

Consolidated Statements of Operations

(preliminary and unaudited)

(in millions, except per-share amounts)	Three Months Ended		Twelve Months Ended	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Revenues	\$ 5,280	\$ 5,584	\$ 20,753	\$ 21,733
Costs of services	3,836	4,087	14,946	16,317
Selling, general and administrative	459	406	1,959	1,890
Depreciation and amortization	505	531	1,968	1,795
Restructuring costs	47	204	465	789
Interest expense	85	100	334	320
Interest income	(36)	(30)	(128)	(89)
Other expense (income), net	30	(302)	(306)	(593)
Total costs and expenses	4,926	4,996	19,238	20,429
Income, before income taxes	354	588	1,515	1,304
Income tax expense (benefit)	83	61	288	(242)
Income from continuing operations	271	527	1,227	1,546
Income from discontinued operations, net of taxes	—	38	35	236
Net income	271	565	1,262	1,782
Less: net (loss) income attributable to non-controlling interest, net of tax	(3)	5	5	31
Net income attributable to DXC common stockholders	\$ 274	\$ 560	\$ 1,257	\$ 1,751
Income per common share:				
Basic:				
Continuing operations	\$ 1.02	\$ 1.83	\$ 4.40	\$ 5.32
Discontinued operations	—	0.13	0.13	0.83
	\$ 1.02	\$ 1.96	\$ 4.53	\$ 6.15
Diluted:				
Continuing operations	\$ 1.01	\$ 1.80	\$ 4.35	\$ 5.23
Discontinued operations	—	0.13	0.12	0.81
	\$ 1.01	\$ 1.93	\$ 4.47	\$ 6.04
Cash dividend per common share	\$ 0.19	\$ 0.18	\$ 0.76	\$ 0.72
Weighted average common shares outstanding for:				
Basic EPS	268.59	285.64	277.54	284.93
Diluted EPS	270.82	290.20	281.43	289.77

Selected Consolidated Balance Sheet Data

(preliminary and unaudited)

(in millions)	As of	
	March 31, 2019	March 31, 2018
Assets		
Cash and cash equivalents	\$ 2,899	\$ 2,593
Receivables, net	5,218	5,481
Prepaid expenses	627	496
Other current assets	345	469
Assets of discontinued operations	—	581
Total current assets	9,089	9,620
Intangible assets, net	5,939	6,376
Goodwill	7,606	7,619
Deferred income taxes, net	329	373
Property and equipment, net	3,179	3,363
Other assets	3,358	3,207
Assets of discontinued operations - non-current	—	3,363
Total Assets	\$ 29,500	\$ 33,921
Liabilities		
Short-term debt and current maturities of long-term debt	\$ 1,942	\$ 1,918
Accounts payable	1,666	1,513
Accrued payroll and related costs	652	744
Accrued expenses and other current liabilities	3,355	3,120
Deferred revenue and advance contract payments	1,630	1,641
Income taxes payable	91	127
Liabilities of discontinued operations	—	789
Total current liabilities	9,336	9,852
Long-term debt, net of current maturities	5,470	6,092
Non-current deferred revenue	256	795
Non-current pension obligations	790	879
Non-current income tax liabilities and deferred tax liabilities	1,219	1,166
Other long-term liabilities	695	844
Liabilities of discontinued operations - long-term	—	456
Total Liabilities	17,766	20,084
Total Equity	11,734	13,837
Total Liabilities and Equity	\$ 29,500	\$ 33,921

Consolidated Statements of Cash Flows

(preliminary and unaudited)

(in millions)	Twelve Months Ended	
	March 31, 2019	March 31, 2018
Cash flows from operating activities:		
Net income	\$ 1,262	\$ 1,782
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,023	2,014
Pension & other post-employment benefits, actuarial & settlement losses (gains)	143	(220)
Share-based compensation	74	93
Deferred taxes	97	(842)
(Gain) loss on dispositions	(163)	4
Provision for losses on accounts receivable	(10)	45
Unrealized foreign currency exchange losses	30	22
Impairment losses and contract write-offs	—	41
Amortization of debt issuance costs and (premium) discount	(10)	(4)
Cash surrender value in excess of premiums paid	(11)	(11)
Other non-cash charges, net	11	4
Changes in assets and liabilities, net of effects of acquisitions and dispositions:		
Increase in receivables	(947)	(464)
Increase in prepaid expenses and other current assets	(632)	(196)
(Decrease) increase in accounts payable and accruals	(52)	(96)
(Decrease) increase in income taxes payable and income tax liability	(107)	303
(Decrease) increase in advance contract payments and deferred revenue	(74)	130
Other operating activities, net	149	(38)
Net cash provided by operating activities	<u>1,783</u>	<u>2,567</u>
Cash flows from investing activities:		
Purchases of property and equipment	(297)	(224)
Payments for transition and transformation contract costs	(394)	(328)
Software purchased and developed	(261)	(211)
Cash acquired through HPES Merger	—	938
Payments for acquisitions, net of cash acquired	(365)	(203)
Business dispositions	(65)	—
Cash collections related to deferred purchase price receivable	1,084	685
Proceeds from sale of assets	357	58
Other investing activities, net	10	4
Net cash provided by (used in) investing activities	<u>69</u>	<u>719</u>
Cash flows from financing activities:		
Borrowings of commercial paper	2,747	2,413
Repayments of commercial paper	(2,840)	(2,297)
Repayment of borrowings under lines of credit	—	(737)
Borrowings on long-term debt, net of discount	1,646	621
Principal payments on long-term debt	(2,625)	(1,547)
Payments on capital leases and borrowings for asset financing	(944)	(1,060)
Borrowings for USPS spin transaction	1,114	—
Proceeds from bond issuance	753	989
Proceeds from stock options and other common stock transactions	47	138
Taxes paid related to net share settlements of share-based compensation awards	(54)	(76)
Repurchase of common stock	(1,344)	(132)
Dividend payments	(210)	(174)
Other financing activities, net	47	(28)
Net cash (used in) provided by financing activities	<u>(1,663)</u>	<u>(1,890)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(19)</u>	<u>65</u>
Net increase in cash and cash equivalents	170	1,461
Cash and cash equivalents at beginning of year	2,729	1,268
Cash and cash equivalents at end of year	<u>\$ 2,899</u>	<u>\$ 2,729</u>

Segment Results

The following tables summarize segment revenue for the three and twelve months ended March 31, 2019 as compared to the three and twelve months ended March 31, 2018:

Segment Revenue

(in millions)	Three Months Ended			% Change in Constant Currency
	March 31, 2019	March 31, 2018	% Change	
GBS	\$ 2,191	\$ 2,361	(7.2)%	(3.1)%
GIS	3,089	3,223	(4.2)%	0.6 %
Total Revenues	<u>\$ 5,280</u>	<u>\$ 5,584</u>	(5.4)%	(1.0)%

Segment Revenue

(in millions)	Twelve Months Ended			% Change in Constant Currency
	March 31, 2019	March 31, 2018	% Change	
GBS	\$ 8,684	\$ 9,254	(6.2)%	(4.7)%
GIS	12,069	12,479	(3.3)%	(1.6)%
Total Revenues	<u>\$ 20,753</u>	<u>\$ 21,733</u>	(4.5)%	(2.9)%

Segment Profit

We define segment profit as segment revenue less costs of services, segment selling, general and administrative, depreciation and amortization, and other income (excluding the movement in foreign currency exchange rates on our foreign currency denominated assets and liabilities and the related economic hedges). We do not allocate to our segments certain operating expenses managed at the corporate level. These unallocated costs include certain corporate function costs, stock-based compensation expense, pension and OPEB actuarial and settlement gains and losses, restructuring costs, transaction, separation and integration-related costs and amortization of acquired intangible assets.

Segment Profit**Three Months Ended**

(in millions)	March 31, 2019	March 31, 2018
GBS profit	\$ 447	\$ 459
GIS profit	436	472
All other loss	(56)	(49)
Interest income	36	30
Interest expense	(85)	(100)
Restructuring costs	(47)	(204)
Transaction, separation and integration-related costs	(96)	(86)
Amortization of acquired intangibles	(138)	(137)
Pension and OPEB actuarial and settlement (losses) gains	(143)	203
Income from continuing operations before taxes	<u>\$ 354</u>	<u>\$ 588</u>

Segment profit margins

GBS	20.4%	19.4%
GIS	14.1%	14.6%

Segment Profit**Twelve Months Ended**

(in millions)	March 31, 2019	March 31, 2018
GBS profit	\$ 1,645	\$ 1,525
GIS profit	1,911	1,643
All other loss	(287)	(179)
Interest income	128	89
Interest expense	(334)	(320)
Restructuring costs	(465)	(789)
Transaction, separation and integration-related costs	(401)	(359)
Amortization of acquired intangibles	(539)	(526)
Pension and OPEB actuarial and settlement (losses) gains	(143)	220
Income from continuing operations before taxes	<u>\$ 1,515</u>	<u>\$ 1,304</u>

Segment profit margins

GBS	18.9%	16.5%
GIS	15.8%	13.2%

Non-GAAP Financial Measures

We present non-GAAP financial measures of performance which are derived from the unaudited condensed consolidated statements of operations and unaudited pro forma combined company statement of operations of DXC. These non-GAAP financial measures include earnings before interest and taxes (“EBIT”), EBIT margin, adjusted EBIT, adjusted EBIT margin, non-GAAP income before income taxes, non-GAAP net income, non-GAAP EPS and adjusted free cash flow.

We present these non-GAAP financial measures to provide investors with meaningful supplemental financial information, in addition to the financial information presented on a GAAP or pro forma combined company basis. Non-GAAP financial measures exclude certain items from GAAP and pro forma combined company results which DXC management believes are not indicative of core operating performance. DXC management believes these non-GAAP measures provide investors supplemental information about the financial performance of DXC exclusive of the impacts of corporate wide strategic decisions. DXC management believes that adjusting for these items provides investors with additional measures to evaluate the financial performance of our core business operations on a comparable basis from period to period. DXC management believes the non-GAAP measures provided are also considered important measures by financial analysts covering DXC as equity research analysts continue to publish estimates and research notes based on our non-GAAP commentary, including our guidance around non-GAAP EPS.

There are limitations to the use of the non-GAAP financial measures presented in this report. One of the limitations is that they do not reflect complete financial results. We compensate for this limitation by providing a reconciliation between our non-GAAP financial measures and the respective most directly comparable financial measure calculated and presented in accordance with GAAP or on a pro forma combined company basis. Additionally, other companies, including companies in our industry, may calculate non-GAAP financial measures differently than we do, limiting the usefulness of those measures for comparative purposes between companies.

Reconciliation of Non-GAAP Financial Measures

Non-GAAP adjustments to our performance measures include:

- Restructuring costs - reflects restructuring costs, net of reversals, related to workforce optimization and real estate charges.
- Transaction, separation and integration-related costs - reflects costs related to integration planning, financing, and advisory fees associated with the HPES merger and other acquisitions and costs related to the separation of USPS.
- Amortization of acquired intangible assets - reflects amortization of intangible assets acquired through business combinations.
- Pension and OPEB actuarial and settlement gains and losses - reflects pension and OPEB actuarial and settlement gains and losses.
- Tax adjustment - reflects the estimated non-recurring benefit of the Tax Cuts and Jobs Act of 2017 for fiscal 2019 and the application of an approximate 28% tax rate for fiscal 2018, which is within the targeted effective tax rate range for the prior year.

EBIT and Adjusted EBIT

Reconciliations of net income to adjusted EBIT are as follows:

(in millions)	Three Months Ended		Twelve Months Ended	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Net income	\$ 271	\$ 565	\$ 1,262	\$ 1,782
Income from discontinued operations, net of taxes	—	(38)	(35)	(236)
Income tax expense (benefit)	83	61	288	(242)
Interest income	(36)	(30)	(128)	(89)
Interest expense	85	100	334	320
EBIT	403	658	1,721	1,535
Restructuring costs	47	204	465	789
Transaction, separation and integration-related costs	96	86	401	359
Amortization of acquired intangible assets	138	137	539	526
Pension and OPEB actuarial and settlement losses (gains)	143	(203)	143	(220)
Adjusted EBIT	\$ 827	\$ 882	\$ 3,269	\$ 2,989
Adjusted EBIT margin	15.7%	15.8%	15.8%	13.8%
EBIT margin	7.6%	11.8%	8.3%	7.1%

Adjusted Free Cash Flow

A reconciliation of net cash provided by operating activities to adjusted free cash flow is as follows:

(in millions)	Three Months Ended	Twelve Months Ended
	March 31, 2019	March 31, 2019
Net cash provided by operating activities	\$ 748	\$ 1,783
Net cash provided by investing activities	109	69
Acquisitions, net of cash acquired	33	365
Business dispositions	—	65
Payments on capital leases and other long-term asset financings	(234)	(944)
Payments on transaction, separation and integration-related costs	96	373
Payments on restructuring costs	140	562
Sale of accounts receivables	25	(168)
Adjusted free cash flow	\$ 917	\$ 2,105

Non-GAAP Results

A reconciliation of reported results to non-GAAP results is as follows:

(in millions, except per-share amounts)	Three Months Ended March 31, 2019					
	As Reported	Restructuring Costs	Transaction, Separation and Integration-Related Costs	Amortization of Acquired Intangible Assets	Pension and OPEB Actuarial and Settlement Losses	Non-GAAP Results
Costs of services (excludes depreciation and amortization and restructuring costs)	\$ 3,836	\$ —	\$ —	\$ —	\$ —	\$ 3,836
Selling, general and administrative (excludes depreciation and amortization and restructuring costs)	459	—	(96)	—	—	363
Income before taxes	\$ 354	\$ 47	\$ 96	\$ 138	\$ 143	\$ 778
Income tax expense	83	12	30	37	27	189
Income from continuing operations	\$ 271	\$ 35	\$ 66	\$ 101	\$ 116	\$ 589
Discontinued operations, net of taxes	—	—	—	—	—	—
Net income	\$ 271	\$ 35	\$ 66	\$ 101	\$ 116	\$ 589
Less: net loss attributable to noncontrolling interest, net of tax	(3)	—	—	—	—	(3)
Net income attributable to DXC common stockholders	\$ 274	\$ 35	\$ 66	\$ 101	\$ 116	\$ 592
Effective tax rate	23.4%					24.3%
Basic EPS	\$ 1.02	\$ 0.13	\$ 0.25	\$ 0.38	\$ 0.43	\$ 2.20
Diluted EPS	\$ 1.01	\$ 0.13	\$ 0.24	\$ 0.37	\$ 0.43	\$ 2.19
Weighted average common shares outstanding for:						
Basic EPS	268.59	268.59	268.59	268.59	268.59	268.59
Diluted EPS	270.82	270.82	270.82	270.82	270.82	270.82

Twelve Months Ended March 31, 2019

(in millions, except per-share amounts)	As Reported	Restructuring Costs	Transaction, Separation and Integration- Related Costs	Amortization of Acquired Intangible Assets	Pension and OPEB Actuarial and Settlement Losses	Tax Adjustment	Non-GAAP Results
Costs of services (excludes depreciation and amortization and restructuring costs)	\$ 14,946	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 14,946
Selling, general and administrative (excludes depreciation and amortization and restructuring costs)	1,959	—	(401)	—	—	—	1,558
Income before taxes	\$ 1,515	\$ 465	\$ 401	\$ 539	\$ 143	\$ —	\$ 3,063
Income tax expense	288	112	102	138	27	44	711
Income from continuing operations	\$ 1,227	\$ 353	\$ 299	\$ 401	\$ 116	\$ (44)	\$ 2,352
Discontinued operations, net of taxes	35	—	—	—	—	—	35
Net income	\$ 1,262	\$ 353	\$ 299	\$ 401	\$ 116	\$ (44)	\$ 2,387
Less: net income attributable to noncontrolling interest, net of tax	5	—	—	—	—	—	5
Net income attributable to DXC common stockholders	\$ 1,257	\$ 353	\$ 299	\$ 401	\$ 116	\$ (44)	\$ 2,382
Effective tax rate	19.0%						23.2%
Basic EPS	\$ 4.40	\$ 1.27	\$ 1.08	\$ 1.44	\$ 0.42	\$ (0.16)	\$ 8.46
Diluted EPS	\$ 4.35	\$ 1.25	\$ 1.06	\$ 1.42	\$ 0.41	\$ (0.16)	\$ 8.34
Weighted average common shares outstanding for:							
Basic EPS	277.54	277.54	277.54	277.54	277.54	277.54	277.54
Diluted EPS	281.43	281.43	281.43	281.43	281.43	281.43	281.43

Three Months Ended March 31, 2018

(in millions, except per-share amounts)	As Reported	Restructuring Costs	Transaction, Separation and Integration-Related Costs	Amortization of Acquired Intangible Assets	Pension and OPEB Actuarial and Settlement Gains	Tax Adjustment	Non-GAAP Results
Costs of services (excludes depreciation and amortization and restructuring costs)	\$ 4,087	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 4,087
Selling, general and administrative (excludes depreciation and amortization and restructuring costs)	406	—	(86)	—	—	—	320
Income before taxes	\$ 588	\$ 204	\$ 86	\$ 137	\$ (203)	\$ —	\$ 812
Income tax expense	61	—	—	—	—	166	227
Income from continuing operations	\$ 527	\$ 204	\$ 86	\$ 137	\$ (203)	\$ (166)	\$ 585
Discontinued operations, net of taxes	38	—	—	—	—	—	38
Net income	\$ 565	\$ 204	\$ 86	\$ 137	\$ (203)	\$ (166)	\$ 623
Less: net income attributable to noncontrolling interest, net of tax	5	—	—	—	—	—	5
Net income attributable to DXC common stockholders	\$ 560	\$ 204	\$ 86	\$ 137	\$ (203)	\$ (166)	\$ 618
Effective tax rate	10.4%						28.0%
Basic EPS	\$ 1.83	\$ 0.71	\$ 0.30	\$ 0.48	\$ (0.71)	\$ (0.58)	\$ 2.03
Diluted EPS	\$ 1.80	\$ 0.70	\$ 0.30	\$ 0.47	\$ (0.70)	\$ (0.57)	\$ 2.00
Weighted average common shares outstanding for:							
Basic EPS	285.64	285.64	285.64	285.64	285.64	285.64	285.64
Diluted EPS	290.20	290.20	290.20	290.20	290.20	290.20	290.20

Twelve Months Ended March 31, 2018

(in millions, except per-share amounts)	As Reported	Restructuring Costs	Transaction, Separation and Integration-Related Costs	Amortization of Acquired Intangible Assets	Pension and OPEB Actuarial and Settlement Gains	Tax Adjustment	Non-GAAP Results
Costs of services (excludes depreciation and amortization and restructuring costs)	\$ 16,317	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 16,317
Selling, general and administrative (excludes depreciation and amortization and restructuring costs)	1,890	—	(359)	—	—	—	1,531
Income before taxes	\$ 1,304	\$ 789	\$ 359	\$ 526	\$ (220)	\$ —	\$ 2,758
Income tax (benefit) expense	(242)	—	—	—	—	1,013	771
Income from continuing operations	\$ 1,546	\$ 789	\$ 359	\$ 526	\$ (220)	\$ (1,013)	\$ 1,987
Discontinued operations, net of taxes	236	—	—	—	—	—	236
Net income	\$ 1,782	\$ 789	\$ 359	\$ 526	\$ (220)	\$ (1,013)	\$ 2,223
Less: net income attributable to noncontrolling interest, net of tax	31	—	—	—	—	—	31
Net income attributable to DXC common stockholders	\$ 1,751	\$ 789	\$ 359	\$ 526	\$ (220)	\$ (1,013)	\$ 2,192
Effective Tax Rate	(18.6)%						28.0%
Basic EPS	\$ 5.32	\$ 2.77	\$ 1.26	\$ 1.85	\$ (0.77)	\$ (3.56)	\$ 6.86
Diluted EPS	\$ 5.23	\$ 2.72	\$ 1.24	\$ 1.82	\$ (0.76)	\$ (3.50)	\$ 6.75
Weighted average common shares outstanding for:							
Basic EPS	284.93	284.93	284.93	284.93	284.93	284.93	284.93
Diluted EPS	289.77	289.77	289.77	289.77	289.77	289.77	289.77