**Xerox Reports Second Quarter 2015 Results**

**Second Quarter Overview**

- **EPS:** adjusted* EPS of $0.22/share, GAAP EPS from continuing operations of $0.09/share
- **Q2 total revenue** of $4.8 billion; down 7% YOY (down 3% CC*)
  - **Services:** decrease of 3% YOY (up 1% CC*)
  - **Document Technology:** decrease of 12% YOY (down 7% CC*)
  - **Annuity revenue** of $3.9 billion; down 7% YOY (down 3% CC*); 84% of total
  - **Equipment revenue** of $719 million; down 8% YOY (down 3% CC*); 16% of total
- **Operating margin** of 8.2%; down 1.6 pts YOY
- **Segment margins:** Services 7.5%, Technology 12.1%
- **Operating Cash Flow** of $349 million

**Balance Sheet/Cash**

- **Cash from operations:** $349 million
- **CAPEX** of $102 million
- **Acquisitions** of $20 million
- **Adj. avg. fully diluted share count**2: 1,105 million
- **Ending fully diluted share count**2: 1,113 million
- **Share repurchases** of $395 million
- **Ending Debt** of $7.6 billion
  - Retired $250 million Senior Notes
  - Issued $306 million in Commercial Paper

**Guidance**

- **Revenue:** FY 2015 down ~2% CC
- **EPS:**
  - **Q3 2015 adjusted1:** $0.22 – $0.24
  - **Q3 includes approx. $0.01 of restructuring**
  - **FY 2015 adjusted1:** $0.95 - $1.01 (lower-end)
  - **GAAP (from Continuing Operations):** Q3 2015: $0.17 - $0.19; FY 2015: $0.69 - $0.75
- **Share repurchases:** increasing to $1.3 billion
- **Acquisitions:** reducing expectations to $100 - $400 million
- **Q3 & FY 2015 adjusted1 tax rate:** 25% - 27%
- **Full year operating cash flow:** $1.7 - $1.9 billion range

**Services Segment**

- **Q2 revenue** of $2.6 billion; down 3% YOY (up 1% CC*)
- **Services 56% of total company revenue**
- **Revenue mix** of 68% BPO, 32% DO
- **Segment margin** 7.5%; down 1.0 pts YOY
  - Margin in line with expectations; reflects investments and continued higher Health Enterprise costs
- **Year-over-year revenue:**
  - 3% decline in Business Process Outsourcing (BPO) (down 1% CC*)
  - 3% decline in Document Outsourcing (DO) (up 4% CC*)
- **Metrics:**
  - Signings of $3.2 billion TCV
    - Up 20% YOY and up 1% TTM, driven by new business signings
    - ARR/NRR new business up 9% YOY, down 15% TTM
    - Q2 signings includes recently approved New York MMIS but not pending Florida Tolling
  - **Renewal rate (BPO and DO) of 82%**

**Document Technology Segment**

- **Q2 revenue** of $1.9 billion; down 12% YOY (down 7% CC*)
  - Including DO, revenue decline stable, down 4% CC*
  - Annuity revenue down 12% YOY (down 7% CC*), 71% of revenue
  - Equipment revenue down 10% YOY (down 6% CC*), 29% of revenue
- **Segment margin** 12.1%; down 2.3 pts YOY
  - Margin in line with expectations, down YOY and up sequentially
  - **Revenue mix** of 19% entry, 57% mid-range, 24% high-end

**Installs3**

**Overall Install Growth**

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<thead>
<tr>
<th>Entry</th>
<th>Mid-Range</th>
<th>High-End</th>
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<tbody>
<tr>
<td>A4 Color MFDs</td>
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<td>High-End Color4</td>
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<td>Color Printers</td>
<td>(24)%</td>
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<tr>
<td>A4 Mono MFDs</td>
<td>(12)%</td>
<td>High-End B&amp;W</td>
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*Note: The sale of our ITO business to ATOS closed in second quarter 2015 and it is being reported as a discontinued operation

1 Adjustments limited to the amortization of intangible assets and software impairment in 2015

2 Avg represents diluted shares as used for the calculation of EPS in the quarter (excludes 27 million of shares associated with the Series A convertible preferred stock as to include these shares would be anti-dilutive and therefore the related quarterly dividend was included). Outstanding represents common shares outstanding for the quarter plus potential dilutive common and preferred shares (includes shares associated with our Series A convertible preferred stock)

3 Includes Document Technology and Services segments

4 High-end install growth impacted by digital front end (DFE) sales to Fuji Xerox, High-End up 12% in Q2 excluding DFE’s

Please see our forward looking statements and non-GAAP reconciliation contained in our first quarter 2015 earnings release posted on our website at [www.xerox.com/investor](http://www.xerox.com/investor)