

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended: March 31, 2018**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from to**

**Commission File Number 001-37817**



**CONDUENT INCORPORATED**

(Exact Name of Registrant as specified in its charter)

**New York**

(State or other jurisdiction of  
incorporation or organization)

**100 Campus Drive, Suite 200  
Florham Park, New Jersey**

(Address of principal executive offices)

**81-2983623**

(IRS Employer  
Identification No.)

**07932**

(Zip Code)

**(844) 663-2638**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>		Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	(Do not check if a smaller reporting company)	Small reporting company	<input type="checkbox"/>
			Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by a check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

**Class**

Common Stock, \$0.01 par value

**Outstanding at April 30, 2018**

210,506,096

## FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q and any exhibits to this Report may 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 could cause actual results to differ materially. Such factors include, but are not limited to: termination rights contained in our government contracts; our ability to renew commercial and government contracts awarded through competitive bidding processes; our ability to recover capital and other investments in connection with our contracts; our ability to attract and retain necessary technical personnel and qualified subcontractors; our ability to deliver on our contractual obligations properly and on time; competitive pressures; our significant indebtedness; changes in interest in outsourced business process services; our ability to obtain adequate pricing for our services and to improve our cost structure; claims of infringement of third-party intellectual property rights; 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; breaches of our security systems and service interruptions; our ability to estimate the scope of work or the costs of performance in our contracts; our ability to collect our receivables for unbilled services; a decline in revenues from or a loss or failure of significant clients; fluctuations in our non-recurring revenue; our failure to maintain a satisfactory credit rating; our ability to attract and retain key employees; increases in the cost of telephone and data services or significant interruptions in such services; our failure to develop new service offerings; our ability to receive dividends or other payments from our subsidiaries; changes in tax and other laws and regulations; changes in government regulation and economic, strategic, political and social conditions; 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's Discussion and Analysis of Financial Condition and Results of Operations" section and other sections of this Quarterly Report on Form 10-Q, as well as in our 2017 Annual Report on Form 10-K filed with the Securities and Exchange Commission. Any forward-looking statements made by us in this Quarterly Report on Form 10-Q 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.

**TABLE OF CONTENTS**

	<u>Page</u>
<b>Part I — Financial Information</b>	
Item 1.	3
Financial Statements (Unaudited)	3
Condensed Consolidated Statements of Income (Loss)	4
Condensed Consolidated Statements of Comprehensive Income (Loss)	5
Condensed Consolidated Balance Sheets	6
Condensed Consolidated Statements of Cash Flows	7
Notes to the Condensed Consolidated Financial Statements	7
Note 1 – Basis of Presentation	8
Note 2 – Recent Accounting Pronouncements	12
Note 3 – Segment Reporting	14
Note 4 – Assets/Liabilities Held for Sale	14
Note 5 – Restructuring Programs and Related Costs	15
Note 6 – Debt	16
Note 7 – Financial Instruments	16
Note 8 – Fair Value of Financial Assets and Liabilities	17
Note 9 – Employee Benefit Plans	17
Note 10 – Accumulated Other Comprehensive Loss (AOCL)	20
Note 11 – Contingencies and Litigation	20
Note 12 – Preferred Stock	21
Note 13 – Shareholders' Equity	21
Note 14 – Earnings per Share	22
Note 15 – Subsequent Event	26
Item 2.	27
Management's Discussion and Analysis of Financial Condition and Results of Operations	27
Capital Resources and Liquidity	27
Market Risk Management	27
Non-GAAP Financial Measures	30
Item 3.	30
Quantitative and Qualitative Disclosures About Market Risk	30
Item 4.	30
Controls and Procedures	30
<b>Part II — Other Information</b>	
Item 1.	30
Legal Proceedings	31
Item 1A.	31
Risk Factors	31
Item 2.	32
Unregistered Sales of Equity Securities and Use of Proceeds	32
Item 6.	33
Exhibits	33
<b>Signatures</b>	<b>33</b>

For additional information about Conduent Incorporated and access to our Annual Reports to Shareholders and SEC filings, free of charge, please visit our website at [www.conduent.com/investor](http://www.conduent.com/investor). Any information on or linked from the website is not incorporated by reference into this Form 10-Q.

**PART I — FINANCIAL INFORMATION**  
**ITEM 1 — FINANCIAL STATEMENTS (UNAUDITED)**

**CONDUENT INCORPORATED**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS) (UNAUDITED)**

(in millions, except per share data)	Three Months Ended March 31,	
	2018	2017
<b>Revenue</b>	\$ 1,420	\$ 1,553
<b>Cost of services</b>	1,168	1,294
<b>Gross Margin</b>	252	259
<b>Operating Costs and Expenses</b>		
Research and development	2	4
Selling, general and administrative	145	169
Restructuring and related costs	20	18
Amortization of acquired intangible assets	61	61
Separation costs	—	5
Interest expense	33	36
(Gain) loss on divestitures and transaction costs	15	—
Litigation costs (recoveries), net	31	(11)
Other (income) expenses, net	(1)	(1)
<b>Total Operating Costs and Expenses</b>	<b>306</b>	<b>281</b>
<b>Income (Loss) Before Income Taxes</b>	<b>(54)</b>	<b>(22)</b>
Income tax expense (benefit)	(4)	(12)
<b>Income (Loss) From Continuing Operations</b>	<b>(50)</b>	<b>(10)</b>
Income (loss) from discontinued operations, net of tax	—	4
<b>Net Income (Loss)</b>	<b>\$ (50)</b>	<b>\$ (6)</b>
<b>Basic Earnings (Loss) per Share:</b>		
Continuing operations	\$ (0.26)	\$ (0.06)
Discontinued operations	—	0.02
<b>Total Basic Earnings (Loss) per Share</b>	<b>\$ (0.26)</b>	<b>\$ (0.04)</b>
<b>Diluted Earnings (Loss) per Share:</b>		
Continuing operations	\$ (0.26)	\$ (0.06)
Discontinued operations	—	0.02
<b>Total Diluted Earnings (Loss) per Share</b>	<b>\$ (0.26)</b>	<b>\$ (0.04)</b>

*The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.*

## Table of Contents

### CONDUENT INCORPORATED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

(in millions)	Three Months Ended March 31,	
	2018	2017
<b>Net Income (Loss)</b>	\$ (50)	\$ (6)
<b>Other Comprehensive Income (Loss), Net</b>		
Currency translation adjustments, net	9	12
Reclassification of currency translation adjustments on divestitures	5	—
Unrecognized gains (loss), net	(1)	2
Changes in benefit plans, net	—	1
<b>Other Comprehensive Income (Loss), Net</b>	13	15
<b>Comprehensive Income (Loss), Net</b>	\$ (37)	\$ 9

*The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.*

## Table of Contents

### CONDUENT INCORPORATED CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in millions, except share data in thousands)	March 31, 2018	December 31, 2017
<b>Assets</b>		
Cash and cash equivalents	\$ 553	\$ 658
Accounts receivable, net	1,026	1,114
Assets held for sale	659	757
Contract assets	163	—
Other current assets	219	181
<b>Total current assets</b>	<b>2,620</b>	<b>2,710</b>
Land, buildings and equipment, net	260	257
Intangible assets, net	831	891
Goodwill	3,457	3,366
Other long-term assets	343	324
<b>Total Assets</b>	<b>\$ 7,511</b>	<b>\$ 7,548</b>
<b>Liabilities and Equity</b>		
Short-term debt and current portion of long-term debt	\$ 81	\$ 82
Accounts payable	152	138
Accrued compensation and benefits costs	289	335
Unearned income	142	151
Liabilities held for sale	173	169
Other current liabilities	537	493
<b>Total current liabilities</b>	<b>1,374</b>	<b>1,368</b>
Long-term debt	1,972	1,979
Deferred taxes	382	384
Other long-term liabilities	131	146
<b>Total Liabilities</b>	<b>3,859</b>	<b>3,877</b>
Contingencies (See Note 11)		
Series A convertible preferred stock	142	142
Common stock	2	2
Additional paid-in capital	3,853	3,850
Retained earnings (deficit)	136	171
Accumulated other comprehensive loss	(481)	(494)
<b>Total Equity</b>	<b>3,510</b>	<b>3,529</b>
<b>Total Liabilities and Equity</b>	<b>\$ 7,511</b>	<b>\$ 7,548</b>
Shares of common stock issued and outstanding	210,494	210,440
Shares of series A convertible preferred stock issued and outstanding	120	120

*The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.*

**CONDUENT INCORPORATED**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

(in millions)	Three Months Ended March 31,	
	2018	2017
<b>Cash Flows from Operating Activities:</b>		
Net income (loss)	\$ (50)	\$ (6)
Adjustments required to reconcile net income (loss) to cash flows from operating activities:		
Depreciation and amortization	117	125
Deferred income taxes	(8)	(6)
(Gain) loss from investments	(1)	(3)
Amortization of debt financing costs	2	2
Net (gain) loss on divestitures and transaction costs	15	(7)
Stock-based compensation	7	6
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(75)	(110)
(Increase) decrease in other current and long-term assets	(49)	(34)
Increase (decrease) in accounts payable and accrued compensation	(40)	(49)
Increase (decrease) in restructuring liabilities	7	3
Increase (decrease) in other current and long-term liabilities	43	(17)
Net change in income tax assets and liabilities	(5)	(9)
Other operating, net	(1)	(2)
Net cash provided by (used in) operating activities	(38)	(107)
<b>Cash Flows from Investing Activities:</b>		
Cost of additions to land, buildings and equipment	(33)	(17)
Cost of additions to internal use software	(6)	(8)
Net cash provided by (used in) investing activities	(39)	(25)
<b>Cash Flows from Financing Activities:</b>		
Proceeds on long-term debt	—	306
Debt issuance fee payments	—	(1)
Payments on debt	(21)	(144)
Net (payments to) transfer from former parent company	—	(161)
Issuance of common stock related to employee stock plans	(4)	(2)
Dividends paid on preferred stock	(2)	(2)
Other financing	—	(2)
Net cash provided by (used in) financing activities	(27)	(6)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	—	2
Increase (decrease) in cash, cash equivalents and restricted cash	(104)	(136)
Cash, Cash Equivalents and Restricted Cash at Beginning of Period <sup>(1)</sup>	667	416
<b>Cash, Cash Equivalents and Restricted Cash at End of period<sup>(1)</sup></b>	<b>\$ 563</b>	<b>\$ 280</b>

(1) Includes approximately \$10 million and \$25 million of restricted cash for 2018 and 2017, respectively, that were included in Other current assets on the Condensed Consolidated Balance Sheets.

*The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.*

**CONDUENT INCORPORATED**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**Note 1 – Basis of Presentation**

References herein to “we,” “us,” “our,” the “Company” and “Conduent” refer to Conduent Incorporated and its consolidated subsidiaries unless the context suggests otherwise.

**Description of Business**

The Company is a global enterprise and leading provider of business process services with expertise in managing operations involving high volume, repeatable and individualized interactions. The Company’s portfolio covers both front office and back office operations; however, the majority of its revenue and differentiation derives from engagements where it serves on behalf of its clients to manage end-user interactions across a wide-range of domains. Examples include payments, collections, benefit administration and end-user communication services. The Company creates value for its commercial and government clients through more efficient service delivery combined with a personalized and seamless experience for the end-user. The Company applies its expertise, technology and innovation to continually modernize its offering for improved customer and constituent satisfaction and loyalty, increase process efficiency and respond rapidly to changing market dynamics.

**Basis of Presentation**

The unaudited interim Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) on a basis consistent with reporting interim financial information in accordance with instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities and Exchange Commission (SEC). The year-end Condensed Consolidated Balance Sheet was derived from the audited Consolidated Financial Statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017. Certain reclassifications have been made to prior year information to conform to current year presentation. Intercompany balances and transactions have been eliminated.

In the opinion of management, all adjustments necessary for a fair statement of the financial position, results of operations and cash flows have been made. These adjustments consist of normal recurring items. Interim results of operations are not necessarily indicative of the results of the full year. These financial statements should be read in conjunction with the Company’s Consolidated Financial Statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017.



## Note 2 – Recent Accounting Pronouncements

The Company's significant accounting policies are described in Note 1–Basis of Presentation and Summary of Significant Accounting Policies in the Company's 2017 Annual Report on Form 10-K. Summarized below are the accounting pronouncements adopted subsequent to December 31, 2017 that were applicable and material to the Company.

### New Accounting Standards Adopted

**Revenue Recognition:** In May 2014, the Financial Accounting Standards Board (FASB) updated the accounting guidance related to revenue recognition, which is also referred to herein as "new revenue standard" to clarify the principles for recognizing revenue and replaced all existing revenue recognition guidance in U.S. GAAP with one accounting model. The core principle of the guidance is that an entity should recognize revenue when the promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. The updated guidance also requires additional qualitative and quantitative disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers largely on a disaggregated basis. The Company adopted the new revenue standard as of January 1, 2018, using the modified retrospective method. The Company is applying the new revenue standard only to contracts not completed as of the date of initial application. The adoption has primarily impacted the following: (1) revenue associated with postage recognized on a net basis versus previously being recognized on a gross basis; (2) the timing of revenue recognition associated with fixed fees for certain contracts with more than one performance obligation; and (3) the timing of recognition of certain pricing discounts and credits.

The Company recorded a net increase to opening retained earnings of \$17 million as of January 1, 2018, due to the cumulative impact of adopting this new guidance. The comparative information has not been restated and continues to be reported under the accounting standards in effect for the periods presented.

The impact of the new revenue standard for the three months ended March 31, 2018, was a decrease in Revenue of \$44 million, primarily as a result of recognizing postage receipts on a net basis, in the Company's Condensed Consolidated Statements of Income (Loss). The impact of the new revenue standard, as of and for the period ended March 31, 2018, on the Company's pre-tax income, Condensed Consolidated Balance Sheets and Statements of Cash Flows was not material.

### Summary of Accounting Policy

#### Revenue recognition

The Company recognizes revenue when control of the promised goods or services is transferred to its customers, in an amount that reflects the consideration that the Company expects to receive in exchange for those goods or services.

The Company's contracts with customers often include promises to transfer multiple products and services to a customer. Determining whether products and services are considered distinct performance obligations that should be accounted for separately, versus together, may require significant judgment. For instance, the Company may contract for an implementation or development project and also provide services to operate the system which the Company implements or develops over a period of time; or the Company may contract to scan, manage and store customer documents. For these contracts, the Company accounts for individual performance obligations separately, if they are distinct. The transaction price is allocated to the separate performance obligations on a relative standalone selling price basis. The Company generally determines standalone selling prices based on the prices charged to customers or using expected cost plus margin.

Once the Company determines the performance obligations, the Company estimates the amount of variable consideration, if any, to be included in determining the transaction price. The majority of the Company's contracts consist of fixed, variable consideration or both. Typical forms of variable consideration include variable pricing such as volume discounts, tiered and declining pricing, penalties for service level agreements, performance bonuses and credits. The Company includes variable consideration in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty is resolved. In order to determine the transaction price, the Company estimates the amount of variable consideration at the inception of the contract, either utilizing the expected value or the most likely amount method, depending on the facts and circumstances relative to the contract. The Company estimates variable consideration and performs a constraint analysis for these contracts on the basis of both historical information and current trends.

The Company's performance obligations are generally transferred to customers over time. Typically, the Company's contracts include performance obligation(s) to stand-ready on a daily or monthly basis to provide services to the customers. A time-elapsed output method is used to measure progress because the Company transfers control evenly by providing a stand-ready service. In limited circumstances, the Company also uses a cost-to-cost based input method. The Company has determined that the above methods provide a faithful depiction of the transfer of services to the customer.

Estimates of revenue expected to be recognized in future periods exclude unexercised customer options to purchase additional services that do not represent material rights to the customer. Customer options that do not represent a material right are only accounted for, in accordance with the new revenue standard, when the customer exercises its option to purchase additional goods or services. The Company recognizes revenue for non-refundable upfront implementation fees on a straight-line basis over the period between the initiation of the services through the end of the contract terms.

When more than one party is involved in providing services to a customer, the Company evaluates whether it is the principal, and reports revenue on a gross basis, or an agent, and reports revenue on a net basis. In this assessment, the Company considers the following: if it obtains control of the specified services before they are transferred to the customer; is primarily responsible for fulfillment and inventory risk; and has discretion in establishing price.

The Company reports revenue net of any revenue-based taxes assessed by governmental authorities that are imposed on and concurrent with specific revenue-producing transactions. The primary revenue-based taxes are sales tax and value-added tax (VAT).

The Company's payment terms vary by type of services offered. The time between invoicing and when payment is due is not significant. For certain services and customer types, the Company requires payment before services are rendered.

From time to time, the Company's contracts are modified to account for additions or changes to existing performance obligations. The Company's contract modifications are generally accounted for prospectively.

## Disaggregation of Revenue

The following table provides information about disaggregated revenue by major service line and timing of revenue recognition, as well as a reconciliation of the disaggregated revenue with reportable segments:

(in millions)	Three Months Ended March 31, 2018	
<b>Commercial Industries:</b>		
Digital interactions	\$	295
Customer experience		299
Human resource services		260
<b>Total Commercial Industries</b>		<b>854</b>
<b>Public Sector:</b>		
Federal, state and local government		274
Payment services		84
Transportation services		200
<b>Total Public Sector</b>		<b>558</b>
<b>Other:</b>		
Other		8
<b>Total Other</b>		<b>8</b>
<b>Total Consolidated Revenue</b>	\$	<b>1,420</b>
<b>Timing of Revenue Recognition:</b>		
Point in time	\$	36
Over time		1,384
<b>Total Revenue</b>	\$	<b>1,420</b>

Refer to Note 3 – Segment Reporting for additional information on the Company's reportable segments.

The Company's contracts with customers are broadly similar in nature throughout the Company's major service lines. The following is a description of the Company's major service lines from which the Company generates revenue.

- **Digital Interactions:** The Company leverages technology to assist its clients with transaction processing as well as providing platform solutions.
- **Customer Experience:** The Company offers a range of services that help its clients support their end-users. This includes in-bound and out-bound call support spanning from simple customer care to complex technical support and patient assistance. The Company also provides multi-channel communication support (both print and digital) across a range of industries.
- **Human Resource Services:** The Company helps its clients support their employees at all stages of employment from initial on-boarding through retirement as well as Health Savings Account (HSA) administration. The Company offers clients a range of customized advisory, technology and administrative services that improve the ability of employees to manage their benefits, professional development and retirement planning. Also, the Company assists its clients in Workers Compensation claims management.
- **Federal, State and Local Government:** The Company's services include public assistance program administration such as child support, pension administration, records management, electronic benefits, eligibility and payment cards, unclaimed property, disease management and software offerings in support of federal, state and local government agencies.
- **Payment Services:** The Company's payment services include Prepaid Cards, Child Support disbursements and other government support programs, disbursement of electronic payments directly to end users, collections and transfer of payments.

- **Transportation Services:** The transportation services the Company offers include support for electronic toll collection, public transit, parking, photo enforcement and commercial vehicle operations.

**Contract Balances**

The Company receives payments from customers based upon contractual billing schedules. Accounts receivable are recorded when the right to consideration becomes unconditional. Contract assets are the Company's rights to consideration for services provided when the right is conditioned on something other than passage of time (for example, meeting a milestone for the right to bill under the cost-to-cost measure of progress). Contract assets are transferred to Accounts receivable when the rights become unconditional. Unearned income includes payments received in advance of performance under the contract, which are realized when the associated revenue is recognized under the contract.

The following table provides information about the balances of the Company's contract assets, unearned income and receivables from contract with customers:

(in millions)	March 31, 2018	January 1, 2018
<b>Contract Assets (Unearned Income)</b>		
Current contract assets <sup>(1)</sup>	\$ 163	\$ 191
Long-term contract assets <sup>(2)</sup>	35	2
Current unearned income	(142)	(128)
Long-term unearned income <sup>(3)</sup>	(42)	(46)
<b>Net Contract Assets (Unearned Income)</b>	<b>\$ 14</b>	<b>\$ 19</b>
Accounts receivable, net	\$ 1,026	\$ 908

(1) Prior to the adoption of the new revenue standard, these amounts were recorded in Accounts receivable, net and represented unbilled amounts.

(2) Presented in Other long-term assets in the Condensed Consolidated Balance Sheets

(3) Presented in Other long-term liabilities in the Condensed Consolidated Balance Sheets

Revenue of \$83 million was recognized during the three months ended March 31, 2018 related to the Company's unearned income at January 1, 2018. The Company had no asset impairment charges related to contract assets for the three months ended March 31, 2018.

**Transaction Price Allocated to the Remaining Performance Obligations**

Estimated revenue expected to be recognized in the future related to performance obligations that are unsatisfied or partially satisfied at March 31, 2018, was approximately \$2.4 billion. The Company expects to recognize approximately 40% and 23% of the remaining performance obligations through 2018 and 2019, respectively, with the remaining recognized thereafter.

**Costs to Obtain and Fulfill a Contract**

The Company capitalizes commission expenses paid to internal sales personnel that are incremental to obtaining customer contracts. The net book value of these costs, which were \$29 million as of March 31, 2018, are included in Other current assets or Other long-term assets. The judgments made in determining the amount of costs incurred include whether the commissions are incremental and directly related to a successful acquisition of a customer contract. These costs are amortized in Selling, general and administrative costs over the term of the contract or the estimated life of the customer relationship, if renewals are expected and the renewal commission is not commensurate with the initial commission. These costs are periodically reviewed for impairment. The Company expenses sales commissions when incurred if the amortization period of the sales commission is one year or less.

Also, the Company capitalizes costs incurred to fulfill its contracts that (i) relate directly to the contract (ii) are expected to generate resources that will be used to satisfy the Company's performance obligation under the contract and (iii) are expected to be recovered through revenue generated under the contract. The net book value of these costs, which comprise set-up/transition activities, were \$68 million as of March 31, 2018, and are classified in Other current assets or Other long-term assets on the Condensed Consolidated Balance Sheets. Contract fulfillment costs are expensed to Cost of services as the Company satisfies its performance obligations by transferring the service to the customer. These costs are amortized on a systematic basis over the expected period of benefit.

The amount of amortization of cost incurred to obtain and fulfill a contract for the three months ended March 31, 2018, was \$14 million.

**Cash Flows:** In November 2016, the FASB issued updated accounting guidance regarding the presentation of restricted cash in the Condensed Consolidated Statements of Cash Flows. Specifically, this update requires that restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the Condensed Consolidated Statements of Cash Flows. The Company adopted this updated accounting guidance on January 1, 2018 using the retrospective method. The revision to prior year Condensed Consolidated Statements of Cash Flows from the adoption of this guidance was a reclassification in the Condensed Consolidated Statements of Cash Flows of \$25 million of restricted cash to cash, cash equivalents and restricted cash.

### **New Accounting Standards To Be Adopted**

**Leases:** In February 2016, the FASB updated the accounting guidance related to leases requiring lessees to recognize a right-of-use asset and a lease liability on the balance sheet for all leases except short term leases (lease term of 12 months or less). The accounting for lessors is largely unchanged. This updated guidance is effective for us beginning January 1, 2019. This guidance must be adopted using a modified retrospective approach through a cumulative-effect adjustment for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. While we are currently evaluating the impact on the Company's Consolidated Financial Statements, we do expect a material impact to the Consolidated Balance Sheets.

### **Note 3 – Segment Reporting**

The Company's reportable segments correspond to how we organize and manage the business and are aligned to the industries in which our clients operate.

Beginning in 2018, the Company moved the Health Enterprise business from the Other segment into the Public Sector segment. In addition, the Company moved the historical results of the divested businesses to the Other segment from both the Commercial Industries and the Public Sector segments. The prior periods presented have been revised to reflect these changes.

Our financial performance is based on Segment Profit / (Loss) and Segment Adjusted EBITDA for the following two segments:

- Commercial Industries
- Public Sector

**Commercial Industries:** Our Commercial Industries segment provides business process services and customized solutions to clients in a variety of industries. Across the Commercial Industries segment, we deliver end-to-end business-to-business and business-to-customer services that enable our clients to optimize their key processes. Our multi-industry competencies include customer care, human resource management and finance and accounting services.

**Public Sector:** Our Public Sector segment provides government-centric business process services to U.S. federal, state and local and foreign governments for transportation, public assistance, program administration, transaction processing, Medicaid platform and payment services.

Other segment includes our Student Loan business, which is in run-off mode.

Selected financial information for our reportable segments is as follows:

(in millions)	Three Months Ended March 31,			
	Commercial Industries	Public Sector	Other	Total
<b>2018</b>				
Revenue	\$ 854	\$ 558	\$ 8	\$ 1,420
Segment profit (loss)	\$ 44	\$ 65	\$ (4)	\$ 105
Segment depreciation and amortization	\$ 34	\$ 22	\$ —	\$ 56
Adjusted EBITDA	\$ 78	\$ 87	\$ (4)	\$ 161
<b>2017</b>				
Revenue	\$ 895	\$ 609	\$ 49	\$ 1,553
Segment profit (loss)	\$ 26	\$ 57	\$ 3	\$ 86
Segment depreciation and amortization	\$ 36	\$ 27	\$ 1	\$ 64
Adjusted EBITDA <sup>(1)</sup>	\$ 62	\$ 87	\$ 4	\$ 153

(1) 2017 Adjusted EBITDA for Public Sector does not include \$3 million of net NY MMIS and HE charge.

(in millions)	Three Months Ended March 31,	
	2018	2017
<b>Segment Profit (Loss) Reconciliation to Pre-tax Income (Loss)</b>		
Income (Loss) Before Income Taxes	\$ (54)	\$ (22)
<b>Reconciling items:</b>		
Restructuring and related costs	20	18
Amortization of acquired intangible assets	61	61
Interest expense	33	36
Separation costs	—	5
(Gain) loss on divestitures and transaction costs	15	—
Litigation costs (recoveries), net	31	(11)
Other (income) expenses, net	(1)	(1)
<b>Segment Pre-tax Income (Loss)</b>	<b>\$ 105</b>	<b>\$ 86</b>
Segment depreciation and amortization	\$ 56	\$ 64
NY MMIS	—	8
HE charge	—	(5)
<b>Adjusted EBITDA</b>	<b>\$ 161</b>	<b>\$ 153</b>

**Note 4 – Assets/Liabilities Held for Sale**

As of March 31, 2018 and December 31, 2017, there were certain businesses that qualified as assets/liabilities held for sale due to plans for disposal through sale. These assets/liabilities held for sale include a mix of both Commercial Industries and Public Sector that represent businesses in markets or with services that the Company did not see as strategic or core. The following is a summary of the major categories of assets and liabilities that have been reclassified to held for sale.

(in millions)	March 31, 2018	December 31, 2017
Accounts Receivable, net	\$ 134	\$ 160
Other current assets	42	41
Contract assets	5	—
Land, building and equipment, net	5	6
Product Software, net	4	3
Intangible assets, net	7	7
Goodwill	458	537
Other long-term assets	4	3
<b>Total Assets held for sale</b>	<b>\$ 659</b>	<b>\$ 757</b>
Accounts payable	\$ 8	\$ 9
Accrued compensation	16	20
Unearned revenue	24	30
Other current liabilities	71	53
Pension and other benefit obligations	48	50
Other long-term liabilities	6	7
<b>Total Liabilities held for sale</b>	<b>\$ 173</b>	<b>\$ 169</b>

**Note 5 – Restructuring Programs and Related Costs**

The Company engages in a series of restructuring programs related to downsizing its employee base, exiting certain activities, outsourcing certain internal functions and engaging in other actions designed to reduce its cost structure and improve productivity. The implementation of the Company's strategic transformation program and various productivity initiatives have reduced the Company's real estate footprint across all geographies and segments resulting in increased lease cancellation and other related costs. Management continues to evaluate the Company's business; therefore, in future years, there may be additional provisions for new plan initiatives, as well as changes in previously recorded estimates, as payments are made or actions are completed. Asset impairment charges were also incurred in connection with these restructuring actions for those assets sold, abandoned or made obsolete as a result of these programs.

Costs associated with restructuring, including employee severance and lease termination costs, are generally recognized when it has been determined that a liability has been incurred, which is generally upon communication to the affected employees or exit from the leased facility. In those geographies where we have either a formal severance plan or a history of consistently providing severance benefits representing a substantive plan, we recognize employee severance costs when they are both probable and reasonably estimable.

## Table of Contents

A summary of the Company's restructuring program activity during the three months ended March 31, 2018 was as follows:

<i>(in millions)</i>	Severance and Related Costs	Lease Cancellation and Other Costs	Total
<b>Accrued Balance at December 31, 2017</b>	\$ 14	\$ 30	\$ 44
Restructuring provision	17	7	24
Reversals of prior accruals	(3)	(2)	(5)
<b>Total Net Current Period Charges</b>	14	5	19
Payments against reserve and currency	(5)	(8)	(13)
Liabilities held for sale	—	1	1
<b>Accrued Balance at March 31, 2018</b>	<u>\$ 23</u>	<u>\$ 28</u>	<u>\$ 51</u>

<i>(in millions)</i>	Severance and Related Costs	Lease Cancellation and Other Costs	Total
<b>Accrued Balance at December 31, 2016</b>	\$ 15	\$ 6	\$ 21
Restructuring provision	11	3	14
Reversals of prior accruals	(1)	(1)	(2)
<b>Total Net Current Period Charges</b>	10	2	12
Payments against reserve and currency	(8)	(1)	(9)
<b>Accrued Balance at March 31, 2017</b>	<u>\$ 17</u>	<u>\$ 7</u>	<u>\$ 24</u>

In addition, the Company recorded professional support costs associated with the strategic transformation program of \$1 million and \$6 million in Restructuring and related costs during the three months ended March 31, 2018 and 2017, respectively.

The following table summarizes the total amount of costs incurred in connection with these restructuring programs by segment:

<i>(in millions)</i>	Three Months Ended March 31,	
	2018	2017
Commercial Industries	\$ 15	\$ 8
Public Sector	3	4
Other	1	—
<b>Total Net Restructuring and Asset Impairment Charges</b>	<u>\$ 19</u>	<u>\$ 12</u>

### Note 6 - Debt

Long-term debt was as follows:

<i>(in millions)</i>	March 31, 2018	December 31, 2017
Term loan A due 2021	\$ 728	\$ 732
Term loan B due 2023	840	842
Senior notes due 2024	510	510
Capital lease obligations	28	33
<b>Principal debt balance</b>	2,106	2,117
Debt issuance costs and unamortized discounts	(53)	(56)
Less: current maturities	(81)	(82)
<b>Total Long-term Debt</b>	<u>\$ 1,972</u>	<u>\$ 1,979</u>



## Note 7 – Financial Instruments

The Company is a global company that is exposed to foreign currency exchange rate fluctuations in the normal course of its business. As a part of the Company's foreign exchange risk management strategy, the Company uses derivative instruments, primarily forward contracts, to hedge the funding of foreign entities which have a non-dollar functional currency, thereby reducing volatility of earnings or protecting fair values of assets and liabilities.

At March 31, 2018 and December 31, 2017, the Company had outstanding forward exchange contracts with gross notional values of approximately \$137 million and \$160 million, respectively. Approximately 61% of these contracts mature within three months, 15% in three to six months, 19% in six to 12 months and 5% in greater than 12 months. The majority of these foreign currency derivative contracts are designated as cash flow hedges and did not have a material impact on the Company's balance sheet, income statement or cash flows for the periods presented.

## Note 8 – Fair Value of Financial Assets and Liabilities

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. U.S. GAAP established a hierarchy framework to classify the fair value base on the observability of significant inputs to the measurement. The levels of the fair value hierarchy are as follows:

Level 1: Fair value is determined using an unadjusted quoted price in an active market for identical assets or liabilities.

Level 2: Fair value is estimated using inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.

Level 3: Fair value is estimated using unobservable inputs that are significant to the fair value of the assets or liabilities.

The following table represents assets and liabilities measured at fair value on a recurring basis. The basis for the measurement at fair value in all cases is Level 2.

(in millions)	March 31, 2018	December 31, 2017
<b>Assets:</b>		
Foreign exchange contract - forward	\$ 1	\$ 2
<b>Total Assets</b>	<b>\$ 1</b>	<b>\$ 2</b>
<b>Liabilities:</b>		
Foreign exchange contracts - forwards	\$ 1	\$ 1
Deferred compensation plan liabilities <sup>(1)</sup>	92	99
<b>Total Liabilities</b>	<b>\$ 93</b>	<b>\$ 100</b>

(1) In September 2017, the Company terminated the legacy deferred compensation plans (Plans) and the Company Owned Life Insurance (COLI), which held the Plans' investments. The Company will make payments to Plan participants during the remainder of 2018.

**Summary of Other Financial Assets and Liabilities Accounted at Fair Value on a Nonrecurring Basis**

The estimated fair values of our other financial assets and liabilities not measured at fair value on a recurring basis were as follows:

(in millions)	March 31, 2018		December 31, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	1,972	2,063	1,979	2,070

The fair value amounts for Cash and cash equivalents, Restricted cash, Accounts receivable, net and Short-term debt approximate carrying amounts due to the short-term maturities of these instruments. The fair value of Long-term debt was estimated based on the current rates offered to the Company for debt of similar maturities (Level 2).

**Note 9 – Employee Benefit Plans**

The Company recognized an expense related to its defined contribution plans of \$8 million and \$10 million for the three months ended March 31, 2018 and 2017, respectively.

**Note 10 - Accumulated Other Comprehensive Loss (AOCL)**

AOCL is comprised of the following:

(in millions)	March 31, 2018	December 31, 2017
Cumulative currency translation adjustments	\$ (423)	\$ (437)
Other unrealized gains (losses), net	—	1
Benefit plans net actuarial losses and prior service credits	(58)	(58)
<b>Total Accumulated Other Comprehensive Loss</b>	<b>\$ (481)</b>	<b>\$ (494)</b>

**Note 11 – Contingencies and Litigation**

As more fully discussed below, the Company is involved in a variety of claims, lawsuits, investigations and proceedings concerning: securities law; governmental entity contracting, servicing and procurement law; intellectual property law; environmental law; employment law; commercial and contracts law; the Employee Retirement Income Security Act (ERISA); and other laws and regulations. The Company determines whether an estimated loss from a contingency should be accrued by assessing whether a loss is deemed probable and can be reasonably estimated. The Company assesses its potential liability by analyzing its litigation and regulatory matters using available information. The Company develops its view on estimated losses in consultation with outside counsel handling its defense in these matters, which involves an analysis of potential results, assuming a combination of litigation and settlement strategies. Should developments in any of these matters cause a change in the Company's determination as to an unfavorable outcome and result in the need to recognize a material accrual, or should any of these matters result in a final adverse judgment or be settled for significant amounts, this could have a material adverse effect on the Company's results of operations, cash flows and financial position in the period or periods in which such change in determination, judgment or settlement occurs. The Company believes it has recorded adequate provisions for any such matters as of March 31, 2018. Litigation is inherently unpredictable, and it is not possible to predict the ultimate outcome of these matters and such outcome in any such matters could be in excess of any amounts accrued and could be material to the Company's results of operations, cash flows or financial position in any reporting period.

Additionally, guarantees, indemnifications and claims arise during the ordinary course of business from relationships with suppliers, customers and nonconsolidated affiliates when the Company undertakes an obligation to guarantee the performance of others if specified triggering events occur. Nonperformance under a contract could trigger an obligation of the Company. These potential claims include actions based upon alleged exposures to products, real estate, intellectual property such as patents, environmental matters and other indemnifications. The ultimate effect on future financial results is not subject to reasonable estimation because considerable uncertainty exists as to the

final outcome of these claims. However, while the ultimate liabilities resulting from such claims may be significant to results of operations in the period recognized, management does not anticipate they will have a material adverse effect on the condensed consolidated financial position or liquidity. As of March 31, 2018, the Company had accrued its estimate of liability incurred under its indemnification arrangements and guarantees.

## **Litigation Against the Company**

**State of Texas v. Xerox Corporation, Conduent Business Services, LLC (f/k/a Xerox Business Services, LLC), Conduent State Healthcare, LLC (f/k/a Xerox State Healthcare, LLC, f/k/a ACS State Healthcare, LLC) and Conduent Incorporated:** On May 9, 2014, the State of Texas, via the Texas Office of Attorney General (the "State"), filed a lawsuit in the 53rd Judicial District Court of Travis County, Texas. The lawsuit alleges that Xerox Corporation, Xerox State Healthcare, LLC and ACS State Healthcare (collectively, the "Xerox Defendants") violated the Texas Medicaid Fraud Prevention Act in the administration of its contract with the Texas Department of Health and Human Services ("HHSC"). The State alleges that the Xerox Defendants made false representations of material facts regarding the processes, procedures, implementation and results regarding the prior authorization of orthodontic claims. The State seeks recovery of amounts paid for orthodontic treatment under the Texas Medicaid program for the period from approximately 2004 to 2012, three times the amount of the payments made as a result of the alleged unlawful acts, civil penalties, pre- and post-judgment interest and all costs and attorneys' fees. The Xerox Defendants filed their Answer in June, 2014 denying all allegations. A trial date is schedule for November, 2018. During the first quarter of 2018, the State notified the Xerox Defendants in the litigation discovery process that its claim is in excess of two billion dollars based primarily on the assertion of treble damages and civil penalties per illegal act for almost two hundred thousand purported illegal acts. The Xerox Defendants will forcefully contest this assertion and continue to vigorously defend themselves in this matter. We are not able to determine or predict the ultimate outcome of this proceeding or to estimate any reasonably possible loss or range of losses, if any, in excess of the thirty-eight million dollars the Company has already accrued. In the course of litigation, the Company periodically engages in discussions with the State's counsel for possible resolution of the matter. Should developments cause a change in the Company's determination as to an unfavorable outcome, or result in a final adverse judgment or settlement for a significant amount, there could be a material adverse effect on the Company's results of operations, cash flows and financial position in the period in which such change in determination, judgment or settlement occurs.

**Dennis Nasrawi v. Buck Consultants et al.:** On October 8, 2009, plaintiffs filed a lawsuit in the Superior Court of California, Stanislaus County, and on November 24, 2009, the case was removed to the U.S. Court for the Eastern District of California, Fresno Division. Plaintiffs allege actuarial negligence against Buck Consultants, LLC ("Buck"), a wholly-owned subsidiary of Conduent, for the use of faulty actuarial assumptions in connection with the 2007 actuarial valuation for the Stanislaus County Employees Retirement Association ("StanCERA"). Plaintiffs allege that the employer contribution rate adopted by StanCERA based on Buck's valuation was insufficient to fund the benefits promised by the County. On July 13, 2012, the Court entered its ruling that the plaintiffs lacked standing to sue in a representative capacity on behalf of all plan participants. The Court also ruled that plaintiffs had adequately pleaded their claim that Buck allegedly aided and abetted StanCERA in breaching its fiduciary duty. Plaintiffs then filed their Fifth Amended Complaint and added StanCERA to the litigation. Buck and StanCERA filed demurrers to the amended complaint. On September 13, 2012, the Court sustained both demurrers with prejudice, completely dismissing the matter and barring plaintiffs from refileing their claims. Plaintiffs appealed, and ultimately the California Court of Appeals (Sixth District) reversed the trial court's ruling and remanded the case back to the trial court. This case has been stayed pending the outcome of parallel litigation the plaintiffs are pursuing against StanCERA. Buck will continue to aggressively defend these lawsuits. The Company is not able to determine or predict the ultimate outcome of this proceeding or reasonably provide an estimate or range of estimate of the possible outcome or loss, if any.

**Conduent Business Services, LLC v. Cognizant Business Services, LLC:** On April 12, 2017, Conduent Business Services LLC ("Conduent") filed a lawsuit against Cognizant Business Services Corporation ("Cognizant") in the Supreme Court of New York County, New York. The lawsuit relates to the Amended and Restated Master Outsourcing Services Agreement effective as of October 24, 2012, and the service delivery contracts and work orders thereunder, between Conduent and Cognizant, as amended and supplemented (the "Contract"). The Contract contains certain minimum purchase obligations by Conduent through the date of expiration. The lawsuit alleges that Cognizant committed multiple breaches of the Contract, including Cognizant's failure to properly perform its obligations as subcontractor to Conduent under Conduent's contract with the New York Department of Health to provide a Medicaid Management Information Systems (the "NY MMIS Contract"). In the lawsuit, Conduent seeks damages in excess of one hundred fifty million dollars. During the first quarter of 2018, Conduent provided notice to Cognizant that it was terminating the Contract for cause and recorded in the same period certain charges associated with the termination. Cognizant has asserted counterclaims against Conduent in the lawsuit seeking damages in excess of twenty-two million dollars. Conduent has responded to Cognizant's counterclaims by denying the allegations. Conduent will continue to vigorously defend itself against the counterclaims but the Company is not able to determine or predict the ultimate outcome of this proceeding or reasonably provide an estimate or range of estimate of the possible outcome.

#### **Other Matters**

On January 5, 2016, the Consumer Financial Protection Bureau (the "CFPB") notified Xerox Education Services, Inc. (XES) that, in accordance with the CFPB's discretionary Notice and Opportunity to Respond and Advise (NORA) process, the CFPB's Office of Enforcement is considering recommending that the CFPB take legal action against XES, alleging that XES violated the Consumer Financial Protection Act's prohibition of unfair practices. Should the CFPB commence an action, it may seek restitution, civil monetary penalties, injunctive relief, or other corrective action. The purpose of a NORA letter is to provide a party being investigated an opportunity to present its position to the CFPB before an enforcement action is recommended or commenced. XES submitted its response to the NORA. The CFPB's NORA stems from an inquiry that commenced in 2014 when XES received and responded to a CFPB Civil Investigative Demand containing a broad request for information. During this process, XES self-disclosed to the U.S. Department of Education and the CFPB certain adjustments of which it had become aware that had not been timely made relating to its servicing of a small percentage of third-party student loans under outsourcing arrangements for various financial institutions. The CFPB, the U.S. Department of Education, the U.S. Department of Justice, the New York Office of the Attorney General, the New York Department of Financial Services and the Massachusetts Office of the Attorney General began similar reviews. XES has cooperated and continues to fully cooperate with all regulatory agencies and resolved the Massachusetts Office of the Attorney General investigation in November 2016. Both as a result of these inquiries, its own reviews of operations and work performed by external auditors, XES has identified certain other operational issues requiring remediation, and this remediation work either has commenced or will commence shortly. As it continues to wind down its business and deconvert loans to other servicers, XES continues to review its operations to determine whether any additional remediation work is necessary. The Company cannot provide assurance that the CFPB or another regulator or party will not ultimately commence a legal action against XES in which fines, penalties or other liabilities are sought from XES, nor is the Company able to predict the likely outcome of these investigations. The Company could in future periods incur judgments or enter into settlements to resolve these investigations and there could be a material adverse effect on the Company's results of operations, cash flows and financial position in the period in which such change in judgment or settlement occurs.

#### **Other Contingencies**

Certain contracts, primarily in the Company's Public Sector segment, require the Company to provide a surety bond or a letter of credit as a guarantee of performance. As of March 31, 2018, the Company had \$590 million of outstanding surety bonds used to secure its performance of contractual obligations with its clients and \$340 million of outstanding letters of credit issued to secure the Company's performance of contractual obligations to its clients as well as other corporate obligations.

In general, the Company would only be liable for the amount of these guarantees in the event of default in the Company's performance of its obligations under each contract. The Company believes it has sufficient capacity in the surety markets and liquidity from its cash flow and its various credit arrangements (including its Credit Facility) to allow it to respond to future requests for proposals that require such credit support. The Company has service arrangements where the Company services third-party student loans in the Federal Family Education Loan program (FFEL) on behalf of various financial institutions. The Company services these loans for investors under outsourcing arrangements and do not acquire any servicing rights that are transferable by the Company to a third-party. At March 31, 2018, the Company serviced a FFEL portfolio of loans with an outstanding principal balance of approximately \$4 billion. Some servicing agreements contain provisions that, under certain circumstances, require the Company to purchase the loans from the investor if the loan guaranty has been permanently terminated as a result of a loan default caused by the Company's servicing error. If defaults caused by the Company are cured during an initial period, any obligation the Company may have to purchase these loans expires. Loans that the Company purchases may be subsequently cured, the guaranty reinstated and the loans repackaged for sale to third parties. The Company evaluates its exposure under its purchase obligations on defaulted loans and establishes a reserve for potential losses. The reserve is evaluated periodically and adjusted based upon management's analysis of the historical performance of the defaulted loans. As of March 31, 2018, other current liabilities included reserves of approximately \$2 million, which the Company believes to be adequate. In addition to potential purchase obligations arising from servicing errors, various laws and regulations applicable to student loan borrowers could give rise to fines, penalties and other liabilities associated with loan servicing errors.

## Note 12 - Preferred Stock

### Series A Preferred Stock

In December 2016, the Company issued 120 thousand shares of Series A convertible perpetual preferred stock with an aggregate liquidation preference of \$120 million and an initial fair value of \$142 million. The convertible preferred stock pays quarterly cash dividends at a rate of 8% per year (\$9.6 million per year). Each share of convertible preferred stock is convertible at any time, at the option of the holder, into 44.9438 shares of common stock for a total of 5,393 thousand shares (reflecting an initial conversion price of approximately \$22.25 per share of common stock), subject to customary anti-dilution adjustments.

## Note 13 – Shareholders' Equity

(in millions)	Common Stock	Additional Paid-in Capital	Retained Earnings	AOCL	Conduent Shareholders' Equity
<b>Balance at December 31, 2017</b>	\$ 2	\$ 3,850	\$ 171	\$ (494)	\$ 3,529
Comprehensive income (loss), net	—	—	(50)	13	(37)
Cash dividends paid - preferred stock	—	—	(2)	—	(2)
Cumulative impact of adopting the new revenue standard	—	—	17	—	17
Stock option and incentive plans, net	—	3	—	—	3
<b>Balance at March 31, 2018</b>	<u>\$ 2</u>	<u>\$ 3,853</u>	<u>\$ 136</u>	<u>\$ (481)</u>	<u>\$ 3,510</u>

(in millions)	Common Stock	Additional Paid-in Capital	Retained Earnings	AOCL	Conduent Shareholders' Equity
<b>Balance at December 31, 2016</b>	\$ 2	\$ 3,812	\$ —	\$ (526)	\$ 3,288
Comprehensive income (loss), net	—	—	(6)	15	9
Cash dividends paid - preferred stock	—	—	(2)	—	(2)
Stock option and incentive plans, net	—	4	—	—	4
<b>Balance at March 31, 2017</b>	<u>\$ 2</u>	<u>\$ 3,816</u>	<u>\$ (8)</u>	<u>\$ (511)</u>	<u>\$ 3,299</u>

## Note 14 – Earnings per Share

We did not declare any common stock dividends in the periods presented.

The following table sets forth the computation of basic and diluted earnings per share of common stock (shares in thousands):

(in millions, except per share data. Shares in thousands)	Three Months Ended March 31,	
	2018	2017
<b>Basic Earnings (Loss) per Share:</b>		
Net income (loss) from continuing operations	\$ (50)	\$ (10)
Accrued dividends on preferred stock	(2)	(2)
Adjusted Net Income (Loss) From Continuing Operations Available to Common Shareholders	(52)	(12)
Net income (loss) from discontinued operations	—	4
Adjusted Net Income (Loss) Available to Common Shareholders	\$ (52)	\$ (8)
Weighted average common shares outstanding	205,093	203,400
<b>Basic Earnings (Loss) per Share:</b>		
Continuing operations	\$ (0.26)	\$ (0.06)
Discontinued operations	—	0.02
Basic Earnings (Loss) per Share	\$ (0.26)	\$ (0.04)
<b>Diluted Earnings (Loss) per Share:</b>		
Net income (loss) from continuing operations	\$ (50)	\$ (10)
Accrued dividends on preferred stock	(2)	(2)
Adjusted Net Income (Loss) From Continuing Operations Available to Common Shareholders	(52)	(12)
Net income (loss) from discontinued operations	—	4
Adjusted Net Income (Loss) Available to Common Shareholders	\$ (52)	\$ (8)
Weighted average common shares outstanding	205,093	203,400
Common shares issuable with respect to:		
Stock options	—	—
Restricted stock and performance units / shares	—	—
8% Convertible preferred stock	—	—
Adjusted Weighted Average Common Shares Outstanding	205,093	203,400
<b>Diluted Earnings (Loss) per Share:</b>		
Continuing operations	\$ (0.26)	\$ (0.06)
Discontinued operations	—	0.02
Diluted Earnings (Loss) per Share	\$ (0.26)	\$ (0.04)
The following securities were not included in the computation of diluted earnings per share as they were either contingently issuable shares or shares that if included would have been anti-dilutive (shares in thousands):		
Stock Options	317	665
Restricted stock and performance shares	5,527	4,916
Convertible preferred stock	5,393	5,393
<b>Total Anti-Dilutive Securities</b>	<b>11,237</b>	<b>10,974</b>

## Note 15 – Subsequent Event

In April 2018, the Company announced that it has entered into two binding agreements (subject to regulatory approval) to sell (1) its off-street Parking business, including the Multipark System in France and the United Kingdom (U.K.), along with its U.S. Airport Parking business and (2) its U.S. Human Resource Consulting and Actuarial business and the Human Resource Consulting and Outsourcing business located in Canada and the U.K. The revenues generated from these businesses in 2017 were \$321 million.

**ITEM 2 — MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following Management’s Discussion and Analysis (MD&A) is intended to help the reader understand the results of operations and financial condition of Conduent Incorporated and its consolidated subsidiaries. MD&A is provided as a supplement to, and should be read in conjunction with, our Condensed Consolidated Financial Statements and the accompanying Notes.

**Overview**

We are a leading provider of digital business process services with expertise in transaction-intensive processing, analytics and automation. We serve as a trusted business partner in both the front office and back office, enabling personalized, seamless interactions on a massive scale that improve end-user experience. Our strategy is to drive portfolio focus, operational discipline sales and delivery excellence and innovation, complemented by tightly aligned investments. Headquartered in Florham Park, New Jersey, we have a team of approximately 85,000 people as of March 31, 2018, who serves customers in 28 countries.

**Financial Review of Operations**

(in millions)	Three Months Ended March 31,		2018 vs. 2017	
	2018	2017	\$ Change	% Change
<b>Revenue</b>	\$ 1,420	\$ 1,553	\$ (133)	(9)%
<b>Cost of services</b>	1,168	1,294	(126)	(10)%
<b>Gross Margin</b>	252	259	(7)	(3)%
<b>Operating Costs and Expenses</b>				
Research and development	2	4	(2)	(50)%
Selling, general and administrative	145	169	(24)	(14)%
Restructuring and related costs	20	18	2	11 %
Amortization of acquired intangible assets	61	61	—	— %
Separation costs	—	5	(5)	(100)%
Interest expense	33	36	(3)	(8)%
(Gain) loss on divestitures and transaction costs	15	—	15	100 %
Litigation costs (recoveries), net	31	(11)	42	(382)%
Other (income) expenses, net	(1)	(1)	—	— %
<b>Total Operating Costs and Expenses</b>	<b>306</b>	<b>281</b>	<b>25</b>	<b>9 %</b>
<b>Income (Loss) Before Income Taxes</b>	(54)	(22)	(32)	145 %
Income tax expense (benefit)	(4)	(12)	8	(67)%
<b>Income (Loss) From Continuing Operations</b>	<b>\$ (50)</b>	<b>\$ (10)</b>	<b>\$ (40)</b>	<b>400 %</b>

## Revenue

Revenue for the three months ended March 31, 2018 decreased, compared to the prior year period, mainly due to the impact from adopting Accounting Standards Update No. 2014-09 (Topic 606) "Revenue from Contracts with Customers" referred to herein as "new revenue standard", divestitures completed in 2017, strategic decisions by management as part of our portfolio rationalization, including exiting certain unprofitable contracts and contract losses. Partially offsetting these declines were increases from the ramp of new business and certain price increases as a result of contract remediation.

## Cost of Services

Cost of services for the three months ended March 31, 2018 decreased, compared to the prior year period, primarily due to cost transformation, lost business, strategic contract actions taken by management as part of portfolio management, lower volumes and divestitures completed in 2017.

## Gross Margin

Decrease in gross margin for the three months ended March 31, 2018, compared to the prior year period, was driven primarily by contract losses and lower volumes with existing clients. These were partially offset by the impact of cost and productivity improvements, including benefits from our strategic transformation program and exiting or remediating certain underperforming contracts.

## Selling, General and Administrative (SG&A)

Lower SG&A for the three months ended March 31, 2018, compared to the prior year period, reflected the impact of our strategic transformation initiatives on corporate and other general and administrative spend, partially offset by the expansion and investment in our sales force.

## Restructuring and Related Costs

Restructuring and related costs for the three months ended March 31, 2018, include \$5 million of lease cancellation costs as part of our effort to consolidate our real estate footprint and \$14 million of severance costs due to headcount reductions of approximately 740 employees worldwide.

Refer to Note 5 – Restructuring Programs and Related Costs to the Condensed Consolidated Financial Statements for additional information regarding our restructuring programs.

## (Gain) Loss on Divestitures and Transaction Costs

Increase in loss for the three months ended March 31, 2018, compared to the prior year period, was driven primarily by transaction costs.

## Litigation Costs (Recoveries), Net

Increase in net litigation costs was primarily due to reserves for certain terminated contracts that are subject to litigation.

## Income Taxes

On December 22, 2017, the Tax Cuts and Jobs Act (Tax Reform) was enacted. The income tax effects of the Tax Reform have been initially accounted for on a provisional basis pursuant to the SEC staff guidance on income taxes. Reasonable estimates for all material tax effects of the Tax Reform have been provided and adjustments to provisional amounts will be made in subsequent reporting periods as information becomes available to complete provisional computations.



The effective tax rate for the three months ended March 31, 2018 was 7.4%, compared with 54.5% for the three months ended March 31, 2017. The March 31, 2018 rate was lower than the U.S. statutory rate of 21%, primarily due to the geographic mix of income and the impact of Global Intangible Low Tax Income and Base Erosion Anti-Abuse Tax (BEAT), which reduced the tax benefit on the worldwide loss.

The effective tax rate for the three months ended March 31, 2017 was higher than the statutory tax rate of 35%, primarily due to U.S. losses from amortization and restructuring that were taxed at a higher rate than our pre-tax income from foreign operations.

Excluding charges for amortization of intangible assets, restructuring and divestiture related costs and the impact of BEAT, the normalized effective tax rate for the three months ended March 31, 2018 was 34.7%. The normalized effective tax rate was 34% for the three months ended March 31, 2017, predominately from the exclusion of amortization of intangible assets and restructuring costs.

## Operations Review of Segment Revenue and Profit

Our reportable segments correspond to how we organize and manage the business and are aligned to the industries in which our clients operate.

Beginning in 2018, the Company moved the Health Enterprise business from Other segment into Public Sector segment. In addition, the Company moved the divested businesses' historical results to Other segment from both the Commercial Industries and the Public Sector segments.

Our financial performance is based on Segment Profit / (Loss) and Segment Adjusted EBITDA for the following two segments:

- Commercial Industries, and
- Public Sector.

Other segment includes our Student Loan business, which is in run-off mode, and divested businesses in 2017.

Revenues by segment were:

(in millions)	Commercial Industries	Public Sector	Other	Total
<b>Three Months Ended March 31, 2018</b>				
Total Revenue	\$ 854	\$ 558	\$ 8	\$ 1,420
Profit (Loss)	\$ 44	\$ 65	\$ (4)	\$ 105
Adjusted EBITDA <sup>(1)</sup>	\$ 78	\$ 87	\$ (4)	\$ 161
% of Total Revenue	60.1%	39.3%	0.6 %	100.0%
Adjusted EBITDA Margin <sup>(1)</sup>	9.1%	15.6%	(50.0)%	11.3%
<b>Three Months Ended March 31, 2017</b>				
Total Revenue	\$ 895	\$ 609	\$ 49	\$ 1,553
Profit (Loss)	\$ 26	\$ 57	\$ 3	\$ 86
Adjusted EBITDA <sup>(1)</sup>	\$ 62	\$ 87	\$ 4	\$ 153
% of Total Revenue	57.6%	39.2%	3.2 %	100.0%
Adjusted EBITDA Margin <sup>(1)</sup>	6.9%	14.3%	8.2 %	9.9%

(1) Refer to the reconciliations table in the "Non-GAAP Financial Measures" section.

## Commercial Industries Segment

### Revenue

Commercial Industries revenue for the three months ended March 31, 2018 decreased compared to prior year period, primarily driven by strategic contract actions and the impact of the new revenue standard, partially offset by revenue from new contracts and price increases from existing accounts.

### Segment Profit and Adjusted EBITDA

Increase in the Commercial Industries segment profit and adjusted EBITDA margin for the three months ended March 31, 2018, compared to prior year period, was mainly driven by benefits from our strategic transformation cost initiatives and from new business, partially offset by the overall revenue decline from existing clients and investments, primarily in technology and sales force.

## Public Sector Segment

### Revenue

Public Sector revenue for the three months ended March 31, 2018, decreased compared to prior year period, primarily driven by strategic contract actions and the impact of the new revenue standard, contract losses and lower volumes, partially offset by certain price increases as a result of contract remediation.

### Segment Profit and Adjusted EBITDA

Increase in the Public Sector segment profit and adjusted EBITDA margin for the three months ended March 31, 2018, compared to prior year period, were mainly driven by benefits from our strategic transformation cost initiatives and contract remediation, partially offset by the overall revenue decline from existing clients and investment, primarily in technology and sales force.

## Other Segment

### Revenue

Other revenue for the three months ended March 31, 2018 decreased compared to prior year period, driven mainly by the divestitures completed in 2017 and the run-off of our Student Loan business.

### Segment Profit (Loss) and Adjusted EBITDA

Other segment loss and adjusted EBITDA for the three months ended March 31, 2018 were primarily due to divestitures completed in 2017 and the run-off of our Student Loan business.

## Metrics

### Signings

Signings are defined as estimated future revenues from contracts signed during the period, including renewals of existing contracts. Total Contract Value (TCV) is the estimated total contractual revenue related to signed contracts. The amounts in the following table reflect the impact of our adoption of the new revenue recognition standard on January 1, 2018. Refer to Note 2 – Recent Accounting Pronouncements in the Condensed Consolidated Financial Statements for further discussion of the estimated impact of the adoption of this standard.

Signings for the three months ended March 31, were:

(in millions)	Three Months Ended March 31,		2018 vs. 2017	
	2018	2017	\$ Change	% Change
New business TCV	\$ 406	\$ 530	\$ (124)	(23)%
Renewals TCV	1,022	401	621	155 %
<b>Total Signings</b>	<b>\$ 1,428</b>	<b>\$ 931</b>	<b>\$ 497</b>	<b>53 %</b>
Annual recurring revenue signings	\$ 93	\$ 143	\$ (50)	(35)%
Non-recurring revenue signings	\$ 63	\$ 92	\$ (29)	(32)%

Signings for the three months ended March 31, 2018 increased, compared to the prior year, mainly due to increased renewal activities, partially offset by new business signings decline.

#### Renewal Rate

Renewal rate is defined as the annual recurring revenue (ARR) on contracts that are renewed during the period as a percentage of ARR on all contracts for which a renewal decision was made during the period, excluding any contracts that were not renewed and where a strategic action to improve the risk or profitability had been initiated.

Excluding our strategic decision not to renew certain contracts, renewal rate for three months ended March 31, 2018 was 94%.

### Capital Resources and Liquidity

As of March 31, 2018 and December 31, 2017, total cash and cash equivalents were \$553 million and \$658 million, respectively. As of March 31, 2018, there were \$1.6 billion outstanding borrowings under our Credit Agreement.

### Cash Flow Analysis

The following table summarizes our cash flows, as reported in our Condensed Consolidated Statement of Cash Flows in the accompanying Condensed Consolidated Financial Statements:

(in millions)	Three Months Ended March 31,		
	2018	2017	Better (Worse)
Net cash provided by (used in) operating activities	\$ (38)	\$ (107)	\$ 69
Net cash provided by (used in) investing activities	(39)	(25)	(14)
Net cash provided by (used in) financing activities	(27)	(6)	(21)

**Operating activities:** The increase in cash generated from operating activities was primarily attributable to improvements in working capital and lower Health Enterprise wind-down payments, partially offset by payments for prepaid software licenses.

**Investing activities:** The increase in cash used in investing activities was primarily due to increased spending for capital expenditures.

**Financing activities:** The increase in cash used from financing activities was related to net debt repayments.

## Market Risk Management

We are exposed to market risk from changes in foreign currency exchange rates which could affect operating results, financial position and cash flows. We manage our exposure to these market risks through our regular operating and financing activities and, when appropriate, through the use of derivative financial instruments. These derivative financial instruments are utilized to hedge economic exposures, as well as to reduce earnings and cash flow volatility resulting from shifts in market rates.

Recent market events have not caused us to materially modify nor change our financial risk management strategies with respect to our exposures to foreign currency risk. Refer to Note 7 – Financial Instruments in the Condensed Consolidated Financial Statements for additional discussion on our financial risk management.

## 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 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 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 Condensed 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 and providing such non-GAAP financial measures to investors allows for a further level of transparency as the 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 the non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with U.S. GAAP are provided in the tables below.

These reconciliations also include the income tax effects of our non-GAAP performance measures in total, to the extent applicable. The income tax effects are calculated under the same accounting principles as applied to our reported pre-tax performance measures under ASC 740, which employs an annual effective tax rate method to the results including an adjustment for estimated BEAT. The income tax effect for our non-GAAP performance measures is effectively the difference in income taxes for reported and adjusted pre-tax income calculated under the annual effective tax rate method. The tax effect of the non-GAAP adjustments was calculated based upon evaluation of the statutory tax treatment and the applicable statutory tax rate in the jurisdictions in which such charges were incurred.

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

We made 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:

- Amortization of acquired intangible assets. The amortization of acquired 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.
- NY MMIS. Costs associated with the Company not fully completing the State of New York Health Enterprise Platform project.
- Restructuring and related costs. Restructuring and related costs include restructuring and asset impairment charges as well as costs associated with our strategic transformation program.
- HE charge. Costs associated with not fully completing the Health Enterprise Medical platform projects in California and Montana.

- Separation costs. Separation costs are expenses incurred in connection with separation from Xerox Corporation into a separate, independent, publicly traded company. These 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.
- (Gain) loss on divestitures and transaction costs.
- Litigation costs (recoveries), net.
- Other (income) expenses, net. Other (income) expenses, net includes currency (gains) losses, net and all other (income) expenses, net.

The Company provides adjusted net income and adjusted EPS financial measures to assist our investors in evaluating our ongoing operating performance for the current reporting period and, where provided, over different reporting periods, by adjusting for certain items which may be recurring or non-recurring and which in our view do not necessarily reflect ongoing performance. We also internally use these measures to assess our operating performance, both absolutely and in comparison to other companies, and in evaluating or making selected compensation decisions.

Management believes that adjusted effective tax rate, provided as supplemental information, facilitates a comparison by investors of our actual effective tax rate with an adjusted effective tax rate which reflects the impact of the items which are excluded in providing adjusted net income, and may provide added insight into our underlying business results and how effective tax rates impact our ongoing business.

### **Consolidated Adjusted EBITDA and EBITDA Margin**

We use Adjusted EBITDA and Adjusted EBITDA Margin as 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 on-going business. Adjusted EBITDA represents income (loss) before interest, income taxes, depreciation and amortization adjusted for the following items:

- Restructuring and related costs.
- Amortization of acquired intangible assets.
- Interest expense. Interest expense includes interest on long-term debt and amortization of debt issuance costs.
- Separation costs.
- (Gain) loss on divestitures and transaction costs.
- Litigation costs (recoveries), net.
- Other (income) expenses, net.
- NY MMIS.
- HE charge.

Adjusted EBITDA and Adjusted EBITDA Margin are 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 performances. Management cautions that amounts presented in accordance with Conduent's definition of Adjusted EBITDA may not be comparable to similar measures disclosed by other companies because not all companies calculate Adjusted EBITDA in the same manner.

**Net Income (Loss) and EPS Reconciliation:**

(in millions; except per share amounts and share amounts in thousands)	Three Months Ended March 31, 2018		Three Months Ended March 31, 2017	
	Net Income (Loss)	EPS	Net Income (Loss)	EPS
Income (Loss) from Continuing Operations	\$ (50)	\$ (0.26)	\$ (10)	\$ (0.06)
Adjustments:				
Amortization of acquired intangible assets	61		61	
NY MMIS	—		8	
Restructuring and related costs	20		18	
HE charge	—		(5)	
Separation costs	—		5	
(Gain) loss on divestitures and transaction costs	15		—	
Litigation costs (recoveries), net	31		(11)	
Other (income) expenses, net	(1)		(1)	
Less: Income tax adjustments <sup>(1)</sup>	(29)		(30)	
Adjusted Net Income (Loss) and EPS	\$ 47	\$ 0.22	\$ 35	\$ 0.16

**(GAAP Shares in thousands)**

Weighted average common shares outstanding	205,093	203,400
Stock options	—	—
Restricted stock and performance units / shares	—	—
Adjusted Weighted Average Shares Outstanding <sup>(2)</sup>	205,093	203,400

**(Non-GAAP Shares in thousands)**

Weighted average common shares outstanding	205,093	203,400
Stock options	143	230
Restricted stock and performance shares	2,773	2,152
Adjusted Weighted Average Shares Outstanding <sup>(2)</sup>	208,009	205,782

<sup>(1)</sup> Reflects the income tax (expense) benefit of the adjustments. Refer to Effective Tax Rate reconciliation below for details.

<sup>(2)</sup> Average shares for the 2018 and 2017 calculation of adjusted EPS excludes 5 million shares associated with our Series A convertible preferred stock and includes the impact of the preferred stock dividend of \$2.4 million for both of the three months ended March 31, 2018 and 2017.

**Effective Tax Rate Reconciliation:**

(in millions)	Three Months Ended March 31, 2018			Three Months Ended March 31, 2017		
	Pre-Tax Income (loss)	Income Tax (Benefit) Expense	Effective Tax Rate	Pre-Tax Income (loss)	Income Tax (Benefit) Expense	Effective Tax Rate
As Reported from Continuing Operations	\$ (54)	\$ (4)	7.4%	\$ (22)	\$ (12)	54.5%
Non-GAAP adjustments <sup>(1)</sup>	126	29		75	30	
Adjusted <sup>(2)</sup>	\$ 72	\$ 25	34.7%	\$ 53	\$ 18	34.0%

<sup>(1)</sup> Refer to Net Income (Loss) reconciliation for details of non-GAAP adjustments.

<sup>(2)</sup> The tax impact of Adjusted Pre-tax income (Loss) from continuing operations is calculated under the same accounting principles applied to the 'As Reported' pre-tax income (loss), which employs an annual effective tax rate method to the results including an adjustment for estimated BEAT.

**Profit / Adjusted EBITDA / Adjusted EBITDA Margin Reconciliations:**

(in millions)	Three Months Ended March 31,	
	2018	2017
<b>Segment Profit (Loss) Reconciliation to Pre-tax Income (Loss)</b>		
Consolidated Income (Loss) Before Income Taxes	\$ (54)	\$ (22)
<b>Reconciling items:</b>		
Restructuring and related costs	20	18
Amortization of acquired intangible assets	61	61
Interest expense	33	36
Separation costs	—	5
(Gain) loss on divestitures and transaction costs	15	—
Litigation costs (recoveries), net	31	(11)
Other (income) expenses, net	(1)	(1)
<b>Segment Pre-tax Income (Loss)</b>	<b>\$ 105</b>	<b>\$ 86</b>
Segment depreciation and amortization	\$ 56	\$ 64
NY MMIS	—	8
HE charge	—	(5)
<b>Adjusted EBITDA</b>	<b>\$ 161</b>	<b>\$ 153</b>
<b>Consolidated Revenue</b>	<b>\$ 1,420</b>	<b>\$ 1,553</b>
<b>Adjusted EBITDA Margin</b>	<b>11.3%</b>	<b>9.9%</b>

**ITEM 3 — QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The information set forth under the “Market Risk Management” section in Item 2 of this Quarterly Report on Form 10-Q is hereby incorporated by reference in answer to this Item.

**ITEM 4 — CONTROLS AND PROCEDURES**

**(a) Evaluation of Disclosure Controls and Procedures**

The Company’s management evaluated, with the participation of our principal executive officer and principal financial officer, or persons performing similar functions, the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (“Exchange Act”) as of the end of the period covered by this report. Based on this evaluation, our principal executive officer and principal financial officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective to ensure that information we are required to disclose in the reports that we file or submit under the Exchange Act, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms relating to Conduent Incorporated, including our consolidated subsidiaries, and was accumulated and communicated to the Company’s management, including the principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

**(b) Changes in Internal Controls**

In connection with the evaluation required by paragraph (d) of Rule 13a-15 under the Exchange Act, there was no change identified in our internal control over financial reporting that occurred during the last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**PART II — OTHER INFORMATION**

**ITEM 1 — LEGAL PROCEEDINGS**

The information set forth under Note 11 – Contingencies and Litigation in the Condensed Consolidated Financial Statements of this Quarterly Report on Form 10-Q is incorporated by reference in answer to this Item.

## ITEM 1A — RISK FACTORS

Reference is made to the Risk Factors set forth in Part I, Item 1A of our 2017 Annual Report. There have been no material changes to our risk factors as previously reported in our 2017 Annual Report.

## ITEM 2 — UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

### (a) Sales of Unregistered Securities during the Quarter ended March 31, 2018

During the quarter ended March 31, 2018, the Company did not issue any securities in transactions that were not registered under the Securities Act of 1933, as amended.

### (b) Issuer Purchases of Equity Securities during the Quarter ended March 31, 2018

None.



## ITEM 6 — EXHIBITS

3.1	<a href="#">Restated Certificate of Incorporation of Registrant filed with the Department of the State of New York on December 31, 2016.</a> Incorporated by reference to Exhibit 3.1 to Registrant's Current Report on Form 8-K dated December 23, 2016.
3.2	<a href="#">Amended and Restated By-Laws of Registrant as amended through December 31, 2016.</a> Incorporated by reference to Exhibit 3.2 to Registrants Current Report on Form 8-K dated December 23, 2016.
10.6(a)(vii)	<a href="#">Form of Restricted Stock Unit Award Agreement 2018 under the PIP Severance Plan, dated as of October 1, 2017.</a>
10.6(a)(viii)	<a href="#">Form of Performance Stock Unit Award Agreement 2018 under the PIP Severance Plan, dated as of October 1, 2017.</a>
31(a)	<a href="#">Certification of CEO pursuant to Rule 13a-14(a) or Rule 15d-14(a).</a>
31(b)	<a href="#">Certification of CFO pursuant to Rule 13a-14(a) or Rule 15d-14(a).</a>
32	<a href="#">Certification of CEO and CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101.CAL	<a href="#">XBRL Taxonomy Extension Calculation Linkbase.</a>
101.DEF	<a href="#">XBRL Taxonomy Extension Definition Linkbase.</a>
101.INS	<a href="#">XBRL Instance Document.</a>
101.LAB	<a href="#">XBRL Taxonomy Extension Label Linkbase.</a>
101.PRE	<a href="#">XBRL Taxonomy Extension Presentation Linkbase.</a>
101.SCH	<a href="#">XBRL Taxonomy Extension Schema Linkbase.</a>



**RESTRICTED STOCK UNIT AWARD AGREEMENT PURSUANT TO  
CONDUENT INCORPORATED PERFORMANCE INCENTIVE PLAN**

AGREEMENT, by Conduent Incorporated, a New York corporation (the "Company"), dated as of the date that appears in the award summary that provides the number of Restricted Stock Units and vesting provisions of the award (the "Award Summary"), in favor of the individual whose name appears on the Award Summary (the "Employee"), who is an employee of the Company, one of the Company's subsidiaries or one of its affiliates (the Company, or such subsidiary or affiliate, the "Employer").

In accordance with the provisions of the Conduent Performance Incentive Plan (the "Plan"), the Compensation Committee of the Board of Directors of the Company (the "Committee") or the Chief Executive Officer of the Company (the "CEO") has authorized the execution and delivery of this Agreement.

Terms used herein that are defined in the Plan or in this Agreement shall have the meanings assigned to them in the Plan or this Agreement, respectively.

The Award Summary contains the details of the awards covered by this Agreement and is incorporated herein in its entirety.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration the Company agrees as follows:

**AWARDS**

1. Award of Restricted Stock Units. Subject to all terms and conditions of the Plan and this Agreement, the Company has awarded to the Employee on the date indicated on the Award Summary the number of Restricted Stock Units (individually, a "RSU") as shown on the Award Summary. Notwithstanding anything herein to the contrary, only active employees and those employees on Short Term Disability Leave, Social Service Leave, Family Medical Leave or Paid Uniform Services Leave (pursuant to the Company's Human Resources Policies or similar policies of the Company's subsidiaries or affiliates) on the effective date of the award as shown on the Award Summary shall be eligible to receive the award.

**TERMS OF THE RESTRICTED STOCK UNITS**

2. Entitlement to Shares. As soon as practicable on or after each applicable Vesting Date (as defined below) (or such earlier date provided in Section 9), the Company shall deliver to the Employee, in such manner as the Company shall determine, a number of shares of Common Stock equal to the number of vested RSUs (subject to reduction for withholding of the Employee's taxes in relation to the award as described in Section 11) within 60 days following each applicable Vesting Date (or, if earlier, a distribution event set forth in Section 9 that satisfies the requirements of Section 409A(a)(2) of the Code).

No fractional shares shall be issued as a result of such tax withholding. Instead, the Company shall apply the equivalent of any fractional share amount to amounts withheld for taxes. Notwithstanding the foregoing, the Company shall be entitled to delay delivery of such shares of Common Stock (or cash payment in lieu thereof, as applicable) until it shall have received from the Employee a duly executed Form W-8 or W-9, as applicable, and any other information or completed forms the Company may reasonably require.

3. Vesting. Except as otherwise determined by the Committee in its sole discretion (subject to Section 23 of the Plan) or as otherwise provided in this Section 3 or Section 9, the vesting of RSUs covered hereby shall be subject to the Employee's continued employment with the Company or a subsidiary or affiliate through the applicable Vesting Date. The Employee shall be eligible to vest in one-third of the shares of Common Stock covered by this Agreement as set forth in the Award Summary on each of December 31, 2018, December 31, 2019 and December 31, 2020 (each, a "Vesting Date").

Upon the occurrence of an event constituting a Change in Control, notwithstanding anything to the contrary in Section 22(b) of the Plan, the RSUs outstanding on the date of such Change in Control, and any dividend equivalents with respect thereto, shall remain outstanding and thereafter the vesting of such RSUs, and any dividend equivalents with respect thereto, shall be subject to Employee's continued employment with the Company or a subsidiary or an affiliate through each applicable Vesting Date as provided in this Section 3, at which time such RSUs shall vest and shall be paid in cash in accordance with Section 22(f) of the Plan at the earliest time set forth in Section 22(c) of the Plan that will not trigger a tax or penalty under Section 409A of the Code, as determined by the Committee; provided that the RSUs, and any dividend equivalents with respect thereto, shall vest and shall be paid to the extent provided in Section 9 in the event of the Employee's termination of employment following such Change in Control and prior to a Vesting Date. Upon payment pursuant to the terms of the Plan, such awards shall be cancelled.

4. Dividend Equivalents. The Employee shall become entitled to receive from the Company on each applicable Vesting Date (or such earlier date provided in Section 9) a cash payment equaling the same amount(s) that the holder of record of a number of shares of Common Stock equal to the number of vested RSUs (if any) would have been entitled to receive as dividends on such Common Stock during the period commencing on the effective date hereof and ending on each applicable Vesting Date (or such earlier date provided in Section 9) as provided under Section 3. Payments under this Section shall be net of any required withholding taxes.

#### OTHER TERMS

5. Ownership Guidelines. Guidelines pertaining to the Employee's required ownership of Common Stock (the "Stock Ownership Guidelines") shall be determined by the Committee or its authorized delegate, as applicable, in its sole discretion from time to time as communicated to the Employee in writing.

6. Holding Requirements. In the event of non-compliance with the Stock Ownership Guidelines under Section 5 hereof, following a five-year noncompliance period as described in the Stock Ownership Guidelines, the Employee must retain fifty percent (50%) of the net shares of Common Stock acquired in connection with the vesting of RSUs (net of withholding tax and any applicable fees) until the threshold set forth in the Stock Ownership Guidelines is satisfied. Such shares shall be held in the Employee's Morgan Stanley account or in another account acceptable to the Company. In addition, shares used to maintain the Employee's ownership level pursuant to this award should be held with Morgan Stanley or in another account acceptable to the Company.

7. Voting Rights/Dividends. Except as otherwise provided herein, the Employee shall have no rights as a shareholder with respect to the RSUs until the date of issuance of a stock certificate to him for such RSUs and no adjustment shall be made for dividends or other rights for which the record date is prior to the date the RSUs become vested.

8. Non-Assignability. Unless otherwise provided by the Committee in its discretion, RSUs may not be sold, assigned, alienated, transferred, pledged, attached or otherwise encumbered except as provided in Section 11 of the Plan. Any purported sale, assignment, alienation, transfer, pledge, attachment or other encumbrance of a RSU in violation of the provisions of this Section 8 and Section 11 of the Plan shall be void.

9. Effect of Termination of Employment or Death.

(a) Effect on RSUs. In the event the Employee

(i) voluntarily ceases to be an employee of the Employer for any reason other than Termination For Good Reason following a Change in Control, the RSUs that have not vested in accordance with Section 3 shall be canceled and forfeited on the date of such voluntary termination of employment;

(ii) involuntarily ceases to be an employee of the Employer on or after the nine-month anniversary of the grant date of the RSUs and prior to a Change in Control for any reason other than due to death, Disability or a termination for Cause, the number of RSUs scheduled to vest on the Vesting Date immediately following such termination, and any dividend equivalents with respect thereto, shall be prorated based on a fraction, the numerator of which is the number of full months elapsed since the most recent Vesting Date immediately preceding such date of termination (or since January 1, 2018, in the case of a termination of employment prior to the first Vesting Date) and the denominator of which is 12, and any remaining RSUs shall be forfeited. Such prorated number of RSUs, and any dividend equivalents with respect thereto, shall immediately vest and shall be settled in accordance with Section 2 within 60 days following the Vesting Date immediately following such termination; provided that such vesting shall be contingent, at the discretion of the Company, upon the Employee executing a general release (which may include an agreement with respect to engagement in detrimental activity in a form acceptable to the Company) and such release becoming effective and irrevocable within the 60-day period following such termination;

(iii) involuntarily ceases to be an employee of the Employer following a Change in Control for any reason other than due to death, Disability or termination for Cause, then the RSUs covered by this Agreement, and any dividend equivalents with respect thereto, shall immediately vest (without proration based on the portion of the vesting period elapsed prior to such termination) and shall be paid in cash in accordance with Section 22(f) of the Plan within 60 days following the earliest time set forth in Section 22(c) of the Plan that will not trigger a tax or penalty under Section 409A of the Code, as determined by the Committee. Such vesting shall be contingent, at the discretion of the Company, upon the Employee executing a general release (which may include an agreement with respect to engagement in detrimental activity, in a form acceptable to the Company) and such release becoming effective and irrevocable within the 60-day period following such termination;

(iv) involuntarily ceases to be an employee of the Employer by reason of death or Disability, (1) the RSUs covered by this Agreement, and any dividend equivalents with respect thereto, shall immediately vest if such termination of employment occurs prior to a Change in Control and shall be settled within 60 days following the Vesting Date immediately following such termination] in accordance with Section 2, and (2) if such termination of employment occurs following a Change in Control, then the number of RSUs covered by this Agreement, and any dividend equivalents with respect thereto, shall immediately vest and shall be paid in cash in accordance with Section 22(f) of the Plan at the earliest time set forth in Section 22(c) of the Plan that will not trigger a tax or penalty under Section 409A of the Code, as determined by the Committee, in either case without proration based on the portion of the vesting period elapsed prior to such termination;

(v) involuntarily ceases to be an employee of the Employer (A) due to termination for Cause or (B) prior to the nine-month anniversary of the grant date of the RSUs and prior to a Change in Control for any reason other than due to death or Disability, the RSUs shall be cancelled and forfeited on the date of such termination of employment; and

(vi) voluntarily ceases to be an employee due to a Termination for Good Reason following a Change in Control, the number of RSUs covered by this Agreement, and any dividend equivalents with respect thereto, shall immediately vest (without proration based on the portion of the vesting period elapsed prior to such termination) and shall be paid in cash in accordance with Section 22(f) of the Plan within 60 days following the earliest time set forth in Section 22(c) of the Plan that will not trigger a tax or penalty under Section 409A of the Code, as determined by the Committee. Such vesting shall be contingent, at the discretion of the Company, upon the Employee executing a general release (which may include an agreement with respect to engagement in detrimental activity, in a form acceptable to the Company) and such release becoming effective and irrevocable within the 60-day period following such termination.

(b) Definitions. "Cause" means (i) a violation of any of the rules, policies, procedures or guidelines of the Employer, including but not limited to the Company's Business Ethics Policy and the Proprietary Information and Conflict of Interest Agreement (ii) any conduct which qualifies for "immediate discharge" under the Employer's Human Resource Policies as in effect from time to time (iii) rendering services to a firm which engages, or engaging directly or indirectly, in any business that is competitive with the Employer, or represents a conflict of interest with the interests of the Employer; (iv) conviction of, or entering a guilty plea with respect to, a crime whether or not connected with the Employer; or (v) any other conduct determined to be injurious, detrimental or prejudicial to any interest of the Employer.

"Termination For Good Reason" has the meaning set forth in Section 22(a)(vi) of the Plan.

"Disability" shall include cessation of active employment due to commencement of long-term disability under the Employer's long-term disability plan or under a disability policy of any subsidiary or Affiliate, as applicable; provided that a Disability shall not be deemed to have occurred for such purposes unless the circumstances would also result in a "disability" within the meaning of Section 409A of the Code.

(c) Divestiture. Notwithstanding the above, the termination of Employee's employment with Employer in connection with the Employer's sale (whether by sale of assets or a subsidiary, or both) of a line of business within which the Employee was employed immediately prior to such sale as determined by the Committee in its sole discretion, that does not constitute a Change in Control, shall be treated as an involuntary termination of employment for purposes of this Agreement and the RSUs shall vest and be paid as provided in Section 9(a)(ii) above, whether or not such termination occurs after the nine month anniversary of the grant date of the RSUs; provided, however, that, in the event the Employee is offered a comparable position (as determined by the Committee in accordance with the Company's severance policy) with the acquirer of such line of business and does not accept such offer, the RSUs shall be cancelled and forfeited on the date of termination of employment.

10. General Restrictions. If at any time the Committee or its authorized delegate, as applicable, shall determine, in its discretion, that the listing, registration or qualification of any shares of Common Stock subject to this Agreement upon any securities exchange or under any state or Federal law, or the consent or approval of any government regulatory body, is necessary or desirable as a condition of, or in connection with, the awarding of the RSUs or the issue or purchase of shares of Common Stock hereunder, the certificates for shares of Common Stock may not be issued in respect of RS Us in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee or its authorized delegate, as applicable, and any delay caused thereby shall in no way affect the date of termination of the RS Us.

11. Responsibility for Taxes. The Employee acknowledges that the ultimate responsibility for the Employee's Federal, state and municipal individual income taxes, the Employee's portion of social security and other payroll taxes, and any other taxes related to the Employee's participation in the Plan and legally applicable to the Employee, is and remains his or her responsibility and may exceed the amount actually withheld by the Company or the Employer. In the event that there is withholding tax liability in connection with the vesting or settlement of RSUs, the Employee may satisfy, in whole or in part, any withholding tax liability: (a) by cash payment of an amount equal to such withholding liability; or (b) by having the Company withhold from the number of RSUs in which the Employee would be entitled to vest a number of shares of Common Stock having a fair value equal to such withholding tax liability in accordance with the Company's share withholding procedures.

12. Nature of Award. In accepting the award, the Employee acknowledges that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time in a manner consistent with Section 13 of the Plan regarding Plan amendment and termination and, in addition, the RSUs are subject to modification and adjustment under Section 6 of the Plan.

(b) the award of the RSUs is voluntary and occasional and does not create any contractual or other right to receive future grants of RSUs, or benefits in lieu of RSUs, even if RSUs have been granted repeatedly in the past;

(c) all decisions with respect to future RSU awards, if any, will be at the sole discretion of the Committee or its authorized delegate, as applicable;

(d) The Employee's participation in the Plan shall not create a right to further employment with the Employer and shall not interfere with the ability of the Employer to terminate Employee's employment relationship at any time; further, the RSU award and Employee's participation in the Plan will not be interpreted to form an employment contract or relationship with the Employer;

(e) The Employee is voluntarily participating in the Plan;

(f) the RSUs and the shares of Common Stock subject to the RSUs are an extraordinary item that does not constitute compensation of any kind for services of any kind rendered to the Employer, and which is outside the scope of the Employee's employment contract, if any;

(g) the RSUs and the shares of Common Stock subject to the RSUs are not intended to replace any pension rights or compensation;

(h) the RSUs and the shares of Common Stock subject to the RSUs are not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Employer;

(i) the future value of the underlying shares of Common Stock is unknown and cannot be predicted with certainty;

(j) in consideration of the award of the RSUs, no claim or entitlement to compensation or damages shall arise from forfeiture of the RSUs, including, but not limited to, forfeiture resulting from termination of the Employee's employment with the Employer (for any reason whatsoever and whether or not in breach of local labor laws) and the Employee irrevocably releases the Company and the Employer from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, the Employee shall be deemed irrevocably to have waived the Employee's entitlement to pursue such claim; and

(k) subject to the provisions in the Plan regarding Change in Control, RSUs and the benefits under the Plan, if any, will not automatically transfer to another company in the case of a merger, take-over or transfer of liability.

13. No Advice Regarding Award. Neither the Company nor the Employer is providing any tax, legal or financial advice, nor is the Company or Employer making any recommendations regarding the Employee's participation in the Plan, or his or her acquisition or sale of the underlying shares of Common Stock. The Employee is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

14. Amendment of This Agreement. With the consent of the Employee, the Committee or its authorized delegate, as applicable, may amend this Agreement in a manner not inconsistent with the Plan.

15. Subsidiary. As used herein the term "subsidiary" shall mean any present or future corporation which would be a "subsidiary corporation" of the Company as the term is defined in Section 425 of the Internal Revenue Code (the "Code") of 1986 on the date of award.

16. Affiliate. As used herein the term "affiliate" shall mean any entity in which the Company has a significant equity interest, as determined by the Committee.

17. Recoupments.

(a) If an employee or former employee of the Employer is reasonably deemed by the Committee or its authorized delegate, as applicable, to have engaged in detrimental activity against the Employer, any awards granted to such employee or former employee shall be cancelled and be of no further force or effect and any payment or delivery of an award from six months prior to such detrimental activity may be rescinded. In the event of any such rescission, the Employee shall pay to the Company the amount of any gain realized or payment received as a result of the rescinded exercise, payment or delivery, in such manner and on such terms and conditions as may be required by the Committee or its authorized delegate, as applicable. Detrimental activity may include:

(i) violating terms of a non-compete agreement with the Employer, if any;

(ii) disclosing confidential or proprietary business information of the Employer to any person or entity including but not limited to a competitor, vendor or customer without appropriate authorization from the Employer;

(iii) violating any rules, policies, procedures or guidelines of the Employer;

(iv) directly or indirectly soliciting any employee of the Employer to terminate employment with the Employer;

(v) directly or indirectly soliciting or accepting business from any customer or potential customer or encouraging any customer, potential customer or supplier of the Employer, to reduce the level of business it does with the Employer; or

(vi) engaging in any other conduct or act that is determined to be injurious, detrimental or prejudicial to any interest of the Employer.

(b) If an accounting restatement by the Company is required in order to correct any material noncompliance with financial reporting requirements under relevant securities laws, the Company will have the authority to recover from executive officers or former executive officers, whether or not still employed by the Employer, any excess incentive-based compensation (in excess of what would have been paid under the accounting restatement), including entitlement to shares, provided under this Agreement to executive officers of the Employer, that was based on such erroneous data and paid during the three-year period preceding the date on which the Company is required to prepare the accounting restatement. Notwithstanding anything herein to the contrary, the Company may implement any policy or take any action with respect to the recovery of excess incentive-based compensation, including entitlement to shares of Common Stock that the Company determines to be necessary or advisable in order to comply with the requirements of the Dodd-Frank Wall Street Financial Reform and Consumer Protection Act.

18. Cancellation and Rescission of Award. Without limiting the foregoing Section regarding non-engagement in detrimental activity against the Employer, the Company may cancel any award provided hereunder if the Employee is not in compliance with all of the following conditions:

(a) The Employee shall not render services for any organization or engage directly or indirectly in any business which would cause the Employee to breach any of the post-employment prohibitions contained in any agreement between the Employer and the Employee.

(b) The Employee shall not, without prior written authorization from the Employer, disclose to anyone outside the Employer, or use in other than the Employer's business, any confidential information or material, as specified in any agreement between the Employer and the Employee which contains post-employment prohibitions, relating to the business of the Employer acquired by the Employee either during or after employment with the Employer.

Notwithstanding the above, this Agreement does not in any manner restrict the Employee from reporting possible violations of federal, state or local laws or regulations to any governmental agency or entity, and shall not, and not be interpreted to, impair the participant from exercising any legally protected whistleblower rights (including under Rule 21 F under the Exchange Act). Similarly, the Employer does not in any manner restrict the Employee from participating in any proceeding or investigation by a federal, state or local government agency or entity responsible for enforcing such laws. The Employee is not required to notify the Employer that he or she has made such report or disclosure, or of his or her participation in an agency investigation or proceeding.

(c) The Employee, pursuant to any agreement between the Employer and the Employee which contains post-employment prohibitions, shall disclose promptly and assign to the Employer all right, title and interest in any invention or idea, patentable or not, made or conceived by the Employee during employment with the Employer, relating in any manner to the actual or anticipated business, research or development work of the Employer, and shall do anything reasonably necessary to enable the Employer to secure a patent where appropriate in the United States and in foreign countries.

(d) Failure to comply with the provision of subparagraphs (a), (b) or (c) of this Section 18 prior to, or during the six months after, any payment or delivery shall cause such payment or delivery to be rescinded. The Company shall notify the Employee in writing of any such rescission within two years after such payment or delivery. Within ten days after receiving such a notice from the Company, the Employee shall pay to the Company the amount of any payment received as a result of the rescinded payment or delivery pursuant to an award. Such payment to the Company by the Employee shall be made either in cash or by returning to the Company the number of shares of Common Stock that the Employee received in connection with the rescinded payment or delivery.

19. Notices. Notices hereunder shall be in writing and if to the Company shall be mailed to the Company at 100 Campus Dr. Suite 200 Florham Park, NJ 07932 USA, addressed to the attention of Stock Plan Administrator, and if to the Employee shall be delivered personally or mailed to the Employee at his address as the same appears on the records of the Company.

20. Language. If the Employee has received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.



21. Electronic Delivery and Acceptance. The Company will deliver any documents related to current or future participation in the Plan by electronic means. The Employee hereby consents to receive such documents by electronic delivery, and agrees to participate in the Plan and be bound by the terms and conditions of this Agreement, through an on-line or electronic system established and maintained by the Company or a third party designated by the Company. Electronic acceptance by the Employee is required and the award will be cancelled for any employee who fails to comply with the Company's acceptance requirement within six months of the effective date of the award.

22. Interpretation of This Agreement. The Committee or its authorized delegate, as applicable, shall have the authority to interpret the Plan and this Agreement and to take whatever administrative actions, including correction of administrative errors in the awards subject to this Agreement and in this Agreement, as the Committee or its authorized delegate, as applicable, in its sole good faith judgment shall determine to be advisable. All decisions, interpretations and administrative actions made by the Committee or its authorized delegate, as applicable, hereunder or under the Plan shall be binding and conclusive on the Company and the Employee. In the event there is inconsistency between the provisions of this Agreement and of the Plan, the provisions of the Plan shall govern.

23. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and the successors and assigns of the Company and to the extent provided in Section 11 of the Plan to the personal representatives, legatees and heirs of the Employee.

24. Governing Law and Venue. The validity, construction and effect of the Agreement and any actions taken under or relating to this Agreement shall be determined in accordance with the laws of the state of New York and applicable Federal law.

This grant is made and/or administered in the United States. For purposes of litigating any dispute that arises under this grant or the Agreement the parties hereby submit to and consent to the jurisdiction of the state of New York, agree that such litigation shall be conducted in the state or federal courts located in New York.

25. Section 409A. It is intended that the provisions of this Agreement comply with, or are exempt from, Section 409A, and all provisions of this Agreement shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A.

Neither the Employee nor any of the Employee's creditors or beneficiaries shall have the right to subject any deferred compensation (within the meaning of Section 409A) payable under this Agreement to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment. Except as permitted under Section 409A, any deferred compensation (within the meaning of Section 409A) payable to the Employee or for the Employee's benefit under this Agreement may not be reduced by, or offset against, any amount owing by the Employee to the Company or any of its Affiliates. In the event that any 60-day period described in Section 9 of this Agreement straddles two calendar years, then any RSUs, and any dividends with respect thereto, that are settled within such 60-day period in accordance with this Agreement shall be settled in the second calendar year.

If, at the time of the Employee's separation from service (within the meaning of Section 409A), (a) the Employee shall be a specified employee (within the meaning of Section 409A and using the identification methodology selected by the Company from time to time) and (b) the Company shall make a good faith determination that an amount payable hereunder constitutes deferred compensation (within the meaning of Section 409A) the payment of which is required to be delayed pursuant to the six-month delay rule set forth in Section 409A in order to avoid taxes or penalties under Section 409A, then the Company shall not pay such amount on the otherwise scheduled payment date but shall instead pay it, without interest, on the first business day after such six-month period.

Notwithstanding any provision of this Agreement to the contrary, in light of the uncertainty with respect to the proper application of Section 409A, the Company reserves the right to make amendments to this Agreement as the Company deems necessary or desirable to avoid the imposition of taxes or penalties under Section 409A. In any case, the Employee shall be solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on the Employee or for the Employee's account in connection with this Agreement (including any taxes and penalties under Section 409A), and neither the Company nor any of its Affiliates shall have any obligation to indemnify or otherwise hold the Employee harmless from any or all of such taxes or penalties.

26. Separability. In case any provision in the Agreement, or in any other instrument referred to herein, shall become invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions in the Agreement, or in any other instrument referred to herein, shall not in any way be affected or impaired thereby.

27. Integration of Terms. Except as otherwise provided in this Agreement, this Agreement contains the entire agreement between the parties relating to the subject matter hereof and supersedes any and all oral statements and prior writings with respect thereto.

28. Appendix for Non-U.S. Countries. Notwithstanding any provisions in this Agreement, the RSU award shall be subject to any special terms and conditions set forth in any appendix to this Agreement for the Employee's country (the "Appendix"). Moreover, if the Employee relocates to one of the countries included in the Appendix, the special terms and conditions for such country will apply to the Employee, to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with local law or facilitate the administration of the Plan. The Appendix constitutes part of this Agreement.

29. Imposition of Other Requirements. The Committee or its authorized delegate, as applicable, reserves the right to impose other requirements on the Employee's participation in the Plan, on the RSUs and on any shares of Common Stock acquired under the Plan, to the extent the Committee or its authorized delegate, as applicable, determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require the Employee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

IN WITNESS WHEREOF, the Company has executed this Agreement as of the day and year set forth on the Award Summary.

CONDUENTINC INCORPORATED

**PERFORMANCE STOCK UNIT AWARD AGREEMENT PURSUANT TO  
CONDUENT INCORPORATED PERFORMANCE INCENTIVE PLAN**

AGREEMENT, by Conduent Incorporated, a New York corporation (the "Company"), dated as of the date that appears in the award summary that provides the number of Performance Stock Units and vesting provisions of the award (the "Award Summary"), in favor of the individual whose name appears on the Award Summary (the "Employee"), who is an employee of the Company, one of the Company's subsidiaries or one of its affiliates (the Company, or such subsidiary or affiliate, the "Employer").

In accordance with the provisions of the Conduent Performance Incentive Plan (the "Plan"), the Compensation Committee of the Board of Directors of the Company (the "Committee") or the Chief Executive Officer of the Company (the "CEO") has authorized the execution and delivery of this Agreement.

Terms used herein that are defined in the Plan or in this Agreement shall have the meanings assigned to them in the Plan or this Agreement, respectively.

The Award Summary contains the details of the awards covered by this Agreement and is incorporated herein in its entirety. NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the Company agrees as follows:

**AWARDS**

1. Award of Performance Stock Units. Subject to all terms and conditions of the Plan and this Agreement, the Company has awarded to the Employee on the date indicated on the Award Summary Performance Stock Units (individually, a "PS") as shown on the Award Summary, representing the target number of shares of Common Stock covered by this Agreement (the "Target PSs"). Notwithstanding anything herein to the contrary, only active employees and those employees on Short Term Disability Leave, Social Service Leave, Family Medical Leave or Paid Uniform Services Leave (pursuant to the Company's Human Resources Policies or similar policies of the Company's subsidiaries or affiliates) on the effective date of the award as shown on the Award Summary shall be eligible to receive the award.

**TERMS OF THE PERFORMANCE STOCK UNITS**

2. Entitlement to Shares. As soon as practicable on or after the Vesting Date (as defined below) (or such earlier date provided in Section 9) in connection with the PSs, the Company shall deliver to the Employee, in such manner as the Company shall determine, a number of shares of Common Stock equal to the number of vested PSs (subject to reduction for withholding of the Employee's taxes in relation to the award as described in Section 11) within 60 days following the Vesting Date (or, if earlier, a distribution event set forth in Section 9 that satisfies the requirements of Section 409A(a)(2) of the Code).

No fractional shares shall be issued pursuant to this Agreement. Instead, the Company shall apply the equivalent of any fractional share amount to amounts withheld for taxes. Notwithstanding the foregoing, the Company shall be entitled to delay delivery of such shares of Common Stock (or cash payment in lieu thereof, as applicable) until it shall have received from the Employee a duly executed Form W-8 or W-9, as applicable, and any other information or completed forms the Company may reasonably require.

3. Vesting. Except as otherwise determined by the Committee in its sole discretion (subject to Section 23 of the Plan) or as otherwise provided in this Section 3 or Section 9, the vesting of the PSs covered hereby shall be subject to (i) the achievement of the performance goals as set forth in the Award Summary (the "Performance Goals") as determined by the Committee and (ii) the Employee's continued employment with the Company or a subsidiary or affiliate through December 31, 2020 (the "Vesting Date"). In the event the achievement of the Performance Goals is "below threshold" level, then all of the PSs will be forfeited; in the event that achievement of the Performance Goals is between "threshold" and "target" level, then no less than 50% and no more than 100% of the Target PSs will vest; and in the event achievement of the Performance Goals is between "target" and "maximum" level, then no less than 100% and no more than 200% of the Target PSs will vest, in each case as set forth in the Award Summary and subject to the Employee's continued employment through the Vesting Date as described in clause (ii) of the immediately preceding sentence. Upon the occurrence of an event constituting a Change in Control prior to the Vesting Date, notwithstanding anything to the contrary in Section 22(b) of the Plan, the Performance Goals shall be deemed achieved at target level, but thereafter the PSs, and any dividend equivalents with respect thereto, shall remain outstanding and thereafter the vesting of such PSs, and any dividend equivalents with respect thereto, shall be subject to the Employee's continued employment with the Company or a subsidiary or an affiliate through the Vesting Date, at which time such PSs shall be paid in cash in accordance with Section 22(f) of the Plan at the earliest time set forth in Section 22(c) of the Plan that will not trigger tax or penalty under Section 409A of the Code, as determined by the Committee; provided that such PSs, and any dividend equivalents with respect thereto, shall vest and shall be paid to the extent provided in Section 9 in the event of the Employee's termination of employment following such Change in Control and prior to the Vesting Date or in the event such Change in Control occurs following a termination of the Employee's employment. Upon payment pursuant to the terms of the Plan, such awards shall be cancelled.

4. Dividend Equivalents. The Employee shall become entitled to receive from the Company on the Vesting Date (or such earlier date provided in Section 9) a cash payment equaling the same amount(s) that the holder of record of a number of shares of Common Stock equal to the number of vested PSs (if any) would have been entitled to receive as dividends on such Common Stock during the period commencing on the effective date hereof and ending on the Vesting Date (or such earlier date provided in Section 9) as provided under Section 3. Payments under this Section shall be net of any required withholding taxes.

#### OTHER TERMS

5. Ownership Guidelines. Guidelines pertaining to the Employee's required ownership of Common Stock (the "Stock Ownership Guidelines") shall be determined by the Committee or its authorized delegate, as applicable, in its sole discretion from time to time as communicated to the Employee in writing.

6. Holding Requirements. In the event of non-compliance with the Stock Ownership Guidelines under Section 5 hereof, following a five-year noncompliance period as described in the Stock Ownership Guidelines, the Employee must retain fifty percent (50%) of the net shares of Common Stock acquired in connection with the vesting of PSs (net of withholding tax and any applicable fees) until the threshold set forth in the Stock Ownership Guidelines is satisfied. Such shares shall be held in the Employee's Morgan Stanley account or in another account acceptable to the Company. In addition, shares used to maintain the Employee's ownership level pursuant to this award should be held with Morgan Stanley or in another account acceptable to the Company.

7. Voting Rights/ Dividends. Except as otherwise provided herein, the Employee shall have no rights as a shareholder with respect to the PSs until the date of issuance of a stock certificate to him for such PSs and no adjustment shall be made for dividends or other rights for which the record date is prior to the date the PSs become vested.

8. Non-Assignability. Unless otherwise provided by the Committee in its discretion, PSs may not be sold, assigned, alienated, transferred, pledged, attached or otherwise encumbered except as provided in Section 11 of the Plan. Any purported sale, assignment, alienation, transfer, pledge, attachment or other encumbrance of a PS in violation of the provisions of this Section 8 and Section 11 of the Plan shall be void.

9. Effect of Termination of Employment or Death.

(a) Effect on PSs. In the event the Employee

(i) voluntarily ceases to be an employee of the Employer for any reason other than Termination For Good Reason following a Change in Control, the PSs that have not vested in accordance with Section 3 shall be canceled and forfeited on the date of such voluntary termination of employment;

(ii) involuntarily ceases to be an employee of the Employer on or after the nine-month anniversary of the grant date of PSs and prior to a Change in Control for any reason other than due to death, Disability or a termination for Cause, the number of PSs covered by this Agreement, and any dividend equivalents with respect thereto, shall be prorated based on a fraction, the numerator of which is the number of full months elapsed during the three-year performance period prior to such termination of employment and the denominator of which is 36, and any remaining PSs shall be forfeited. The vesting of such prorated number of PSs, and any dividend equivalents with respect thereto, shall remain subject to the achievement of the Performance Goals in accordance with Section 3 and shall be settled within 60 days following the Vesting Date in accordance with Section 2. Such vesting shall be contingent, at the discretion of the Company, upon the Employee executing a general release (which may include an agreement with respect to engagement in detrimental activity, in a form acceptable to the Company) and such release becoming effective and irrevocable within the 60-day period following such termination;

(iii) involuntarily ceases to be an employee of the Employer following a Change in Control for any reason other than due to death, Disability or termination for Cause, then the PSs (the Performance Goals for which shall have been deemed achieved at target level, pursuant to Section 3), and any dividend equivalents with respect thereto, shall immediately vest (without proration based on the portion of the three-year performance period elapsed prior to such termination) and shall be paid in cash in accordance with Section 22(f) of the Plan within 60 days following the earliest time set forth in Section 22(c) of the Plan that will not trigger a tax or penalty under Section 409A of the Code, as determined by the Committee. Such vesting shall be contingent, at the discretion of the Company, upon the Employee executing a general release (which may include an agreement with respect to engagement in detrimental activity, in a form acceptable to the Company) and such release becoming effective and irrevocable within the 60-day period following such termination;

(iv) involuntarily ceases to be an employee of the Employer by reason of death or Disability, (1) the vesting of the PSs shall remain subject to the achievement of the Performance Goals in accordance with Section 3, if such termination of employment occurs prior to a Change in Control and shall be settled on the Vesting Date in accordance with Section 2, and (2) if such termination of employment occurs following a Change in Control, then the PSs (the Performance Goals for which shall have been deemed achieved at target level, pursuant to Section 3), and any dividend equivalents with respect thereto, shall immediately vest and shall be paid in cash in accordance with Section 22(f) of the Plan at the earliest time set forth in Section 22(c) of the Plan that will not trigger a tax or penalty under Section 409A of the Code, as determined by the Committee, in either case without proration based on the portion of the three-year performance period elapsed prior to such termination;

(v) involuntarily ceases to be an employee of the Employer (A) due to termination for Cause or (B) prior to the nine-month anniversary of the grant date of the PSs and prior to a Change in Control for any reason other than due to death or Disability, the PSs shall be cancelled and forfeited on the date of such termination of employment; and

(vi) voluntarily ceases to be an employee due to a Termination for Good Reason following a Change in Control, the PSs (the Performance Goals for which shall have been deemed achieved at target level, pursuant to Section 3), and any dividend equivalents with respect thereto, shall immediately vest and shall be paid in cash in accordance with Section 22(f) of the Plan within 60 days following the earliest time set forth in Section 22(c) of the Plan that will not trigger a tax or penalty under Section 409A of the Code, as determined by the Committee, without proration based on the portion of the three-year performance period elapsed prior to such termination. Such vesting shall be contingent, at the discretion of the Company, upon the Employee executing a general release (which may include an agreement with respect to engagement in detrimental activity, in a form acceptable to the Company) and such release becoming effective and irrevocable within the 60-day period following such termination.

(b) Definitions. "Cause" means (i) a violation of any of the rules, policies, procedures or guidelines of the Employer, including but not limited to the Company's Business Ethics Policy and the Proprietary Information and Conflict of Interest Agreement (ii) any conduct which qualifies for "immediate discharge" under the Employer's Human Resource Policies as in effect from time to time (iii) rendering services to a firm which engages, or engaging directly or indirectly, in any business that is competitive with the Employer, or represents a conflict of interest with the interests of the Employer; (iv) conviction of, or entering a guilty plea with respect to, a crime whether or not connected with the Employer; or (v) any other conduct determined to be injurious, detrimental or prejudicial to any interest of the Employer.

"Termination For Good Reason" has the meaning set forth in Section 22(a)(vi) of the Plan.

"Disability" shall include cessation of active employment due to commencement of long-term disability under the Employer's long-term disability plan or under a disability policy of any subsidiary or Affiliate, as applicable; provided that a Disability shall not be deemed to have occurred for such purposes unless the circumstances would also result in a "disability" within the meaning of Section 409A of the Code.

(c) Divestiture. Notwithstanding the above, the termination of Employee's employment with Employer in connection with the Employer's sale (whether by sale of assets or a subsidiary, or both) of a line of business within which the Employee was employed immediately prior to such sale as determined by the Committee in its sole discretion, that does not constitute a Change in Control, shall be treated as an involuntary termination of employment for purposes of this Agreement and the PSs shall vest and be paid as provided in Section 9(a)(ii) above, whether or not such termination occurs after the nine month anniversary of the grant date of the PSs; provided, however, that, in the event the Employee is offered a comparable position (as determined by the Committee in accordance with the Company's severance policy) with the acquirer of such line of business and does not accept such offer, the PSs shall be cancelled and forfeited on the date of termination of employment.

10. General Restrictions. If at any time the Committee or its authorized delegate, as applicable, shall determine, in its discretion, that the listing, registration or qualification of any shares of Common Stock subject to this Agreement upon any securities exchange or under any state or Federal law, or the consent or approval of any government regulatory body, is necessary or desirable as a condition of, or in connection with, the awarding of the PSs or the issue or purchase of shares of Common Stock hereunder, the certificates for shares of Common Stock may not be issued in respect of PSs in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee or its authorized delegate, as applicable, and any delay caused thereby shall in no way affect the date of termination of the PSs.

11. Responsibility for Taxes. The Employee acknowledges that the ultimate responsibility for the Employee's Federal, state and municipal individual income taxes, the Employee's portion of social security and other payroll taxes, and any other taxes related to the Employee's participation in the Plan and legally applicable to the Employee, is and remains his or her responsibility and may exceed the amount actually withheld by the Company or the Employer. In the event that there is withholding tax liability in connection with the vesting or settlement of the PSs, the Employee may satisfy, in whole or in part, any withholding tax liability: (a) by cash payment of an amount equal to such withholding liability; or (b) by having the Company withhold from the number of PSs in which the Employee would be entitled to vest a number of shares of Common Stock having a fair value equal to such withholding tax liability in accordance with the Company's share withholding procedures.

12. Nature of Award. In accepting the award, the Employee acknowledges that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time in a manner consistent with Section 13 of the Plan regarding Plan amendment and termination and, in addition, the PSs are subject to modification and adjustment under Section 6 of the Plan.

(b) the award of the PSs is voluntary and occasional and does not create any contractual or other right to receive future grants of PSs, or benefits in lieu of PSs, even if PSs have been granted repeatedly in the past;

(c) all decisions with respect to future PS awards, if any, will be at the sole discretion of the Committee or its authorized delegate, as applicable;

(d) The Employee's participation in the Plan shall not create a right to further employment with the Employer and shall not interfere with the ability of the Employer to terminate Employee's employment relationship at any time; further, the PS award and Employee's participation in the Plan will not be interpreted to form an employment contract or relationship with the Employer;

(e) The Employee is voluntarily participating in the Plan;

(f) the PSs and the shares of Common Stock subject to the PSs are an extraordinary item that does not constitute compensation of any kind for services of any kind rendered to the Employer, and which is outside the scope of the Employee's employment contract, if any;

(g) the PSs and the shares of Common Stock subject to the PSs are not intended to replace any pension rights or compensation;

(h) the PSs and the shares of Common Stock subject to the PSs are not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Employer;

(i) the future value of the underlying shares of Common Stock is unknown and cannot be predicted with certainty;

(j) in consideration of the award of the PSs, no claim or entitlement to compensation or damages shall arise from forfeiture of the PSs, including, but not limited to, forfeiture resulting from termination of the Employee's employment with the Employer (for any reason whatsoever and whether or not in breach of local labor laws) and the Employee irrevocably releases the Company and the Employer from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, the Employee shall be deemed irrevocably to have waived the Employee's entitlement to pursue such claim; and

(k) subject to the provisions in the Plan regarding Change in Control, PSs and the benefits under the Plan, if any, will not automatically transfer to another company in the case of a merger, take-over or transfer of liability.

13. No Advice Regarding Award. Neither the Company nor the Employer is providing any tax, legal or financial advice, nor is the Company or Employer making any recommendations regarding the Employee's participation in the Plan, or his or her acquisition or sale of the underlying shares of Common Stock. The Employee is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

14. Amendment of This Agreement. With the consent of the Employee, the Committee or its authorized delegate, as applicable, may amend this Agreement in a manner not inconsistent with the Plan.

15. Subsidiary. As used herein the term "subsidiary" shall mean any present or future corporation which would be a "subsidiary corporation" of the Company as the term is defined in Section 425 of the Internal Revenue Code (the "Code") of 1986 on the date of award.

16. Affiliate. As used herein the term "affiliate" shall mean any entity in which the Company has a significant equity interest, as determined by the Committee.

17. Recoupments.

(a) If an employee or former employee of the Employer is reasonably deemed by the Committee or its authorized delegate, as applicable, to have engaged in detrimental activity against the Employer, any awards granted to such employee or former employee shall be cancelled and be of no further force or effect and any payment or delivery of an award from six months prior to such detrimental activity may be rescinded. In the event of any such rescission, the Employee shall pay to the Company the amount of any gain realized or payment received as a result of the rescinded exercise, payment or delivery, in such manner and on such terms and conditions as may be required by the Committee or its authorized delegate, as applicable. Detrimental activity may include:

(i) violating terms of a non-compete agreement with the Employer, if any;

(ii) disclosing confidential or proprietary business information of the Employer to any person or entity including but not limited to a competitor, vendor or customer without appropriate authorization from the Employer;

(iii) violating any rules, policies, procedures or guidelines of the Employer;

(iv) directly or indirectly soliciting any employee of the Employer to terminate employment with the Employer;

(v) directly or indirectly soliciting or accepting business from any customer or potential customer or encouraging any customer, potential customer or supplier of the Employer, to reduce the level of business it does with the Employer; or

(vi) engaging in any other conduct or act that is determined to be injurious, detrimental or prejudicial to any interest of the Employer.

(b) If an accounting restatement by the Company is required in order to correct any material noncompliance with financial reporting requirements under relevant securities laws, the Company will have the authority to recover from executive officers or former executive officers, whether or not still employed by the Employer, any excess incentive-based compensation (in excess of what would have been paid under the accounting restatement), including entitlement to shares, provided under this Agreement to executive officers of the Employer, that was based on such erroneous data and paid during the three-year period preceding the date on which the Company is required to prepare the accounting restatement. Notwithstanding anything herein to the contrary, the Company may implement any policy or take any action with respect to the recovery of excess incentive-based compensation, including entitlement to shares of Common Stock that the Company determines to be necessary or advisable in order to comply with the requirements of the Dodd-Frank Wall Street Financial Reform and Consumer Protection Act.

18. Cancellation and Rescission of Award. Without limiting the foregoing Section regarding non-engagement in detrimental activity against the Employer, the Company may cancel any award provided hereunder if the Employee is not in compliance with all of the following conditions:

(a) The Employee shall not render services for any organization or engage directly or indirectly in any business which would cause the Employee to breach any of the post-employment prohibitions contained in any agreement between the Employer and the Employee.

(b) The Employee shall not, without prior written authorization from the Employer, disclose to anyone outside the Employer, or use in other than the Employer's business, any confidential information or material, as specified in any agreement between the Employer and the Employee which contains post-employment prohibitions, relating to the business of the Employer acquired by the Employee either during or after employment with the Employer.



Notwithstanding the above, this Agreement does not in any manner restrict the Employee from reporting possible violations of federal, state or local laws or regulations to any governmental agency or entity, and shall not, and not be interpreted to, impair the participant from exercising any legally protected whistleblower rights (including under Rule 21 F under the Exchange Act). Similarly, the Employer does not in any manner restrict the Employee from participating in any proceeding or investigation by a federal, state or local government agency or entity responsible for enforcing such laws. The Employee is not required to notify the Employer that he or she has made such report or disclosure, or of his or her participation in an agency investigation or proceeding.

(c) The Employee, pursuant to any agreement between the Employer and the Employee which contains post-employment prohibitions, shall disclose promptly and assign to the Employer all right, title and interest in any invention or idea, patentable or not, made or conceived by the Employee during employment with the Employer, relating in any manner to the actual or anticipated business, research or development work of the Employer, and shall do anything reasonably necessary to enable the Employer to secure a patent where appropriate in the United States and in foreign countries.

(d) Failure to comply with the provision of subparagraphs (a), (b) or (c) of this Section 18 prior to, or during the six months after, any payment or delivery shall cause such payment or delivery to be rescinded. The Company shall notify the Employee in writing of any such rescission within two years after such payment or delivery. Within ten days after receiving such a notice from the Company, the Employee shall pay to the Company the amount of any payment received as a result of the rescinded payment or delivery pursuant to an award. Such payment to the Company by the Employee shall be made either in cash or by returning to the Company the number of shares of Common Stock that the Employee received in connection with the rescinded payment or delivery.

19. Notices. Notices hereunder shall be in writing and if to the Company shall be mailed to the Company at 100 Campus Dr. Suite 200 Florham Park, NJ 07932 USA, addressed to the attention of Stock Plan Administrator, and if to the Employee shall be delivered personally or mailed to the Employee at his address as the same appears on the records of the Company.

20. Language. If the Employee has received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

21. Electronic Delivery and Acceptance. The Company will deliver any documents related to current or future participation in the Plan by electronic means. The Employee hereby consents to receive such documents by electronic delivery, and agrees to participate in the Plan and be bound by the terms and conditions of this Agreement, through an on-line or electronic system established and maintained by the Company or a third party designated by the Company. Electronic acceptance by the Employee is required and the award will be cancelled for any employee who fails to comply with the Company's acceptance requirement within six months of the effective date of the award.

22. Interpretation of This Agreement. The Committee or its authorized delegate, as applicable, shall have the authority to interpret the Plan and this Agreement and to take whatever administrative actions, including correction of administrative errors in the awards subject to this Agreement and in this Agreement, as the Committee or its authorized delegate, as applicable, in its sole good faith judgment shall determine to be advisable. All decisions, interpretations and administrative actions made by the Committee or its authorized delegate, as applicable, hereunder or under the Plan shall be binding and conclusive on the Company and the Employee. In the event there is inconsistency between the provisions of this Agreement and of the Plan, the provisions of the Plan shall govern.

23. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and the successors and assigns of the Company and to the extent provided in Section 11 of the Plan to the personal representatives, legatees and heirs of the Employee.

24. Governing Law and Venue. The validity, construction and effect of the Agreement and any actions taken under or relating to this Agreement shall be determined in accordance with the laws of the state of New York and applicable Federal law.

This grant is made and/or administered in the United States. For purposes of litigating any dispute that arises under this grant or the Agreement the parties hereby submit to and consent to the jurisdiction of the state of New York, agree that such litigation shall be conducted in the state or federal courts located in New York.

25. Section 409A. It is intended that the provisions of this Agreement comply with, or are exempt from, Section 409A, and all provisions of this Agreement shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A.

Neither the Employee nor any of the Employee's creditors or beneficiaries shall have the right to subject any deferred compensation (within the meaning of Section 409A) payable under this Agreement to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment. Except as permitted under Section 409A, any deferred compensation (within the meaning of Section 409A) payable to the Employee or for the Employee's benefit under this Agreement may not be reduced by, or offset against, any amount owing by the Employee to the Company or any of its Affiliates. In the event that any 60-day period described in Section 9 of this Agreement straddles two calendar years, then any PSs, and any dividends with respect thereto, that are settled within such 60-day period in accordance with this Agreement shall be settled in the second calendar year

If, at the time of the Employee's separation from service (within the meaning of Section 409A), (a) the Employee shall be a specified employee (within the meaning of Section 409A and using the identification methodology selected by the Company from time to time) and (b) the Company shall make a good faith determination that an amount payable hereunder constitutes deferred compensation (within the meaning of Section 409A) the payment of which is required to be delayed pursuant to the six-month delay rule set forth in Section 409A in order to avoid taxes or penalties under Section 409A, then the Company shall not pay such amount on the otherwise scheduled payment date but shall instead pay it, without interest, on the first business day after such six-month period.

Notwithstanding any provision of this Agreement to the contrary, in light of the uncertainty with respect to the proper application of Section 409A, the Company reserves the right to make amendments to this Agreement as the Company deems necessary or desirable to avoid the imposition of taxes or penalties under Section 409A. In any case, the Employee shall be solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on the Employee or for the Employee's account in connection with this Agreement (including any taxes and penalties under Section 409A), and neither the Company nor any of its Affiliates shall have any obligation to indemnify or otherwise hold the Employee harmless from any or all of such taxes or penalties.

26. Separability. In case any provision in the Agreement, or in any other instrument referred to herein, shall become invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions in the Agreement, or in any other instrument referred to herein, shall not in any way be affected or impaired thereby.

27. Integration of Terms. Except as otherwise provided in this Agreement, this Agreement contains the entire agreement between the parties relating to the subject matter hereof and supersedes any and all oral statements and prior writings with respect thereto.

28. Appendix for Non-U.S. Countries. Notwithstanding any provisions in this Agreement, the PS award shall be subject to any special terms and conditions set forth in any appendix to this Agreement for the Employee's country (the "Appendix"). Moreover, if the Employee relocates to one of the countries included in the Appendix, the special terms and conditions for such country will apply to the Employee, to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with local law or facilitate the administration of the Plan. The Appendix constitutes part of this Agreement.

29. Imposition of Other Requirements. The Committee or its authorized delegate, as applicable, reserves the right to impose other requirements on the Employee's participation in the Plan, on the PSs and on any shares of Common Stock acquired under the Plan, to the extent the Committee or its authorized delegate, as applicable, determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require the Employee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

IN WITNESS WHEREOF, the Company has executed this Agreement as of the day and year set forth on the Award Summary.

CONDUENTINC INCORPORATED

**CEO CERTIFICATIONS**

I, Ashok Vemuri, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Conduent Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 9, 2018

/s/ ASHOK VEMURI

Ashok Vemuri  
Principal Executive Officer

**CFO CERTIFICATIONS**

I, Brian J. Webb-Walsh, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Conduent Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 9, 2018

/s/ BRIAN J. WEBB-WALSH

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Brian J. Webb-Walsh  
Principal Financial Officer

**CERTIFICATION OF CEO AND CFO PURSUANT TO 18 U.S.C. § 1350,  
AS ADOPTED PURSUANT TO § 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Form 10-Q of Conduent Incorporated, a New York corporation (the "Company"), for the quarter ended March 31, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Ashok Vemuri, Chief Executive Officer of the Company, and Brian J. Webb-Walsh, Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of his/her knowledge, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ ASHOK VEMURI

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Ashok Vemuri  
Chief Executive Officer

May 9, 2018

/s/ BRIAN J. WEBB-WALSH

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Brian J. Webb-Walsh  
Chief Financial Officer

May 9, 2018

This certification accompanies this Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of § 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by § 906 has been provided to Conduent Incorporated and will be retained by Conduent Incorporated and furnished to the Securities and Exchange Commission or its staff upon request.