**Second-Quarter Overview**

- **EPS**: adjusted\(^1\) EPS of $0.30/share, GAAP EPS from continuing operations of $0.15/share
- **Q2 total revenue** of $4.4 billion; down 4% YOY
  - **Services**: down 2% YOY or 1% CC\(^*\)
  - **Document Technology**: down 7% YOY or 6% CC\(^*\)
  - **Annuity revenue** of $3.7 billion; down 4% YOY or 3% CC\(^*\); 85% of total
  - **Equipment revenue** of $675 million; down 6% YOY or 5% CC\(^*\); 15% of total
- **Operating margin** of 9.3%; up 0.8 pts YOY
- **Segment margins**: Services 9.6%, Technology 12.6%

**Balance Sheet/Cash**

- **Operating Cash Flow** of $177 million, includes $62 million of HE settlement payments
- **CAPEX** of $73 million
- **Adj. avg. fully diluted share count**: 1.049 million
- **Ending fully diluted share count**: 1.049 million
- **Ending debt** of $7.4 billion
- **Ending cash balance** of $1.2 billion

**Guidance**

- **Maintaining FY guidance**
- **Revenue**: FY 2016 down 2 to 4% CC
- **EPS**: - Q3 2016 adjusted\(^1\): $0.26 - $0.28
  - FY 2016 adjusted\(^1\): $1.10 - $1.20
  - **GAAP (from Continuing Operations)**: Q3 2016: $0.14 - $0.16; FY 2016: $0.45 - $0.55
- **Adjusted\(^1\) tax rate**: H2 26% - 28%; FY 24 - 26%
- **FY Operating Cash Flow**: $950 million - $1.2 billion
- **FY CAPEX**: ~$350 million
- **FY Free Cash Flow**: $600 - $850 million
- **FY Dividends**: ~$350 million
- **FY Acquisitions**: ~$100 million
- **Debt Repayment**: remainder of Free Cash Flow

\(^*\) Constant currency (CC)

(1) Adjustments include amortization of intangible assets, restructuring and related costs, non-service retirement related costs and separation costs.

(2) Average shares for the calculations of adjusted EPS for second quarter 2016 include 27 million of shares associated with the Series A convertible preferred stock and therefore the related quarterly dividend of $6 million is excluded. 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) Installs include Document Technology and Services segments.

(4) High-end installs exclude digital front end sales.

(5) Entry installs exclude OEM sales, including OEM sales Color A4 up 74%, B&W A4 up 28%

Please see our forward looking statements and non-GAAP reconciliation contained in our second quarter 2016 earnings release posted on our website at [http://www.xerox.com/investor](http://www.xerox.com/investor)

**Services Segment**

- **Q2 revenue** of $2.5 billion; down 2% YOY or 1% CC\(^*\)
- **Services 56% of total company revenue**
- **Revenue mix** of 66% BPO, 34% DO
- **Segment margin** 9.6%; up 2.4 pts YOY, up 1.9 pts sequentially
- **Year-over-year revenue**:
  - Business Process Outsourcing (BPO) down 4% or 3% CC\(^*\)
  - Document Outsourcing (DO) up 1% or 2% CC\(^*\)
- **Metrics**:
  - Signings of $2.9 billion TCV
    - Down 7%* YOY and up 2%* TTM
  - Renewal rate (BPO and DO) of 82%

**Document Technology Segment**

- **Q2 revenue** of $1.8 billion; down 7% YOY or 6% CC\(^*\)
  - Revenue decline moderates and within FY target range
  - Annuity revenue down 7% YOY or 6% CC\(^*\), 71% of revenue
  - Equipment revenue down 7% YOY or 6% CC, 29% of revenue
- **Including DO, printing revenue down 3% CC\(^*\) (vs. down 5% in Q1)**
- **Segment margin** 12.6%; up 0.1 pt YOY, up 2.4 pts sequentially
- **Revenue mix** of 18% entry, 58% mid-range, 24% high-end
- **Metrics (overall install\(^5\) growth)**:
  - High-End * color up 14%, B&W down 21%
  - Mid-Range color up 6%, B&W down 14%
  - Entry A4 MFDs\(^5\) color down 9%, B&W up 2%

**Separation Progress**

- **Completed critical separation milestones**:
  - Named CEOs for both companies
  - Initial Form 10 registration statement filed
  - Announced names for both companies
- **Separation costs**: refined range down to $175 - $200 million in pre-tax separation costs
- **Tax-related separation costs**: expect $40 - $50 million
- **Dis-synergies**: expect $40 - $50 million in total; more than offset by savings from transformation program
- **Strategic transformation program on-track**