Second Quarter 2018 Earnings

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http://www.xerox.com/investor

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Forward-Looking Statements

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

Forward-Looking Statements (cont’d)

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

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

Initial Perspectives on the Business

Strengths

- Customers, partners and employees who want Xerox to succeed
- Globally recognized brand for quality, reliability and ease of use
- Market share leadership
- Robust portfolio of products and solutions
- Leadership in managed print services
- Innovation capabilities
- Cash generation

Areas to Improve

- **Complex** operating **model**; lack of accountability
- **Supply chain**
- Software and R&D “lost” in product business
- **Capitalization** on innovation
- **Strategic transformation** flow-through
- Capital deployment and returns

Positioning Xerox for Success

Rebuilding a Tech Company Powerhouse

1	Drive revenue	• Serve customers via channels that most effectively meet their requirements • Enhance capabilities to sell higher-value services • Make it easier for customers and partners to do business with Xerox
2	Optimize operations for simplicity to better serve clients & partners	• Simplify operating model for greater accountability and ownership • Drive effectiveness and efficiency in business operations • Optimize supply chain and increase supplier competitiveness
3	Re-energize the innovation engine	• Drive growth in software and services businesses • Create incubation businesses for focus and accountability • Revamp innovation business model: investments, M&A, monetization
4	Focus on cash flow and increase capital returns	• Maximize cash flow potential • Deliver on commitment to return at least 50% of free cash flow to shareholders; opportunistic share repurchase up to $500 million in 2018

Addressing Important Questions

Is the company conducting an auction?

There is no auction underway or planned.

How have recent media attention and company changes impacted results?

We are not going to make excuses for our results, clearly there are areas for improvement. We have a solid foundation to build upon and have identified the priorities to focus on to drive improvement. We look forward to reporting on our progress.

What's the status of the Strategic Transformation program?

Focus on generating cash and simplifying the business are top priorities. We are taking a new, comprehensive end-to-end approach to optimize our operations where accountability will be greater and savings will flow more directly to the bottom line.

What is the Fuji Xerox Technology Agreement? What are the implications of not renewing it in 2021?

The Technology Agreement (TA) establishes technology and brand licensing relationships between Xerox and Fuji Xerox (FX). Currently 59% of our cost of production comes from FX and we have product-specific agreements that protect continuity of supply. Not renewing the TA does not dissolve the joint venture, however, it would give Xerox the opportunity to sell into Asia and Xerox retains the worldwide rights to all joint intellectual property.

How long and how much will it cost to diversify your supply chain?

There is significant opportunity to improve the competitive dynamics within our supplier base. We have recently been successful in partnering with a new supplier for a next generation product. Fuji Xerox remains a partner but they need to earn our business. We have time to determine the right suppliers for future products and make any transitions.

Second Quarter Overview

Revenue

- $2.5B, down 2.2% or 4.0% CC[1]
- Equipment up 0.9% or down 0.6% CC[1]
- Post sale down 3.1% or 5.0% CC[1]

Profitability

- Adj[1] operating margin: 11.9%, down 130 bps
- GAAP[2] EPS: $0.42, down 21 cents
  Includes 17 cents of transaction and related costs, net
- Adj[1] EPS: $0.80, down 6 cents

Cash

- Operating cash flow: Q2 $235M, H1 $451M
- Ending cash: $1.3B
- Returned $68M in dividends to shareholders
- $1B share repurchase program authorized, will opportunistically repurchase up to $500M in 2018

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

Financial Performance

(in millions, except per share data)

P&L Measures	Q2 2018	B/(W) YOY
Revenue	$ 2,510	$ (57)
Operating Income – Adjusted[1]	299	(39)
Equity Income – Adjusted[1]	23	-
Other Expenses, net – Adjusted[1]	14	20
Net Income[2]	112	(54)
Net Income – Adjusted[1]	213	(11)
GAAP EPS[2]	0.42	(0.21)
EPS – Adjusted[1]	0.80	(0.06)

P&L Ratios	Q2 2018	B/(W) YOY
Gross Margin	39.9%	(0.7) pts
RD&E %	4.0%	- pts
SAG %	24.9%	(0.5) pts
Operating Margin – Adjusted[1]	11.9%	(1.3) pts
Tax Rate – Adjusted[1]	26.7%	0.3 pts

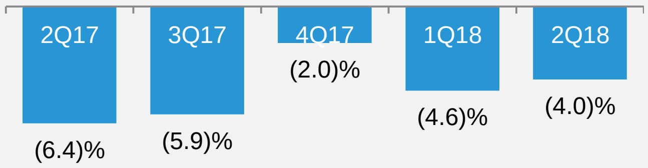
(1) Adjusted Measures: see Non-GAAP Financial Measures. (2) Net Income and GAAP EPS from continuing operations.

Revenue Performance

(in millions)

	Q2 2018	% Mix	YOY Change AC	YOY Change CC[3]
Total Revenue	**$ 2,510**	**100%**	**(2.2)%**	**(4.0)%**
North America	1,514	60%	(1.3)%	(1.8)%
International	898	36%	0.3%	(3.9)%
Other[1]	98	4%	(29.0)%	(29.0)%
Equipment Revenue	**$ 561**	**100%**	**0.9%**	**(0.6)%**
Entry[2]	62	11%	12.7%	10.6%
Mid-range	390	69%	8.9%	7.4%
High-end	100	18%	(8.3)%	(9.9)%
Other[2]	9	2%	(73.5)%	(73.5)%
Post Sale	**$ 1,949**	**78%**	**(3.1)%**	**(5.0)%**

Total Revenue Trend (CC[3])



Actual Currency YOY Change

2Q17	3Q17	4Q17	1Q18	2Q18
(8.1)%	(5.0)%	0.5%	(0.8)%	(2.2)%

Installs[4] (YOY Change)

	Q2 2018 Color	Q2 2018 B&W	H1 2018 Color	H1 2018 B&W
Entry A4 MFPs	21%	21%	13%	20%
Mid-Range	29%	13%	23%	12%
High-End	(9)%	(12)%	(3)%	(11)%

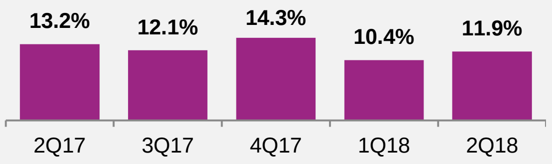
Managed Document Services[5]

- 35% of total revenue
- 2.3% growth @ CC[3]

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

Profitability Performance

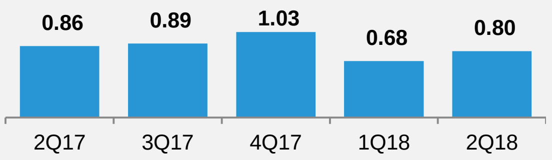
Adjusted[1] Operating Margin



Transaction Currency Impact

	2Q17	3Q17	4Q17	1Q18	2Q18
Transaction Currency Impact	(1.0) pts	(0.6) pts	(0.3) pts	0.7 pts	0.6 pts

Adjusted[1] EPS



	2Q17	3Q17	4Q17	1Q18	2Q18
GAAP[2]	$0.63	$0.67	$(0.78)[3]	$0.08	$0.42

Profitability Walk YOY

	Adj[1] OM	Adj[1] EPS	
Q2 2017	**13.2%**	**$ 0.86**	
Operations	(50) bps	(4.9) cents	Impact of revenue declines and negative mix offset cost savings and positive currency
Q2 2018 (excluding one-time items)	**12.7%**	**$ 0.81**	
Real estate lease termination	(52) bps	(3.6) cents	$13M of accelerated depreciation
IT project write-off	(28) bps	(1.9) cents	$7M IT project write-off
Non-core asset sale	na	4.4 cents	$16M non-core asset sale in Other, net
Q2 2018	**11.9%**	**$ 0.80**	

(1) Constant Currency (CC) and other adjusted measures: see Non-GAAP Financial Measures. (2) GAAP Earnings (Loss) per share from continuing operations. (3) Q4 2017 GAAP Loss per share includes estimated non-cash charge of $400M associated with the enactment of U.S. Tax Act in December 2017.

Cash Flow

(in millions)	Q2 2018	H1 2018
Pre-tax Income from Continuing Ops	$ 133	$ 267
Non-cash add-backs[1]	157	304
Restructuring Payments	(37)	(91)
Pension Contributions	(37)	(75)
Working Capital, net[2]	(64)	(93)
Change in Finance Assets[3]	56	149
Other[4]	27	(10)
Cash from Operations	**$ 235**	**$ 451**
Cash used in Investing	**$ (15)**	**$ (17)**
Cash used in Financing	**$ (339)**	**$ (456)**
Ending Cash, Cash Equivalents and Restricted Cash	**$ 1,327**	**$ 1,327**
Memo:		
Free Cash Flow[5]	$ 203	$ 401

Operating cash flow: Q2 $235M; H1 $451M

Free cash flow[5]: Q2 $203M; H1 $401M

On track to achieve FY18 cash flow expectations

Working Capital[2] driven by timing of payments, includes $23M of transaction payments in Q2 ($38M in H1)

CAPEX: Q2 $32M; H1 $50M

Cash used in financing driven by May 2018 Senior Notes debt repayment

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

Capital Structure

Financing Debt **$3.5B**

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

Core Debt **$1.7B**

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

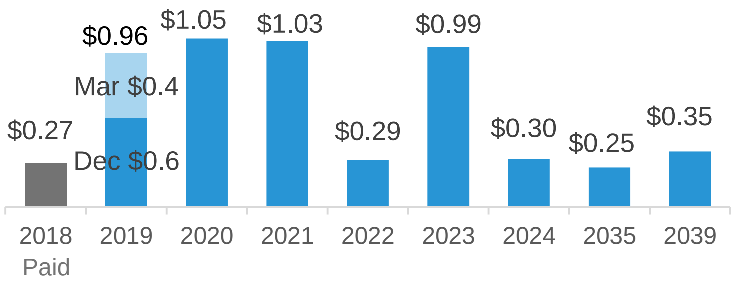
Pension **$1.4B** (net unfunded status as of 12/31/17)

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

As of June 30, 2018 ($B)

	Finance Assets	Debt	Cash
Financing	$ 4.0	$ 3.5	
Core	-	1.7	
Total Xerox	$ 4.0	$ 5.2	$ 1.3

Debt Maturity Ladder ($B)



Rebuilding a Tech Company Powerhouse

Priorities	• Drive revenue • Optimize operations for simplicity to better serve clients and partners • Re-energize the innovation engine • Focus on cash flow and increase capital returns
Financial Expectations	• Reiterating full-year operating cash flow of $900 to $1,100M and free cash flow of $750 to $950M • We will provide an update on our strategy and longer-term expectations at an analyst day later this year or early 2019 • Board authorized $1B of share repurchases; we anticipate to opportunistically repurchase up to $500M in 2018

Appendix

Revenue Trend

(in millions)	2016 FY	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2017 FY	2018 Q1	2018 Q2	2018 YTD
Total Revenue	**$10,771**	**$2,454**	**$2,567**	**$2,497**	**$2,747**	**$10,265**	**$2,435**	**$2,510**	**$4,945**
% Change	*(6.1)%*	*(6.2)%*	*(8.1)%*	*(5.0)%*	*0.5%*	*(4.7)%*	*(0.8)%*	*(2.2)%*	*(1.5)%*
CC[1] % Change	*(4.3)%*	*(4.3)%*	*(6.4)%*	*(5.9)%*	*(2.0)%*	*(4.7)%*	*(4.6)%*	*(4.0)%*	*(4.3)%*
Post Sale[2]	**$8,300**	**$1,941**	**$2,011**	**$1,966**	**$2,052**	**$7,970**	**$1,936**	**$1,949**	**$3,885**
% Change	*(4.8)%*	*(5.8)%*	*(5.6)%*	*(3.8)%*	*(0.7)%*	*(4.0)%*	*(0.3)%*	*(3.1)%*	*(1.7)%*
CC[1] % Change	*(2.9)%*	*(3.9)%*	*(3.7)%*	*(4.7)%*	*(3.2)%*	*(3.9)%*	*(4.1)%*	*(5.0)%*	*(4.6)%*
Post Sale % Revenue	77%	79%	78%	79%	75%	78%	80%	78%	79%
Equipment[2]	**$2,471**	**$513**	**$556**	**$531**	**$695**	**$2,295**	**$499**	**$561**	**$1,060**
% Change	*(10.0)%*	*(7.4)%*	*(16.1)%*	*(9.4)%*	*4.0%*	*(7.1)%*	*(2.7)%*	*0.9%*	*(0.8)%*
CC[1] % Change	*(8.7)%*	*(5.7)%*	*(14.8)%*	*(10.3)%*	*1.7%*	*(7.3)%*	*(6.4)%*	*(0.6)%*	*(3.3)%*
Memo:									
OEM & CMS impact on Total Revenue	*(0.4) pts*	*(0.9) pts*	*(0.6) pts*	*(0.3) pts*	*(0.7) pts*	*(0.6) pts*	*(0.7) pts*	*(1.3) pts*	*(1.0) pts*

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

Non-GAAP Financial Measures

Non-GAAP Financial Measures

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

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

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

Adjusted Earnings Measures

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

The above measures were adjusted for the following items:

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

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

Non-GAAP Financial Measures (cont'd)

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

- *Transaction and related costs, net:* Transaction and related costs, net are expenses incurred in connection with Xerox's planned combination transaction with Fuji Xerox, which was terminated in May 2018, as well as costs and expenses related to the previously disclosed settlement agreement reached with certain shareholders and litigation related to the terminated transaction and other shareholder actions. These costs are considered incremental to our normal operating charges and were incurred or are expected to be incurred solely as a result of the planned combination transaction and the related shareholder settlement agreement and litigation. Accordingly, we are excluding these expenses from our Adjusted Earnings Measures in order to evaluate our performance on a comparable basis.

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

- *Other discrete, unusual or infrequent items:* In addition, we also excluded the following items given their discrete, unusual or infrequent nature and their impact on our results for the period:
    - 2017 - Loss on early extinguishment of debt in the first quarter of 2017.
    - 2017 - A benefit from the remeasurement of a tax matter in the first quarter of 2017 that related to a previously adjusted item.

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

Non-GAAP Financial Measures (cont'd)

Adjusted Operating Income/Margin

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

Constant Currency

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

Free Cash Flow

To better understand trends in our business, we believe that it is helpful to adjust operating cash flows from continuing operations by subtracting amounts related to capital expenditures. Management believes this measure gives investors an additional perspective on cash flow from operating activities in excess of amounts required for reinvestment. It provides a measure of our ability to fund acquisitions, dividends and share repurchase.

Summary:

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

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

Net Income and EPS reconciliation

(in millions, except per share amounts)	Three Months Ended June 30, 2018 Net Income	Three Months Ended June 30, 2018 EPS	Three Months Ended June 30, 2017 Net Income	Three Months Ended June 30, 2017 EPS	Six Months Ended June 30, 2018 Net Income	Six Months Ended June 30, 2018 EPS	Six Months Ended June 30, 2017 Net Income	Six Months Ended June 30, 2017 EPS
Reported [1]	$ 112	**$ 0.42**	$ 166	**$ 0.63**	$ 135	**$ 0.50**	$ 212	**$ 0.80**
Adjustments:								
Restructuring and related costs	34		39		62		157	
Amortization of intangible assets	12		15		24		29	
Transaction and related costs, net	58		-		96		-	
Non-service retirement-related costs	25		34		50		94	
Loss on extinguishment of debt	-		-		-		13	
Income tax on adjustments [2]	(32)		(33)		(59)		(92)	
Remeasurement of unrecognized tax positions	-		-		-		(16)	
Restructuring and other charges - Fuji Xerox [3]	4		3		83		3	
Adjusted	$ 213	**$ 0.80**	$ 224	**$ 0.86**	$ 391	**$ 1.48**	$ 400	**$ 1.52**
Weighted average shares for adjusted EPS [4]		265		263		264		263
Fully diluted shares at end of period [5]		265						

(1) Net Income and EPS from continuing operations attributable to Xerox.

(2) Refer to Effective Tax Rate reconciliation.

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

(4) For those periods that exclude the preferred stock dividend, the average shares for the calculations of diluted EPS include 7 million shares associated with our Series B convertible preferred stock, as applicable.

(5) Represents common shares outstanding at June 30, 2018 as well as shares associated with our Series B convertible preferred stock plus potential dilutive common shares as used for the calculation of diluted earnings per share for the second quarter 2018.

Effective Tax Rate reconciliation

(in millions)	Three Months Ended June 30, 2018			Three Months Ended June 30, 2017			Six Months Ended June 30, 2018			Six Months Ended June 30, 2017		
	Pre-Tax Income	Income Tax Expense	Effective Tax Rate	Pre-Tax Income	Income Tax Expense	Effective Tax Rate	Pre-Tax Income	Income Tax Expense	Effective Tax Rate	Pre-Tax Income	Income Tax Expense	Effective Tax Rate
Reported [(1)]	**$ 133**	**$ 38**	**28.6%**	**$ 193**	**$ 43**	**22.3%**	**$ 267**	**$ 78**	**29.2%**	**$ 177**	**$ 19**	**10.7%**
Non-GAAP Adjustments [(2)]	129	32		88	33		232	59		293	92	
Remeasurement of unrecognized tax positions	-	-		-	-		-	-		-	16	
Adjusted [(3)]	**$ 262**	**$ 70**	**26.7%**	**$ 281**	**$ 76**	**27.0%**	**$ 499**	**$ 137**	**27.5%**	**$ 470**	**$ 127**	**27.0%**

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

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

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

Operating Income/Margin reconciliation

(in millions)	Three Months Ended June 30, 2018 Profit	Three Months Ended June 30, 2018 Revenue	Three Months Ended June 30, 2018 Margin	Three Months Ended June 30, 2017 Profit	Three Months Ended June 30, 2017 Revenue	Three Months Ended June 30, 2017 Margin	Six Months Ended June 30, 2018 Profit	Six Months Ended June 30, 2018 Revenue	Six Months Ended June 30, 2018 Margin	Six Months Ended June 30, 2017 Profit	Six Months Ended June 30, 2017 Revenue	Six Months Ended June 30, 2017 Margin
Reported [(1)]	**$ 133**	**$ 2,510**	**5.3%**	**$ 193**	**$ 2,567**	**7.5%**	**$ 267**	**$ 4,945**	**5.4%**	**$ 177**	**$ 5,021**	**3.5%**
Adjustments:												
Restructuring and related costs	34			39			62			157		
Amortization of intangible assets	12			15			24			29		
Transaction and related costs, net	58			-			96			-		
Non-service retirement-related costs	25			34			50			94		
Equity in net income (loss) of unconsolidated affiliates	19			20			(49)			60		
Restructuring and other charges - Fuji Xerox [(2)]	4			3			83			3		
Other expenses, net	14			34			19			88		
Adjusted	**$ 299**	**$ 2,510**	**11.9%**	**$ 338**	**$ 2,567**	**13.2%**	**$ 552**	**$ 4,945**	**11.2%**	**$ 608**	**$ 5,021**	**12.1%**

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

Other expenses, net

(in millions)	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Reported	**$ 39**	**$ 68**	**$ 69**	**$ 182**
Adjustments:				
Non-service retirement-related costs	(25)	(34)	(50)	(94)
Loss on early extinguishment of debt	-	-	-	(13)
Adjusted	**$ 14**	**$ 34**	**$ 19**	**$ 75**

Equity in net income (loss) of unconsolidated affiliates

(in millions)	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Reported	$ 19	$ 20	$ (49)	$ 60
Adjustment:				
Restructuring and other charges – Fuji Xerox [1]	4	3	83	3
Adjusted	**$ 23**	**$ 23**	**$ 34**	**$ 63**

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

Free Cash Flow reconciliation

(in millions)	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018	FY 2018 Guidance
Operating Cash Flow	**$ 235**	**$ 451**	**$ 900 - 1,100**
Less: CAPEX	(32)	(50)	(150)
Free Cash Flow	**$ 203**	**$ 401**	**$ 750 - 950**