

Xerox Reports Second-Quarter 2017 Results

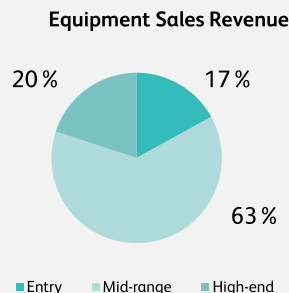
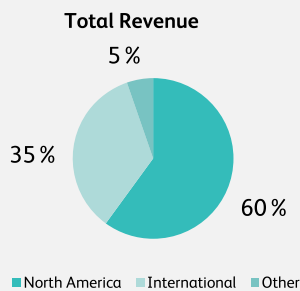
Second-Quarter Highlights

- Cost productivity and lower interest expense offset revenue declines
- EPS consistent with expectations, higher tax rate drives year-over-year decline
- Equipment & MDS revenue impacted by new product transition; post sale revenue stable
- Operating margin year-over-year expansion continues
- Solid operating cash flow

Second-Quarter Results

Revenue \$2.57B, down 8.1% or 6.4% CC*

- Equipment \$546M, down 16.0% or 14.6% CC*
- Post Sale \$2.0B, down 5.7% or 3.9% CC*; 79% of Total Revenue



- **Gross Margin – adjusted¹**: 40.7%, up 0.5 pts YOY
- **Operating Margin – adjusted²**: 13.3%, up 0.4 pts YOY
- **Tax Rate – adjusted¹**: 27.0% vs. 18.5% in Q2 '16
- **GAAP EPS**: \$0.63, down 12 cents YOY
- **EPS – adjusted¹**: \$0.87, down 11 cents YOY
- **Operating Cash Flow** from continuing operations \$343M, up \$84M YOY
- **Free Cash Flow³** \$322M; **CAPEX** \$21M
- **Ending debt** \$5.0B
- **Ending cash balance** \$1.25B

Key Metrics

Strategic Growth Areas⁴ revenue YTD down 1% CC* and comprised 39% of total, up 2 pts YOY

Strategic Transformation savings target of \$600M for FY 2017 on track

Enterprise MDS Signings of \$0.6B TCV declined 6.5% CC* YOY

Q2 Installs – YOY % change

- Entry A4 MFPs⁵ color up 24%, B&W up 10%
- Mid-Range color⁶ down 15%, B&W down 14%
- High-End color⁶ down 9%, B&W down 34%

* Constant currency (CC)

Note: EPS reflects our one-for-four reverse stock split that became effective on June 14, 2017.

(1) Adjustments include non-service retirement related costs, restructuring and related costs, amortization of intangibles, as well as other discretely identified adjustments.

(2) Adjustments include those noted above for the Adjusted earnings measures as well as the exclusion of other expenses, net, and inclusion of equity in net income of unconsolidated affiliates.

(3) Adjusted measure to exclude amounts for capital expenditures, including internal use software, from cash flow from continuing operations.

(4) Strategic Growth Areas include MPS & Workflow Automation, A4 MFPs and Production Color revenues.

(5) Entry installs exclude OEM sales, including OEM sales Color A4 MFPs down 10%, B&W up 4%.

(6) Mid-range and High-end color installations exclude Fuji Xerox digital front-end sales (DFEs); including DFEs, Mid-range color decreased 15%, and High-end color decreased 14%.

Please see our forward looking statements and non-GAAP reconciliation contained in our second-quarter 2017 earnings release posted on our website at <http://www.xerox.com/investor>.

FY Guidance

Narrowing FY 2017 EPS Guidance

- **Revenue** down mid-single digits at CC*
- **Operating Margin – adjusted²**: 12.5% - 13.5%
- **GAAP EPS** from continuing operations: \$1.84 - \$2.08
- **EPS – adjusted¹**: \$3.20 - \$3.44
- **Tax rate – adjusted¹**: 25% - 28%
- **Operating Cash Flow** from continuing operations: \$700 - \$900M

