



Conduent

NYSE: CNDT

Investor Presentation

Cautionary Statements

Forward-Looking Statements

This presentation contains “forward-looking statements” that involve risks and uncertainties. These statements can be identified by the fact that they do not relate strictly to historical or current facts, but rather are based on current expectations, estimates, assumptions and projections about the business process outsourcing industry and our business and financial results. Forward-looking statements often include words such as “anticipates,” “estimates,” “expects,” “projects,” “intends,” “plans,” “believes” and words and terms of similar substance in connection with discussions of future operating or financial performance. As with any projection or forecast, forward-looking statements are inherently susceptible to uncertainty and changes in circumstances. Our actual results may vary materially from those expressed or implied in our forward-looking statements. Accordingly, undue reliance should not be placed on any forward-looking statement made by us or on our behalf. Important factors that could cause our actual results to differ materially from those in our forward-looking statements include:

- government regulation, economic, strategic, political and social conditions and the following factors;
 - competitive pressures;
 - changes in interest in outsourced business process services;
 - our ability to obtain adequate pricing for our services and to improve our cost structure;
 - the effects of any acquisitions, joint ventures and divestitures by us;
 - our ability to attract and retain key employees;
 - our ability to attract and retain necessary technical personnel and qualified subcontractors and their ability to deliver or perform as expected;
 - termination right, audits and investigations associated with government contracts;
 - a decline in revenues from or a loss or failure of significant clients;
 - our ability to estimate the scope of work or the costs of performance in our contracts;
 - the failure to comply with laws relating to individually identifiable information and personal health information and laws relating to processing certain financial transactions, including payment card transactions and debit or credit card transactions;
 - our ability to deliver on our contractual obligations properly and on time;
 - our ability to renew commercial and government contracts awarded through competitive bidding processes;
 - increases in the cost of telephone and data services or significant interruptions in such services;
 - changes in tax and other laws and regulations;
 - changes in U.S. GAAP or other applicable accounting policies; and
- other factors that are set forth in the “Risk Factors” section; the “Legal Proceedings” section, The “Management Discussion and Analysis of Financial Condition and Results of Operations” section and other sections of the Conduent Incorporated Form 10 Registration Statement, as well as in our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

This list of important risk factors is not intended to be exhaustive. Conduent is under no obligation to, and expressly disclaims any obligation to, update any forward-looking statements as a result of new information or future events or developments, except as required by law.

We caution you that the foregoing list of important factors may not contain all of the material factors that are important to you. Any forward-looking statements made by us in this current report speak only as of the date on which they are made. We are under no obligation to, and expressly disclaim any obligation to, update or alter our forward-looking statements, whether as a result of new information, subsequent events or otherwise.

Non-GAAP Financial Measures

We have reported our financial results in accordance with U.S. generally accepted accounting principles (GAAP). In addition, we have discussed our financial results using the non-GAAP measures described below, consistent with Xerox’s historical presentation. 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 tax effects. Management believes that these non-GAAP financial measures provide an additional means of analyzing the current periods’ results against the corresponding prior periods’ 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 U.S. GAAP. Our non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable U.S. GAAP measures and should be read only in conjunction with our Consolidated Combined Financial Statements prepared in accordance with U.S. 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. Also, non-GAAP measures are footnoted, where applicable, in each slide herein.

Conduent Overview

Leader in business process services delivering seamless, mission-critical interactions for businesses, governments and their constituents globally

~\$6.4B

Revenue driven by long-term annuity contracts

~\$635M¹

Adjusted EBITDA

86%

Annual contract renewal rate

~96K

Teammates globally

~\$260B

Market opportunity

~6%

Annual market growth

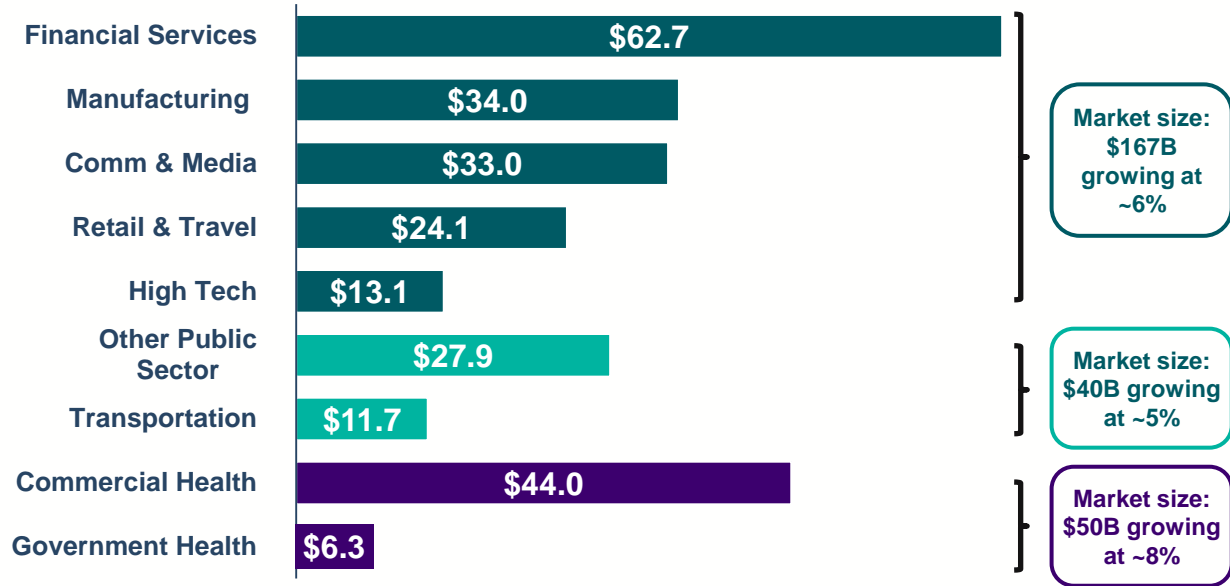
¹Please refer to Appendix for Non-GAAP reconciliations of adjusted EBITDA/margin, and adjusted EPS Revenue, Adjusted EBITDA and renewal rate reflect FY2016; teammate count as of December 31, 2016. Market size and growth rate source: Conduent Internal Data; 2015 Nelson Hall BPO market forecast

Large and Growing Addressable Market

Strong Client Base

- **76 of Fortune 100** companies
- **27 countries** rely on our transportation solutions
- **All top 20** managed U.S. healthcare plans
- **9 out of 10** global pharmaceutical companies
- **4 of top 5** global mobile phone manufacturers
- **3 out of 5** U.S. mobile phone providers
- **5 out of 10** largest global banks

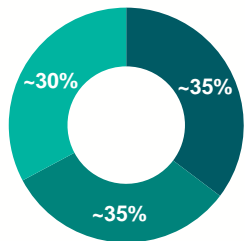
Market Size (\$B, 2016)



Segments and Service Offerings

Commercial Industries

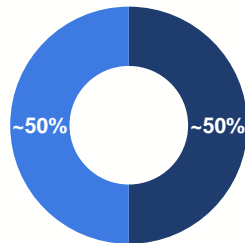
41% of Total 2016 Revenue
2.2% Segment Margin



- Customer Care
- Human Resource Services & Learning
- Other

Public Sector

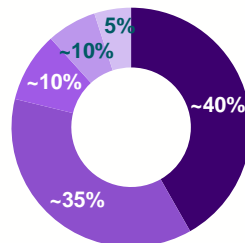
27% of Total 2016 Revenue
12.9% Segment Margin



- Transportation
- State, Local, Federal

Healthcare

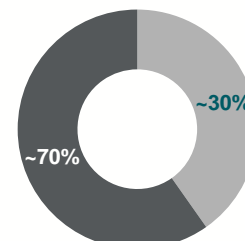
26% of Total 2016 Revenue
9.4% Segment Margin



- Payer
- Government
- Provider
- Pharma and Lifesciences
- Other

Other

6% of Total 2016 Revenue
Negative Margin Businesses



- Student Loan
- HE

← Average contract length¹: commercial clients (~3 years) and government clients (~5 years) →

Multi-Industry Platforms and Capabilities

Customer Care Services	Human Resource and Learning Services	Payment Services	Transaction Processing Services	Transportation Services	Additional Service Areas
					<ul style="list-style-type: none"> • Finance & Accounting • Legal Business • Industry Specific

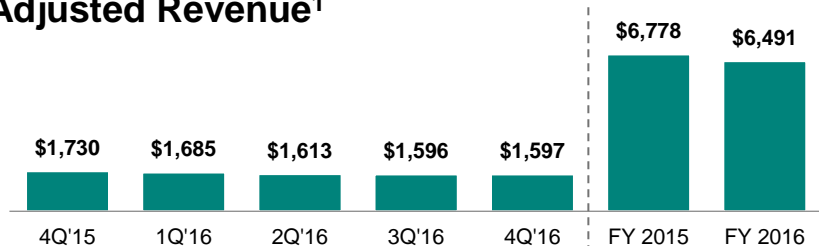
Applied Automation, Analytics and Innovation

Note: Revenue adjusted for HE charge (\$83MM) in Q4'16; Segment margin defined as pre-tax income plus amortization of intangible assets plus restructuring costs plus separation costs plus interest and other expenses as a percentage of revenue

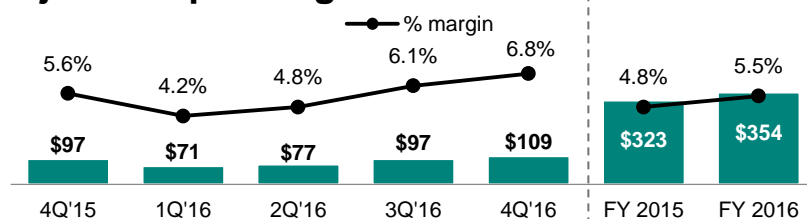
¹For contracts over \$5MM in annual revenue

FY 2016 Performance

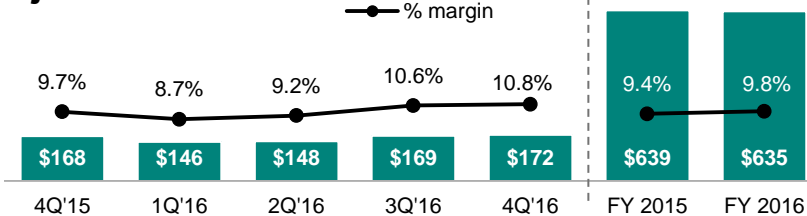
Adjusted Revenue¹



Adjusted Operating Income¹



Adjusted EBITDA¹



FY 2016 Financial Metrics – GAAP

(\$ in millions, except per share amounts)	FY 2015	FY 2016	B/(W) Yr/Yr
Revenue	\$6,662	\$6,408	(3.8%)
Pretax loss	(\$574)	(\$1,227)	NM
Net loss	(\$336)	(\$983)	NM
EPS loss	(\$1.65)	(\$4.85)	NM

FY 2016 Financial Metrics – Non-GAAP¹

(\$ in millions, except per share amounts)	FY 2015	FY 2016	B/(W) Yr/Yr
Adjusted revenue	\$6,778	\$6,491	(4.2%)
Adjusted net income	\$174	\$223	28%
Adjusted EBITDA	\$639	\$635	Flat
Adjusted EBITDA margin	9.4%	9.8%	40 bps
Adjusted EPS	\$0.83	\$1.06	28%

All results represent continuing operations. Dollar values for graphs are in millions.

¹Please refer to Appendix for Non-GAAP reconciliations of adjusted revenue, adjusted operating income/margin, adjusted net income, adjusted EBITDA/margin, and adjusted EPS

Strategic Transformation

Progress and outlook

- Near-term priorities continue to be optimizing, driving efficiency and taking out costs across IT, facilities and G&A
- Contract remediation remains a key opportunity
- Continue to balance reinvestment and margin expansion to meet 2017 and long-term financial targets

On-track to achieve long-term cost savings target

(in millions)

FY 2017 Cumulative Target

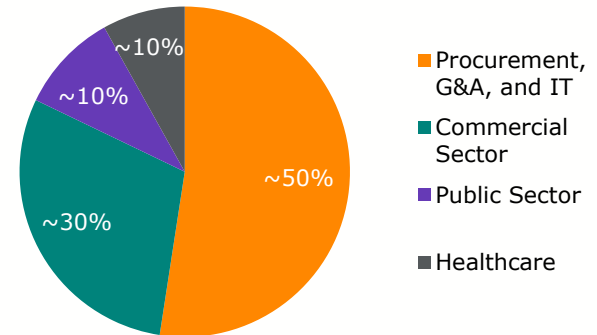
FY 2018 Cumulative Target

Savings

~\$430

~\$700

Sources of Transformation Savings through FY 2018



Unchanged Financial Performance Goals

	2017 Renewal and Refocus	2018 Stabilization	2019 Acceleration
Revenue Growth	Rate of decline similar to 2016 levels	Flat / positive momentum	Accelerating momentum
Adjusted EBITDA	Growth >5%	Growth >10%	Continued expansion
Growth Investments	Organic investment with modest tuck-in M&A	Increasing organic and inorganic investments	
Free Cash Flow	20 - 30% of Adjusted EBITDA	25 - 35% of Adjusted EBITDA	

Financials

Q4 2016 Earnings

<i>(in millions)</i>	<u>Q4 2016</u>	<u>B/(W)</u> <u>Yr/Yr</u>	<u>Comments</u>
GAAP revenue	\$1,514	(\$216)	NY MMIS, volumes, contract run-off, Student Loan
Adjusted revenue ¹	1,597	(133)	
Gross margin	8.1%	(850 bps)	Reflects the NY MMIS charge
Adjusted gross margin ¹	17.8%	120 bps	
SAG	\$169	\$8	
Adjusted operating income¹	\$109	\$12	Improvement reflects strategic transformation initiatives
<i>Adjusted operating margin¹</i>	<i>6.8%</i>	<i>120 bps</i>	
Amortization of intangible assets	\$80	(\$17)	Increase reflects write-off of retired brand names
Restructuring and related costs	44	(45)	Transformation driven
Goodwill impairment charge	935	(935)	Result of annual goodwill impairment test
Related party interest	(4)	15	
Separation costs	10	(10)	
Other net expense	24	(8)	
Pretax loss	(\$1,141)	(\$1,149)	
GAAP EPS loss	(\$4.69)	(\$4.66)	
Adjusted net income ¹	\$61	\$3	
Adjusted tax rate ¹	40.2%	(840 bps)	
Adjusted EPS¹	\$0.29	\$0.01	
Weighted avg. shares outstanding	202.9	-	
Adjusted weighted average shares outstanding	211.2	-	

¹Please refer to Appendix for Non-GAAP reconciliations of adjusted revenue, adjusted gross margin, adjusted operating income/margin, adjusted tax rate, adjusted net income and adjusted EPS

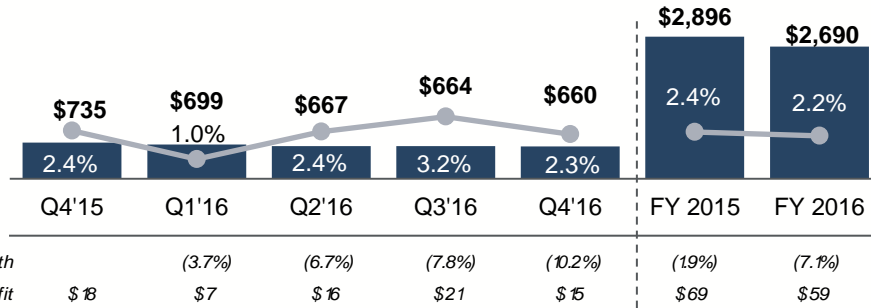
FY 2016 Earnings

<i>(in millions)</i>	FY 2016	<u>B/(W)</u> <u>Yr/Yr</u>	<u>Comments</u>
GAAP revenue	\$6,408	(\$254)	Lower volumes, contract run-off, Student Loan
Adjusted revenue ¹	6,491	(287)	Excludes NY, CA, MT HE charges
Gross margin	14.2%	390 bps	Reflects 2016 NY MMIS charge; 2015 CA and MT HE charges
Adjusted gross margin ¹	16.5%	70 bps	
SAG	\$686	\$13	
Adjusted operating income¹	\$354	\$31	Improvement reflects strategic transformation initiatives
<i>Adjusted operating margin</i>	<i>5.5%</i>	<i>70 bps</i>	
Amortization of intangible assets	\$280	(\$30)	Increase reflects write-off of retired brand names
Restructuring and related costs	101	58	Transformation driven
Goodwill impairment charge	935	(935)	Result of annual goodwill impairment test
Related party interest	26	35	
Separation costs	44	(44)	
Other net expense	34	4	
Pretax loss	(\$1,227)	(\$653)	
GAAP EPS loss	(\$4.85)	(\$2.81)	
Adjusted net income ¹	\$223	\$49	
Adjusted effective tax rate	29.0%	250 bps	Favorable audit settlements
Adjusted EPS¹	\$1.06	\$0.23	
Weighted avg. shares outstanding	202.9	-	
Adjusted weighted average shares outstanding	210.8	-	

¹Please refer to Appendix for Non-GAAP reconciliations of adjusted revenue, adjusted gross margin, adjusted operating income/margin, adjusted tax rate, and adjusted EPS.

Segment Performance

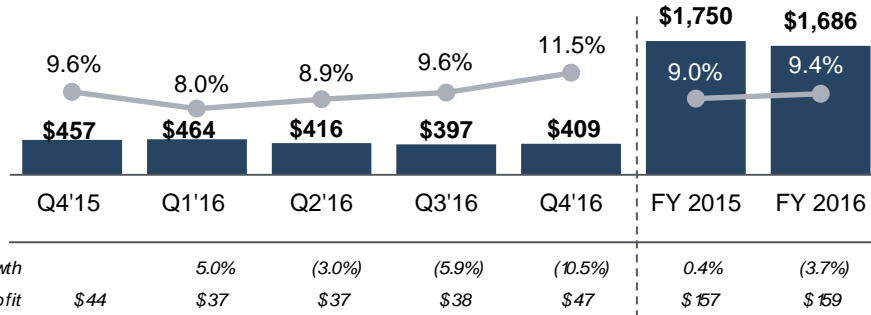
Commercial Industries



Q4 2016 Commentary

- Profit performance not improving as quickly as expected
- Impacted by delayed ramp of new business and lower volumes
- Focus on cost transformation, contract remediation and bidding new business with appropriate profitability and risk profile

Healthcare



Q4 2016 Commentary

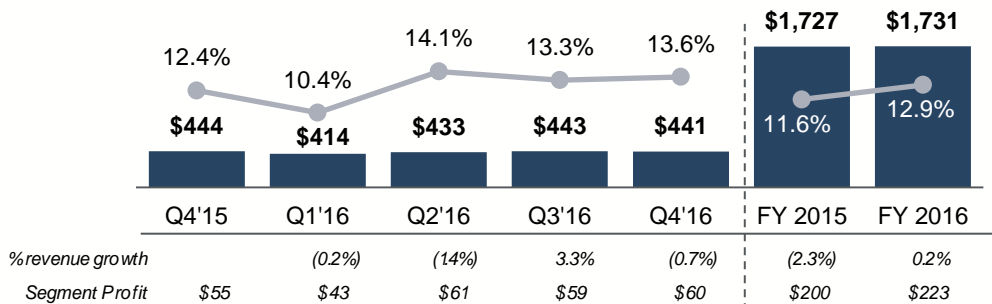
- Revenue decline driven by contract run-off and lower volumes
- Cost and productivity initiatives benefiting margins, with positive momentum in Q4 2016 results

Revenue in \$M % Segment Margin

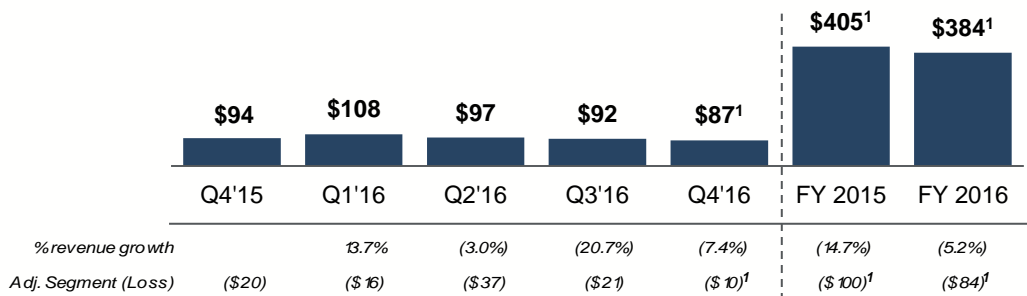
Dollar values for graphs are in millions

Segment Performance

Public Sector



Other^{1, 2}



Revenue in \$M
 % Segment Margin

Dollar values for graphs are in millions

¹Please refer to appendix for Non-GAAP reconciliations of adjusted revenue and adjusted operating income/margin

²Other segment includes Health Enterprise clients in AK, CA, MT, ND, NH, NY, our Student Loan business, non-allocated corporate expenses and inter-segment eliminations

Q4 2016 Commentary

- Revenue trend stable in 2016, but Q4 declined as the ramp-up of new business was more than offset by contract run-off
- Margin improvement driven by benefit from strategic transformation and other productivity initiatives

Q4 2016 Commentary

- Student Loan business remains in run-off
- Healthcare Enterprise focused on supporting current book of business and moving towards profitability
- Adjusted results exclude impact of NY MMIS contract write-off in full-year and Q4 of 2016 and CA and MT Health Enterprise charges for full-year 2015
- FY 2016 Adjusted segment loss driven by Healthcare ~(\$75M) and Student Loan ~(\$11M)

Cash Flow

<i>(in millions)</i>	<u>Q4 2016</u>	<u>FY 2016</u>
Net loss	(\$951)	(\$983)
Depreciation & amortization	196	613
Goodwill impairment	935	935
Stock-based compensation	6	24
Restructuring payments	(9)	(46)
Restructuring and asset impairment charges	28	73
Change for income tax assets and liabilities	(197)	(117)
Change in net working capital	140	(393)
Other	(2)	2
Operating Cash Flow	\$146	\$108
Net purchase of LB&E ¹ and other	(71)	(188)
Net proceeds from investments, sales, and acquisitions	11	(43)
Net payments on related party notes receivable	205	247
Investing Cash Flow	\$145	\$16
Cash from Financing	(\$45)	\$132
Effect of exchange rates on cash and cash equivalents	(4)	(6)
Beginning cash and cash equivalents	148	140
Change in cash and cash equivalents	242	250
Ending Cash and Cash Equivalents	\$390	\$390
Memo: Free Cash Flow²	\$74	(\$81)

• 2016 Free Cash Flow impacted by:

- Restructuring payments (\$46M)
- Separation payments (\$44M)
- Montana and California HE exits (\$155M)
- Reduction in factoring program (\$130M)
- Lease buyouts associated with separation (\$47M), primarily in LB&E

¹Includes cost of additions to land, building and equipment (LB&E) and internal use software

²Free cash flow is defined as operating cash flow less cost of additions to land, building and equipment and internal use software as well as cost of capital lease initiations of \$1M for Q4 and full-year. Please refer to appendix for the Non-GAAP reconciliation

Capital Structure Overview

Debt Structure (\$ in millions)

	12/31/16	12/31/16 Pro Forma ⁵
Cash	\$390	\$329
Total Debt¹	\$1,941	\$2,041
10.5% Senior Notes due 2024	\$510	\$510
Term Loan A ² due 2021	\$700 ⁶	\$700 ⁶
Term Loan B ² due 2023	\$750	\$850
Revolving Credit Facility ³ due 2021	\$0	\$0
Capital Leases	\$43	\$43
Current net leverage ratio⁴	2.4x	2.7x

¹ Total debt excludes deferred financing costs

² Revolving credit facility and Term Loan A interest rate is Libor + 225 bps; Term Loan B is Libor + 550 bps

³ \$750M of available capacity under Revolving Credit Facility as of 12/31/2016

⁴ Net debt (total debt less cash) divided by adjusted EBITDA

⁵ Adjusted to reflect the payment of \$161M to Xerox as part of the separation and \$100M of Term Loan B borrowing

⁶ Includes EUR 260M

Credit Metrics / Statistics

Expected Annual Cash Interest Expense	\$155 - 165M
<i>Preferred dividend (annually)</i>	~\$10M
Target Net Leverage Ratio	<2.5x
Average Maturity on Outstanding Debt	~6.5 years

Key Messages

- Still targeting to reduce leverage ratio over time with Adjusted EBITDA growth and required debt payments
- Liquidity includes:
 - \$750M of availability under revolver (undrawn as of 12/31/16)
 - \$329M of pro forma⁵ cash (net of January payment made to Xerox and additional \$100M Term Loan B borrowing)

Appendix

Non-GAAP Financial Measures

Non-GAAP Financial Measures

We have reported our financial results in accordance with U.S. generally accepted accounting principles (GAAP). In addition, we have discussed our financial results using the non-GAAP measures described below, consistent with Xerox's historical presentation. 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 tax effects. Management believes that these non-GAAP financial measures provide an additional means of analyzing the current periods' results against the corresponding prior periods' 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 U.S. GAAP. Our non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable U.S. GAAP measures and should be read only in conjunction with our Consolidated Financial Statements prepared in accordance with U.S. 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. Also, non-GAAP measures are footnoted, where applicable in each slide herein.

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. A reconciliation of the following Non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP are set forth as part of the Appendix to this presentation.

In connection with the preparation of our financial statements for the fiscal year ended December 31, 2016, during the fourth quarter, we performed our annual goodwill impairment test. Following the completion of the impairment test, we determined that we will record a non-cash goodwill impairment charge of \$935 million (approximately \$828 million after-tax or (\$4.08) per share) in our Commercial Sector reporting unit. Subsequent to the goodwill impairment charge, the Commercial Sector reporting unit's goodwill balance is approximately \$908 million. This non-cash charge is attributable primarily to weaker than expected Commercial Sector revenues and operating profits, including in the fourth quarter of 2016. We do not expect to make any current or future cash expenditures as a result of this impairment.

We are in discussions with the State of New York regarding the status and scope of the Health Enterprise platform project, which evolved to include options to not fully complete the project. Based on those discussions, we believe it is probable that we will not fully complete the implementation of the platform in New York. As a result of these developments, we will record a pre-tax charge of approximately \$161 million (approximately \$98 million after-tax or (\$0.48) per share) in our fourth quarter 2016 results reflecting estimated asset impairments, wind down costs and other impacts from this project. The charge includes approximately \$115 million for the write-off of receivables and other related assets and non-cash impairment charges, with the remainder of the charge expected to be cash outflows in future quarters for wind down and related costs.

Late in the third quarter of 2015, we determined that we would not fully complete Health Enterprise Medicaid platform implementation projects in California and Montana and recorded a charge of \$389 million. The charge included a \$116 million reduction to revenues with the remaining \$273 million recorded to costs of outsourcing.

The remainder of the charge was primarily related to settlement costs including payments to subcontractors that would result in cash outflows in future quarters

As a result of the significant impact of the Goodwill Impairment, NY MMIS Charge and HE Charge on our reported revenues, costs and expenses as well as key metrics for the period, we discuss our 2016 and 2015 results using non-GAAP financial measures that exclude the impact of these items, as discussed below.

Adjusted Net Income (Loss), Adjusted Earnings per Share, and Adjusted Effective Tax Rate.

We make adjustments to Income (Loss) before Income Taxes for the following items, for the purpose of calculating Adjusted Net Income (Loss), Adjusted Earnings per Share, and Adjusted Effective Tax Rate.

In 2016, we adjusted Income (Loss) before Income Taxes for the Goodwill Impairment charge of \$935 million recorded during the fourth quarter 2016.

Non-GAAP Financial Measures

Also in 2016, we adjusted Income (Loss) before Income Taxes for the New York Health Enterprise (NY MMIS) charge of \$161 million recorded during the fourth quarter 2016. In 2015, we adjusted Income (Loss) before Income Taxes for the Health Enterprise (HE) charge of \$389 million recorded during the third quarter 2015.

In addition to the items discussed above, for the quarter and full year ended December 31, 2016 and 2015 we Adjusted Net Income (Loss), Earnings per Share and Effective Tax Rate for the following items:

- Amortization of intangible assets. The amortization of intangible assets is driven by acquisition activity, which can vary in size, nature and timing as compared to other companies within our industry and from period to period.
- Restructuring and related costs. Restructuring and related costs include restructuring and asset impairment charges as well as costs associated with our Strategic Transformation program.
- Separation costs. Separation costs are expenses incurred in connection with separation from Xerox Corporation into a separate, independent, publicly traded company. Separation costs primarily relate to third-party investment banking, accounting, legal, consulting and other similar types of services related to the separation transaction as well as costs associated with the operational separation of the two companies.
- Other expenses, net, excluding third party interest expense. Other expenses, net includes losses (gains) on sales of businesses and assets, currency (gains) losses, net, litigation matters and all other expenses, net.

Adjusted Revenue, Costs and Expenses and Margin – Adjusted Operating Income. We make adjustments to Revenue, Costs and Expenses and Margin for the following items, for the purpose of calculating Adjusted Operating Income.

In 2016, we adjusted Income (Loss) before Income Taxes for the Goodwill Impairment charge of \$935 million recorded during the fourth quarter 2016.

As a result of the nature and the significant impact of the NY MMIS and HE charges on our reported revenues, costs and expenses, as well as key metrics for the period, we discussed our 2016 and 2015 Adjusted Operating Income after excluding the impact of the NY MMIS and HE charges. In 2016, we Adjusted Operating Income by adjusting Income (Loss) before Income Taxes for the fourth quarter NY MMIS charge of \$161 million, which included an \$83 million reduction in revenues. In 2015, we Adjusted Operating Income by adjusting Income (Loss) before Income Taxes for the third quarter HE charge of \$389 million, which included a \$116 million reduction in revenues.

In addition to the items discussed above, for the three months and year ended December 31, 2016 and 2015 we Adjusted Operating Income for the following items:

- As defined above in Adjusted Net Income (Loss), Adjusted Earnings per Share, and Adjusted Effective Tax Rate:
 - Amortization of intangible assets.
 - Restructuring and related costs.
 - Separation costs.
- We also adjust Operating Income for:
 - Related Party Interest. Includes interest payments to former parent.
 - Other expenses, net. Including third party interest, losses (gains) on sales of businesses and assets, currency (gains) losses, net, litigation matters and all other expenses, net.

Adjusted Revenues

As a result of the nature and the significant impact of the NY MMIS and HE charges on our reported revenues, we discussed our 2016 and 2015 revenues excluding the impact of the NY MMIS and HE charges. For the fourth quarter and full year 2016, we reduced revenues by \$83 million for NY MMIS. For the third quarter and full year 2015, we reduced revenues by \$116 million to reflect the reduction in HE revenues.

Non-GAAP Financial Measures

Adjusted EBITDA

We use Adjusted EBITDA to provide additional information that is useful to understand the financial covenants contained in the Company's credit facility and indenture. We also use Adjusted EBITDA as an additional way of assessing certain aspects of our operations that, when viewed with the GAAP results and the accompanying reconciliations to corresponding GAAP financial measures, provide a more complete understanding of our core business. Adjusted EBITDA represents Income (loss) before Income Taxes adjusted for the following items:

- As defined above in Adjusted Net Income (Loss), Adjusted Earnings per Share, and Adjusted Effective Tax Rate section or Adjusted Revenue, Costs and Expenses and Margin – Adjusted Operating Income section:
 - The fourth quarter of 2016 Goodwill Impairment Charge and NY MMIS charge.
 - The third quarter 2015 HE charge.
 - Amortization of intangible assets.
 - Restructuring and related costs.
 - Separation costs.
 - Related Party Interest. Includes interest payments to former parent.
 - Other expenses, net. Including third party interest, losses (gains) on sales of businesses and assets, currency (gains) losses, net, litigation matters and all other expenses, net.
- We also adjust EBITDA for:
 - Depreciation
 - NY MMIS depreciation
 - HE amortization

Adjusted EBITDA is not intended to represent cash flows from operations, operating income (loss) or net income (loss) as defined by U.S. GAAP as indicators of operating performance and are not necessarily comparable to similarly-titled measures reported by other companies. Management cautions that amounts presented in accordance with Conduent's definition Adjusted EBITDA may not be comparable to similar measures disclosed by other companies because not all companies calculate Adjusted EBITDA in the same manner.

Adjusted Other Segment Revenue and Profit

As a result of the nature and the significant impact of the NY MMIS and HE charges on our Other Segment Revenue and Profit, we discuss Other Segment Revenue and Profit excluding the impact of the NY MMIS and HE charges. In 2016, we adjusted Other Segment by adjusting for the fourth quarter NY MMIS charge of \$161 million, which included an \$83 million reduction in revenues. In 2015, we Adjusted Other Segment by adjusting for the third quarter HE charge of \$389 million, which included a \$116 million reduction in revenues.

Free Cash Flow

Free Cash Flow is defined as cash flows from operating activities as reported on the consolidated statement of cash flows, less cost of additions to land, buildings and equipment, cost of additions to internal use software and capital lease additions, plus proceed from sales of land, building and equipment. We use the non-GAAP measure of Free Cash Flow as a criterion of liquidity and performance-based components of employee compensation. We use Free Cash Flow as a measure of liquidity to determine amounts we can reinvest in our core businesses, such as amounts available to make acquisitions, invest in land, buildings and equipment and internal use software, make principal payments on debt, or amounts we can return to our stockholders through dividends and/or stock repurchases. In order to provide a meaningful basis for comparison, we are providing information with respect to our Free Cash Flow for the three months and year ended December 31, 2016, reconciled for each such period to cash flow provided by operating activities, which we believe to be the most directly comparable measure under GAAP.

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." Currency impact can be determined as the difference between actual growth rates and constant currency growth rates.

Non-GAAP Reconciliation: Net Income

(in millions)	Three Months Ended				Year Ended			
	December 31, 2016		December 31, 2015		December 31, 2016		December 31, 2015	
	Net Income (Loss)	EPS	Net Income (Loss)	EPS	Net Income (Loss)	EPS	Net Income (Loss)	EPS
Reported (loss) income from continuing operations	\$ (951)	\$ (4.69)	\$ 9	\$ 0.04	\$ (983)	\$ (4.85)	\$ (336)	\$ (1.65)
Adjustments:								
Goodwill impairment	935		-		935		-	
NY MMIS charge	161		-		161		-	
Amortization of intangible assets	80		63		280		250	
Restructuring and related costs	44		(1)		101		159	
HE charge	-		-		-		389	
Separation costs	10		-		44		-	
Other expenses, net excluding third party interest ⁽¹⁾	13		15		20		30	
Income tax adjustments ⁽²⁾	(231)		(28)		(335)		(318)	
Adjusted	\$ 61	\$ 0.29	\$ 58	\$ 0.28	\$ 223	\$ 1.06	\$ 174	\$ 0.83
Weighted average shares for adjusted EPS ⁽³⁾		211,247		211,247		210,774		210,774

(1) Excludes third party interest expense of \$11 million and \$1 million for the three months ended December 31, 2016 and 2015, respectively and \$14 million and \$8 million for the year ended December 31, 2016 and 2015, respectively.

(2) Refer to Effective Tax Rate reconciliation

(3) Average shares for the calculations of adjusted EPS include 5.9 million of shares associated with our Series A convertible

Non-GAAP Reconciliation: Effective Tax Rate

	Three Months Ended December 31, 2016			Three Months Ended December 31, 2015		
	Pre-Tax Income (Loss)	Income Tax (Expense) Benefit	Effective Tax Rate	Pre-Tax Income (Loss)	Income Tax (Expense) Benefit	Effective Tax Rate
<i>(in millions)</i>						
Reported from continuing operations	\$ (1,141)	\$ (190)	16.7%	\$ 8	\$ (1)	-12.5%
Non-GAAP adjustments ⁽¹⁾	1,243	231		77	28	
Adjusted⁽²⁾	\$ 102	\$ 41	40.2%	\$ 85	\$ 27	31.8%

	Year Ended December 31, 2016			Year Ended December 31, 2015		
	Pre-Tax Income (Loss)	Income Tax (Expense) Benefit	Effective Tax Rate	Pre-Tax Income (Loss)	Income Tax (Expense) Benefit	Effective Tax Rate
<i>(in millions)</i>						
Reported from continuing operations	\$ (1,227)	\$ (244)	19.9%	\$ (574)	\$ (238)	41.5%
Non-GAAP adjustments ⁽¹⁾	1,541	335		828	318	
Adjusted⁽²⁾	\$ 314	\$ 91	29.0%	\$ 254	\$ 80	31.5%

(1) Refer to Net (Loss) Income reconciliation for details.

(2) The tax impact of 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.

Non-GAAP Reconciliation: Operating Income

(in millions)	Three Months Ended December 31, 2016			Three Months Ended December 31, 2015		
	Pre-Tax			Pre-Tax		
	Profit (Loss)	Revenue	Margin	Profit (Loss)	Revenue	Margin
Reported from continuing operations	\$ (1,141)	\$ 1,514	-75.4%	\$ 8	\$ 1,730	0.5%
Adjustments:						
Goodwill impairment	935			-		
NY MMIS	161	83		-		
Amortization of intangible assets	80			63		
Restructuring and related costs	44			(1)		
Separation costs	10			-		
Related party interest	(4)			11		
Other expenses, net ⁽¹⁾	24			16		
Adjusted Operating Income/Margin	\$ 109	\$ 1,597	6.8%	\$ 97	\$ 1,730	5.6%

(1) Includes third party interest expense of \$11 million and \$1 million for the three months ended December 31, 2016 and 2015, respectively.

(in millions)	Year Ended December 31, 2016			Year Ended December 31, 2015		
	Pre-Tax			Pre-Tax		
	Profit (Loss)	Revenue	Margin	Profit (Loss)	Revenue	Margin
Reported from continuing operations	\$ (1,227)	\$ 6,408	-19.1%	\$ (574)	\$ 6,662	-8.6%
Adjustments:						
Goodwill impairment	\$ 935			\$ -		
Amortization of intangible assets	280			250		
NY MMIS	161	83		-		
Restructuring and related costs	101			159		
Separation costs	44			-		
Related party interest	26			61		
HE charge	-			389	116	
Other expenses, net ⁽¹⁾	34			38		
Adjusted Operating Income/Margin	\$ 354	\$ 6,491	5.5%	\$ 323	\$ 6,778	4.8%

(1) Includes third party interest expense of \$14 million and \$8 million for the year ended December 31, 2016 and 2015, respectively.

Non-GAAP Reconciliation: Revenue and Adjusted EBITDA

(in millions)

Reconciliation to Adjusted Revenue

	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	FY 2015	FY 2016
Total Revenue as reported	\$ 1,730	\$ 1,685	\$ 1,613	\$ 1,596	\$ 1,514	\$ 6,662	\$ 6,408
NY MMIS charge	-	-	-	-	83	-	83
HE charge	-	-	-	-	-	116	-
Adjusted Revenue	\$ 1,730	\$ 1,685	\$ 1,613	\$ 1,596	\$ 1,597	\$ 6,778	\$ 6,491

Reconciliation to Adjusted EBITDA

Pre-tax income (loss) as reported from continuing operations	\$ 8	\$ (54)	\$ (34)	\$ 2	\$ (1,141)	\$ (574)	\$ (1,227)
Depreciation	31	32	29	31	36	126	128
Amortization	103	118	104	104	159	474	485
Goodwill impairment	-	-	-	-	935	-	935
Restructuring and related costs	(1)	26	23	8	44	159	101
Separation costs	-	3	16	15	10	-	44
Related party interest expense	11	10	10	10	(4)	61	26
NY MMIS charge	-	-	-	-	161	-	161
NY MMIS depreciation	-	-	-	-	(52)	-	(52)
HE charge	-	-	-	-	-	389	-
HE depreciation	-	-	-	-	-	(34)	-
Other expenses, net ⁽¹⁾	16	11	-	(1)	24	38	34
Adjusted EBITDA	\$ 168	\$ 146	\$ 148	\$ 169	\$ 172	\$ 639	\$ 635
Adjusted EBITDA Margin	9.7%	8.7%	9.2%	10.6%	10.8%	9.4%	9.8%

(1) Includes third party interest expense as follows:

\$ 1	\$ 1	\$ 1	\$ 1	\$ 11	\$ 8	\$ 14
------	------	------	------	-------	------	-------

Non-GAAP Reconciliation: Other Segment Revenue and Profit

(in millions)

Reconciliation to Other Segment Adjusted Revenue

	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	FY 2015	FY 2016
Other Segment revenue as reported	\$ 94	\$ 108	\$ 97	\$ 92	\$ 4	\$ 289	\$ 301
NY MMIS charge	-	-	-	-	83	-	83
HE charge	-	-	-	-	-	116	-
Adjusted Other Segment Revenue	<u>\$ 94</u>	<u>\$ 108</u>	<u>\$ 97</u>	<u>\$ 92</u>	<u>\$ 87</u>	<u>\$ 405</u>	<u>\$ 384</u>

Reconciliation to Other Segment Adjusted Profit

Segment profit as reported	\$ (20)	\$ (16)	\$ (37)	\$ (21)	\$ (171)	\$ (489)	\$ (245)
NY MMIS charge	-	-	-	-	161	-	161
HE charge	-	-	-	-	-	389	-
Adjusted Other Segment Profit	<u>\$ (20)</u>	<u>\$ (16)</u>	<u>\$ (37)</u>	<u>\$ (21)</u>	<u>\$ (10)</u>	<u>\$ (100)</u>	<u>\$ (84)</u>

Non-GAAP Reconciliation: Free Cash Flow

(in millions)

	Three Months Ended December 31, 2016	Year Ended December 31, 2016
Cash flows from operations	\$ 146	\$ 108
Cost of addition to LB&E	(63)	(149)
Cost of addition to internal use software and other	(9)	(40)
Free Cash Flow	<u>\$ 74</u>	<u>\$ (81)</u>

