\$ 93.1	\$ 100.3
Restricted cash ⁽¹⁾	11.5	11.1
Total cash, cash equivalents and restricted cash	<u>\$ 104.6</u>	<u>\$ 111.4</u>

(1) Restricted cash is included in *Prepaid expenses and other current assets* in the Consolidated Condensed Statements of Financial Position.

Restricted cash primarily represents required deposits pledged as collateral for certain extensions of short-term credit from financial institutions.

4. REVENUE

Revenue Recognition from Contracts with Customers

The following were included in *Revenue* on the Consolidated Condensed Statements of Earnings.

Sources of revenue	Three Months Ended		Six Months Ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Revenue from contracts with customers	\$ 504.7	\$ 532.1	\$ 996.7	\$1,060.1
Lease revenue	16.1	11.0	35.4	21.0
Cash flow hedge revenue	(4.6)	1.6	(5.4)	3.2
Revenue from collaborative arrangements	0.7	1.0	1.6	1.9
Total revenue	<u>\$ 516.9</u>	<u>\$ 545.7</u>	<u>\$1,028.3</u>	<u>\$1,086.2</u>

Disaggregated revenue

The following tables present the Company's revenue from contracts with customers disaggregated by major products and services and by geographical market.

Revenue by major products and services	Three Months Ended		Six Months Ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Hardware	\$ 84.2	\$ 88.8	\$148.3	\$ 179.5
Consumables	175.7	185.0	349.2	363.7
Managed print services ⁽²⁾	129.3	131.6	254.0	263.1
Products provided under OEM arrangements	84.7	96.0	184.6	193.9
Parts	10.6	12.7</		

Major products and services are the primary methods by which the Company disaggregates revenue. This is consistent with the Company's business model, which is based on the placement of hardware in order to capture profitable consumables and service annuities.

<u>Revenue by geographical markets</u>	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>June 30, 2025</u>	<u>June 30, 2024</u>
North America	\$ 250.7	\$ 287.8	\$ 511.4	\$ 573.2
EMEA (Europe, the Middle East & Africa)	138.8	130.5	271.3	262.5
Asia Pacific	71.8	69.1	136.0	130.5
Latin America	43.4	44.7	78.0	93.9
Total revenue from contracts with customers	<u>\$ 504.7</u>	<u>\$ 532.1</u>	<u>\$ 996.7</u>	<u>\$ 1,060.1</u>

Lexmark disaggregates revenue by geographical market to align with the structure of the sales teams and corporate finance. Sales are attributable to geographic areas based on the location of the customers; therefore, exports from the United States and Europe may be included in other geographical locations.

Balances from contracts with customers

The following table provides information about receivables, contract assets, and contract liabilities from the Company's contracts with customers.

<u>Balances from contracts with customers</u>	<u>As of</u> <u>June 30, 2025</u>	<u>As of</u> <u>December 31, 2024</u>	<u>Change</u>
Trade receivables	\$ 316.0	\$ 367.6	\$(51.6)
Contract assets	87.0	68.4	18.6
Contract liabilities (current)	79.5	75.8	3.7
Contract liabilities (non-current)	87.2	98.3	(11.1)

Trade receivables above does not include receivables related to operating leases or unpaid, periodic billings associated with sales-type leases, which are included in *Trade Receivables, net of allowances* on the Consolidated Condensed Statements of Financial Position. Receivables from leasing activity were \$12.2 million and \$13.9 million as of June 30, 2025, and December 31, 2024, respectively. Bad debt expense incurred during the three months ended June 30, 2025, was \$0.3 million, with \$0.4 million related to trade receivables from contracts with customers. For the three months ended June 30, 2024, bad debt expense was \$0.4 million, with \$0.3 million related to trade receivables from contracts with customers. Bad debt expense incurred during the six months ended June 30, 2025, was \$0.5 million, with \$0.8 million related to trade receivables from contracts with customers. For the six months ended June 30, 2024, \$0.9 million of bad debt expense was incurred, with \$0.8 million related to trade receivables from contracts with customers.

Contract assets are included in *Prepaid expenses and other current assets* on the Consolidated Condensed Statements of Financial Position and are generally current assets, given the nature of these assets and the typical frequency of invoicing. Contract liabilities are recorded in *Accrued liabilities* or *Other liabilities* on the Consolidated Condensed Statements of Financial Position, depending on whether they are classified as a current or non-current liability. Revenue recognized for the three and six months ended June 30, 2025, included in the contract liabilities balance at the beginning of each period was \$21.7 million and \$43.5 million, respectively. Revenue recognized for the three and six months ended June 30, 2024, included in the contract liabilities balance at the beginning of each period was \$18.2 million and \$40.4 million, respectively. This revenue primarily relates to extended warranty and maintenance services.

As of June 30, 2025, the aggregate amount of the transaction price allocated to remaining performance obligations is approximately \$7

Adjustments to revenue attributable to cumulative catch-up adjustments during the three and six months ended June 30, 2025, were \$10.8 million and \$18.5 million, respectively, compared to \$(0.7) million and \$0.5 million, respectively for the three and six months ended June 30, 2024. These adjustments arise from contract modifications and changes in estimates related to measures of progress affecting contract transaction prices.

5. DERIVATIVES AND RISK MANAGEMENT

Derivative Instruments and Hedging Activities

Lexmark's activities expose the Company to a variety of market risks, including the effects of changes in foreign currency exchange rates and interest rates. The Company's risk management program seeks to reduce the potentially adverse effects that market risks may have on its operating results.

Lexmark maintains a foreign currency risk management strategy that uses derivative instruments to protect its interests from unanticipated fluctuations in earnings caused by volatility in currency exchange rates. The Company does not hold or issue financial instruments for trading purposes nor does it hold or issue leveraged derivative instruments. Lexmark maintains an interest rate risk management strategy that may, from time to time, use derivative instruments to minimize significant, unanticipated earnings fluctuations caused by interest rate volatility. By using derivative instruments to hedge exposures to changes in exchange rates and interest rates, the Company exposes itself to credit risk and market risk. Lexmark manages exposure to counterparty credit risk by entering into derivative instruments with highly rated institutions that can be expected to fully perform under the terms of the agreement. Market risk is the adverse effect on the value of a financial instrument that results from a change in currency exchange rates or interest rates. The Company manages exposure to market risk associated with interest rate and foreign exchange contracts by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

Fair Value Hedges

Lexmark uses fair value hedges to reduce the potentially adverse effects that market volatility may have on its operating results. Fair value hedges are hedges of recognized assets or liabilities. Lexmark enters into foreign exchange forward and swap contracts to hedge trade receivables, accounts payable and other monetary assets and liabilities. The forward and swap contracts used in this program generally mature in three months or less, consistent with the underlying asset or liability.

Cash Flow Hedges

Cash flow hedges are hedges of forecasted transactions or of the variability of cash flows to be received or paid related to a recognized asset or liability. From time to time, Lexmark enters into foreign exchange options, or a combination of options that comprise a net purchased option, generally expiring within the next twelve months as hedges of anticipated sales that are denominated in foreign currencies. These contracts are entered into to protect against the risk that the eventual cash flows resulting from such transactions will be adversely affected by changes in exchange rates.

During the twelve months ended December 31, 2023, the Company entered into multiple interest rate swap agreements, fixing the SOFR rate to an average of 4.0% for \$700.0 million of variable rate term loans for two years. The Company reached its goal of fixing approximately 70% of its variable rate term debt with the interest rate swap agreements. These agreements were entered into to protect against the risk that interest paid on the Company's variable term debt will be adversely affected by changes in interest rates. See Note 12 of the Notes to the Consolidated Condensed Financial Statements for more details on the company's debt and interest rates.

Accounting for Derivative Instruments and Hedging Activities

All derivative instruments are recognized in the Consolidated Condensed Statements of Financial Position at their fair value. Fair values for Lexmark's derivative instruments are based on pricing models or formulas using current market data, or where applicable, quoted market prices. On the date the derivative instrument is entered into, the Company designates the derivative instrument as a fair value hedge, a cash flow hedge, or a derivative instrument not designated as a hedging instrument, based upon the nature of the underlying hedged item. For cash flow hedges, the Company separates the derivative instruments into multiple layers, and only designates certain layers of the derivative instrument as cash flow hedges, with the undesignated portion accounted for as derivative instruments not designated as hedges. Changes in the fair value of a derivative instrument that is designated and qualifies as a fair value hedge, along with the loss or gain on the hedged asset or liability are recorded in current period earnings in *Cost of revenue* or *Other expense (income), net* on the Consolidated Condensed Statements of Earnings, depending on the underlying exposure related to the hedge. Changes in the fair value of a foreign exchange option or interest rate swap agreement that is designated and qualifies as a cash flow hedge is recorded in *Accumulated other comprehensive earnings (loss)* on the Consolidated Condensed Statements of Financial Position, until the underlying transactions occur. At which time, the loss or gain on a foreign exchange option is recorded in current period earnings in

Revenue on the Consolidated Condensed Statements of Earnings, and the loss or gain on an interest rate swap agreement is recorded in *Interest expense* on the Consolidated Condensed Statements of Earnings. Changes in the fair value of derivative instruments not designated as hedges are recorded in the same line on the Consolidated Condensed Statements of Earnings as the impact of the underlying assets, liabilities, or transactions; cash flows are generally included in the same section of the Consolidated Condensed Statements of Cash Flows as the underlying assets and liabilities being hedged.

Lexmark formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge items. This process includes linking all derivative instruments that are designated as fair value hedges and cash flow hedges to specific assets and liabilities on the Consolidated Condensed Statements of Financial Position or to forecasted transactions, as appropriate. The Company formally assesses whether the derivative instruments that are used in hedging transactions are effective in offsetting changes in fair value or cash flows of hedged items at the hedge's inception and on an ongoing basis.

Lexmark discontinues hedge accounting prospectively when (1) it is determined that a derivative instrument is no longer effective in offsetting changes in the fair value or cash flows of a hedged item, (2) the derivative instrument expires or is sold, terminated or exercised, or (3) the derivative instrument is discontinued as a hedge instrument, because it is unlikely that a forecasted transaction will occur. When hedge accounting is discontinued because it is probable that a forecasted transaction will not occur, or in all other situations in which hedge accounting is discontinued, the derivative instrument will continue to be carried on the Consolidated Condensed Statements of Financial Position at its fair value, and gains and losses that were recorded in *Accumulated other comprehensive earnings (loss)* are recognized immediately in earnings.

Fair Value Hedges

The tables below present the net outstanding notional amount of derivative instruments. These positions were driven by fair value hedges of recognized assets and liabilities primarily denominated in the currencies in the tables below:

Long (Short) Positions by Currency (in USD)	June 30, 2025
EUR/USD	\$ 146.5
PHP/USD	(106.9)
CNY/USD	(77.8)
MXN/USD	52.9
CHF/USD	(31.6)
EUR/CHF	(13.1)
HUF/USD	13.1
SGD/USD	10.1
INR/USD	(8.0)
PLN/USD	(6.7)
DKK/USD	6.4
Other, net	38.4
Total	\$ 23.3

<u>Long (Short) Positions by Currency (in USD)</u>	<u>December 31, 2024</u>
EUR/USD	\$ 124.2
PHP/USD	(103.2)
CNY/USD	(73.8)
MXN/USD	51.1
CHF/USD	(19.1)
HUF/USD	11.2
EUR/CHF	(10.1)
SGD/USD	9.1
INR/USD	(9.0)
AUD/USD	9.0
EUR/GBP	8.5
Other, net	24.9
Total	\$ 22.8

The Company's fair value hedges are not subject to master netting agreements or other terms under U.S. GAAP that allow net presentation in the Consolidated Condensed Statements of Financial Position. The Company had the following net derivative assets (liabilities) recorded at fair value in *Prepaid expenses and other current assets (Accrued liabilities)* on the Consolidated Condensed Statements of Financial Position for its fair value hedges:

<u>Foreign Exchange Contracts</u>	<u>June 30, 2025</u>	<u>December 31, 2024</u>
Gross asset position	\$ 13.2	\$ 4.3
Gross (liability) position	(7.5)	(9.8)

The Company had the following (gains) and losses related to derivative instruments qualifying and designated as hedging instruments in fair value hedges and related hedged items recorded on the Consolidated Condensed Statements of Earnings for the three months ended June 30:

<u>Fair Value Hedging Relationships</u>	<u>Recorded in</u>			
	<u>Cost of revenue</u>		<u>Other expense (income), net</u>	
	<u>Three Months Ended</u>		<u>Three Months Ended</u>	
	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Foreign exchange contracts	\$ 2.2	\$ 1.1	\$ (18.6)	\$ 9.7
Underlying	1.3	(0.7)	19.2	(10.9)
Total	\$ 3.5	\$ 0.4	\$ 0.6	\$ (1.2)

<u>Fair Value Hedging Relationships</u>	<u>Recorded in</u>			
	<u>Cost of revenue</u>		<u>Other expense (income), net</u>	
	<u>Six Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Foreign exchange contracts	\$ 2.5	\$ 3.4	\$ (27.3)	\$ 11.7
Underlying	3.0	(1.7)	27.8	(13.6)
Total	\$ 5.5	\$ 1.7	\$ 0.5	\$ (

Cash Flow Hedges

The Company's cash flow hedging contracts are not subject to master netting agreements or other terms under U.S. GAAP that allow net presentation in the Consolidated Condensed Statements of Financial Position. The net notional amount as of June 30, 2025 and December 31, 2024, of the Company's foreign exchange options designated as cash flow hedges of anticipated Euro denominated sales was \$125.9 million and \$148.9 million, respectively. The Company had the following gross derivative assets (liabilities) recorded at fair value in *Prepaid expenses and other current assets (Accrued liabilities)* on the Consolidated Condensed Statements of Financial Position for its foreign exchange cash flow hedges:

Foreign Exchange Contracts	June 30, 2025	December 31, 2024
Gross asset position	\$ 3.2	\$ 8.3
Gross (liability) position	(11.2)	(0.4)

The Company had the following gains and (losses) related to foreign exchange options qualifying and designated as cash flow hedging instruments and related hedged items recorded on the Consolidated Condensed Statements of Comprehensive Earnings:

	Net amount of after-tax gain (loss) recognized in <i>Other comprehensive earnings (loss)</i>		Location of gain (loss) reclassified from <i>Accumulated other comprehensive earnings (loss)</i> into <i>Net earnings (loss)</i>	Pre-tax amount of gain (loss) reclassified from <i>Accumulated other comprehensive earnings (loss)</i> into <i>Net earnings (loss)</i>		
	Three Months Ended			Three Months Ended		
	June 30, 2025	June 30, 2024		June 30, 2025	June 30, 2024	
Cash Flow Hedging Relationships						
Foreign Exchange Contracts	\$ (13.6)	\$ 1.6	Revenue	\$ (1.9)	\$ 1.6	

	Net amount of after-tax gain (loss) recognized in <i>Other comprehensive earnings (loss)</i>		Location of gain (loss) reclassified from <i>Accumulated other comprehensive earnings (loss)</i> into <i>Net earnings (loss)</i>	Pre-tax amount of gain (loss) reclassified from <i>Accumulated other comprehensive earnings (loss)</i> into <i>Net earnings (loss)</i>		
	Six Months Ended			Six Months Ended		
	June 30, 2025	June 30, 2024		June 30, 2025	June 30, 2024	
Cash Flow Hedging Relationships						
Foreign Exchange Contracts	\$ (20.4)	\$ 3.1	Revenue	\$ —	\$ 2.6	

For those derivatives separated into multiple layers, with certain layers not designated as cash flow hedges, the gross asset and liability positions for the undesignated layers were \$1.1 million and \$3.8 million respectively as of June 30, 2025, and are recorded at fair value in *Prepaid expenses and other current assets (Accrued liabilities)* on the Consolidated Condensed Statements of Financial Position. The gross asset and liability positions for the undesignated layers were \$2.8 million and \$0.1 million respectively as of December 31, 2024, and are recorded at fair value in *Prepaid expenses and other current assets (Accrued liabilities)* on the Consolidated Condensed Statements of Financial Position. The amount of net gains and (losses) recognized in *Revenue* for the undesignated layers during the three and six months ended June 30, 2025, was \$(2.7) million and \$(5.4) million, respectively, compared to \$0.6 million during the six months ended June 30, 2024. There were no gains or (losses) on undesignated layers during the three months ended June 30, 2024. The notional amount of layers not designated as cash flow hedges was \$42.0 million and \$49.6 million

The Company had the following gains and (losses) related to interest rate swap agreements qualifying and designated as cash flow hedging instruments and related hedged items recorded on the Consolidated Condensed Statements of Comprehensive Earnings for the three and six months ended June 30:

	Net amount of after-tax gain (loss) recognized in Other comprehensive earnings (loss)		Location of gain (loss) reclassified from Accumulated other comprehensive earnings (loss) into Net earnings (loss)	Pre-tax amount of gain (loss) reclassified from Accumulated other comprehensive earnings (loss) into Net earnings (loss)		
	Three Months Ended			Three Months Ended		
	June 30, 2025	June 30, 2024		June 30, 2025	June 30, 2024	
Interest Rate Hedging Relationships						
Interest Rate Swap Agreements	\$ —	\$ —	Interest expense	\$ 0.4	\$ 2.4	

	Net amount of after-tax gain (loss) recognized in Other comprehensive earnings (loss)		Location of gain (loss) reclassified from Accumulated other comprehensive earnings (loss) into Net earnings (loss)	Pre-tax amount of gain (loss) reclassified from Accumulated other comprehensive earnings (loss) into Net earnings (loss)		
	Six Months Ended			Six Months Ended		
	June 30, 2025	June 30, 2024		June 30, 2025	June 30, 2024	
Interest Rate Hedging Relationships						
Interest Rate Swap Agreements	\$ —	\$ —	Interest expense	\$ 1.7	\$ 7.4	

During the twelve months ended December 31, 2023, the Company liquidated interest rate swaps that were previously taken out on \$700.0 million of debt. The swaps were liquidated at a gain which is being amortized over the life of the original swaps through June 2025, as the underlying transactions are still probable of occurring. The Company realized \$0.4 million and \$1.7 million of pre-tax deferred net gains and (losses) on interest rate swap derivative instruments during the three and six months ended June 30, 2025, respectively, compared to \$2.4 million and \$7.4 during the same periods in 2024. There were no more deferred gains from this transaction as of June 30, 2025.

Concentrations of Risk

Lexmark's main concentrations of credit risk consist primarily of cash equivalent investments and trade receivables. Cash equivalent investments are made in a variety of high-quality money market accounts with prudent diversification requirements. The Company seeks diversification among its cash equivalent investments by limiting the amount of cash equivalent investments that can be made with any one obligor. Credit risk related to trade receivables is dispersed across a large number of customers located in various geographic areas. Collateral, such as letters of credit and bank guarantees, is required in certain circumstances. In addition, the Company uses credit insurance for specific obligors to limit the impact of nonperformance. Lexmark sells a large portion of its products through third-party distributors, resellers and original equipment manufacturer (OEM) customers. If the financial condition or operations of these distributors, resellers and OEM customers were to deteriorate substantially, the Company's operating results could be adversely affected. The three largest distributor, reseller and OEM customers collectively represented \$73.5 million or approximately 23% of the dollar amount of outstanding invoices at June 30, 2025, and \$99.4 million or approximately 27% of the dollar amount of outstanding invoices at December 31, 2024. At June 30, 2025, an OEM customer accounted for \$28.7 million or approximately 9% of the dollar amount of outstanding invoices. At December 31, 2024, an OEM customer accounted for \$42.0 million or approximately 11% of the dollar amount of outstanding invoices. Lexmark performs ongoing credit evaluations of the financial position of its third-party distributors, resellers, OEM customers and other customers to determine appropriate credit limits.

6. CREDIT LOSSES

The Company measures and records the life time expected credit losses on in scope assets upon origination or acquisition.

The Company determined impacts on allowance for credit losses primarily applies to the following in-scope assets 1) trade receivables 2) contract assets, and 3) sales-type lease receivables. Expected credit losses on trade receivables and contract assets are booked utilizing general historical loss rates, referred to as general provision rates which are developed for each legal entity using historical, current and projected trends. The provision for sales-type receivables is calculated using credit ratings and historical and projected trends as an indicator of overall risk. The Company reviews macroeconomic outlooks by country quarterly to discuss booking additional reserve adjustments, if applicable.

	Allowance for Trade Receivables	Allowance for Contract Assets	Allowance for Sales-Type Leases
Balance at January 1, 2024	\$ (2.8)	\$ (0.1)	\$ (0.7)
Current period (provision) for expected credit losses	(0.5)	—	—
Write-offs charged against the allowance	0.3	—	—
Balance at March 31, 2024	\$ (3.0)	\$ (0.1)	\$ (0.7)
Current period (provision) for expected credit losses	(0.3)	—	(0.1)
Write-offs charged against the allowance	0.4	—	0.1
Balance at June 30, 2024	\$ (2.9)	\$ (0.1)	\$ (0.7)
Balance at January 1, 2025	\$ (2.5)	\$ (0.1)	\$ (0.7)
Current period (provision) for expected credit losses	(0.4)	—	0.3
Write-offs charged against the allowance	—	(0.1)	—
Balance at March 31, 2025	\$ (2.9)	\$ (0.2)	\$ (0.4)
Current period (provision) for expected credit losses	(0.4)	0.1	—
Write-offs charged against the allowance	0.8	—	(0.1)
Balance at June 30, 2025	\$ (2.5)	\$ (0.1)	\$ (0.5)

The allowance for sales-type lease receivables is inherently more difficult to estimate than the allowance for trade receivable as the underlying lease portfolio has an average maturity, at any time, of approximately two to three years and can contain past due billed amounts, as well as unbilled amounts. Lexmark considers all available information in the quarterly assessments of the adequacy of the allowance for credit losses. The company believes these estimates, including any qualitative adjustments, are reasonable and have considered all reasonably available information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions.

Lexmark assigns a credit rating to each sales-type lease customer and performs an annual review on every customer with a credit limit greater than \$0.1 million. The Company evaluates customers based on the following credit quality indicators:

A (Low Credit Risk) – Most or all of the political, economic, financial, currency or business factors are positive and collectively exhibit some degree of resilience to adverse changes. Loss rates for customers in this category are generally less than 1%.

B (Average Credit Risk) – One or more of political, economic, financial, currency and/or business (industry or company specific) factors are uncertain and an adverse outcome could lead to inadequate capability to repay obligations. Loss rates for customers in this category are generally less than 1%.

C (High Credit Risk) – This category is recognized as having greater vulnerability to default by displaying ongoing uncertainty or exposure to adverse political, economic, financial, currency and/or business factors which may affect capacity to repay. Loss rates for customers in this category are generally around 4%.

7. INVENTORIES

As of June 30, 2025, and December 31, 2024, inventories consist of the following:

	June 30, 2025	December 31, 2024
Raw Materials	\$ 28.6	\$ 32.1
Work-in-process	72.3	76.1
Finished Goods	203.8	196.2
Total Inventory	<u>\$ 304.7</u>	<u>\$ 304.4</u>

The Company's obsolescence and scrap reserve is \$30.7 million as of June 30, 2025, and \$31.7 million as of December 31, 2024.

8. PREPAID EXPENSES AND OTHER CURRENT ASSETS AND OTHER ASSETS

Prepaid expenses and other current assets in the current assets section of the Consolidated Condensed Statements of Financial Position consisted of the following at June 30, 2025, and December 31, 2024:

	June 30, 2025	December 31, 2024
Contract assets	\$ 87.0	\$ 68.4
Prepaid expenses	34.9	38.6
Value added tax and sales tax receivable	26.3	19.9
Short-term sales-type lease receivable, net	21.7	17.1
Other currency hedging	17.5	15.4
Restricted cash	11.5	11.1
Short-term sales commission asset	8.2	10.1
Other	24.4	28.4
Prepaid expenses and other current assets	<u>\$ 231.5</u>	<u>\$ 209.0</u>

Other assets, in the noncurrent assets section of the Consolidated Condensed Statements of Financial Position, consisted of the following at June 30, 2025, and December 31, 2024:

	June 30, 2025	December 31, 2024
Long-term capital lease receivable, net	\$ 43.8	\$ 29.7
Long-term deferred tax assets	29.4	26.2
Long-term software as a service	37.7	36.2
Long-term prepaid pensions	14.3	12.1
Long-term deposits	8.8	8.6
Long-term sales commission asset	7.3	4.4
Other	12.5	11.2
Other assets	<u>\$ 153.8</u>	<u>\$ 128.4</u>

9. LEASES

Lessee

At lease inception, the Company determines whether an arrangement contains a lease and if the lease is to be classified as an operating or financing type lease. The Company's leasing portfolio consists of real estate, vehicles, and equipment with arrangements that typically range from 2 to 5.5 years for equipment and vehicle leases with varying renewal and termination options, while the Company's real estate lease agreements typically range from range 2 to 9 years for the company's sales offices. The Company considers the economic life of right-of-use (ROU) assets to be similar to assets owned by the Company. The majority of the Company's leases do not contain options to renew or terminate the lease. Lexmark considers market and company specific factors such as Lexmark's intention and whether leases contain renewal or termination clauses in order to determine the measurement of lease liabilities.

The Company has elected not to recognize leases with terms of one-year or less on the Consolidated Condensed Statement of Financial Position. The Company's leases generally do not provide an implicit rate, and therefore the Company uses its incremental borrowing rate as the discount rate when measuring operating lease liabilities. The incremental borrowing rate represents an estimate of the interest rate the Company would incur at lease commencement to borrow an amount equal to the lease payments on a collateralized basis over the term of the lease.

On April 2, 2024, Lexmark entered into a sale-leaseback agreement with a third party for the sale and purchase of two commercial buildings located in Cebu City, Philippines. The buildings accommodate Lexmark research and development and shared services operations in the Asia Pacific region. The Company received proceeds of \$75.8 million for the sale of the buildings. Following the transfer of the legal ownership of the buildings with the buyer-lessor, the Company simultaneously entered into an agreement to lease both buildings for 10 years with the right to extend the lease. After having considered all relevant contractual provisions, economic and market-based factors at the commencement date, the Company concluded that it is not reasonably certain to exercise that renewal option. In conjunction with the sale-leaseback transaction, the Company terminated its land lease for the property in which the commercial buildings were located, which had a \$2.0 million ROU asset value. This land lease was set to expire in 2058. The sale of the buildings and termination of the ROU asset and corresponding lease liability related to the land lease resulted in a \$42.9 million gain, which was recorded in *Selling, general and administrative* expense. As a result of the arrangement, the Company recognized a \$49.7 million ROU asset and \$38.2 million lease liability at initial measurement on the commencement date.

Below is a summary of the classification of lease expense for the three and six months ended June 30:

	<u>Three months ended</u>		<u>Six months ended</u>	
	<u>June 30,</u>		<u>June 30,</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Operating lease expense	\$ 14.0	\$ 14.0	\$ 27.7	\$ 26.4
Short term lease expense	0.1	0.1	0.3	0.2
Variable lease expense	0.5	0.1	0.7	0.2
Total Lease expense	<u>\$ 14.6</u>	<u>\$ 14.2</u>	<u>28.7</u>	<u>\$ 26.8</u>

Lease expense is included in *Cost of revenue, Selling, general and administrative*, and *Research and development* on the Consolidated Condensed Statements of Earnings. The Company's variable lease expense is related to the Company's leased real estate for offices and warehouses and primarily includes labor and operational costs as well as taxes and insurance.

The Company enters into leasing agreements with customers to provide multi-purpose printing solutions and financing as an alternative means of placing printers to capture profitable annuities. The Company allocates the contract consideration between lease and non-lease components, which includes installation and ongoing MPS annuities. The average term for the Company's leases is 3-5 years. The majority of the Company's lease agreements contain options to extend the lease and contain lease termination options which include lease termination penalties. Leases generally do not include a purchase option as there is no residual value of the asset at the end of the lease term.

The Components of lease income are as follows for the three and six months ended June 30:

	Location in Consolidated Statements of Earnings	Three months ended June 30,		Six months ended June 30,	
		2025	2024	2025	2024
Revenue from sales type leases	Revenue	\$ 13.3	\$ 5.2	\$ 26.7	\$ 9.9
Interest income on lease receivables	Interest expense (income), net	0.1	0.3	0.2	0.7
Lease income - operating leases	Revenue	2.8	5.8	8.7	11.1
Total Lease income		<u>\$ 16.2</u>	<u>\$ 11.3</u>	<u>\$ 35.6</u>	<u>\$ 21.7</u>

The Company's variable lease income consists of usage charges from MPS contracts that have a click-based agreement where the customer is charged a monthly fee based on consumables provided or pages printed depending on the contractual terms.

10. RESTRUCTURING CHARGES

Charges (reversals) for restructuring actions have been recorded in accordance with U.S. GAAP on employers' accounting for postemployment benefits and guidance on accounting for costs associated with exit or disposal activities as appropriate.

2023 Restructuring Actions

On October 17, 2023, the Company announced restructuring actions (the "2023 Restructuring Actions") designed to ensure the long-term health of the Company. The restructuring actions affected approximately 800 positions worldwide and resulted in pre-tax charges of approximately \$37.9 million, all of which has been incurred to date. The Company has paid \$37.6 million as of June 30, 2025.

Impact to 2025 and 2024 Financial Results

For the three months ended June 30, 2025 and 2024, charges (reversals) for the Company's 2023 Restructuring Actions were recorded in the Consolidated Condensed Statements of Earnings as follows:

	Three Months Ended			
	June 30, 2025		June 30, 2024	
	Restructuring and related charges (reversals)	Impact on Operating income	Restructuring and related charges (reversals)	Impact on Operating income
Employee termination benefit charges (reversals)	\$ —	\$ —	\$ (2.8)	\$ (2.8)
Total restructuring charges	<u>—</u>	<u>—</u>	<u>(2.8)</u>	<u>(2.8)</u>

For the six months ended June 30, 2025 and 2024, charges (reversals) for the Company's 2023 Restructuring Actions were recorded in the Consolidated Condensed Statements of Earnings as follows:

	Six Months Ended			
	June 30, 2025		June 30, 2024	
	<i>Restructuring and related charges (reversals)</i>	<i>Impact on Operating income</i>	<i>Restructuring and related charges (reversals)</i>	<i>Impact on Operating income</i>
Employee termination benefit charges (reversals)	\$ 0.3	\$ 0.3	\$ (3.9)	\$ (3.9)
Total restructuring charges (reversals)	<u>0.3</u>	<u>0.3</u>	<u>(3.9)</u>	<u>(3.9)</u>

Liability Rollforward

The following table represents a rollforward of the liability incurred for employee termination benefits in connection with the 2023 Restructuring Actions. The total restructuring liability is included in *Accrued liabilities* on the Consolidated Condensed Statements of Financial Position.

	Employee Termination Benefits
Balance at January 1, 2025	<u>\$ 0.5</u>
Costs incurred	—
Adjustments ⁽¹⁾	0.3
Total restructuring charges (reversals), net	0.3
Payments and other ⁽²⁾	<u>(0.5)</u>
Balance at June 30, 2025	<u>\$ 0.3</u>

- (1) Adjustments due to actual employee termination payments being more than originally estimated
(2) Other consists of changes in the liability balance due to foreign currency translations

11. ACCRUED LIABILITIES AND OTHER LIABILITIES

Sales of printing products include a standard product warranty to assure the customer that the product complies with functional specifications at the time of sale. The Company accrues an estimated amount for standard product warranty costs at the time of sale based on its experience with product failure rates, material usage and service delivery costs.

Changes in the Company's warranty liability for standard warranties is presented in the tables below:

Warranty Liability	2025	2024
Balance at January 1	\$ 8.7	\$ 6.6
Accruals for warranties issued	5.7	10.8
Accruals related to pre-existing warranties (including changes in estimates)	—	(2.2)
Settlements made (in cash or in kind)	(6.1)	(7.3)
Balance at June 30	<u>\$ 8.3</u>	<u>\$ 7.9</u>

The current portion of warranty is included in *Accrued liabilities* on the Consolidated Condensed Statements of Financial Position. The non-current portion of warranty is included in *Other liabilities* on the Consolidated Condensed Statements of Financial Position. The split between the current and non-current portion of the warranty liability is not disclosed above due to immaterial amounts in the non-current portion.

Accrued liabilities in the current liabilities section of the Consolidated Condensed Statements of Financial Position consisted of the following at June 30, 2025 and December 31, 2024:

	June 30, 2025	December 31, 2024
Sales and marketing discounts	\$ 149.4	\$ 150.9
Contract liabilities (current)	79.5	75.8
Employee compensation and benefits	62.8	69.6
Income Taxes	69.2	56.4
Other	121.7	92.8
Accrued liabilities	<u>482.6</u>	<u>445.5</u>

Other liabilities, in the noncurrent liabilities section of the Consolidated Condensed Statements of Financial Position, consisted of the following at June 30, 2025 and December 31, 2024:

	June 30, 2025	December 31, 2024
Pension and post-employment liabilities	\$ 124.4	\$ 126.7
Uncertain tax positions	25.1	18.7
Noncurrent contract liabilities	87.2	98.3
Other	40.2	49.2
Other Liabilities	<u>\$ 276.9</u>	<u>\$ 292.9</u>

12. DEBT

The carrying value, maturity date, and interest rate of the Company's outstanding long-term debt consists of the following:

	Maturity Date	June 30, 2025		December 31, 2024	
		Interest Rate	USD Amount	Interest Rate	USD Amount
Short-term debt - related party	May 21, 2025	—	\$ —	—	\$ 0.1
Short-term debt - other	May 1, 2025	9.438%	—	9.438%	0.9
First American Solar Array Financing Lease	March 31, 2027	9.851%	2.4	9.851%	3.0
First American Equipment Financing Lease	August 31, 2027	10.115%	0.3	10.115%	0.4
First American Equipment Financing Lease	March 31, 2028	8.826%	0.5		
Morgan Stanley amortizing term loans ⁽¹⁾ :	July 13, 2027	7.396%	787.5	7.429%	840.0
Morgan Stanley revolving credit facility ⁽¹⁾ :	July 13, 2027	6.896%	86.4	6.929%	19.0
Regions Bank AR Securitization revolver:	October 29, 2027	5.724%	109.0	5.953%	125.0
Total debt outstanding			\$ 986.1		\$ 988.4
Less: Short-term debt - related party			—		(0.1)
Less: Short-term debt - other			—		(0.9)
Less: Current portion of long-term debt			(158.7)		(132.6)
Less: Unamortized issuance costs			(18.8)		(23.4)
Total long-term debt, net of un					

During the year ended December 31, 2024, the Company incurred \$4.8 million in debt by financing both a solar array placed in service during 2024 and equipment used at its Lexington, Kentucky headquarters. During the six months ended June 30, 2025, the Company incurred an additional \$0.6 million in debt by financing more equipment used at its Lexington, Kentucky Headquarters. These transactions are accounted for as failed sale-lease buyback agreements and are therefore classified as debt. All three financing agreements were made with First American Bank, and the Company made payments of \$0.8 million related to these transactions during the six months ended June 30, 2025. As of June 30, 2025, \$1.1 million of remaining debt from these transactions were included in *Current portion of long-term debt*, and \$2.1 million was included in *Long-term debt, net of unamortized issuance costs*.

The Morgan Stanley Credit Facility (defined below) and the Accounts Receivable Securitization were paid off on July 1, 2025 as part of the Company's acquisition by Xerox Holdings Corporation. Part of the Morgan Stanley Credit Facility was assumed in a new credit facility with Xerox Holdings Corporation, with the remainder extinguished upon closing of the transaction. See Note 19 of the Notes to Consolidated Condensed Financial Statements for more details on the Company's acquisition by Xerox Holdings Corporation.

Morgan Stanley ("MS") Credit Facility

The MS Credit Facility, which was entered into in July 2022, contains both term and revolving loans. Term Loan A principal and interest is paid quarterly and is calculated at an agreed upon Term Secured Overnight Financing Rate ("SOFR") rate plus a 3% margin. The Revolving Credit loan of \$100.0 million requires interest to be paid quarterly on the outstanding balance at Term SOFR rate plus a margin that ranges between 2.5% to 3.0% depending on the Company's financial performance. The effective interest rate for the term loans was 8.514% and 8.447% for the six months ended June 30, 2025 and the year ended December 31, 2024, respectively. The effective interest rate for the Revolving Credit loan was 8.064% and 8.451% for the six months ended June 30, 2025 and the year ended December 31, 2024, respectively. The terms loans and the Revolving Credit loan all mature July 2027.

The MS Credit Facility contains customary affirmative and negative covenants. The MS Credit Facility also contains financial covenants that require consolidated net total leverage ratio to be below 3.000 to 1 for June 30, 2025, and then below 2.625 to 1 for June 30, 2026, along with consolidated fixed charge coverage ratio required to be greater than 1.2 to 1. The Company was in compliance with all covenants as of June 30, 2025 and December 31, 2024.

The MS Credit Facility is secured by a security agreement which grants the Secured Parties a first priority lien on and security interest in the assets of Lexmark International II, LLC and certain material subsidiaries including LII. Assets covered by the security agreement consist of cash and cash equivalents, certain accounts receivable, excluding accounts receivable and leased assets secured by the Regions Accounts Receivable Securitization, certain property, plant, and equipment and certain intangibles. As part of the operating lease agreement for the Company's Lexington headquarters, a \$13.6 million letter of credit counts toward the total utilized amount for the credit facility, leaving an amount of \$86.4 million available for the Company.

Accounts Receivable Securitization

On December 7, 2022, the Company entered into a securitization agreement with respect to the Company's US accounts receivables with Regions Bank ("AR Securitization") and amended the initial securitization agreement to include Canadian receivables on December 23, 2022. On October 30, 2024, the Company entered into an amended agreement with Regions Bank and Wells Fargo to increase the maximum borrowing amount. In connection with this transaction, the Company and its 100% wholly owned special purpose subsidiary ("SPE"), Lexmark Receivables, LLC, entered into a credit and security agreement that provides for revolving loans to be made from time to time with a maximum borrowing amount of \$125.0 million that is dependent upon the Company's eligible receivables. Under the AR Securitization, the Company sells and/or contributes its U.S. and Canadian trade receivables and associated related assets to its wholly-owned, bankruptcy-protected SPE. Cash advances by Regions Bank and Wells Fargo ("the lenders") to the subsidiary are secured by its trade receivables and associated related assets. The SPE owned \$124.8 million and \$161.8 million of trade receivables and \$35.2 million and \$32.3 million of related assets as of the six months ended June 30, 2025 and the year ended December 31, 2024, respectively. The assets of the SPE are restricted as collateral for the payment of its obligations under the AR Securitization, and its assets and credit are not available to satisfy the debts and obligations of the Company's other creditors. The SPE pays customary servicing fees to the originating subsidiaries. Interest on the AR

The Regions AR Securitization contains customary affirmative and negative covenants along with four financial covenants applicable to the SPE: 1) 3-month average default ratio must be below 2%, 2) 3-month average delinquency ratio must be below 4.25%, 3) 3-month average dilution ratio must be below 6.25%, and 4) days sales outstanding must be below 45 days. The Company was in compliance with all covenants as of June 30, 2025 and December 31, 2024.

Scheduled Maturities

Scheduled maturities on the Company's long-term debt are as follows:

Fiscal Year:	
2025 (Remainder)	\$ 79.2
2026	159.1
2027	747.7
2028	0.1
Total remaining principal payments	<u>\$986.1</u>

Interest

Total cash paid for interest on the debt facilities amounted to \$18.5 million and \$36.2 million during the three and six months ended June 30, 2025, respectively, compared to \$22.6 million and \$46.2 million during the same periods in 2024.

During the twelve months ended December 31, 2023, the Company liquidated interest rate swaps that were previously taken out on \$700.0 million of debt. The Company received \$14.9 million upon liquidation, which was included in *Net cash provided by (used for) operating activities* on the Consolidated Condensed Statements of Cash Flows. The company recognized gains of \$0.4 million and \$1.7 million related to these swaps, offsetting interest expense, during the three and six months ended June 30, 2025, respectively, compared to \$2.4 million and \$7.4 million during the same periods in 2024. The Company had no unamortized gains remaining as of June 30, 2025 and \$1.7 million remaining as of December 31, 2024. See Note 5 of the Notes to Consolidated Condensed Financial Statements for results of the Company's hedging activities.

The Company had no capitalized interest costs during the six months ended June 30, 2025 or the twelve months ended December 31, 2024.

13. INCOME TAXES

The effective tax rate for the three months ended June 30, 2025 was (165)%. This rate was lower than the U.S. federal statutory tax rate of 21% and resulted in a tax expense, primarily due to an increase in the valuation allowances on certain deferred tax assets, US taxes on foreign earnings, specifically Subpart F income and Global Intangible Low Taxed Income (GILTI), and the geographical mix of earnings.

The effective tax rate for the three months ended June 30, 2024 was 44.96%, which was higher than the U.S. federal statutory tax rate of 21%, primarily due to restructuring charges, an increase in the valuation allowance on certain deferred tax assets, US taxes on foreign earnings, specifically Subpart F and GILTI, geographical mix of earnings, and the release of uncertain tax positions.

The effective tax rate for the six months ended June 30, 2025 was 3,850%. This rate was higher than the U.S. federal statutory tax rate of 21% and resulted in a tax expense, primarily due to an increase in the valuation allowances on certain deferred tax assets, US taxes on foreign earnings, specifically Subpart F income and GILTI, and the geographical mix of earnings.

The effective tax rate for the six months ended June 30, 2024 was 29.32%. This rate was higher than the U.S. federal statutory tax rate of 21%, primarily due to restructuring charges, an increase in the valuation allowance on certain deferred tax assets, US taxes on foreign earnings, specifically Subpart F and GILTI, geographical mix of earnings, and the release of uncertain tax positions.

The effective tax rate is based on nonrecurring events as well as recurring factors, including the taxation of foreign income, valuation allowances, Research and Experimentation Credit, and state taxes on U.S. earnings. In addition, the effective tax rate will change based on discrete or other nonrecurring events that may not be predictable.

For the three and six months ended June 30, 2024, the Company prepared the tax provision based on the current estimate of the annual effective income tax rate described in ASC 740, Accounting for Income Taxes. For the three and six months ended June 30, 2025, due to the acquisition of Lexmark, the Company prepared the tax provision utilizing a discrete approach.

14. EMPLOYEE PENSION AND OTHER POSTEMPLOYMENT BENEFITS

The components of the net periodic benefit cost for the pension and other postemployment plans are as follows:

	Three Months Ended	
	June 30, 2025	June 30, 2024
Pension Benefits:		
Service cost	\$ 0.8	\$ 0.7
Interest cost	6.7	6.5
Expected return on plan assets	(5.0)	(6.2)
Actuarial (gain) loss	(7.9)	—
Net periodic benefit cost (credit)	<u>\$ (5.4)</u>	<u>\$ 1.0</u>
Other Postemployment Benefits:		
Interest cost	—	0.1
Actuarial (gain) loss	0.1	—
Net periodic benefit cost (credit)	<u>\$ 0.1</u>	<u>\$ 0.1</u>
	Six Months Ended	
	June 30, 2025	June 30, 2024
Pension Benefits:		
Service cost	\$ 1.6	\$ 1.4
Interest cost	13.3	13.1
Expected return on plan assets	(10.0)	(12.3)
Actuarial (gain) loss	(7.9)	—
Net periodic benefit cost (credit)	<u>\$ (3.0)</u>	<u>\$ 2.2</u>
Other Postemployment Benefits:		
Interest cost	0.1	0.2
Actuarial (gain) loss	0.1	—
Net periodic benefit cost (credit)	<u>\$ 0.2</u>	<u>\$ 0.2</u>

Components of net periodic benefit cost other than service cost are presented in *Other expense (income), net* on the Consolidated Condensed Statements of Earnings.

The Company contributed \$3.6 million and \$6.1 million to its pension and other postemployment plans during the three and six months ended June 30, 2025, respectively, and currently expects to contribute approximately \$8.1 million to its pension and other postemployment plans for the remainder of 2025. The Company contributed \$1.4 million and \$2.7 million to its pension and other postemployment plans during the three and six months ended June 30, 2024, respectively.

15. MEMBER'S EQUITY AND ACCUMULATED OTHER COMPREHENSIVE EARNINGS

Member's Capital

Ninestar Group Company Limited ("Parent") is the sole member of the Company and is not personally liable to creditors of the Company for any debts, obligations, liabilities or losses of the Company, whether arising in contract, tort or otherwise, beyond its capital contribution. As a sole member, the Parent has all rights, preferences, and privileges to any earnings and distributions of the Company, subject to any requirements and limitations included in the Company's credit agreements.

During the year ended December 31, 2020, Lexmark, Ninestar, and PAG amended a contribution agreement pursuant to which Ninestar and PAG agreed to provide additional contributions to Lexmark up to \$75.0 million upon Lexmark’s request, if needed. No contributions related to this agreement were made during 2024, and the agreement expired in 2024.

Accumulated Other Comprehensive Earnings (Loss)

The following tables provide the tax benefit or expense attributed to each component of *Other comprehensive earnings (loss)* for the three and six months ended June 30:

	Three Months Ended					
	June 30, 2025			June 30, 2024		
	Change, net of tax	Tax benefit (liability)	Change, pre-tax	Change, net of tax	Tax benefit (liability)	Change, pre-tax
Components of other comprehensive earnings (loss):						
Foreign currency translation adjustment	\$ 23.8	\$ 0.2	\$ 23.6	\$ (21.5)	\$ 2.5	\$ (24.0)
Pension and other post retirement benefits	(0.1)	—	(0.1)	—	—	—
Unrealized gain (loss) on cash flow hedges	(7.1)	1.1	(8.2)	0.1	—	0.1
Total other comprehensive earnings (loss)	<u>\$ 16.6</u>	<u>\$ 1.3</u>	<u>\$ 15.3</u>	<u>\$ (21.4)</u>	<u>\$ 2.5</u>	<u>\$ (23.9)</u>

	Six Months Ended					
	June 30, 2025			June 30, 2024		
	Change, net of tax	Tax benefit (liability)	Change, pre-tax	Change, net of tax	Tax benefit (liability)	Change, pre-tax
Components of other comprehensive earnings (loss):						
Foreign currency translation adjustment	\$ 33.4	\$ 0.1	\$ 33.3	\$ (26.1)	\$ 2.4	\$ (28.5)
Pension and other post-retirement benefits	(0.1)	—	(0.1)	—	—	—
Unrealized gain (loss) on cash flow hedges	(14.9)	2.4	(17.3)	(3.4)	1.0	(4.4)
Total other comprehensive earnings (loss)	<u>\$ 18.4</u>	<u>\$ 2.5</u>	<u>\$ 15.9</u>	<u>\$ (29.5)</u>	<u>\$ 3.4</u>	<u>\$ (32.9)</u>

The following rollforward presents the change in *Accumulated other comprehensive earnings (loss)*, net of tax:

	Foreign Currency Translation Adjustment	Recognition of Pension and Other Postretirement Benefit Plans Prior Service Credit	Unrealized Gain (Loss) on Cash Flow Hedges	Accumulated Other Comprehensive Earnings
Balance at January 1, 2025	\$ (74.3)	\$ 0.7	\$ 8.1	\$ (65.5)
Other comprehensive earnings (loss) before reclassifications	9.6	—	(5.2)	4.4
Amounts reclassified from accumulated other comprehensive earnings (loss)	—	—	(2.6)	(2.6)
Net other comprehensive earnings (loss)	9.6	—	(7.8)	1.8
Balance at March 31, 2025	\$ (64.7)	\$ 0.7	\$ 0.3	\$ (63.7)
Other comprehensive earnings (loss) before reclassifications	23.8	—	(8.4)	15.4
Amounts reclassified from accumulated other comprehensive earnings (loss)	—	(0.1)	1.3	1.2
Net other comprehensive earnings (loss)	23.8	(0.1)	(7.1)	16.6
Balance at June 30, 2025	\$ (40.9)	\$ 0.6	\$ (6.8)	\$ (47.1)
Balance at January 1, 2024	\$ (27.8)	\$ 0.7	\$ 8.9	\$ (18.2)
Other comprehensive earnings (loss) before reclassifications	(46.5)	—	10.9	(35.6)
Amounts reclassified from accumulated other comprehensive earnings (loss)	—	—	(11.7)	(11.7)
Net other comprehensive earnings (loss)	(46.5)	—	(0.8)	(47.3)
Balance at December 31, 2024	\$ (74.3)	\$ 0.7	\$ 8.1	\$ (65.5)

The following tables provides details of amounts reclassified from Accumulated other comprehensive earnings (loss) for the three and six months ended June 30:

Six Months Ended			
Details about Accumulated Other Comprehensive Earnings (Loss) Components	Amount Reclassified from Accumulated Other Comprehensive Earnings (Loss)		Affected Line Item in the Consolidated Condensed Statements of Earnings
	June 30, 2025	June 30, 2024	
<i>Unrealized gain (loss) on cash flow hedges</i>	\$ —	\$ 2.6	<i>Revenue</i>
	1.7	7.4	<i>Interest</i>
	(0.4)	(2.2)	Benefit (provision) for income taxes
Total reclassifications for the period	<u>\$ 1.3</u>	<u>\$ 7.8</u>	Net of tax

Three Months Ended			
Details about Accumulated Other Comprehensive Earnings (Loss) Components	Amount Reclassified from Accumulated Other Comprehensive Earnings (Loss)		Affected Line Item in the Consolidated Condensed Statements of Earnings
	June 30, 2025	June 30, 2024	
<i>Pension and other postretirement benefits</i>	\$ 0.1	\$ —	<i>Other expense (income), net</i>
Total reclassifications for the period	<u>\$ 0.1</u>	<u>\$ —</u>	Net of tax

Six Months Ended			
Details about Accumulated Other Comprehensive Earnings (Loss) Components	Amount Reclassified from Accumulated Other Comprehensive Earnings (Loss)		Affected Line Item in the Consolidated Condensed Statements of Earnings
	June 30, 2025	June 30, 2024	
<i>Pension and other postretirement benefits</i>	\$ 0.1	\$ —	<i>Other expense (income), net</i>
Total reclassifications for the period	<u>\$ 0.1</u>	<u>\$ —</u>	Net of tax

16. FAIR VALUE

General

The accounting guidance for fair value measurements defines fair value, establishes a framework for measuring fair value in accordance with U.S. GAAP, and requires disclosures about fair value measurements. The guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As part of the framework for measuring fair value, the guidance establishes a hierarchy of inputs to valuation techniques used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

Fair Value Hierarchy

The three levels of the fair value hierarchy are:

- Level 1 — Quoted prices (unadjusted) in active markets for identical, unrestricted assets or liabilities that the Company has the ability to access at the measurement date;

- Level 2 — Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 — Unobservable inputs used in valuations in which there is little market activity for the asset or liability at the measurement date.

Fair value measurements of assets and liabilities are assigned a level within the fair value hierarchy based on the lowest level of any input that is significant to the fair value measurement in its entirety.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

	June 30, 2025		December 31, 2024	
	Fair value	Based on Level 2	Fair value	Based on Level 2
Assets:				
Cash equivalents ⁽¹⁾	\$ 16.6	\$ 16.6	\$ 3.3	\$ 3.3
Foreign currency derivatives ⁽²⁾	17.5	17.5	15.4	15.4
Total	<u>\$ 34.1</u>	<u>\$ 34.1</u>	<u>\$ 18.7</u>	<u>\$ 18.7</u>
Liabilities:				
Foreign currency derivatives ⁽²⁾	<u>\$ 22.6</u>	<u>\$ 22.6</u>	<u>\$ 10.3</u>	<u>\$ 10.3</u>

(1) Included in *Cash and cash equivalents* on the Consolidated Condensed Statements of Financial Position.

(2) Foreign currency derivative assets and foreign currency derivative liabilities are included in *Prepaid expenses and other current assets* and *Accrued liabilities*, respectively, on the Consolidated Condensed Statements of Financial Position. Refer to Note 5 of the Notes to Consolidated Condensed Financial Statements for disclosure of derivative assets and liabilities on a gross basis.

Transfers

To identify the appropriate level in the fair value hierarchy, the Company uses default assumptions regarding the general characteristics of the financial instrument as the starting point. The Company then adjusts the level assigned to the fair value measurement for financial instruments held at the end of the reporting period, as necessary, based on the weight of the evidence obtained by the Company. During the six months ended June 30, 2025, and the year ended December 31, 2024, the Company had no purchases, transfers in, or transfers out of Level 3.

Valuation Techniques

Cash Equivalents

Cash equivalents are primarily comprised of money market funds in which the Company invests and are considered cash equivalents. Money market funds are valued at the quoted Net Asset Value (“NAV”) per share issued to the Company.

Other cash equivalents include interest bearing deposit accounts that are short term in nature and whose fair value approximates their carrying amount.

Derivatives

Fair values for the Company’s derivative financial instruments are based on pricing models or formulas using current market data. Variables used in the calculations include forward points, spot rates, volatility assumptions and benchmark interest rates at the time of valuation, the frequency of payments to and from counterparties, as well as effective and termination dates. The Company believes there is minimal risk of nonperformance. All of the Company’s derivative instruments are designated as Level 2 measurements in the fair value hierarchy. Refer to Note 5 of the Notes to Consolidated Financial Statements for more information regarding the Company’s derivatives.

Plan Assets

Plan assets must be measured at least annually in accordance with accounting guidance on employer’s accounting for pensions and postret

Summary of Other Financial Liabilities

The carrying value of the Company's debt, excluding financing leases was \$964.0 million and \$961.6 million as of June 30, 2025, and December 31, 2024, respectively. This increase was due to the change in the AR securitization revolver and the Morgan Stanley revolver. The estimated fair value of the Company's debt excluding financing leases was \$982.9 million and \$950.0 million as of June 30, 2025, and December 31, 2024, respectively. The fair value of debt was determined based on level 2 inputs using current market interest rate data adjusted for non-performance risk.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis Subsequent to Initial Recognition

During the fourth quarter of 2024, the Company recorded a non-recurring fair value adjustment related to the valuation of the Company's trade name indefinite lived intangible asset and goodwill. The fair value was derived by reference to the Xerox purchase price of the Company. During the year ended December 31, 2024, the Company recognized a *Goodwill* impairment in the amount of \$680.9 million. This impairment was identified and determined based on the implied fair value of the entity derived from Xerox's pending acquisition of the Company for \$1.5 billion. During the year ended December 31, 2024, a tradename impairment of \$160.0 million was recognized. The Company utilized the relief-from-royalty method when valuing the trade name. Significant inputs used in the valuation included a discount rate, royalty rate, income tax rate as well as other economic variables. The impairment in 2024 was driven by higher discount rates as the result of the pending acquisition of the Company, as mentioned above. There were no triggering events during the three months and six months ended June 30, 2025 that would require the revaluation of the Company's *Goodwill* and intangible assets.

There were no other material fair value adjustments to assets or liabilities measured at fair value on a nonrecurring basis subsequent to initial recognition during 2025 or 2024.

17. COMMITMENTS AND CONTINGENCIES

Contingencies

The Company is involved in lawsuits, claims, investigations and proceedings, including those identified below, consisting of intellectual property, commercial, employment, employee benefits, and environmental matters that arise in the ordinary course of business. In addition, various governmental authorities have from time to time initiated inquiries and investigations, some of which are ongoing. The Company intends to continue to cooperate fully with those governmental authorities in these matters.

Pursuant to the accounting guidance for contingencies, the Company regularly evaluates the probability of a potential loss of its material litigation, claims, or assessments to determine whether a liability has been incurred and whether it is probable that one or more future events will occur confirming the loss. If a potential loss is determined by the Company to be probable, and the amount of the loss can be reasonably estimated, the Company establishes an accrual for the litigation, claim or assessment. If it is determined that a potential loss for the litigation, claim or assessment is less than probable, the Company assesses whether a potential loss is reasonably possible, and will disclose an estimate of the possible loss or range of loss; provided, however, if a reasonable estimate cannot be made, the Company will provide disclosure to that effect.

Litigation is inherently unpredictable and may result in adverse rulings or decisions. In the event that any one or more of these litigation matters, claims or assessments result in a substantial judgment against, or settlement by, the Company, the resulting liability could also have a material effect on the Company's financial condition, cash flows and results of operations.

Flexiworld International, Inc. vs. Lexmark International Inc. Patent Infringement

During the year ended December 31, 2022, Flexiworld International, Inc., a non-practicing entity, filed four separate patent infringement actions against Lexmark. In the complaints, Flexiworld asserted that Lexmark infringed fourteen Flexiworld patents related to Wi-Fi enabled printers and smartphone printer applications. Lexmark vigorously defended itself against the suit, and in January 2024, the Company settled the patent infringement litigation for an immaterial amount, thereby closing the litigation.

Peruvian Tax and Penalty Determination Ruling (VAT)

During the year ended December 31, 2023, SUNAT, the Peruvian National Tax Authority, issued a tax and penalty determination ruling based on a tax audit that started during the year ended December 31, 2022, regarding the collection of VAT. SUNAT is claiming that that some sales discounts granted to one of Lexmark's distributors lack sufficient documentary support to substantiate their existence and operation, thereby increasing the VAT taxable base. Lexmark is preparing to file its defense at the administrative level to challenge the decision. As of June 30, 2

There are various other lawsuits, claims, investigations, and proceedings involving the Company that are currently pending. The Company has determined that although a potential loss is reasonably possible for certain matters, that for such matters in which it is possible to estimate a loss or range of loss, the estimate of the loss or estimate of the range of loss are not material to the Company's consolidated results of operations, cash flows or financial position.

18. RELATED PARTY TRANSACTIONS

The Company has an agreement to sell private label remanufactured toner cartridges to Ninestar, as well as to sell components to and purchase toner cartridges from Ninestar affiliates in a sell-buyback arrangement. Sales of finished goods are included in *Revenue* on the Consolidated Condensed Statements of Earnings and the purchases are included in *Inventories*, until sold, on the Consolidated Condensed Statements of Financial Position.

During the three months and six months ended June 30, 2025, the Company had sales to Ninestar affiliates of \$30.3 million and \$56.6 million, respectively, compared to \$14.6 million and \$28.5 million during the same periods in 2024. Sales in the three and six months ended June 30, 2025, included \$1.0 million and \$1.3 million of sales related to sell-buyback arrangements, respectively, compared to \$4.6 million and \$10.0 million during the same periods in 2024, as well as \$2.9 million and \$4.2 million of sales taxes in the three and six months ended June 30, 2025, compared to \$0.9 million and \$2.0 million of sales taxes during the same periods in 2024. Manufacturing sell-buyback transactions and sales taxes are not included in *Revenue* on the Consolidated Condensed Statements of Earnings. In addition, the Company began a collaborative arrangement during the fourth quarter of 2021 with Pantum and Static Control for the use of intellectual property and components. The collaborative revenue received during the three and six months ended June 30, 2025 totaled \$0.6 million and \$1.6 million, respectively, compared to \$0.4 million and \$1.1 million during the same periods in 2024.

Purchases from Ninestar affiliates were \$14.3 million and \$28.6 million during the three and six months ended June 30, 2025, respectively, compared to \$19.8 million and \$38.8 million during the same periods in 2024. These purchases included \$4.0 million and \$18.3 million related to sell-buyback arrangements for the three and six months ended June 30, 2025, respectively, and \$14.7 million and \$33.5 million for the same periods in 2024. Purchases from Ninestar during the three and six months ended June 30, 2025, only included products ultimately sold to related party customers, while purchases during the same periods in 2024 also included products ultimately sold to non-related party customers. During the year ended December 31, 2024, the Company transitioned manufacturing from Ninestar and related parties to other contract manufacturers.

The Company also has a cross-license agreement with Ninestar in which both parties agreed to convert the imaging product distribution and sales operations of the companies into a unified system under the control of Ninestar. The agreement sets forth payment calculations from the Company to Ninestar based on worldwide distribution and sales performance criteria. The Company accrued \$1.1 million and \$2.2 million during the three and six months ended June 30, 2025, compared to \$1.1 million and \$2.2 million during the same period in 2024. These amounts are recognized in *Cost of revenue* on the Consolidated Condensed Statements of Earnings.

19. SUBSEQUENT EVENTS

On July 1, 2025, Lexmark was acquired by Xerox Holdings Corporation in a transaction valued at approximately \$1.5 billion, inclusive of assumed liabilities. The acquisition was completed per a definitive agreement between Xerox and Lexmark's former owners, including Ninestar Corporation, PAG Asia Capital, and Shanghai Shouda Investment Centre. Following the acquisition, Lexmark became a wholly owned subsidiary of Xerox and will be consolidated into Xerox's financial statements beginning July 1, 2025.

As part of the transaction, Lexmark's existing debt arrangements, specifically, its term loan administered by Morgan Stanley, its revolving credit facility, and accounts receivable securitization program, were fully repaid on the acquisition date. A portion of this debt was refinanced and assumed into Xerox's capital structure, while the remainder was extinguished.

On July 4, 2025, H.R. 1, the One Big Beautiful Bill Act ("the Act"), was signed into law. The Act includes several tax changes, such as making certain provisions from the Tax Cuts and Jobs Act permanent, updating international tax rules, and reinstating immediate expensing for domestic research expenditures. The Act contains multiple effective dates, with certain provisions applicable beginning in 2025 and others in subsequent years.

The Company will continue to evaluate both the effects of the law and the Company's operating results, and may adjust its valuation allowance, accordingly, based on whether it is more likely than not that the deferred tax assets will be realized. Any such changes may result in the recognition or reversal of a valuation allowance, which could materially affect income tax expense in the period recognized and future periods.

The Company has performed an evaluation of events subsequent to June 30, 2025, through August 27, 2025, the date the Company's consolidated financial statements were available to be issued. The Company has determined that there were no other significant events which require disclosure.

XEROX HOLDINGS CORPORATION
UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

INTRODUCTION

(in millions, except where otherwise noted)

The following unaudited pro forma condensed combined financial information (“Unaudited Pro Forma Financial Statements”) of Xerox Holdings Corporation (“Xerox”) has been derived from the historical financial statements of Xerox, the historical financial statements of ITsavvy Acquisition Company (“ITsavvy”) and the historical financial statements of Lexmark International II, LLC (“Lexmark”).

The unaudited pro forma condensed combined statement of loss of Xerox for the nine months ended September 30, 2025 gives effect to the Lexmark Acquisition as if the acquisition had occurred on January 1, 2024 and combines the unaudited condensed consolidated statement of loss of Xerox for the nine months ended September 30, 2025 and the unaudited condensed consolidated statement of earnings of Lexmark for the six months ended June 30, 2025 given the Lexmark Acquisition occurred on July 1, 2025 and, as such, the condensed consolidated statement of loss of Xerox for the nine months ended September 30, 2025 includes the results of the Lexmark Acquisition from July 1, 2025 to September 30, 2025. The condensed consolidated statement of loss of Xerox for the fiscal year ended December 31, 2024 includes the results of the ITsavvy Acquisition from November 20, 2024 through December 31, 2024. Given that the ITsavvy Acquisition occurred in 2024, the historical Xerox unaudited condensed consolidated statement of loss for the nine months ended September 30, 2025 already reflect the effects of the ITsavvy Acquisition.

The unaudited pro forma condensed combined statement of loss of Xerox for the year ended December 31, 2024 gives effect to the ITsavvy Acquisition and the Lexmark Acquisition (together, the “Acquisitions”) as if each had occurred on January 1, 2024 and combines (a) the audited consolidated statement of loss of Xerox for the fiscal year ended December 31, 2024; (b) the unaudited results of ITsavvy, for the period from January 1, 2024 to November 19, 2024; and (c) the audited consolidated statement of earnings of Lexmark for the fiscal year ended December 31, 2024.

In accordance with Article 11 of Regulation S-X, promulgated under the Securities Exchange Act of 1933, as amended (“Article 11 of Regulation S-X”) the unaudited pro forma condensed combined balance sheet of Xerox as of September 30, 2025 giving effect to the accounting of the Acquisitions as if they occurred on September 30, 2025 is not included herein as the condensed consolidated balance sheet included in Xerox’s Form 10-Q for the nine months ended September 30, 2025 reflects the accounting for the Acquisitions.

The unaudited pro forma condensed financial information has been prepared by Xerox in accordance with Article 11 of Regulation S-X to reflect the Acquisitions, and are for illustrative purposes only and are not necessarily indicative of the combined financial position or results of operations that would have been realized had the Acquisitions occurred on the dates indicated, nor are they meant to be indicative of any future consolidated financial position or future results of operations that the combined company will experience. The pro forma adjustments are based on the preliminary assumptions and information available that management believes are reasonable under the circumstances. The historical financial statements of Xerox, ITsavvy and Lexmark have been adjusted in the accompanying unaudited pro forma condensed combined financial information to give effect to pro forma events that constitute accounting adjustments, which are necessary to account for the Acquisitions in accordance with U.S. GAAP. The unaudited pro forma adjustments are based upon certain assumptions that Xerox management believes are reasonable.

The purchase price allocation for the Lexmark Acquisition is based on preliminary estimates of fair value on the basis of information available to us as of the date of this Form 8-K. The fair value estimates assumed herein may differ materially based upon the finalization of appraisals and other valuation analyses, which is expected no later than one year from the date of the Lexmark Acquisition, and as a result may be materially different from the estimates used in preparing the unaudited pro forma condensed financial information.

Pro Forma Financial Statements

The unaudited pro forma condensed combined statement of loss does not reflect costs savings from potential operating efficiencies, or associated costs incurred to achieve such savings, and for synergies that are expected to result from the Acquisitions; nor does it include any costs associated with integration activities resulting from the Acquisitions to the extent they arise. However, such costs could affect Xerox following the closing of the Acquisitions in the period the costs are incurred.

The unaudited pro forma condensed financial information should be read in conjunction with the following:

- the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section and other sections of the combined Annual Report on Form 10-K of Xerox and Xerox Corporation for the year ended December 31, 2024 and the historical audited consolidated financial statements and the accompanying notes of Xerox included in the combined Annual Report on Form 10-K of Xerox Holdings and Xerox Corporation for the year ended December 31, 2024 filed with the Securities and Exchange Commission (the “SEC” on February 24, 2025);
- the historical audited consolidated financial statements and the accompanying notes of Lexmark International II, LLC as of and for the fiscal years ended December 31, 2024 and 2023 (Form 8-K/A filed with the SEC on July 31, 2025);
- the unaudited consolidated interim financial statements of Lexmark International II, LLC as of and for the three and six months ended June 30, 2025 and 2024 and the related notes. See Exhibit 99.1 to this Form 8-K;
- the unaudited consolidated interim financial statements of Xerox Holdings Corporation as of and for the three and nine months ended September 30, 2025 and the related notes and Management’s Discussion and Analysis of Financial Condition and Results of Operations, included in Xerox’s Quarterly Report on Form 10-Q for the period ended September 30, 2025, filed with the SEC on November 10, 2025; and
- the unaudited condensed consolidated financial statements of ITsavvy Acquisition Company, Inc. as of and for the nine months ended September 30, 2024, included in Xerox’s Current Report on Form 8-K/A filed with the SEC on February 5, 2025 (initial Form 8-K filed with the SEC on November 20, 2024).

The unaudited pro forma condensed combined financial information does not purport to represent what our results of operations or financial information would have been if the Acquisitions had occurred as of the dates indicated or what such results will be for any future periods.

Description of the Acquisitions

ITsavvy Acquisition

On October 15, 2024, Xerox entered into a Securities Purchase Agreement (the “ITsavvy Purchase Agreement”) with ITsavvy Holdings, LLC (the “ITsavvy Seller”) and ITsavvy. The transaction contemplated by the ITsavvy Purchase Agreement was consummated on November 20, 2024 (the “ITsavvy Closing Date”) and is referred to herein as the “ITsavvy Acquisition.” The total consideration paid to the ITsavvy Seller was \$405, which consisted of (i) cash payments of \$195, (ii) a \$110 secured promissory note issued by Xerox to the ITsavvy Seller at the ITsavvy Closing Date (the “2025 Note”), and (iii) another \$110 secured promissory note issued by Xerox to the ITsavvy Seller at the ITsavvy Closing Date (the “2026 Note” and, together with the 2025 Note, the “ITsavvy Notes”), net of unamortized debt discount of \$10 on the ITsavvy Notes. There are no material post-closing adjustments identified.

Lexmark Acquisition

On December 22, 2024, Xerox entered into an Equity Purchase Agreement (the “Lexmark Purchase Agreement”) with Ninestar Group Company Limited (the “Lexmark Seller”) and Lexmark. The Lexmark Purchase Agreement provided that Xerox Corporation would acquire Lexmark for \$1,500, inclusive of debt that was settled at closing, as well as assumed liabilities, subject to certain other customary pre- and post-closing adjustments and escrow arrangements. The transaction contemplated by the Lexmark Purchase Agreement was consummated on July 1, 2025 (the “Lexmark Closing Date”) and is referred to herein as the “Lexmark Acquisition.” Total consideration paid to the Seller for the net assets acquired from Lexmark was \$768, which included Cash and cash equivalents acquired of \$93. Refer to the “**Financing Transactions**” section below for further details.

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The Financing Transactions

The purchase price for the Lexmark Acquisition, including the repayment of a portion of Lexmark's outstanding debt, which was repaid at the Lexmark Closing Date (together with accrued interest and any applicable expenses, fees or premiums), was financed through a combination of the following (collectively referred to herein, together with the payment of fees and expenses in connection therewith, as the "Financing Transactions"):

- the issuance of \$500 aggregate principal amount of the senior secured second lien notes in second quarter 2025;
- assumed borrowings totaling approximately \$323 under a senior secured incremental term loan facility;
- debt financing in the form of \$250 principal amount of senior unsecured notes issued by Xerox Holdings Corporation in the form of a private placement;
- the issuance of a pre-funded warrant to purchase approximately 2.2 million shares of Xerox Holdings Corporation's common stock with a fair value of approximately \$11; and
- existing liquidity, including cash on hand and closing cash of Lexmark.

Also in April 2025, in connection with the Acquisitions and the Financing Transactions, Xerox Corporation issued \$400 Senior Secured First Lien Notes due 2030 and a portion of the proceeds from the issuance were used to early redeem approximately \$90 of Xerox Holdings Corporation's senior unsecured notes due 2025, as well as to repay approximately \$95 aggregate principal amount of borrowings under Xerox Corporation's first lien senior secured term loan credit facility (the "TLB Facility") with a portion of the proceeds of the First Lien Notes, and to pay fees and expenses, including redemption premiums and accrued interest. We repaid approximately \$70 on secured loans during the nine months ended September 30, 2025.

The Acquisitions and the Financing Transactions are collectively the "Transactions."

Accounting for the Acquisitions

The Acquisitions are being accounted for by Xerox using the acquisition method of accounting in accordance with Accounting Standards Codification (ASC) 805 — Business Combinations (ASC 805). Xerox's management has evaluated the guidance contained in ASC 805 and determined that Xerox is the acquirer for financial accounting purposes. Accordingly, total consideration to acquire ITsavvy and Lexmark has been allocated to acquired assets and liabilities assumed based upon their estimated fair values, and certain costs were expensed. With respect to the Lexmark Acquisition, the allocation of the acquisition consideration is estimated and is dependent upon estimates of certain valuations that are subject to change. Any differences between the consideration transferred and the estimated fair value of the assets acquired and liabilities assumed will be allocated to goodwill. The allocation of the aggregate Acquisition consideration and related adjustments reflected in this unaudited pro forma condensed combined financial information are preliminary and may be subject to measurement period adjustments or changes based on a final determination of fair value, specifically related to the Lexmark Acquisition. Refer to Note 1—Basis of Presentation for more information.

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UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF LOSS

Nine Months Ended September 30, 2025								
(in millions, except shares in thousands and per share data)	Xerox Historical ⁽¹⁾	Lexmark International II, LLC Reclassified Historical ⁽²⁾	Intercompany Transactions (Note 4)	Lexmark Transaction Accounting Adjustments	Note 3	Financing (Note 5)	Note 5	Pro Forma Combined Company
Revenues								
Sales	\$ 2,215	\$ 867	\$ (81)	\$ —		\$ —		\$ 3,001
Services, maintenance, rentals and other	2,779	160	(6)	—		—		2,933
Total Revenues	<u>4,994</u>	<u>1,027</u>	<u>(87)</u>	<u>—</u>		<u>—</u>		<u>5,934</u>
Costs and Expenses								
Cost of sales	1,650	575	(81)	(79)	A,B,C	—		2,065
Cost of services, maintenance, rentals and other	2,022	138	(6)	18	B,C,D	—		2,172
Research, development and engineering expenses	159	61	—	—		—		220
Selling, administrative and general expenses	1,223	200	—	(23)	B,C,D,E,F	—		1,400
Restructuring and related costs, net	68	(1)	—	—		—		67
Amortization of intangible assets	50	16	—	26	G	—		92
Divestitures	(4)	—	—	—		—		(4)
Other expenses, net	253	37	—	(33)	E,H	31	J	288
Total Costs and Expenses	<u>5,421</u>	<u>1,026</u>	<u>(87)</u>	<u>(91)</u>		<u>31</u>		<u>6,300</u>
(Loss) Income Before Income Taxes	<u>(427)</u>	<u>1</u>	<u>—</u>	<u>91</u>		<u>(31)</u>		<u>(366)</u>
Income tax expense (benefit)	529	31	—	6	I	—	K	566
Net Loss	<u>(956)</u>	<u>(30)</u>	<u>—</u>	<u>85</u>		<u>(31)</u>		<u>(932)</u>
Less: Preferred Stock Dividends, net	(11)	—	—	—		—		(11)
Net Loss Attributable to Common Shareholders	<u>\$ (967)</u>	<u>\$ (30)</u>	<u>—</u>	<u>\$ 85</u>		<u>\$ (31)</u>		<u>\$ (943)</u>
Loss per Share from Continuing Operations								

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF LOSS

(in millions, except shares in thousands and per share data)	Year Ended December 31, 2024											
	Xerox Historical ⁽¹⁾	ITSavvy Reclassified Historical (Note 2)	ITSavvy Transaction Accounting Adjustments (Note 3)	Note 3	Pro Forma Combined (Adjusted for ITSavvy Acquisition Transaction)	Lexmark International II, LLC Reclassified Historical (Note 2) ⁽²⁾	Intercompany Transactions (Note 4)	Lexmark Transaction Accounting Adjustments (Note 3)	Note 3	Financing (Note 5)	Note 5	Pro Forma Combined Company
Revenues												
Sales	\$ 2,378	\$ 333	\$ —		\$ 2,711	\$ 1,916	\$ (243)	\$ —		\$ —		\$ 4,384
Services, maintenance and rentals	3,692	76	—		3,768	331	(14)	—		—		4,085
Financing	151	—	—		151	—	—	—		—		151
Total Revenues	6,221	409	—		6,630	2,247	(257)	—		—		8,620
Costs and Expenses												
Cost of sales	1,562	281	—		1,843	1,267	(243)	117	A,B,C	—		2,984
Cost of services, maintenance and rentals	2,593	58	—		2,651	277	(14)	26	B,C,D	—		2,940
Cost of financing	106	—	—		106	—	—	—		—		106
Research, development and engineering expenses	191	—	—		191	126	—	—		—		317
Selling, administrative and general expenses	1,537	54	2	M	1,593	315	—	14	B,C,D,E,F	—		1,922
Goodwill impairment	1,058	—	—		1,058	681	—	(681)	Q	—		1,058
Restructuring and related costs, net	112	—	—		112	(3)	—	—		—		109
Intangible asset impairment	—	—	—		—	160	—	—		—		160

- (1) Derived from Xerox Holdings Corporation (Xerox) consolidated financial statements. Xerox Holdings Corporation's primary direct operating subsidiary is Xerox Corporation and therefore Xerox Holdings Corporation reflects all of Xerox Corporation's operations. All proforma adjustments contained herein apply to both Xerox Holdings Corporation and Xerox Corporation.
- (2) The financial information in this column has been derived from Lexmark International II, LLC's (Lexmark) historical consolidated financial statements for the year ended December 31, 2024 with certain reclassification adjustments made by Xerox as described in further detail in Note 1 - Basis of Presentation in connection with the Acquisitions. Refer to Note 2 - Reclassification Adjustments for additional information regarding certain reclassification adjustments that have been made to conform Lexmark's historical financial statement presentation to Xerox's historical financial statement presentation.

See the accompanying notes to the unaudited pro forma condensed combined financial information, which are an integral part of these statements. The transaction accounting adjustments made in connection with the Acquisitions are explained in Note 3 - Pro Forma Adjustments and Note 4 - Intercompany Transactions and the transaction accounting adjustments made in connection with the Financing Transactions are explained in Note 5 - Financing Transactions.

Pro Forma Financial Statements

NOTE 1 – BASIS OF PRESENTATION**(in millions, except per share data, and where otherwise noted)**

The preceding unaudited pro forma condensed combined financial information has been prepared by Xerox in accordance with Article 11 of Regulation S-X to reflect the Acquisitions. The unaudited pro forma condensed combined financial information presented is for illustrative purposes only and is not necessarily indicative of what Xerox's condensed combined statements of loss would have been had the Acquisitions been consummated as of the dates indicated or will be for any future periods. The unaudited pro forma condensed combined financial information does not purport to project the future results of operations of Xerox following the closing dates of the Acquisitions. The unaudited pro forma condensed combined financial information reflects transaction accounting adjustments Xerox believes are necessary to present fairly Xerox's unaudited pro forma condensed combined results of operations following the closing dates as of and for the periods indicated. The unaudited pro forma condensed combined financial information does not reflect any cost savings, operating synergies, or revenue enhancements that the combined company may achieve as a result of the Acquisitions, nor does it reflect the costs to integrate the operations of Xerox, ITSavvy, and Lexmark or the costs necessary to achieve any cost savings, operating synergies, and revenue enhancements.

The unaudited pro forma condensed combined financial information was prepared using the acquisition method of accounting in accordance with ASC 805, Business Combinations with Xerox as the accounting acquirer, using the fair value concepts defined in ASC Topic 820, Fair Value Measurement, and based on the historical consolidated financial statements of Xerox, ITSavvy, and Lexmark. Under ASC 805, with certain exceptions, assets acquired and liabilities assumed in a business combination are recognized and measured at their assumed acquisition date fair value, while transaction costs associated with the business combination are expensed as incurred. The excess of Acquisition consideration over the estimated fair value of assets acquired and liabilities assumed, if any, is allocated to goodwill. The allocation of the aggregate Acquisition consideration depends upon certain estimates and assumptions, all of which are preliminary, particularly with respect to the Lexmark Acquisition.

The intercompany elimination, transaction, and financing accounting adjustments represent Xerox's best estimates and are based upon certain assumptions that Xerox believes are reasonable under the circumstances. In addition to pro forma adjustments, certain adjustments have been made to reflect the impacts of the Financing Transactions and the elimination of intercompany transactions. Xerox is not aware of any material transactions between Xerox and ITSavvy or between ITSavvy and Lexmark (prior to the announcement of the ITSavvy Closing Date during the periods presented). Accordingly, adjustments to eliminate transactions between these entities are not required in the unaudited pro forma condensed combined financial information. Management has made adjustments within the condensed combined financial information to eliminate transactions between Xerox and Lexmark during the periods presented.

As discussed in Note 2 - Reclassification Adjustments, certain reclassification adjustments have been made to conform ITSavvy's and Lexmark's historical financial statement presentation to Xerox's historical financial statement presentation. Also, as discussed in Note 4 - Intercompany Transactions and in Note 5 - Financing Transactions, certain adjustments have been made to the unaudited pro forma condensed combined financial information to eliminate the impact of transactions between Xerox and Lexmark and to reflect the impacts of the Financing Transactions as if they had occurred on January 1, 2024.

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NOTE 2 – RECLASSIFICATION ADJUSTMENTS

During the preparation of this unaudited pro forma condensed combined financial information, Xerox management performed an analysis of ITsavvy's financial information and a preliminary analysis of Lexmark's financial information to identify differences in financial statement presentation as compared to the presentation of Xerox. As a result, Xerox has made reclassification adjustments to conform ITsavvy's and Lexmark's historical financial statement presentation to Xerox's historical financial statement presentation. The historical condensed consolidated statement of loss for the nine months ended September 30, 2025 includes the results of ITsavvy, and therefore no reclassification adjustments for ITsavvy are required.

Refer to the table below for a summary of reclassification adjustments made to present Lexmark's consolidated condensed statement of earnings for the six months ended June 30, 2025 to conform with that of Xerox's financial statement presentation. As noted, the historical results of Lexmark for the three months ended September 30, 2025 are included in the historical condensed consolidated statement of loss of Xerox, and therefore reclassification adjustments are only applicable through the six months ended June 30, 2025:

(in millions)	For the Six Months Ended June 30, 2025			
	Lexmark Historical	Reclassifications	Note	Lexmark Reclassified
Sales	\$ 828	\$ 39	(a)(c)	\$ 867
Product, related party	51	(51)	(a)	—
Services, maintenance, rentals and other	149	11	(a)	160
Cost of sales	585	(10)	(b)(d)	575
Cost of revenue - Product, related party	31	(31)	(b)	—
Cost of services, maintenance, rentals and other	104	34	(b)	138
Selling, general and administrative	211	(11)	(a)(c)(d)	200
Restructuring and related, net	—	(1)	(c)	(1)
Amortization of intangible assets	—	16	(c)	16
Interest expense	40	(40)	(d)	—
Interest (income)	(2)	2	(d)	—
Other expense (income), net	(5)	42	(b)(c)(d)	37

- (a) Reclassified \$51 to Sales from Product, related party and reclassified (\$11) and (\$1) from Sales to Services, maintenance, rentals and other and Selling, general and administrative.
- (b) Reclassified \$31 to Cost of sales from Cost of revenue - Product, related party. Reclassified (\$34) and (\$8) from Cost of sales to Cost of services, maintenance, rentals and other, and Other expense (income), net
- (c) Reclassified (\$16) and \$1 from Selling, general and administrative to Amortization of intangible assets and Restructuring and related, net. Reclassified \$1 and \$3 to Selling, general and administrative from Sales and Other expense, net.
- (d) Reclassified (\$40) from Interest expense, \$2 from Interest income, (\$7) from Cost of sales and \$3 from Selling, general and administrative to Other expense (income), net.

Pro Forma Financial Statements

Refer to the table below for a summary of reclassification adjustments made to present Lexmark's consolidated statement of loss for the year ended December 31, 2024 to conform with that of Xerox's financial statement presentation:

(in millions)	For the Year Ended December 31, 2024			
	Lexmark Historical	Reclassifications	Note	Lexmark Reclassified
Sales	\$ 1,879	\$ 37	(a)	\$ 1,916
Product, related party	64	(64)	(a)	—
Services, maintenance and rentals	304	27	(a)	331
Cost of sales	1,305	(38)	(b)(d)	1,267
Cost of revenue - Product, related party	42	(42)	(b)	—
Cost of services, maintenance and rentals	203	74	(b)	277
Selling, general and administrative	350	(35)	(c)(d)	315
Restructuring and related, net	(6)	3	(c)	(3)
Amortization of intangible assets	—	31	(c)	31
Interest expense	85	(85)	(d)	—
Interest (income)	(7)	7	(d)	—
Other expense (income), net	8	85	(b)(c)(d)	93

- (a) Reclassified \$64 to Sales from Product, related party and (\$27) from Sales to Services, maintenance and rentals.
- (b) Reclassified \$42 to Cost of sales from Cost of revenue - Product, related party. Reclassified (\$74) and (\$6) from Cost of sales to Cost of services, maintenance and rentals and Other expense (income), net
- (c) Reclassified (\$31), (\$3) and (\$1) from Selling, general and administrative to Amortization of intangible assets, Restructuring and related and Other expense, net.
- (d) Reclassified (\$85) from Interest expense, \$7 from Interest income, (\$6) from Cost of sales and (\$1) from Selling, general and administrative to Other expense (income), net.

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Refer to the table below for a summary of reclassification adjustments made to present ITsavvy's condensed consolidated statement of income for the period January 1, 2024 to September 30, 2024 and the condensed consolidated statement of loss from October 1, 2024 to November 19, 2024 to conform with that of Xerox's financial statement presentation:

(in millions)	Period Ended January 1, 2024 - September 30, 2024				Period Ended October 1, 2024 - November 19, 2024				Period Ended January 1, 2024 - November 19, 2024	
	ITsavvy Historical	Reclassifications	Notes	ITsavvy Reclassified Historical	ITsavvy Historical	Reclassifications	Notes	ITsavvy Reclassified Historical	ITsavvy Total Reclassified Historical	
Sales	\$ 351	\$ (61)	(a)	\$ 290	\$ 58	\$ (15)	(aa)	\$ 43	\$ 333	
Services, maintenance and rentals	—	61	(a)	61	—	15	(aa)	15	76	
Cost of sales	302	(58)	(b)	244	50	(13)	(bb)	37	281	
Cost of services, maintenance and rentals	—	47	(c)	47	—	11	(cc)	11	58	
Selling, administrative and general expenses	39	6	(d)	45	9	—	(dd)	9	54	
Amortization of intangible assets	—	5	(e)	5	—	1	(ee)	1	6	
Interest expense	6	(6)	(f)	—	1	(1)	(ff)	—	—	
Other expenses, net	—	6	(f)	6	—	2	(gg)	2	8	

(a) Reclassified (\$61) to Service, maintenance and rentals.

(b) Reclassified (\$47) to Cost of services, maintenance and rentals and (\$11) to Selling, administrative and general expenses.

(c) Reclassified \$47 from Cost of sales.

(d) Reclassified \$11 from Cost of sales and (\$5) to Amortization of intangible assets.

(e) Reclassified \$5 from Selling, administrative and general expenses.

(f) Reclassified (\$6) to Other expenses, net.

(aa) Reclassified (\$15) to Service, maintenance and rentals.

(bb) Reclassified (\$11) to Cost of services, maintenance and rentals, and (\$2) to Selling, administrative and general expenses.

(cc) Reclassified \$11 from Cost of sales.

(dd) Reclassified \$2 from Cost of sales to Selling, administrative and general expenses, and (\$1) from Selling, administrative and general expenses to Amortization of intangible assets and Other expense, net respectively.

(ee) Reclassified \$1 from Selling, administrative and general.

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NOTE 3 – PRO FORMA ADJUSTMENTS

This note should be read in conjunction with Note 1 - Basis of Presentation. The following summarizes the pro forma adjustments in connection with the ITsavvy and the Lexmark Acquisitions to give effect to the transactions as if they had occurred on January 1, 2024 for purposes of the unaudited pro forma condensed combined statement of loss.

Accounting Adjustments to the Unaudited Pro Forma Condensed Combined Statement of Loss

As the ITsavvy Acquisition was consummated on November 20, 2024 and the Lexmark Acquisition was consummated on July 1, 2025, transaction accounting adjustments are included to give effect to these acquisitions as if they had occurred on January 1, 2024. The Transaction Accounting Adjustments included in the unaudited pro forma condensed combined statement of loss for the nine months ended September 30, 2025 and the year ended December 31, 2024 are as follows.

Transaction Accounting Adjustments Related to Lexmark Acquisition

- (A) Reflects the \$92 adjustment to Cost of sales for the inventory fair value adjustment. As the acquired inventory was sold within three months of the date of the Lexmark Acquisition, the impact is removed from the September 30, 2025 condensed combined statement of loss and reflected in the December 31, 2024 condensed combined statement of loss.
- (B) The following reflects the adjustments to Depreciation expense related to buildings and equipment recorded within Cost of sales, Cost of services, maintenance and rentals and Selling, administrative and general expenses as a result of recording acquired buildings and equipment at fair value:

(in millions)	Nine Months Ended September 30, 2025	Year Ended December 31, 2024
Removal of Lexmark's historical depreciation expense - Cost of sales	\$ (10)	\$ (23)
Estimated depreciation expense - Cost of sales	25	50
Net pro forma transaction accounting adjustments to Cost of sales	<u>\$ 15</u>	<u>\$ 27</u>

(in millions)	Nine Months Ended September 30, 2025	Year Ended December 31, 2024
Removal of Lexmark's historical depreciation expense - Cost of services, maintenance and rentals	\$ (8)	\$ (28)
Estimated depreciation expense - Cost of services, maintenance and rentals	29	57
Net pro forma transaction accounting adjustments to Cost of services, maintenance and rentals	<u>\$ 21</u>	<u>\$ 29</u>

(in millions)	Nine Months Ended September 30, 2025	Year Ended December 31, 2024
Removal of Lexmark's historical depreciation expense - Selling, administrative and general	\$ (3)	\$ (5)
Estimated depreciation expense - Selling, administrative and general	5	10
Net pro forma transaction accounting adjustments to Selling, administrative and general	<u>\$ 2</u>	<u>\$ 5</u>

- (C) The following reflects the adjustment to lease amortization expense recorded within Cost of sales, Cost of services, maintenance and rentals and Selling, administrative and general expenses as a result of recording Lexmark's acquired leases at fair value:

(in millions)	Nine Months Ended September 30, 2025	Year Ended December 31, 2024
Removal of Lexmark's historical lease expense - Cost of sales	\$ (5)	\$ (7)
Estimated lease expense - Cost of sales	3	5
Net pro forma transaction accounting adjustments to Cost of sales	<u>\$ (2)</u>	<u>\$ (2)</u>

Pro Forma Financial Statements

(in millions)	Nine Months Ended September 30, 2025	Year Ended December 31, 2024
Removal of Lexmark's historical lease expense - Cost of services, maintenance and rentals	\$ (8)	\$ (15)
Estimated lease expense - Cost of services, maintenance and rentals	5	10
Net pro forma transaction accounting adjustments to Cost of services, maintenance and rentals	<u>\$ (3)</u>	<u>\$ (5)</u>

(in millions)	Nine Months Ended September 30, 2025	Year Ended December 31, 2024
Removal of Lexmark's historical lease expense - Selling, administrative and general	\$ (17)	\$ (32)
Estimated lease expense - Selling, administrative and general	11	22
Net pro forma transaction accounting adjustments to Selling, administrative and general	<u>\$ (6)</u>	<u>\$ (10)</u>

- (D) Represents adjustments to reflect the expense of \$3 to obtain representation and warranties insurance policies in connection with the Lexmark Acquisition. This expense has been pushed back to the earliest period presented. The net pro forma adjustments to Cost of services, maintenance & rentals was \$0 and \$2 for the nine months ended September 30, 2025 and for the year ended December 31, 2024, respectively, and the net pro forma adjustments to Selling, administrative & general was \$0 and \$1 for the nine months ended September 30, 2025 and for the year ended December 31, 2024, respectively.
- (E) The following reflects the adjustments to pension and post-employment expense due to changes in the carrying values of the plan assets and liabilities, recorded to conform Lexmark's defined benefit plan accounting to Xerox's. The net pro forma adjustment to Selling, administrative and general expenses was \$0 and (\$1) for the nine months ended September 30, 2025 and for the year ended December 31, 2024, respectively, and the net pro forma adjustment to Other expense (income), net was \$7 and (\$3) for the nine months ended September 30, 2025 and for the year ended December 31, 2024, respectively.
- (F) The following adjustment reflects the pro forma impacts related to certain employee single-trigger compensation arrangements that Lexmark had with certain of its employees. Expense of \$19 was recorded in Lexmark's financial statements for the nine months ended September 30, 2025. Therefore, the expense has been reversed from the condensed consolidated statement of earnings for the nine months ended September 30, 2025 and included within the condensed combined statement of loss for the year ended December 31, 2024.
- (G) Reflects the adjustments to Amortization of intangible assets as follows:

(in millions)	Nine Months Ended September 30, 2025	Year Ended December 31, 2024
Removal of Lexmark's historical intangible asset amortization	\$ (16)	\$ (31)
Estimated amortization of acquired intangible assets	42	83 (i)
Net pro forma transaction accounting adjustments to Amortization of intangible assets	<u>\$ 26</u>	<u>\$ 52</u>

- (i) Represents straight-line amortization of the estimated fair value of the intangible assets for customer relationships, developed technology, and trade name and trademarks over the estimated useful life of 10 years, 7 years and 7 years, respectively.
- (H) Reflects the adjustments to Other expenses, net for the removal of Lexmark's historical interest and deferred financing costs related to repaid debt of (\$40) and (\$86) for the nine months ended September 30, 2025 and year ended December 31, 2024, respectively.
- (I) Represents the application of the estimated blended statutory income tax rate of 20% to the pro forma transaction accounting adjustments for the nine months ended September 30, 2025 and the year ended December 31, 2024, further adjusted for valuation allowance required on certain deferred tax assets. Because the tax rates used for the unaudited pro forma condensed combined financial information are estimated, the blended statutory rates will likely vary from the actual effective rates in periods subsequent to the closing date of the Lexmark acquisition.
- (Q) Reflects the removal of Lexmark's historical goodwill impairment charge.

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Transaction Accounting Adjustments Related to ITsavvy Acquisition

(M) Represents an adjustment made to reflect share-based payment expense recorded by Xerox for restricted stock awards issued to certain employees in conjunction with the ITsavvy Acquisition.

(N) The following reflects the adjustments to Amortization of intangible assets:

(in millions)	January 1, 2024 - November 19, 2024	
Removal of ITsavvy's historical intangible asset amortization	\$ (7)	
Estimated amortization of acquired intangible assets	13	(i)
Net pro forma transaction accounting adjustments to Amortization of intangible assets	<u>\$ 6</u>	

(i) Represents straight-line amortization of the estimated fair value of the intangible assets for customer relationships and a trade name over the estimated useful life of 10 years and one year, respectively.

(O) Reflects the adjustments to Other expenses, net

(in millions)	January 1, 2024 - November 19, 2024	
Removal of interest expense on ITsavvy debt not assumed by Xerox	\$ (8)	
Imputed interest on the Notes issued by Xerox to the Seller	13	
Net pro forma transaction accounting adjustments to Other expenses, net	<u>\$ 5</u>	

The secured promissory notes are non-interest bearing, however, Xerox recorded imputed interest using a 5.5% annual interest rate.

(P) Represents the application of the estimated blended statutory income tax rate of 24.5% to the pro forma transaction accounting adjustments for the period January 1, 2024 to November 19, 2024, further adjusted for the valuation allowance required on certain deferred tax assets. Because the tax rates used for the unaudited pro forma combined financial information are estimated, the blended statutory rate will likely differ from the actual effective rate in periods subsequent to the ITsavvy Closing Date.

Pro Forma Financial Statements

NOTE 4 – INTERCOMPANY TRANSACTIONS

Transactions between Xerox and the Company primarily include sales of equipment and supplies. The unaudited pro forma condensed combined financial information have been adjusted to eliminate transactions between Xerox and Lexmark, primarily consisting of Lexmark's revenue and Xerox's cost of sales.

Intercompany Elimination Adjustments to the Unaudited Pro Forma Condensed Combined Statement of Loss

(in millions)	Nine Months Ended September 30, 2025 ⁽¹⁾		
	Xerox	Lexmark	Total
Sales	\$ —	\$ (81)	\$ (81)
Services, maintenance and rentals	(6)	—	(6)
Total Revenues Eliminated	\$ (6)	\$ (81)	\$ (87)
Cost of sales	\$ (81)	\$ —	\$ (81)
Cost of services, maintenance and rentals	—	(6)	(6)
Total Costs Eliminated	\$ (81)	\$ (6)	\$ (87)

(1) Pro forma intercompany amounts reflect activity from January 1, 2025 through June 30, 2025 only, as all intercompany activity on or after July 1, 2025 is included in the results of Xerox's condensed consolidated statement of loss for the nine months ended September 30, 2025.

(in millions)	Year Ended December 31, 2024		
	Xerox	Lexmark	Total
Sales	\$ (7)	\$ (236)	\$ (243)
Services, maintenance and rentals	(14)	—	(14)
Total Revenues Eliminated	\$ (21)	\$ (236)	\$ (257)
Cost of sales	\$ (236)	\$ (7)	\$ (243)
Cost of services, maintenance and rentals	—	(14)	(14)
Total Costs Eliminated	\$ (236)	\$ (21)	\$ (257)

As disclosed in its financial statements, Lexmark had various transactions with Ninestar affiliates. As the Ninestar affiliates to which these transactions relate are not entities controlled by Xerox, these transactions have not been adjusted within the unaudited pro forma condensed combined financial information.

Pro Forma Financial Statements

NOTE 5 – FINANCING TRANSACTIONS

The Financing Transactions bear interest at rates between 8.10% and 16.75% and mature between 2029 and 2031. For purposes of the unaudited pro forma condensed combined financial information, Xerox drew the full amount of the \$400 Senior Secured First Lien Notes, \$500 Senior Secured Second Lien Notes, and \$250 Senior Unsecured Notes on or prior to the closing of the Lexmark Acquisition.

Unaudited Pro Forma Condensed Combined Statement of Loss

- (J) Reflects the adjustments made to Other expenses, net for the interest and amortization of the debt issuance costs associated with the estimated borrowings from the Financing Transactions. The interest rates used in calculating the pro forma adjustments for the Financing Transactions ranged between 9.17% and 16.75%, based on the most current prevailing rate. The costs incurred to secure the Financing Transactions are amortized on a straight-line basis over the five to six year terms of the respective commitments.

(in millions)	Nine Months Ended September 30, 2025	Year Ended December 31, 2024	
Removal of Xerox's historical interest expense related to repaid debt and deferred financing fees	\$ (8)	\$ (20)	(i)
Expense related to the Transaction Facility commitment fee	(22)	22	
Addition of interest expense from the Financing Transactions	57	169	
Amortization related to deferred debt issuance costs	2	7	
Addition of amortization expense of debt issuance costs from the Financing Transactions	2	5	
Net pro forma transaction accounting adjustments to Other expenses, net	<u>\$ 31</u>	<u>\$ 183</u>	

- (i) Includes the removal of Xerox's historical debt issuance cost and amortization expense, as well as the extinguishment loss related to the debt repaid as a result of the Financing Transactions of \$3 for the nine months ended September 30, 2025 and \$0 for the year ended December 31, 2024.
- (K) Represents the application of the estimated blended statutory income tax rate of 24% to the pro forma financing adjustments for the nine months ended September 30, 2025 and the year ended December 31, 2024, further adjusted for the valuation allowance required on certain deferred tax assets. Because the tax rates used for the unaudited pro forma condensed combined financial information are estimated, the blended statutory rates will likely vary from the actual effective rate in periods subsequent to the Lexmark closing date.
- (L) Reflects the adjustment to common shares issued related to a pre-funded warrant. The warrant was issued in connection with the issuance of the \$250 principal amount of senior unsecured notes by Xerox Holdings Corporation. The shares underlying the warrant have been included for purposes of calculating earnings per share.

Pro Forma Financial Statements