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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (date of earliest event reported): August 8, 2018

CONDUENT INCORPORATED
(Exact name of registrant as specified in its charter)

New York	001-37817	81-2983623
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

100 Campus Drive, Suite 200
Florham Park, New Jersey
07932
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (844) 663-2638

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (CFR 240.12b-2). ☐ Emerging growth company

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. ☐

Item 2.02. Results of Operations and Financial Condition.

On August 8, 2018, Registrant released its second quarter 2018 earnings and is furnishing to the Securities and Exchange Commission a copy of the earnings press release as Exhibit 99.1 to this Report under Item 2.02 of Form 8-K.

The information contained in Item 2.02 of this Report and in Exhibit 99.1 shall not be deemed “filed” with the Commission for purposes of Section 18 of the Exchange Act of 1934, as amended, or otherwise subject to the liability of that section.

Item 7.01. Regulation FD Disclosure.

On August 8, 2018, Registrant conducted an earnings call regarding its 2018 second quarter results and is furnishing to the Securities and Exchange Commission a copy of the presentation used during the earnings call as Exhibit 99.2 to this Report under Item 7.01 of Form 8-K.

The information contained in Item 7.01 of this Report and in Exhibit 99.2 to this Report shall not be deemed “filed” with the Commission for purposes of Section 18 of the Exchange Act of 1934, as amended, or otherwise subject to the liability of that section.

Exhibit 99.1 and Exhibit 99.2 to this Report contain certain financial measures that are considered “non-GAAP financial measures” as defined in the SEC rules. Exhibit 99.1 and Exhibit 99.2 to this Report also contain the reconciliation of these non-GAAP financial measures to their most directly comparable financial measures calculated and presented in accordance with generally accepted accounting principles, as well as the reasons why Registrant’s management believes that presentation of the non-GAAP financial measures provides useful information to investors regarding Registrant’s results of operations and, to the extent material, a statement disclosing any other additional purposes for which Registrant’s management uses the non-GAAP financial measures.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
99.1	Registrant’s second quarter 2018 earnings press release dated August 8, 2018
99.2	Registrant’s investor presentation dated August 8, 2018

Forward-Looking Statements

This Report 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 may 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 information systems or security systems or any 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 in our 2017 Annual Report on Form 10-K, as well as in our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the Securities and Exchange Commission. Any forward-looking statements made by us in this report speak only as of the date on which they are made. We are under no obligation to, and expressly disclaim any obligation to, update or alter our forward-looking statements, whether as a result of new information, subsequent events or otherwise.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, Registrant has duly authorized this Report to be signed on its behalf by the undersigned duly authorized.

Date: August 8, 2018

CONDUENT INCORPORATED

By: ***/s/ ALLAN COHEN***

Allan Cohen

Vice President and Chief Accounting Officer

News from Conduent

Conduent Incorporated
100 Campus Drive, Suite 200
Florham Park, NJ 07932

www.conduent.com

Conduent Reports Second Quarter 2018 Results; Strong Earnings Growth; Executing on Digital Interactions Strategy and Meaningful Progress on Portfolio Actions

Key Quarterly Highlights

- Revenue of $1,387 million
- GAAP diluted EPS from continuing operations of $0.04, up $0.07; adjusted diluted EPS from continuing operations of $0.29, up $0.13
- Net Income from continuing operations of $11 million; Adjusted net income of $64 million
- Adjusted EBITDA of $166 million
- Cash flow from operations of $98 million and adjusted free cash flow of $60 million
- Renewal rate of 99.0% and $1,575 million of renewal TCV; $1,947 million of TCV signings
- Signed $1 billion TCV contract renewal and expansion with Fortune 50 Company
- Continued progress on divestiture plan resulting in meaningful strengthening of balance sheet
- Launched Tender Offer for 10.5% Senior Notes (~$476 million tendered; closed on July 27, 2018)

FLORHAM PARK, NJ, August 8, 2018 - Conduent (NYSE: CNDT), the world's largest provider of diversified business services, today announced its second quarter 2018 financial results.

"We delivered another strong quarter with continued growth in operating margin and adjusted EBITDA, while investing in our digital interactions and platform-based offerings. We expanded our new business pipeline and have achieved a consistent revenue baseline that was flat year-over-year excluding strategic actions for the second quarter in a row. Our core remains on track to realize organic top-line growth by year-end," said Ashok Vemuri, CEO of Conduent. "We completed the sale of our Commercial Vehicle Operations business and continue to make progress in streamlining our portfolio and strengthening our balance sheet. All of these actions position us well to achieve our financial and strategic long-term goals."

Second Quarter 2018 Results

Second quarter 2018 revenues were $1,387 million, down 7.3% compared to Q2 2017. Adjusting for the impact of the 606 accounting standard and excluding divestitures completed in Q3 2017, revenues were down 3.3% compared with Q2 2017.

Pre-tax income was $54 million compared to $(11) million in Q2 2017. GAAP operating margin as reported was 3.9% compared to (0.7)% in Q2 2017. The company reported Q2 2018 GAAP net income of $11 million compared with $(4) million in Q2 2017. Diluted EPS from continuing operations was $0.04 versus ($0.03) in the same period last year, driven primarily by gains on divestitures and lower restructuring costs.

Second quarter adjusted operating income was $109 million, with an adjusted operating margin of 7.9% as compared to adjusted operating income of $88 million, with an adjusted operating margin of 5.9% in Q2 2017. Adjusted EBITDA improved 5.7% to $166 million, with an adjusted EBITDA margin of 12.0%, as compared to $157 million, with an adjusted EBITDA margin of 10.5% in Q2 2017. Adjusting for the impact of the 606 accounting standard and excluding divestitures completed in Q3 2017, Adjusted EBITDA improved 8.5% compared with Q2 2017. The company reported adjusted diluted EPS from continuing operations of $0.29 compared to $0.16 in Q2 2017.

Conduent generated $98 million in cash flow from operations during the second quarter 2018 and ended the quarter with a cash balance of $993 million. Total debt was $2,044 million as of June 30, 2018.

Excluding funds that are associated with the termination of the deferred compensation plan that are expected to be disbursed to participants in 2018, Conduent ended the quarter with an adjusted cash balance of $903 million.

The Company repriced its Term Loans and Revolving Credit Facility during the quarter.
In addition, on June 24, 2018, the Company announced a tender offer for its 10.5% Senior Notes due 2024. On July 27, 2018, the Company closed the tender offer for ~$476 million or 93.3% of the Senior Notes.

Headcount of approximately 84,000 as of June 30, 2018 compared with approximately 90,000 as of December 31, 2017.

Total contract value (TCV) signings of $1,947 million for the quarter were up 56.5% compared with Q2 2017, impacted by greater renewal signings primarily with technology, government and transportation clients.

Financial and Strategic Outlook

Conduent reaffirmed the following guidance ranges for FY 2018:

FY 2018E

Revenue (constant currency)[1]	$5.41 – $5.61B
Adj. EBITDA[2]	$662 – $688M
Adj. EBITDA Margin[2]	11.8 – 12.7%
Adj. Free Cash Flow[2]	$166 – $241M
% of Adj. EBITDA	25 – 35%

Guidance remains unchanged since Analyst Day

Note: Please refer to the "Non-GAAP Outlook" in the Non-GAAP section below for certain Non-GAAP information concerning outlook.
(1) Year-over-year revenue comparison at constant currency
(2) Refer to Appendix for Non-GAAP reconciliations of adjusted EBITDA/margin and adjusted FCF and for impact from ASC 606 accounting change and divestitures

"For the sixth consecutive quarter, our financial performance improved year-on-year as we continued to achieve Adjusted EBITDA growth and margin expansion. We repriced our Term Loans and tendered for our high-cost debt, which will lead to a meaningful reduction in interest expense," said Brian Webb-Walsh, CFO of Conduent. "We continued to invest in the business with capex of 3.7% of revenue in the quarter, while our balance sheet and cash generation remain strong and provides us with the flexibility to take advantage of market opportunities."

Conference Call

Management will present the results during a conference call and webcast on August 8, 2018 at 10 a.m. ET.

The call will be available by live audio webcast with the news release and online presentation slides at https://investor.conduent.com/.

The conference call will also be available by calling 877-883-0383 (international dial-in 412-902-6506) at approximately 9:45 a.m. ET. The entry number for this call is 6126916.

A recording of the conference call will be available by calling 877-344-7529, or 412-317-0088 one hour after the conference call concludes on August 8, 2018. The replay ID is 10122677.

For international calls, please select a dial-in number from:
https://services.choruscall.com/ccforms/replay.html

About Conduent

Conduent creates digital platforms and services for businesses and governments to manage millions of interactions every day for those they serve. We are leveraging the power of cloud, mobile and IoT, combined with technologies such as automation, cognitive and blockchain to elevate every constituent interaction, driving modern digital experiences that are more efficient, helpful and satisfying.

Conduent's differentiated offerings touch millions of lives every day, including two-thirds of all insured patients in the U.S. and nearly nine million people who travel through toll systems daily. Whether it's digital payments, claims processing, benefit administration, automated tolling, customer care or distributed learning - Conduent serves a majority of the Fortune 100 companies and more than 500 government entities. Learn more at www.conduent.com.

Non-GAAP Measures

We have reported our financial results in accordance with U.S. generally accepted accounting principles (GAAP). In addition, we have discussed our financial results using non-GAAP measures. 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. 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 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 to how management reviews and evaluates our business results and trends. These non-GAAP measures are among the primary factors management uses in planning for and forecasting future periods. Compensation of our executives is based in part on the performance of our business based on certain non-GAAP measures. Refer to the "Non-GAAP Financial Measures" section attached to this release for a discussion of these non-GAAP measures and their reconciliation to the reported GAAP measures.

Forward-Looking Statements

This Report 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 may 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 information systems or security systems or any 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 in our 2017 Annual Report on Form 10-K, as well as in our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the Securities and Exchange Commission. Any forward-looking statements made by us in this report speak only as of the date on which they are made. We are under no obligation to, and expressly disclaim any obligation to, update or alter our forward-looking statements, whether as a result of new information, subsequent events or otherwise.

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

(in millions, except per share data)	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Revenue	$ 1,387	$ 1,496	$ 2,807	$ 3,049
Cost of Services	1,125	1,253	2,293	2,547
Gross Margin	262	243	514	502
Operating Costs and Expenses				
Research and development	3	3	5	7
Selling, general and administrative	149	153	294	322
Restructuring and related costs	17	36	37	54
Amortization of acquired intangible assets	60	61	121	122
Interest expense	37	34	70	70
Separation costs	—	1	—	6
(Gain) loss on divestitures and transaction costs	(60)	(25)	(45)	(25)
Litigation costs (recoveries), net	4	(9)	35	(20)
Other (income) expenses, net	(2)	—	(3)	(1)
Total Operating Costs and Expenses	208	254	514	535
Income (Loss) Before Income Taxes	54	(11)	—	(33)
Income tax expense (benefit)	43	(7)	39	(19)
Income (Loss) From Continuing Operations	11	(4)	(39)	(14)
Income (loss) from discontinued operations, net of tax	—	—	—	4
Net Income (Loss)	$ 11	$ (4)	$ (39)	$ (10)
Basic Earnings (Loss) per Share:				
Continuing operations	$ 0.05	$ (0.03)	$ (0.21)	$ (0.09)
Discontinued operations	—	—	—	0.02
Total Basic Earnings (Loss) per Share	$ 0.05	$ (0.03)	$ (0.21)	$ (0.07)
Diluted Earnings (Loss) per Share:				
Continuing operations	$ 0.04	$ (0.03)	$ (0.21)	$ (0.09)
Discontinued operations	—	—	—	0.02
Total Diluted Earnings (Loss) per Share	$ 0.04	$ (0.03)	$ (0.21)	$ (0.07)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2018	2017	2018	2017
Net Income (Loss)	$ 11	$ (4)	$ (39)	$ (10)
Other Comprehensive Income (Loss), Net				
Currency translation adjustments, net	(32)	14	(23)	26
Reclassification of currency translation adjustments on divestitures	—	—	5	—
Unrecognized gains (loss), net	(2)	—	(3)	2
Changes in benefit plans, net	3	(1)	3	—
Other Comprehensive Income (Loss), Net	(31)	13	(18)	28
Comprehensive Income (Loss), Net	$ (20)	$ 9	$ (57)	$ 18

EXHIBIT 99.1

CONDUENT INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in millions, except share data in thousands)	June 30, 2018	December 31, 2017
Assets		
Cash and cash equivalents	$ 993	$ 658
Accounts receivable, net	930	1,114
Assets held for sale	316	757
Contract assets	193	—
Other current assets	229	181
Total current assets	2,661	2,710
Land, buildings and equipment, net	276	257
Intangible assets, net	771	891
Goodwill	3,424	3,366
Other long-term assets	304	324
Total Assets	$ 7,436	$ 7,548
Liabilities and Equity		
Short-term debt and current portion of long-term debt	$ 43	$ 82
Accounts payable	158	138
Accrued compensation and benefits costs	297	335
Unearned income	129	151
Liabilities held for sale	119	169
Other current liabilities	567	493
Total current liabilities	1,313	1,368
Long-term debt	2,001	1,979
Deferred taxes	346	384
Other long-term liabilities	135	146
Total Liabilities	3,795	3,877
Contingencies		
Series A convertible preferred stock	142	142
Common stock	2	2
Additional paid-in capital	3,865	3,850
Retained earnings (deficit)	144	171
Accumulated other comprehensive loss	(512)	(494)
Total Equity	3,499	3,529
Total Liabilities and Equity	$ 7,436	$ 7,548
Shares of common stock issued and outstanding	210,528	210,440
Shares of series A convertible preferred stock issued and outstanding	120	120

CONDUENT INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2018	2017	2018	2017
Cash Flows from Operating Activities:				
Net income (loss)	$ 11	$ (4)	$ (39)	$ (10)
Adjustments required to reconcile net income (loss) to cash flows from operating activities:				
Depreciation and amortization	117	130	234	255
Deferred income taxes	(39)	(25)	(47)	(31)
(Gain) loss from investments	—	(4)	(1)	(7)
Amortization of debt financing costs	6	2	8	4
(Gain) loss on divestitures and transaction costs	(60)	(25)	(45)	(32)
Stock-based compensation	12	12	19	18
Changes in operating assets and liabilities:				
(Increase) decrease in accounts receivable	89	40	14	(70)
(Increase) decrease in other current and long-term assets	(46)	(13)	(95)	(47)
Increase (decrease) in accounts payable and accrued compensation	15	(36)	(25)	(85)
Increase (decrease) in restructuring liabilities	(3)	21	4	24
Increase (decrease) in other current and long-term liabilities	(54)	(37)	(11)	(54)
Net change in income tax assets and liabilities	53	7	48	(2)
Other operating, net	(3)	(1)	(4)	(3)
Net cash provided by (used in) operating activities	98	67	60	(40)
Cash Flows from Investing Activities:				
Cost of additions to land, buildings and equipment	(43)	(20)	(76)	(37)
Proceeds from sale of land, buildings and equipment	12	33	12	33
Cost of additions to internal use software	(8)	(7)	(14)	(15)
Proceeds (payments) from sale (purchase) of businesses	400	—	400	—
Net cash provided by (used in) investing activities	361	6	322	(19)
Cash Flows from Financing Activities:				
Proceeds on long-term debt	—	—	—	306
Debt issuance fee payments	(3)	(8)	(3)	(9)
Payments on debt	(8)	(9)	(29)	(153)
Net (payments to) transfer from former parent company	—	—	—	(161)
Issuance of common stock related to employee stock plans	1	—	(3)	(2)
Dividends paid on preferred stock	(3)	(3)	(5)	(5)
Other financing	—	1	—	(1)
Net cash provided by (used in) financing activities	(13)	(19)	(40)	(25)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(6)	—	(6)	2
Increase (decrease) in cash, cash equivalents and restricted cash	440	54	336	(82)
Cash, Cash Equivalents and Restricted Cash at Beginning of Period[(1)]	563	280	667	416
Cash, Cash Equivalents and Restricted Cash at End of period[(1)]	$ 1,003	$ 334	$ 1,003	$ 334

(1) Includes approximately $10 million and $25 million of restricted cash as of June 30, 2018 and 2017, respectively, that were included in Other current assets on the Condensed Consolidated Balance Sheets.

Non-GAAP Financial Measures

We have reported our financial results in accordance with U.S. GAAP. In addition, we have discussed our results using non-GAAP measures.

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 to how management reviews and evaluates our business results and trends. These non-GAAP measures are among the primary factors management uses in planning for and forecasting future periods . Compensation of our executives is based in part on the performance of our business based on certain non-GAAP measures.

A reconciliation of the non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP are provided below.

These reconciliations also include the income tax effects for 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 including an adjustment for estimated Base Erosion and Anti-Abuse Tax (BEAT). The noted 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 make adjustments to Income (Loss) before Income Taxes for the following items for the purpose of calculating Adjusted Net Income (Loss), Adjusted Earnings per Share and Adjusted Effective Tax Rate:

- Restructuring and related costs. Restructuring and related costs include restructuring and asset impairment charges as well as costs associated with our strategic transformation program.
- 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.
- 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. Represents (gain) loss on divested businesses and transaction costs.
- Litigation costs (recoveries), net. Litigation costs (recoveries), net represents reserves for certain terminated contracts that are subject to litigation.
- Other (income) expenses, net. Other (income) expenses, net includes currency (gains) losses, net and all other (income) expenses, net.
- NY MMIS. Costs associated with the Company not fully completing the State of New York Health Enterprise Platform project.
- HE charge. Costs associated with not fully completing the Health Enterprise Medical platform projects in California and Montana.

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.

Adjusted Revenue and Operating Income and Adjusted Operating Margin

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

- 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.
- ASC 606 adjustment.
- (Revenue) / (Income) loss from divestitures.

We provide our investors with adjusted revenue, adjusted operating income and adjusted operating margin information, as supplemental information, because we believe it offers added insight, by itself and for comparability between periods, by adjusting for certain non-cash items as well as certain other identified items which we do not believe are indicative of our ongoing business, and may also provide added insight on trends in our ongoing business.

Adjusted EBITDA and EBITDA Margin

We use Adjusted EBITDA and Adjusted EBITDA Margin as an additional way of assessing certain aspects of our operations that, when viewed with the GAAP results and the accompanying reconciliations to corresponding GAAP financial measures, provide a more complete understanding of our on-going business. Adjusted EBITDA represents income (loss) before interest, income taxes, depreciation and amortization adjusted for the following items. Adjusted EBITDA margin is Adjusted EBITDA divided by adjusted revenue.

- Restructuring and related costs.
- Separation costs.
- (Gain) loss on divestitures and transaction costs.
- Litigation costs (recoveries), net.
- Other (income) expenses, net.
- NY MMIS.
- HE charge.
- ASC 606 adjustment.
- (Revenue) / (Income) loss from divestitures.

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

Free Cash Flow

Free Cash Flow is defined as cash flows from operating activities as reported on the consolidated statement of cash flows, less cost of additions to land, buildings and equipment, cost of additions to internal use software, tax payments related to divestitures, vendor financed capital lease additions and proceeds from sales of land, buildings and equipment. We use the non-GAAP measure of Free Cash Flow as a criterion of liquidity and performance-based components of employee compensation. We use Free Cash Flow as a measure of liquidity to determine, after principal payments on debt, amounts we can reinvest in our core businesses, such as amounts available to make acquisitions, invest in land, buildings and equipment and internal use software. In order to provide a meaningful basis for comparison, we are providing information with respect to our Free Cash Flow reconciled to cash flow provided by operating activities, which we believe to be the most directly comparable measure under U.S. GAAP.

Adjusted Free Cash Flow

Adjusted free cash flow is defined as free cash flow from above plus deferred compensation payments and transaction costs.

Adjusted Cash

Adjusted cash is defined as the cash and cash equivalents less cash from terminated deferred compensation to be paid to plan participants. We believe this provides added insight into cash and cash equivalents taking into account this particular cash obligation.

Constant Currency

To better understand trends in our business, we believe that it is helpful to adjust revenue to exclude the impact of changes in the translation of foreign currencies into U.S. Dollars. We refer to this adjusted revenue as “constant currency.” Currency impact is the difference between actual growth rates and constant currency growth rates and is calculated by translating current period activity in local currency using the comparable prior period's currency translation rate.

Non-GAAP Outlook

In providing outlook for adjusted EBITDA we exclude certain items which are otherwise included in determining the comparable GAAP financial measure. A description of the adjustments which historically have been applicable in determining adjusted EBITDA are reflected in the table below. We are providing such outlook only on a non-GAAP basis because the Company is unable to predict with reasonable certainty the totality or ultimate outcome or occurrence of these adjustments for the forward-looking period, such as amortization, restructuring, separation costs, NY MMIS, HE charge, and certain other adjusted items, which can be dependent on future events that may not be reliably predicted. Based on past reported results, where one or more of these items have been applicable, such excluded items could be material, individually or in the aggregate, to reported results. We have provided and outlook for revenue on a constant currency basis due to the inability to accurately predict foreign currency impact on revenues.

Net Income (Loss) and EPS Reconciliation:

	Three Months Ended			
	June 30, 2018		June 30, 2017	
(in millions, except earnings per share)	Net Income (Loss)	Diluted EPS	Net Income (Loss)	Diluted EPS
GAAP as Reported From Continuing Operations	$ 11	$ 0.04	$ (4)	$ (0.03)
Adjustments:				
Restructuring and related costs	17		36	
Amortization of acquired intangible assets	60		61	
Separation costs	—		1	
(Gain) loss on divestitures and transaction costs	(60)		(25)	
Litigation costs (recoveries), net	4		(9)	
Other (income) expenses, net	(2)		—	
NY MMIS	(1)		1	
Less: Income tax adjustments(1)	35		(25)	
Adjusted Net Income (Loss) and EPS	$ 64	$ 0.29	$ 36	$ 0.16
(GAAP shares)				
Weighted average common shares outstanding		205		204
Restricted stock and performance units / shares		3		—
Adjusted Weighted Average Shares Outstanding(2)		208		204
(Non-GAAP shares)				
Weighted average common shares outstanding		205		204
Restricted stock and performance shares		3		3
Adjusted Weighted Average Shares Outstanding(2)		208		207

(1) Reflects the income tax (expense) benefit of the adjustments. Refer to Effective Tax Rate reconciliation below for details.
(2) 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 June 30, 2018 and 2017 and $5 million for both of the six months ended June 30, 2018 and 2017, respectively.

Effective Tax Rate Reconciliation:

	Three Months Ended June 30, 2018			Three Months Ended June 30, 2017		
(in millions)	Pre-Tax Income (Loss)	Income Tax (Benefit) Expense	Effective Tax Rate	Pre-Tax Income (Loss)	Income Tax (Benefit) Expense	Effective Tax Rate
GAAP as Reported From Continuing Operations	$ 54	$ 43	79.6%	$ (11)	$ (7)	63.6%
Non-GAAP adjustments(1)	18	(35)		65	25	
Adjusted(2)	$ 72	$ 8	11.1%	$ 54	$ 18	33.3%

(1) Refer to Net Income (Loss) reconciliation for details of non-GAAP adjustments.
(2) The tax impact of Adjusted Pre-tax income (loss) from continuing operations was 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 with an adjustment for the accounting of BEAT and without regard to the sale of the CVO business, charges for amortization of intangible assets, restructuring and divestiture related costs.

Revenue and Operating Income / Margin Reconciliation:

(in millions)	Three Months Ended June 30, 2018 Profit (Loss)	Three Months Ended June 30, 2018 Revenue	Three Months Ended June 30, 2018 Margin	Three Months Ended June 30, 2017 Profit (Loss)	Three Months Ended June 30, 2017 Revenue	Three Months Ended June 30, 2017 Margin
GAAP as Reported[(1)]	$ 54	$ 1,387	3.9%	$ (11)	$ 1,496	(0.7)%
Adjustments:						
Restructuring and related costs	17			36		
Amortization of acquired intangible assets	60			61		
Interest expense	37			34		
Separation costs	—			1		
(Gain) loss on divestitures and transaction costs	(60)			(25)		
Litigation costs (recoveries), net	4			(9)		
Other (income) expenses, net	(2)			—		
NY MMIS	(1)			1		
HE charge	—			—		
Adjusted Operating Income/Margin	$ 109	$ 1,387	7.9%	$ 88	$ 1,496	5.9 %

(in millions)	Three Months Ended June 30, 2018 Profit (Loss)	Three Months Ended June 30, 2018 Revenue	Three Months Ended June 30, 2018 Margin	Three Months Ended June 30, 2017 (Adjusted for 606 and Divestitures) Profit (Loss)	Three Months Ended June 30, 2017 (Adjusted for 606 and Divestitures) Revenue	Three Months Ended June 30, 2017 (Adjusted for 606 and Divestitures) Margin
GAAP as Reported[(1)]	$ 54	$ 1,387	3.9%	$ (11)	$ 1,496	(0.7)%
Adjustments:						
Restructuring and related costs	17			36		
Amortization of acquired intangible assets	60			61		
Interest expense	37			34		
Separation costs	—			1		
(Gain) loss on divestitures and transaction costs	(60)			(25)		
Litigation costs (recoveries), net	4			(9)		
Other (income) expenses, net	(2)			—		
NY MMIS	(1)			1		
HE charge	—			—		
ASC 606 adjustment	—	—		(3)	(40)	
Less (income) loss from divestitures	—	—		(2)	(22)	
Adjusted Operating Income/Margin	$ 109	$ 1,387	7.9%	$ 83	$ 1,434	5.8 %

(1) *Pre-Tax Income (Loss) and revenue from continuing operations.*

Adjusted EBITDA / Margin Reconciliation:

	Three Months Ended June 30,	
(in millions)	2018	2017
GAAP Revenue As Reported	$ 1,387	$ 1,496
Reconciliation to Adjusted EBITDA		
GAAP Net Income (Loss) from Continuing Operations	11	(4)
Interest expense	37	34
Income tax expense (benefit)	43	(7)
Segment depreciation and amortization	57	69
Amortization of acquired intangible assets	60	61
EBITDA	208	153
EBITDA Margin	*15.0%*	*10.2%*
EBITDA	$ 208	$ 153
Adjustments:		
Restructuring and related costs	17	36
Separation costs	—	1
(Gain) loss on divestitures and transaction costs	(60)	(25)
Litigation costs (recoveries), net	4	(9)
Other (income) expenses, net	(2)	—
NY MMIS	(1)	1
HE charge	—	—
Adjusted EBITDA	$ 166	$ 157
Adjusted EBITDA Margin	*12.0%*	*10.5%*

	Three Months Ended June 30,	
(in millions)	2018	2017
	Adjusted for 606 and Divestitures	
GAAP Revenue As Reported	$ 1,387	$ 1,496
ASC 606 adjustment	—	(40)
Less revenue from divestitures	$ —	$ (22)
Adjusted Revenue From Continuing Operations	$ 1,387	$ 1,434
Reconciliation to Adjusted EBITDA		
GAAP Net Income (Loss) from Continuing Operations	11	(4)
Interest expense	37	34
Income tax expense (benefit)	43	(7)
Segment depreciation and amortization	57	69
Amortization of acquired intangible assets	60	61
ASC 606 adjustment	—	(3)
Less pre-tax (income) loss from divestitures	—	(1)
EBITDA	208	149
EBITDA Margin	*15.0%*	*10.4%*
EBITDA	$ 208	$ 149
Adjustments:		
Restructuring and related costs	17	36
Separation costs	—	1
(Gain) loss on divestitures and transaction costs	(60)	(25)
Litigation costs (recoveries), net	4	(9)
Other (income) expenses, net	(2)	—
NY MMIS	(1)	1
HE charge	—	—
Adjusted EBITDA	$ 166	$ 153
Adjusted EBITDA Margin	*12.0%*	*10.7%*

Free Cash Flow Reconciliation:

(in millions)	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017
Operating Cash Flow	$ 98	$ 67
Cost of additions to land, buildings and equipment	(43)	(20)
Proceeds from sales of land, buildings and equipment	12	33
Cost of additions to internal use software	(8)	(7)
Tax payment related to divestitures	10	—
Vendor financed capital leases	(14)	(4)
Free Cash Flow	**$ 55**	**$ 69**
Free Cash Flow	**$ 55**	**$ 69**
Transaction costs	3	—
Deferred compensation payments and adjustments	2	3
Adjusted Free Cash Flow	**$ 60**	**$ 72**

Cash / Adjusted Cash Reconciliation:

(in millions)	As of June 30, 2018	As of December 31, 2017
Cash and cash equivalents	$ 993	$ 658
Deferred compensation payments and adjustments	9	17
Deferred compensation payable	(99)	(116)
Adjusted cash and cash equivalents	**$ 903**	**$ 559**

CONDUENT

August 8, 2018

Conduent
Q2 2018
Earnings Results

Cautionary Statements

Forward-Looking Statements

This report contains "forward-looking statements", as defined in the Private Securities Litigation Reform Act of 1995, that involve risks and uncertainties. These statements can be identified by the fact that they do not relate strictly to historical or current facts, but rather are based on current expectations, estimates, assumptions and projections about the business process outsourcing industry and our business and financial results. Forward-looking statements often include words such as "anticipates," "estimates," "expects," "projects," "intends," "plans," "believes" and words and terms of similar substance in connection with discussions of future operating or financial performance. As with any projection or forecast, forward-looking statements are inherently susceptible to uncertainty and changes in circumstances. Our actual results may vary materially from those expressed or implied in our forward-looking statements. Accordingly, undue reliance should not be placed on any forward-looking statement made by us or on our behalf. Important factors and uncertainties that could cause our actual results to differ materially from those in our forward-looking statements 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 information systems or security systems or any 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 in our 2017 Annual Report on Form 10-K, as well as in our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the Securities and Exchange Commission. Any forward-looking statements made by us in this presentation speak only as of the date on which they are made. We are under no obligation to, and expressly disclaim any obligation to, update or alter our forward-looking statements, whether as a result of new information, subsequent events or otherwise.

Non-GAAP Financial Measures

We have reported our financial results in accordance with U.S. generally accepted accounting principles (GAAP). In addition, we have discussed our financial results using non-GAAP measures. 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 to how management reviews and evaluates our business results and trends. These non-GAAP measures are among the primary factors management uses in planning for and forecasting future periods. Compensation of our executives is based in part on the performance of our business based on certain of these non-GAAP measures. Non-GAAP measures are footnoted, where applicable, in each slide herein.

Q2 2018 Overview

CONDUENT

Key Quarterly Highlights

- Q2 2018 revenue down (3.3)% (adjusting for ASC 606 and 2017 divestitures); flat excluding strategic decisions
- Adjusted diluted EPS[1] of $0.29; up 81.3% yr/yr
- Adjusted EBITDA of $166M, up 8.5% yr/yr; Adjusted EBITDA margin of 12.0%, up 130 bps yr/yr
- TCV signings of $1.95B up 56.5% yr/yr driven by strong renewals
- Completed tender offer for ~$476M of 10.5% Senior Notes due 2024 in Q3 2018
- Repriced Term Loan A, Term Loan B and Revolving Credit Facility (undrawn) lowering interest expense
- Continued progress on divestitures
  - Closed on Commercial Vehicle Operations business in Q2 2018; Off-Street Parking in Q3 2018
  - Signed agreement for sale of Local Government Business in Q3 2018 (~$113M of FY2017 Revenue)

Revenue[1]

Revenue (GAAP): $1,387M, down (7.3)% yr/yr

Revenue adjusting for ASC 606 and 2017 divestitures: down (3.3)% yr/yr

Rev adjusting for ASC 606, 2017 divestitures and strategic decisions: Flat yr/yr

Profitability[1]

Adjusted operating margin of 7.9%, up 210 bps yr/yr adjusting for ASC 606 and divestitures

GAAP diluted EPS from cont. operations $0.04

Adj. diluted EPS from cont. operations $0.29

Adjusted EBITDA[1]

$166M, up 8.5% yr/yr adjusting for ASC 606 and 2017 divestitures

Adj EBITDA margin of 12.0%, up 130 bps yr/yr adjusting for ASC 606 and 2017 divestitures

(1) Refer to Appendix for Non-GAAP reconciliations of adjusted revenue, adjusted operating income/margin, adjusted EBITDA/margin and adjusted EPS and for impact from ASC 606 accounting change and divestitures

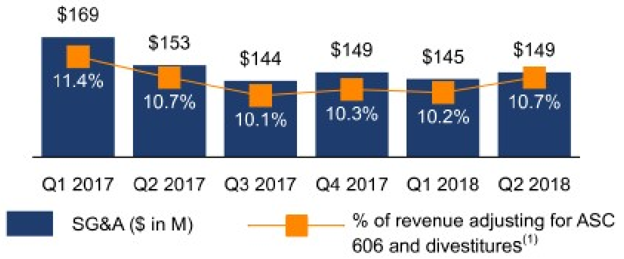
Strategic Transformation

Progress and Outlook

- Remain on-target for cumulative 2018 transformation goal of ~$700M
- Reduced real estate locations (15.8)% yr/yr and reduced total square feet (17.0)% yr/yr
- IT transformation and real estate rationalization progressing according to plan
- Total SG&A down (2.6)% vs Q2 2017, and down (8.7)% through 1H 2018

Real Estate Footprint

Selling, General & Administrative (SG&A) Trends



(1) Refer to Appendix for Non-GAAP reconciliations of ASC 606 accounting change and divestitures

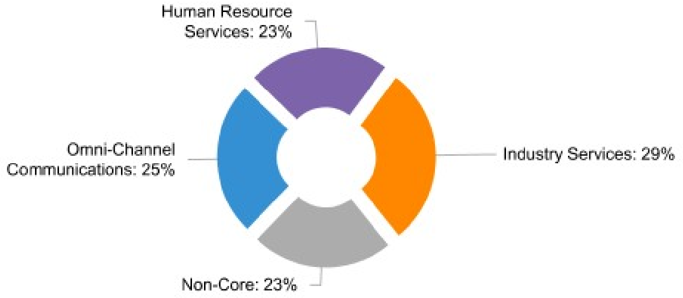
Segment Summary - Q2 2018

Commercial

(adjusting for impact of ASC 606)(1)

- Revenue excluding strategic decisions, **up 1%** yr/yr
  - Revenue down (3.1)%
- Adj. EBITDA margin improved 160 bps yr/yr through high-value digital platform solutions, price increases and operational efficiencies
- Revenue productivity ~$50K per employee(2), up 2% with Q2 2017
- European revenue ~11% of Commercial; continued focus for expansion

Q2 Revenue (% of segment total)

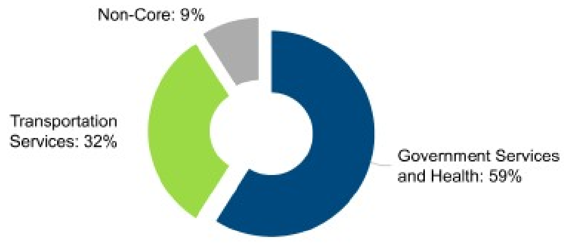


Public Sector

(adjusting for impact of ASC 606)(1)

- Revenue excluding strategic decisions, **flat** yr/yr
  - Revenue down (1.2)%
- Adj. EBITDA margin improved 200 bps yr/yr driven by operational efficiencies and price increases
- Revenue productivity ~$219K per employee(2), up ~1% vs. Q2 2017

Q2 Revenue (% of segment total)



(1) Refer to Appendix for Non-GAAP reconciliations of ASC 606 accounting change
(2) Revenue productivity excludes corporate overhead

Q2 2018 Signings, Pipeline and Renewal Rate

CONDUENT

$1,947M

Total Contract Value (TCV) Signings

- TCV up 57% yr/yr, driven by increased renewal wins
- Largest renewal quarter in Conduent history
- Book-to-bill greater than 1x

99%

Renewal Rate

- Renewals: $1,575M, grew 168% yr/yr driven primarily by commercial clients
- Reflects opportunities in-line with business model, acceptable margin and risk

$372M

New Business TCV

- New Business: $372M, declined (43)% yr/yr
- Continued focus on strategic wins with acceptable margin
- Sales investments leading to improved cross-sell and expansion with existing clients
- New business focused on Digital Interactions opportunities

~$13B

Rolling 12-Month Pipeline

- Sales investment driving market traction and QoQ pipeline growth of ~9%
- Pipeline growth driven by increase in government, transportation, financial services and healthcare
- Continuing to see strong demand for tech-based platform and back-office transformation deals

Financials

Q2 2018 Earnings

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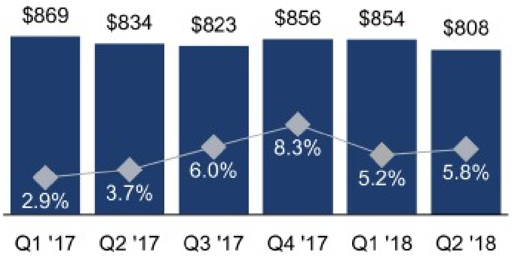
(in millions)	Q2 2018	Q2 2017	B/(W) Yr/Yr	Q2 2017 adjusted for 606, Divestitures(1)	B/(W) Yr/Yr adjusted for 606, Divestitures	Comments Q2 2018 vs Q2 2017
Revenue	$1,387	$1,496	($109)	$1,434	($47)	ASC 606, 2017 divestitures and strategic decisions
Gross Margin	*18.9%*	*16.2%*	*+270 bps*			
SG&A	149	153	4			
Adjusted operating income(1)	**$109**	**$88**	**$21**	**$83**	**$26**	
Adjusted operating margin(1)	***7.9%***	***5.9%***	***+200 bps***	***5.8%***	***+210 bps***	Transformation and contract remediation
Adjusted EBITDA[1]	**$166**	**$157**	**$9**	**$153**	**$13**	
Adjusted EBITDA margin[1]	***12.0%***	***10.5%***	***+150 bps***	***10.7%***	***+130 bps***	
Restructuring and related costs	17	36	19			Lower spend in line with guidance
Amortization of acquired intangible assets	60	61	1			
Interest expense	37	34	(3)			Deferred costs related to repricing
Separation costs	—	1	1			
Gain on sale of assets	—	(25)	(25)			Gain on sale of Dallas site
Gain on sale of divestitures and transaction costs	(60)	—	60			Gain on sale of CVO business
Other net expense / (income)	2	(9)	(11)			Q2 2017 legal settlement
Pretax income (loss)	**54**	**(11)**	**65**			
GAAP tax (benefit)	$43	($7)	($50)			
GAAP net income (loss) from Continuing Operations	**$11**	**($4)**	**$15**			Operating income; lower restructuring; gain on sale of CVO business
GAAP Diluted EPS from Continuing Operations	**$0.04**	**($0.03)**	**$0.07**			
Adjusted tax rate(1)	11.1%	33.3%	*+2,220 bps*			Utilization of foreign tax credits and divestiture impact on tax assets
Adjusted net income(1)	$64	$36	$28			Margin expansion
Adjusted Diluted EPS[1] from Continuing Operations	**$0.29**	**$0.16**	**$0.13**			

(1) Adjusted 2017 results for impact from ASC 606 accounting change and Q3 2017 divestitures. Please refer to Appendix for Non-GAAP reconciliations

Commercial Segment

CONDUENT

Quarterly Revenue and Profit
(adjusting for ASC 606)(1)



	Q1 '17	Q2 '17	Q3 '17	Q4 '17	Q1 '18	Q2 '18
Segment Profit(1)	$25	$31	$49	$71	$44	$47
Segment Margin(1)	2.9%	3.7%	6.0%	8.3%	5.2%	5.8%
AEBITDA(1)	$61	$69	$83	$105	$78	$80
AEBITDA Margin(1)	7.0%	8.3%	10.1%	12.3%	9.1%	9.9%

Revenue ($ in M) **% Segment Margin**

Q2 2018 Segment Highlights(1)

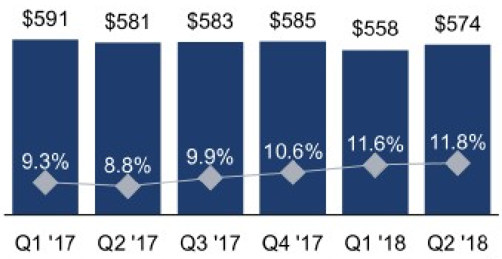
- Revenue declined (3.1)% yr/yr, impacted by strategic decisions
  - Excluding strategic decisions, revenue up 1% yr/yr
  - Improved yr/yr revenue driven by contract remediation and expansion with existing clients across most industries
- Segment profit grew 51.6% yr/yr, driven by price increases, contract remediation and operational efficiencies

(1) Adjusted 2017 results for impact from ASC 606 accounting change. Please refer to Appendix for Non-GAAP reconciliations for adjusted EBITDA and adjusted EBITDA margin

Public Sector Segment

CONDUENT

Quarterly Revenue and Profit
(adjusting for ASC 606)[1]



	Q1 '17	Q2 '17	Q3 '17	Q4 '17	Q1 '18	Q2 '18
Segment Profit[1]	$55	$51	$58	$62	$65	$68
Segment Margin[1]	9.3%	8.8%	9.9%	10.6%	11.6%	11.8%
AEBITDA[1]	$85	$81	$84	$84	$87	$91
AEBITDA Margin[1]	14.4%	13.9%	14.4%	14.4%	15.6%	15.9%

Revenue ($ in M) **% Segment Margin**

Q2 2018 Segment Highlights[1]

- Revenue down (1.2)% yr/yr, impacted by prior year strategic actions
  - Excluding strategic actions, flat yr/yr
- Transportation up 4.0% yr/yr and up 3.0% sequentially
  - Growth driven by international transit projects and other new business ramp
- Segment profit improved 33.3% yr/yr driven by operational efficiencies and price increases

(1) Adjusted 2017 results for impact from ASC 606 accounting change. Please refer to Appendix for Non-GAAP reconciliations for adjusted EBITDA and adjusted EBITDA margin

Other Segment

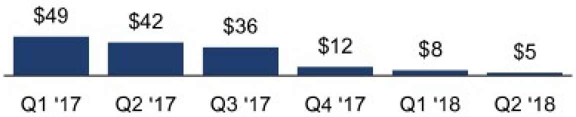
CONDUENT

Quarterly Revenue and Profit
(adjusting for ASC 606 and 2017 divestitures)[1]

	Q1 '17	Q2 '17	Q3 '17	Q4 '17	Q1 '18	Q2 '18
Segment Profit (Loss)[1, 2]	$—	$1	$2	($5)	($4)	($5)
AEBITDA[1]	$1	$3	$3	($4)	($4)	($5)

Revenue in $M

Reported Quarterly Revenue and Profit



	Q1 '17	Q2 '17	Q3 '17	Q4 '17	Q1 '18	Q2 '18
Segment Profit (Loss)[1, 2]	$3	$2	$4	$(5)	$(4)	$(5)
AEBITDA[1]	$4	$4	$5	$(4)	$(4)	$(5)

Revenue in $M

Q2 2018 Segment Highlights[1]

- Revenue declined (73.7)% yr/yr and (37.5)% sequentially as education business run-off accelerated
- Expecting to exit the Student Loan business in Q3 2018

(1) Adjusted 2017 results for impact from ASC 606 accounting change and 2017 divestitures
(2) Please refer to Appendix for Non-GAAP reconciliations

Cash Flow

CONDUENT

(in millions)

	Q2 2018	YTD 2018
Net income (loss)	**$11**	**($39)**
Depreciation & amortization	117	234
Stock-based compensation	12	19
Deferred tax benefit	(39)	(47)
Restructuring payments	(20)	(32)
Restructuring and related costs	17	36
Change for income tax assets and liabilities	53	48
Change in accounts receivable	89	14
Change in other net working capital	(85)	(131)
Other[1]	(57)	(42)
Operating Cash Flow	**$98**	**$60**
Purchase of LB&E[2] and other	(51)	(90)
Proceeds from sales of LB&E	12	12
Net proceeds from divestitures	400	400
Investing Cash Flow	**$361**	**$322**
Cash from Financing	**($13)**	**($40)**
Effect of exchange rates on cash and cash equivalents	(6)	(6)
Change in cash, restricted cash and cash equivalents	440	336
Beginning cash, restricted cash and cash equivalents[3]	563	667
Ending Cash, Restricted Cash and Cash Equivalents[3]	**$1,003**	**$1,003**
Memo: Adjusted Free Cash Flow[4]	**$60**	**($9)**
Better / (Worse) vs prior year period	*($12)*	*$62*

Key Messages:

- Improvement in operating cash flow driven by working capital
- YTD Adjusted free cash flow[4] up $62M from 1H 2017
- Q2 2018 Adjusted FCF of $60M; down $12M
- LB&E (Capex) of ~3.7% of revenue in Q2 2018. Expected to be 3% - 3.5% of Revenue in FY 2018
- $400M in pre-tax proceeds from sale of CVO business

(1) Includes gain (loss) on investments, amortization of financing costs, net (gain) loss on divestitures and transaction costs, and Other operating, net
(2) Includes cost of additions to land, building and equipment (LB&E) and internal use software
(3) 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
(4) Please refer to slide 35 in Appendix for Non-GAAP reconciliation

Capital Structure Overview

CONDUENT

Debt Structure ($ in millions)

(in millions)	3/31/2018	6/30/2018	Adjusted[6]
Total Cash[1]	**$563**	**$1,003**	**$1,003**
Debt Redemption	—	—	*(570)*
Deferred Comp Cash	*(92)*	*(90)*	*(90)*
Restricted Cash	*(10)*	*(10)*	*(10)*
Adjusted Cash	**461**	**903**	**333**
Total Debt[2]	**2,053**	**2,044**	**1,568**
Term Loan A[3], [5] due 2021	728	709	709
Term Loan B[3] due 2023	840	837	837
10.5% Senior Notes due 2024	510	510	34
Capital Leases	28	36	36
Current net leverage ratio [4]	2.4x	1.7x	1.9x

Credit Metrics

FY 2018E interest expense	**~$115M**
Preferred dividend (annual)	*~$10M*
Target net leverage ratio	~2.0x
Average remaining maturity on outstanding debt	~5 years

Key Messages

- Current leverage ratio: 1.7x
- Revolver remains undrawn[7]
- Expect to spend ~$300M cash on future acquisitions
- Successfully repriced Term Loan B, Term Loan A and Revolver, reducing interest rate by 50 bps. TLA/Revolver maturity extended by 1 year
- Completion of tender offer to pay down ~$476M of 10.5% Senior Notes in Q3 2018

(1) Total Cash includes restricted cash
(2) Total debt excludes deferred financing costs
(3) Revolving credit facility and Term Loan A interest rate is Libor + 175 bps; Term Loan B is Libor + 250 bps effective June 28, 2018
(4) Net debt (total debt less adjusted cash) divided by TTM Adjusted EBITDA. Adjusted ratio uses Adjusted total Debt
(5) Includes initial EUR 260M borrowing converted at end of quarter exchange rates; Reflects appreciation of the EUR; there was no incremental borrowing on the Term Loan A in Q2 2018
(6) Cash and debt balances and leverage ratio are adjusted to include the tender of $476M of Senior Notes in July 2018 and premium associated with tender, and exclude TTM Adj. EBITDA from CVO business divestiture (June 2018)
(7) $739M of available capacity under Revolving Credit Facility as of 6/30/2018

Divestiture Update

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Signed[1] Divestitures

- Actuarial and HR Consulting: ~$278M FY 2017 Revenue
- Select Local Government Services: ~$113M FY Revenue

Closed Divestitures

- Commercial Vehicle Operations: closed June 28, 2018; ~$70M FY 2017 Revenue
- Off-Street Parking: closed July 10, 2018; ~$43M FY 2017 Revenue

Expected Financial Impact (only closed and signed divestitures)

- FY 2017 Revenue: ~$500M
- FY 2017 Adjusted EBITDA: ~$85M (after $35M of stranded cost take-out)
- Expected Total Proceeds: ~$700M (~$600M post-tax)

To-be-Signed Divestitures

- Select customer care contracts: ~$500M FY 2017 Revenue

Total non-core revenue to divest: ~$1B
Total non-core Adj EBITDA to divest: ~$75M (after stranded cost take-out)

[1] Signed deals are subject to regulatory approvals and customary closing conditions

FY 2018 Guidance

CONDUENT

FY 2018E

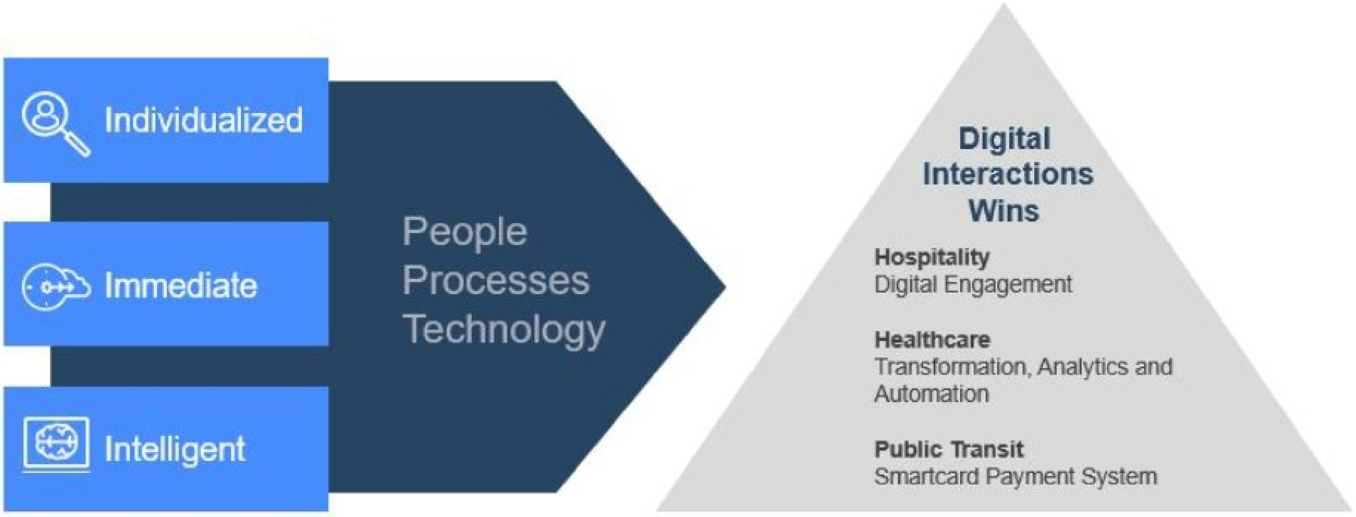
Revenue (constant currency)(1)	$5.41	–	$5.61B
Adj. EBITDA(2)	$662	–	$688M
Adj. EBITDA Margin(2)	11.8	–	12.7%
Adj. Free Cash Flow(2)	$166	–	$241M
% of Adj. EBITDA	25	–	35%

Guidance remains unchanged since Analyst Day

(1) Year-over-year revenue comparison at constant currency
(2) Refer to Appendix for Non-GAAP reconciliations of adjusted EBITDA / margin and adjusted FCF and for impact from ASC 606 accounting change and divestitures

CEO Closing Remarks

Digital Interactions: Client Success Stories



Q&A

Appendix

Signings & Renewal Rate(1)

($ in millions)	Q1' 17	Q2' 17	Q3' 17	Q4' 17	Q1' 18	Q2' 18
Total Contract Value	$931	$1,244	$1,047	$1,730	$1,428	$1,947
New Business	$530	$657	$390	$683	$406	$372
Renewals	$401	$587	$657	$1,047	$1,022	$1,575
Annual Recurring Revenue Signings	$143	$130	$92	$168	$93	$86
Non-Recurring Revenue Signings	$92	$109	$86	$96	$63	$69
Renewal rate	92%	89%	98%	96%	94%	99%

(1) See definitions in Appendix

2018 Modeling Considerations

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	Outlook Commentary
Profitability	Typical seasonality tends to be weighted toward 2H (as seen in FY 2017)
Restructuring costs	Expected to be $50M - $75M for the full year
Interest Expense	Expected to be ~$115M for the full year, given TLB repricing, bond tender and interest rate expectations
Cash Flow	Cash flow typically weighted towards Q4, given seasonal items
Capex	Expected to be ~3.0 - 3.5% of Revenue in FY 2018
Other segment	Exiting education business in Q3 2018. Wind-down costs to move to Other Net Expense
Divestitures and M&A	FY 2018 guidance updated for divestitures signed as of 8/7/2018. No impact in guidance for future divestitures and acquisitions. Guidance will updated as necessary as deals close.

Definitions

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TCV = Total contract value
Annual Recurring Revenue Signings = Includes new business TCV.
New Business TCV = Annual recurring revenue signings multiplied by the contract term plus non-recurring revenue signings.

Renewal Rate = 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 contracts for which a strategic decision to not renew was made based on risk or profitability).

Revenue productivity = Calculated as trailing-twelve months (TTM) revenue / average quarter-end headcount for last four quarters. Segment calculation excludes corporate headcount.

Non-GAAP Financial Measures

Non-GAAP Financial Measures

We have reported our financial results in accordance with U.S. generally accepted accounting principles (GAAP). In addition, we have discussed our financial results using the non-GAAP measures. 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 U.S. 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 to how management reviews and evaluates our business results and trends. These non-GAAP measures are among the primary factors management uses in planning for and forecasting future periods. Compensation of our executives is based in part on the performance of our business based on certain of these non-GAAP measures.

A reconciliation of the following non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with U.S. GAAP are provided below.

These reconciliations also include the income tax effects for 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. The noted 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 including an adjustment for estimated Base Erosion and Anti-Abuse Tax (BEAT). 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 make adjustments to Income (Loss) before Income Taxes for the following items, for the purpose of calculating Adjusted Net Income (Loss), Adjusted Earnings per Share and Adjusted Effective Tax Rate:

- Restructuring and related costs. Restructuring and related costs include restructuring and asset impairment charges as well as costs associated with our strategic transformation program.
- 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.
- 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. Represents (gain) loss on divested businesses and transaction costs.
- Litigation costs (recoveries), net. Litigation costs (recoveries), net represents reserves for certain terminated contracts that are subject to litigation.
- Other (income) expenses, net. Other (income) expenses, net includes currency (gains) losses, net and all other (income) expenses, net.
- NY MMIS. Costs associated with the Company not fully completing the State of New York Health Enterprise Platform project.
- HE charge. Costs associated with not fully completing the Health Enterprise Medical platform projects in California and Montana.

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 certain other identified items, and may provide added insight into our underlying business results and how effective tax rates impact our ongoing business.

Non-GAAP Financial Measures

CONDUENT

Adjusted Revenue, Adjusted Operating Income and Adjusted Operating Margin.

We make adjustments to Revenue, Costs and Expenses and Margin for the following items (as defined above), for the purpose of calculating Adjusted Operating Income and Adjusted Operating Margin:

- 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.
- ASC 606 adjustment.
- (Revenue) / (Income) loss from divestitures.

We provide our investors with adjusted revenue, adjusted operating income and adjusted operating margin information, as supplemental information, because we believe it offers added insight, by itself and for comparability between periods, by adjusting for certain non-cash items as well as certain other identified items which we do not believe are indicative of our ongoing business, and may also provide added insight on trends in our ongoing business.

Adjusted Other Segment Profit and Margin

We adjust our Other Segment profit and margin for NY MMIS and HE charge adjustments.

We provide Other segment adjusted loss and Other segment adjusted margin information, as supplemental information, because we believe that the adjustment for NY MMIS wind-down costs and HE charge, which we do not believe are indicative of our ongoing business, supplementally provides investors added insight into underlying Other segment loss and gross margin results and trends, both by itself and in comparison to other periods.

Non-GAAP Financial Measures

CONDUENT

Segment and Consolidated Adjusted EBITDA and EBITDA Margin
We use Adjusted EBITDA and Adjusted EBITDA Margin as an additional way of assessing certain aspects of our operations that, when viewed with the U.S. GAAP results and the accompanying reconciliations to corresponding U.S. 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 (which are defined above). Adjusted EBITDA margin is Adjusted EBITDA divided by adjusted revenue:

- Restructuring and related costs.
- Separation costs.
- (Gain) loss on divestitures and transaction costs.
- Litigation costs (recoveries), net.
- Other (income) expenses, net.
- NY MMIS / NY MMIS Depreciation.
- HE charge.
- ASC 606 adjustment.
- (Revenue) / (Income) loss from divestitures.

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

Adjusted Public Sector Segment Revenue and Profit

We adjusted Public Sector Segment revenue, profit and margin for the NY MMIS and HE charges as we believe it offers added insight, by itself and for comparability between periods, for items which we do not believe are indicative of our ongoing business.

Free Cash Flow
Free Cash Flow is defined as cash flows from operating activities as reported on the consolidated statement of cash flows, less cost of additions to land, buildings and equipment, cost of additions to internal use software, tax payments related to divestitures, vendor financed capital lease and proceeds from sales of land, buildings and equipment. We use the non-GAAP measure of Free Cash Flow as a criterion of liquidity and performance-based components of employee compensation. We use Free Cash Flow as a measure of liquidity to determine amounts we can reinvest in our core businesses, such as amounts available to make acquisitions, invest in land, buildings and equipment and internal use software, make principal payments on debt. In order to provide a meaningful basis for comparison, we are providing information with respect to our Free Cash Flow reconciled to cash flow provided by operating activities, which we believe to be the most directly comparable measure under U.S. GAAP.

Adjusted Free Cash Flow
Adjusted free cash flow is defined as free cash flow from above plus deferred compensation payments and transaction costs.

Adjusted Cash
Adjusted cash is defined as cash and cash equivalents less cash from terminated deferred compensation to be paid to plan participants. We believe this provides added insight into cash and cash equivalent positions.

Constant Currency
To better understand trends in our business, we believe that it is helpful to adjust revenue to exclude the impact of changes in the translation of foreign currencies into U.S. Dollars. We refer to this adjusted revenue as "constant currency." Currency impact can be determined as the difference between actual growth rates and constant currency growth rates. This currency impact is calculated by translating the current period activity in local currency using the comparable prior-year period's currency translation rate.

Non-GAAP Outlook
In providing outlook for adjusted EBITDA we exclude certain items which are otherwise included in determining the comparable GAAP financial measure. A description of the adjustments which historically have been applicable in determining adjusted EBITDA are reflected in the table below. We are providing such outlook only on a non-GAAP basis because the Company is unable to predict with reasonable certainty the totality or ultimate outcome or occurrence of these adjustments for the forward-looking period, such as amortization, restructuring, separation costs, NY MMIS, HE charge, and certain other adjusted items, which can be dependent on future events that may not be reliably predicted. Based on past reported results, where one or more of these items have been applicable, such excluded items could be material, individually or in the aggregate, to reported results. We have provided and outlook for revenue on a constant currency basis due to the inability to accurately predict foreign currency impact on revenues.

Non-GAAP Reconciliation: Adj. Net Income (Loss) & Adj. EPS

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	Three Months Ended June 30,			
	2018		2017	
(in millions, except EPS. Shares in thousands)	Net Income (Loss)	Diluted EPS	Net Income (Loss)	Diluted EPS
GAAP as Reported From Continuing Operations	$ 11	$ 0.04	$ (4)	$ (0.03)
Adjustments:				
Restructuring and related costs	17		36	
Amortization of acquired intangible assets	60		61	
Separation costs	—		1	
(Gain) loss on divestitures and transaction costs	(60)		(25)	
Litigation costs (recoveries), net	4		(9)	
Other (income) expenses, net	(2)		—	
NY MMIS	(1)		1	
Less: Income tax adjustments(1)	35		(25)	
Adjusted Net Income (Loss) and EPS	$ 64	$ 0.29	$ 36	$ 0.16
(GAAP shares in thousands)				
Weighted average common shares outstanding		205,296		203,673
Stock options		146		—
Restricted stock and performance units / shares		3,447		—
Adjusted Weighted Average Shares Outstanding(2)		208,889		203,673
(Non-GAAP shares in thousands)				
Weighted average common shares outstanding		205,296		203,673
Stock options		146		229
Restricted stock and performance units / shares		3,447		2,797
Adjusted Weighted Average Shares Outstanding(2)		208,889		206,699

(1) Reflects the income tax (expense) benefit of the adjustments. Refer to the Effective Tax Rate reconciliation details.

(2) 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 June 30, 2018 and 2017 and $5 million for both of the six months ended June 30, 2018 and 2017, respectively.

Non-GAAP Reconciliation: Adj. Effective Tax Rate

(in millions)	Three Months Ended June 30, 2018			Three Months Ended June 30, 2017		
	Pre-Tax Income (Loss)	Income Tax (Benefit) Expense	Effective Tax Rate	Pre-Tax Income (Loss)	Income Tax (Benefit) Expense	Effective Tax Rate
GAAP as Reported From Continuing Operations	$ 54	$ 43	79.6%	$ (11)	$ (7)	63.6%
Non-GAAP adjustments[1]	18	(35)		65	25	
Adjusted[2]	$ 72	$ 8	11.1%	$ 54	$ 18	33.3%

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

(2) The tax impact of Adjusted Pre-tax income (loss) from continuing operations was 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 with an adjustment for the accounting of BEAT and without regard to the sale of the CVO business, charges for amortization of intangible assets, restructuring and divestiture related costs.

Non-GAAP Reconciliation: Adjusted Operating Income / Margin

(in millions)	Q2 2018	Q1 2018	FY 2017	Q4 2017	Q3 2017	Q2 2017	Q1 2017
			Previously Reported				
GAAP Revenue From Continuing Operations	$ 1,387	$ 1,420	$ 6,022	$ 1,493	$ 1,480	$ 1,496	$ 1,553
GAAP Pre-tax Income (Loss) From Continuing Operations	54	(54)	(16)	4	13	(11)	(22)
GAAP Operating Margin As Reported	*3.9 %*	*(3.8)%*	*(0.3)%*	*0.3%*	*0.9%*	*(0.7)%*	*(1.4)%*
GAAP Pre-tax income (Loss) From Continuing Operations	$ 54	$ (54)	$ (16)	$ 4	$ 13	$ (11)	$ (22)
Adjustments:							
Restructuring and related costs	17	20	101	25	22	36	18
Amortization of acquired intangible assets	60	61	243	61	60	61	61
Interest expense	37	33	137	32	35	34	36
Separation costs	—	—	12	4	2	1	5
(Gain) loss on divestitures and transaction costs	(60)	15	(42)	(1)	(16)	(25)	—
Litigation costs (recoveries), net	4	31	(11)	3	6	(9)	(11)
Other (income) expenses, net	(2)	(1)	(7)	3	(9)	—	(1)
NY MMIS	(1)	—	9	(1)	1	1	8
HE charge	—	—	(8)	—	(3)	—	(5)
Adjusted Operating Income/Margin	*$ 109*	*$ 105*	*$ 418*	*$ 130*	*$ 111*	*$ 88*	*$ 89*
Adjusted Operating Margin	7.9 %	7.4 %	6.9 %	8.7%	7.5%	5.9 %	5.7 %

Non-GAAP Reconciliation: Adjusted Revenue and Operating Income / Margin(1)

(in millions)	Q2 2018	Q1 2018	FY 2017	Q4 2017	Q3 2017	Q2 2017	Q1 2017
			Adjusted for 606 and Divestitures(1)				
GAAP Revenue From Continuing Operations	$ 1,387	$ 1,420	$ 6,022	$ 1,493	$ 1,480	$ 1,496	$ 1,553
ASC 606 adjustment	—	—	(166)	(41)	(39)	(40)	(46)
Less revenue from divestitures	—	—	(59)	—	(14)	(22)	(23)
Adjusted Revenue From Continuing Operations	1,387	1,420	5,797	1,452	1,427	1,434	1,484
Pre-tax Income (Loss) From Continuing Operations	54	(54)	(16)	4	13	(11)	(22)
ASC 606 adjustment	—	—	(11)	(3)	(2)	(3)	(3)
Less pre-tax (income) loss from divestitures	—	—	(7)	—	(2)	(2)	(3)
Adjusted Pre-Tax Income (Loss)	54	(54)	(34)	1	9	(16)	(28)
Adjusted Operating Margin	*3.9%*	*(3.8)%*	*(0.6)%*	*0.1%*	*0.6%*	*(1.1)%*	*(1.9)%*
Adjusted Revenue	$ 1,387	$ 1,420	$ 5,797	$ 1,452	$ 1,427	$ 1,434	$ 1,484
Pre-tax income (Loss) From Continuing Operations	$ 54	$ (54)	$ (16)	$ 4	$ 13	$ (11)	$ (22)
Adjustments:							
Restructuring and related costs	17	20	101	25	22	36	18
Amortization of acquired intangible assets	60	61	243	61	60	61	61
Interest expense	37	33	137	32	35	34	36
Separation costs	—	—	12	4	2	1	5
(Gain) loss on divestitures and transaction costs	(60)	15	(42)	(1)	(16)	(25)	—
Litigation costs (recoveries), net	4	31	(11)	3	6	(9)	(11)
Other (income) expenses, net	(2)	(1)	(7)	3	(9)	—	(1)
NY MMIS	(1)	—	9	(1)	1	1	8
HE charge	—	—	(8)	—	(3)	—	(5)
ASC 606 adjustment	—	—	(11)	(3)	(2)	(3)	(3)
Less pre-tax (income) loss from divestitures	—	—	(7)	—	(2)	(2)	(3)
Adjusted Operating Income/Margin	*$ 109*	*$ 105*	*$ 400*	*$ 127*	*$ 107*	*$ 83*	*$ 83*
Adjusted Operating Margin	*7.9%*	*7.4 %*	*6.9 %*	*8.7%*	*7.5%*	*5.8 %*	*5.6 %*

(1) Adjusted for the impact from 606 accounting standard change and revenue and (income) loss from divestitures

Non-GAAP Reconciliation: Adjusted EBITDA

CONDUENT

(in millions)	Q2 2018	Q1 2018	FY 2017	Q4 2017	Q3 2017	Q2 2017	Q1 2017
			Previously Reported				
Reconciliation to Adjusted Revenue							
GAAP Revenue From Continuing Operations	$ 1,387	$ 1,420	$ 6,022	$ 1,493	$ 1,480	$ 1,496	$ 1,553
Adjusted Revenue	$ 1,387	$ 1,420	$ 6,022	$ 1,493	$ 1,480	$ 1,496	$ 1,553
GAAP Net Income (Loss) from Continuing Operations	$ 11	$ (50)	$ 177	$ 208	$ (17)	$ (4)	$ (10)
Interest expense	37	33	137	32	35	34	36
Income tax expense (benefit)	43	(4)	(193)	(204)	30	(7)	(12)
Segment depreciation and amortization	57	56	254	58	63	69	64
Amortization of acquired intangible assets	60	61	243	61	60	61	61
EBITDA	$ 208	$ 96	$ 618	$ 155	$ 171	$ 153	$ 139
EBITDA Margin	*15.0%*	*6.8%*	*10.3%*	*10.4%*	*11.6%*	*10.2%*	*9.0%*
EBITDA	$ 208	$ 96	$ 618	$ 155	$ 171	$ 153	$ 139
Restructuring and related costs	17	20	101	25	22	36	18
Separation costs	—	—	12	4	2	1	5
(Gain) loss on divestitures and transaction costs	(60)	15	(42)	(1)	(16)	(25)	—
Litigation costs (recoveries), net	4	31	(11)	3	6	(9)	(11)
Other (income) expenses, net	(2)	(1)	(7)	3	(9)	—	(1)
NY MMIS	(1)	—	9	(1)	1	1	8
HE charge	—	—	(8)	—	(3)	—	(5)
Adjusted EBITDA	166	161	672	188	174	157	153
Adjusted EBITDA Margin	12.0%	11.3%	11.2%	12.6%	11.8%	10.5%	9.9%

Non-GAAP Reconciliation: Adjusted EBITDA[1]

CONDUENT

	Adjusted for 606 and Divestitures[1]						
(in millions)	Q2 2018	Q1 2018	FY 2017	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Reconciliation to Adjusted Revenue							
GAAP Revenue From Continuing Operations	$ 1,387	$ 1,420	$ 6,022	$ 1,493	$ 1,480	$ 1,496	$ 1,553
ASC 606 adjustment	$ —	$ —	$ (166)	$ (41)	$ (39)	$ (40)	$ (46)
Less revenue from divestitures	$ —	$ —	$ (59)	$ —	$ (14)	$ (22)	$ (23)
Adjusted Revenue From Continuing Operations	$ 1,387	$ 1,420	$ 5,797	$ 1,452	$ 1,427	$ 1,434	$ 1,484
GAAP Net Income (Loss) from Continuing Operations	$ 11	$ (50)	$ 177	$ 208	$ (17)	$ (4)	$ (10)
Interest expense	37	33	137	32	35	34	36
Income tax expense (benefit)	43	(4)	(193)	(204)	30	(7)	(12)
Segment depreciation and amortization	57	56	254	58	63	69	64
Amortization of acquired intangible assets	60	61	243	61	60	61	61
ASC 606 adjustment	—	—	(11)	(3)	(2)	(3)	(3)
Less pre-tax (income) loss from divestitures	—	—	(6)	—	(2)	(1)	(3)
EBITDA adjusted for 606 and divestitures	$ 208	$ 96	$ 601	$ 152	$ 167	$ 149	$ 133
EBITDA Margin	*15.0%*	*6.8%*	*10.4%*	*10.5%*	*11.7%*	*10.4%*	*9.0%*
Adjusted EBITDA	$ 208	$ 96	$ 601	$ 152	$ 167	$ 149	$ 133
Restructuring and related costs	17	20	101	25	22	36	18
Separation costs	—	—	12	4	2	1	5
(Gain) loss on divestitures and transaction costs	(60)	15	(42)	(1)	(16)	(25)	—
Litigation costs (recoveries), net	4	31	(11)	3	6	(9)	(11)
Other (income) expenses, net	(2)	(1)	(7)	3	(9)	—	(1)
NY MMIS	(1)	—	9	(1)	1	1	8
HE charge	—	—	(8)	—	(3)	—	(5)
Adjusted EBITDA	166	161	655	185	170	153	147
Adjusted EBITDA Margin	12.0%	11.3%	11.3%	12.7%	11.9%	10.7%	9.9%

(1) Adjusted for the estimated impact from the adoption of the 606 accounting standard, had it been applicable in FY 2017 and revenue and (income) loss from divestitures

Non-GAAP Reconciliation: Segment Adjusted EBITDA[1]

CONDUENT

(in millions)	Q2 2018	Q1 2018	FY 2017	Q4 2017	Q3 2017	Q2 2017	Q1 2017
			Previously Reported				
Commercial Industries							
Segment GAAP revenue	$ 808	$ 854	$ 3,475	$ 879	$ 845	$ 856	$ 895
Segment profit	$ 47	$ 44	$ 181	$ 73	$ 49	$ 33	$ 26
Segment depreciation and amortization	33	34	142	34	34	38	36
Adjusted Segment EBITDA	$ 80	$ 78	$ 323	$ 107	$ 83	$ 71	$ 62
Adjusted EBITDA Margin	*9.9 %*	*9.1 %*	*9.3%*	*12.2 %*	*9.8%*	*8.3%*	*6.9%*
Public Sector							
Segment GAAP revenue	$ 574	$ 558	$ 2,408	$ 602	$ 599	$ 598	$ 609
Segment profit	$ 68	$ 65	$ 232	$ 63	$ 60	$ 52	$ 57
Segment depreciation and amortization	24	22	107	23	28	29	27
EBITDA	$ 92	87	339	86	88	81	84
EBITDA Margin	*16.0 %*	*15.6 %*	*14.1%*	*14.3 %*	*14.7%*	*13.5%*	*13.8%*
Segment EBITDA	$ 92	$ 87	$ 339	$ 86	$ 88	$ 81	$ 84
NY MMIS[2]	(1)	—	9	(1)	1	1	8
HE charge[2]	—	—	(8)	—	(3)	—	(5)
Adjusted Segment EBITDA	$ 91	$ 87	$ 340	$ 85	$ 86	$ 82	$ 87
Adjusted EBITDA Margin	*15.9 %*	*15.6 %*	*14.1%*	*14.1 %*	*14.4%*	*13.7%*	*14.3%*
Other Segment							
Segment GAAP revenue	$ 5	$ 8	$ 139	$ 12	$ 36	$ 42	$ 49
GAAP Segment profit (loss)	$ (5)	$ (4)	$ 4	$ (5)	$ 4	$ 2	$ 3
Segment depreciation and amortization	—	—	5	1	1	2	1
Adjusted Segment EBITDA	$ (5)	$ (4)	$ 9	$ (4)	$ 5	$ 4	$ 4
Adjusted EBITDA Margin	*(100.0)%*	*(50.0)%*	*6.5%*	*(33.3)%*	*13.9%*	*9.5%*	*8.2%*

(1) Certain reclassifications have been made to prior year information to conform to current year presentation.

(2) HE business moved from Other segment into Public Sector segment effective Q1 2018.

Non-GAAP Reconciliation: Segment Adjusted EBITDA(1)

CONDUENT

(in millions)	Q2 2018	Q1 2018	FY 2017	Q4 2017	Q3 2017	Q2 2017	Q1 2017
		Adjusted for 606 and Divestitures[1]					
Commercial Industries							
Segment GAAP revenue	$ 808	$ 854	$ 3,475	$ 879	$ 845	$ 856	$ 895
ASC 606 adjustment	—	—	(93)	(23)	(22)	(22)	(26)
Segment Revenue Adjusted for 606	$ 808	$ 854	$ 3,382	$ 856	$ 823	$ 834	$ 869
Segment profit	$ 47	$ 44	$ 181	$ 73	$ 49	$ 33	$ 26
Segment depreciation and amortization	33	34	142	34	34	38	36
ASC 606 adjustment	—	—	(5)	(2)	—	(2)	(1)
Segment EBITDA Adjusted for 606	$ 80	$ 78	$ 318	$ 105	$ 83	$ 69	$ 61
Adjusted EBITDA Margin	9.9%	9.1%	9.4%	12.3%	10.1%	8.3%	7.0%
Public Sector							
Segment GAAP revenue	$ 574	$ 558	$ 2,408	$ 602	$ 599	$ 598	$ 609
ASC 606 adjustment	—	—	(68)	(17)	(16)	(17)	(18)
Segment Revenue Adjusted for 606	$ 574	$ 558	$ 2,340	$ 585	$ 583	$ 581	$ 591
Segment profit	$ 68	$ 65	$ 232	$ 63	$ 60	$ 52	$ 57
Segment depreciation and amortization	24	22	107	23	28	29	27
ASC 606 adjustment	—	—	(6)	(1)	(2)	(1)	(2)
Segment EBITDA Adjusted for 606	$ 92	$ 87	$ 333	$ 85	$ 86	$ 80	$ 82
EBITDA Margin	16.0%	15.6%	14.2%	14.5%	14.8%	13.8%	13.9%
Segment EBITDA Adjusted for 606	$ 92	$ 87	$ 333	$ 85	$ 86	$ 80	$ 82
NY MMIS[2]	(1)	—	9	(1)	1	1	8
HE charge[2]	—	—	(8)	—	(3)	—	(5)
Adjusted Segment EBITDA	$ 91	$ 87	$ 334	$ 84	$ 84	$ 81	$ 85
Adjusted EBITDA Margin	15.9%	15.6%	14.3%	14.4%	14.4%	13.9%	14.4%

(1) Adjusted for the estimated impact from the adoption of the 606 accounting standard, had it been applicable in FY 2017 and revenue and (income) loss from divestitures. Certain reclassifications have been made to prior year information to conform to current year presentation.

(2) HE business moved from Other segment into Public Sector segment effective Q1 2018.

Non-GAAP Reconciliation: Segment Adjusted EBITDA[(1)] Continued

CONDUENT

	Adjusted for 606 and Divestitures[(1)]						
(in millions)	Q2 2018	Q1 2018	FY 2017	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Other Segment							
Segment GAAP revenue	$ 5	$ 8	$ 139	$ 12	$ 36	$ 42	$ 49
ASC 606 adjustment	—	—	(5)	(1)	(1)	(1)	(2)
Less revenue from divestitures	—	—	(59)	—	(14)	(22)	(23)
Segment GAAP revenue adjusted for 606 and divestitures	$ 5	$ 8	$ 75	$ 11	$ 21	$ 19	$ 24
GAAP Segment profit (loss)	$ (5)	$ (4)	$ 4	$ (5)	$ 4	$ 2	$ 3
Segment depreciation and amortization	—	—	5	1	1	2	1
ASC 606 adjustment	—	—	—	—	—	—	—
Less pre-tax (income) loss from divestitures	—	—	(6)	—	(2)	(1)	(3)
Adjusted Segment EBITDA	$ (5)	$ (4)	$ 3	$ (4)	$ 3	$ 3	$ 1
Adjusted EBITDA Margin	*(100.0)%*	*(50.0)%*	*4.0%*	*(36.4)%*	*14.3%*	*15.8%*	*4.2%*

(1) Adjusted for the estimated impact from the adoption of the 606 accounting standard, had it been applicable in FY 2017 and revenue and (income) loss from divestitures. Certain reclassifications have been made to prior year information to conform to current year presentation.

Non-GAAP Reconciliation: Adj. Free Cash Flow

CONDUENT

(in millions)	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Operating Cash Flow	$ 98	$ 67	$ 60	$ (40)
Cost of additions to land, buildings and equipment	(43)	(20)	(76)	(37)
Proceeds from sales of land, buildings and equipment	12	33	12	33
Cost of additions to internal use software	(8)	(7)	(14)	(15)
Tax payment related to divestitures	10	—	10	—
Vendor financed capital leases	(14)	(4)	(14)	(16)
Transaction costs	3	—	4	—
Deferred compensation payments and adjustments	2	3	9	4
Adjusted Free Cash Flow	**$ 60**	**$ 72**	**$ (9)**	**$ (71)**

Non-GAAP Reconciliation: Adjusted Cash

CONDUENT

(in millions)	As of June 30, 2018	As of December 31, 2017
Cash and cash equivalents	$ 993	$ 658
Deferred compensation payments and adjustments	9	17
Deferred compensation payable	(99)	(116)
Adjusted cash and cash equivalents	**$ 903**	**$ 559**