Pitney Bowes Inc. Consolidated Statements of Income (Unaudited)

(Dollars in thousands, except per share data)

(Dollars in thousands, except per share data)		Three months ended December 31,			Twelve months ended December 31,				
		2012		2011 ⁽²⁾		2012		2011 (2)	
Revenue:								_	
Equipment sales	\$	281,772	\$	280,365	\$	938,289	\$	986,392	
Supplies		69,815		72,246		283,604		307,974	
Software		110,385		108,301		412,762		426,606	
Rentals		141,445		151,926		569,619		618,990	
Financing		121,435		134,311		495,130		547,269	
Support services		173,243		175,798		689,667		706,505	
Business services		389,212		382,208		1,514,944		1,528,860	
Total revenue		1,287,307		1,305,155		4,904,015		5,122,596	
Costs and expenses:									
Cost of equipment sales		149,861		132,782		459,051		449,479	
Cost of supplies		22,141		23,089		87,569		97,454	
Cost of software		24,427		25,566		92,708		99,107	
Cost of rentals		28,098		30,770		115,356		138,603	
Financing interest expense		19,755		20,783		81,140		87,698	
Cost of support services		105,750		107,815		440,055		452,582	
Cost of business services		298,767		287,354		1,156,828		1,161,429	
Selling, general and administrative		410,281		425,473		1,598,286		1,690,360	
Research and development		32,390		40,873		136,908		148,645	
Restructuring charges and asset impairments		22,291		84,087		23,117		136,548	
Goodwill impairment		-		84,500		-		84,500	
Other interest expense		27,967		29,357		115,228		115,363	
Interest income		(2,189)		(1,093)		(7,982)		(5,795)	
Other income, net		-		(9,200)		1,138		(19,918)	
Total costs and expenses		1,139,539		1,282,156		4,299,402		4,636,055	
Income from continuing operations before income taxes		147,768		22,999		604,613		486,541	
Provision for income taxes		44,224		(32,170)		150,305		67,610	
Income from continuing operations		103,544		55,169		454,308		418,931	
Income from discontinued operations, net of income tax		11,387		206,899		9,231		216,924	
Net income before attribution of noncontrolling interests		114,931		262,068		463,539		635,855	
Less: Preferred stock dividends of subsidiaries attributable to noncontrolling interests		4,594		4,594		18,376		18,375	
Net income - Pitney Bowes Inc.	\$	110,337	\$	257,474	\$	445,163	\$	617,480	
	Ψ	110,001	<u> </u>	201,414	<u> </u>	440,100	<u> </u>	011,400	
Amounts attributable to common stockholders:	¢		•		•	105	<u>^</u>	100	
Income from continuing operations	\$	98,950	\$	50,575	\$	435,932	\$	400,556	
Income from discontinued operations		11,387		206,899		9,231		216,924	
Net income - Pitney Bowes Inc.	\$	110,337	\$	257,474	\$	445,163	\$	617,480	
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Basic earnings per share attributable to common stockholders ⁽¹⁾ :									
Continuing operations		0.49		0.25		2.18		1.98	
Discontinued operations		0.06		1.04		0.05		1.07	
Net income - Pitney Bowes Inc.	\$	0.55	\$	1.29	\$	2.22	\$	3.06	
Diluted earnings per share attributable to common stockholders ⁽¹⁾ :									
		o 40		a a=		~		4.00	
Continuing operations		0.49		0.25		2.16		1.98	
Discontinued operations		0.06		1.03		0.05		1.07	
Net income - Pitney Bowes Inc.	\$	0.55	\$	1.28	\$	2.21	\$	3.05	

(1) The sum of the earnings per share amounts may not equal the totals above due to rounding.
(2) Certain prior year amounts have been reclassified to conform to the current year presentation.

Pitney Bowes Inc. Consolidated Balance Sheets (Unaudited in thousands, except per share data)

Cultiminassets: \$ 913,276 \$ 8661,233 Short-term investments \$ 913,276 \$ 8661,237 Accounts receivable, gross 755,218 7755,485 (23,684) Allowance for doubtful accounts receivable (26,696,10) (21,827) Accounts receivables, net 1,213,776 1,213,776 (25,448) Finance receivables, net 1,188,292 1,251,090 (45,583) Inventories 179,678 178,599 (25,484) (45,583) Current income taxes 51,836 102,256 (26,484) (45,583) Other current assets and prepayments 114,184 133,774 404,146 Renatal property paint and equipment, net 241,192 2268,711 Finance receivables, net 1,04,6109 1,123,638 Allowance for cridi losses 34,546 133,271 Goodwill 166,214 212,009 1,007,971 Investment in leveraged leases 34,546 133,271 20,04,814 212,000 Intangule asests \$ 7,889,891	Assets Current assets:		12/31/12	12/31/11		
Short-term investments 36,611 12,971 Accounts receivable, gross 755,218 755,218 (31,655) Allowance for doubtiful accounts receivable (26,968) (31,655) 723,250 723,630 Finance receivables 1,213,776 1,296,673 Allowance for credit losses (25,444) (45,683) Finance receivables, net 1,188,222 1,251,090 1,282,073 1,251,090 Inventories 51,836 102,556 0,444,474 1,444,474 Total current assets 3,212,127 3,229,858 0,121,127 3,229,858 Property, plant and equipment, net 385,377 404,146 1,112,649 1,112,774 Finance receivables 1,041,099 1,105,791 1,026,489 1,105,791 Investment in leveraged leases 34,546 138,271 1,026,489 1,105,791 Investment in leveraged leases 56,374 500,644 212,603 Non-current income taxes 34,546 138,271 Other assets \$7,359,891 \$8,147,104 244,681 242,063 1,47,088		¢	012 276	¢	956 229	
Allowance for doubt ¹ accounts receivable (26.968) (31.855) Accounts receivables 1.213.776 1.296.673 Allowance for credit losses (25.484) (45.583) Finance receivables, net 1.188.292 1.251.090 Inventories 179.678 102.656 Other current assets and prepayments 114.184 134.774 Total current assets 3.212.127 3.269.658 Property, plant and equipment, net 385.377 404.146 Rental property and equipment, net 385.377 404.146 Finance receivables, net 1.041.099 1.123.638 Allowance for credit losses (14.610) (17.847) Finance receivables, net 1.062.489 1.105.791 Investment in leveraged leases 34.546 138.271 Coordwill 2.136.138 2.147.088 Intargible assets, net 1.66.214 421.603 Non-current income taxes 94.434 89.992 Other assets 563.374 530.644 Total assets 2.136.137 540.661 2.42.072		Φ	•	Φ	-	
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Finance receivables 1.213,776 1.266,673 Allowance for credit losses (25,484) (45,583) Finance receivables, net 1.188,292 1.251,090 Inventories 179,673 178,599 Current income taxes 51,836 102,556 Other current assets and prepayments 114,184 134,774 Total current assets 3.212,127 3.259,858 Property, plant and equipment, net 241,192 258,711 Finance receivables 1.041,099 1,123,638 Allowance for credit losses (14,4610) (17,847) Finance receivables, net 1.026,489 1,105,791 Investment in leveraged leases 34,546 138,271 Goodwill 2,136,138 2,147,038 Intargible assets, net 1.026,489 1,1026,489 Non-current income taxes 94,434 89,992 Other assets 5 7,859,891 \$ Accounts payable and current portion of long-term obligations 375,000 550,000 Accounts payable and current portion of long-term obligations 37	Allowance for doubtful accounts receivable		(26,968)		(31,855)	
Allowance for credit losses (25,48) (45,58) Finance receivables, net 1,188,292 1,251,090 Inventories 179,678 178,599 Current income taxes 51,836 102,556 Other current assets and prepayments 114,184 134,774 Total current assets 3,212,127 3,259,556 Property, plant and equipment, net 241,192 258,711 Finance receivables 1,041,099 1,123,638 Allowance for credit losses (14,610) (17,847) Finance receivables, net 1,026,489 1,105,791 Investment in leverage leases 34,546 138,271 Goodwill 2,136,138 2,147,088 Intangible assets, net 166,214 212,603 Other assets 5 7,859,891 \$ Total assets \$ 7,859,891 \$ 8,147,104 Liabilities non-current liabilities \$ 1,840,465 2,877,037 3,091,862 Other assets \$ 7,859,891 \$ 1,840,465 2,877	Accounts receivable, net		728,250		723,630	
Allowance for credit losses (25,484) (45,583) Finance receivables, net 1,188,292 1,251,090 Inventories 179,673 178,599 Current income taxes 51,836 102,556 Other current assets and prepayments 114,184 134,774 Total current assets 3,212,127 3,259,858 Property, plant and equipment, net 241,192 228,711 Finance receivables 1,041,099 1,123,638 Allowance for credit losses (14,610) (17,847) Finance receivables, net 1,026,489 1,105,791 Investment in leverage leases 34,546 138,271 Codwill 2,136,138 2,147,088 Intangible assets, net 166,214 212,003 Non-current income taxes 94,434 89,992 Other assets \$ 7,859,891 \$ 8,147,104 Liabilities, noncontrolling interests and stockholders' equity (deficit) 240,681 242,972 Current liabilities \$ 1,840,465 1,840,465 2,877,037 Notes payable and acurrent portion of long-term obligati	Finance receivables		1,213,776		1,296,673	
Finance receivables, net 1,188,292 1,251,090 Inventories 179,678 178,599 Current income taxes 51,836 102,556 Other current assets and prepayments 1141,184 134,774 Total current assets 3,212,127 3,259,858 Property, plant and equipment, net 385,377 404,146 Rental property and equipment, net 241,192 258,711 Finance receivables 1,041,099 1,123,638 Allowance for credit losses (14,4610) (17,847) Finance receivables, net 1,026,489 1,105,791 Investment in leveraged leases 34,546 138,271 Goodwill 1,026,489 1,105,791 Investment in leveraged leases 94,334 89,992 Other assets \$ 7,859,891 \$ 8,147,104 Liabilities. 7,859,891 \$ 1,840,465 Current liabilities 240,681 242,972 Notes payable and current portion of long-term obligations 375,000 550,000 Advance funce taxes on income 69,222 175,944 <td>Allowance for credit losses</td> <td></td> <td>(25,484)</td> <td></td> <td></td>	Allowance for credit losses		(25,484)			
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Other current assets and prepayments 114,184 134,774 Total current assets 3,212,127 3,259,858 Property, plant and equipment, net 386,377 404,146 Rental property and equipment, net 241,192 258,711 Finance receivables 1,041,099 1,123,638 Allowance for credit losses (14,610) (17,847) Finance receivables, net 1,026,489 1,105,791 Investment in leveraged leases 34,546 138,271 Goodwill 2,136,138 2,147,088 Intangible assets, net 166,214 212,203 Non-current income taxes 94,434 89,992 Other assets 563,374 530,644 Total assets \$ 1,840,465 Current liabilities: \$ 1,840,465 Accounts payable and accrued liabilities \$ 1,840,465 Current liabilities \$ 1,840,465 Current liabilities \$ 1,840,465 Total current liabilities \$ 1,840,465 Current liabilities \$ <td>Inventories</td> <td></td> <td>179,678</td> <td></td> <td>178,599</td>	Inventories		179,678		178,599	
Total current assets 3.212.127 3.259,858 Property, plant and equipment, net 385,377 404,146 Rental property and equipment, net 241,192 258,711 Finance receivables 1,041,099 1,123,638 Allowance for credit losses (14,610) (17,847) Finance receivables, net 1,026,489 1,105,791 Investment in leveraged leases 34,546 138,271 Goodwill 2,136,138 2,147,088 Intangible assets, net 166,214 212,603 Non-current income taxes 94,434 89,992 Other assets 563,374 530,644 Total assets \$ 7,859,891 \$ 8,147,104 Liabilities, noncontrolling interests and stockholders' equity (deficit) 240,681 242,972 Notes payable and current portion of long-term obligations 452,130 458,425 Total current liabilities 2,877,037 3,091,862 1648,425 Deferred taxes on income 69,222 175,944 145,881 194,840 Long-term tiabilities 7,452,890 7,4	Current income taxes		51,836		102,556	
Property, plant and equipment, net 385,377 404,146 Rental property and equipment, net 241,192 256,711 Finance receivables 1,041,099 1,123,638 Allowance for credit losses (14,610) (17,847) Finance receivables, net 1,026,489 1,105,791 Investment in leveraged leases 34,546 138,271 Goodwill 2,136,138 2,147,088 Intragible assets, net 166,214 212,603 Non-current income taxes 94,434 89,992 Other assets 563,374 530,644 Total assets \$ 7,859,891 \$ 8,147,104 Liabilities: Accounts payable and accrued liabilities \$ 1,809,226 \$ 1,840,465 Current liabilities: Accounts payable and current portion of long-term obligations 375,000 Adsa25 142,972 Total current liabilities 2,877,037 3,091,862 145,841 144,945 Long-term detxes 0 452,130 458,425 145,841 Total current liabilities 71	Other current assets and prepayments		114,184		134,774	
Rental property and equipment, net 241,192 258,711 Finance receivables 1,041,099 1,123,638 Allowance for credit losses (14,610) (17,847) Finance receivables, net 1,026,489 1,105,791 Investment in leveraged leases 34,546 138,271 Coodwil 2,136,138 2,147,088 Intagible assets, net 166,214 212,603 Non-current income taxes 94,434 89,992 Other assets 563,374 530,644 Total assets \$ 7,859,891 \$ 8,147,104 Liabilities: non-current protion of long-term obligations 375,000 550,000 Advance billings 452,130 458,425 104 249,722 Total current liabilities 2,877,037 3,091,862 104,833 194,840 Long-term debt 3,842,375 3,683,909 0ther non-current liabilities 145,881 194,840 Long-term debt 3,842,375 3,683,909 7,43,165 3,642,375 3,683,909 Other non-current liabilities 7,452,890	Total current assets		3,212,127		3,259,858	
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Allowance for credit losses (14.610) (17.847) Finance receivables, net 1,026,489 1,105,791 Investment in leveraged leases 34,546 138,271 Goodwill 2,136,138 2,147,088 Intrangible assets, net 166,214 212,603 Non-current income taxes 94,434 89,992 Other assets 553,374 530,644 Total assets \$ 7,859,891 \$ 8,147,104 Liabilities: Accounts payable and accrued liabilities \$ 1,809,226 \$ 1,840,465 Current liabilities: Accounts payable and current portion of long-term obligations 375,000 550,000 Advance billings 2,877,037 3,091,862 Deferred taxes on income 69,222 175,944 Tax uncertainties and other income tax liabilities 145,881 149,840 Long-term debt 3,642,375 3,683,909 Other non-current liabilities 7,452,890 7,889,720 7,452,890 7,889,720 Noncontrolling interests (Preferred stockholders' equity in subsidiaries) 296,370 296,370 296,370 Stockholders' equity:			241,192		258,711	
Allowance for credit losses (14,610) (17,847) Finance receivables, net 1,026,489 1,105,791 Investment in leveraged leases 34,546 138,271 Goodwill 2,136,138 2,147,088 Intrangible assets, net 166,214 212,603 Non-current income taxes 94,434 89,992 Other assets 553,374 530,644 Total assets \$ 7,859,891 \$ 8,147,104 Liabilities: Accounts payable and accrued liabilities \$ 1,809,226 \$ 1,840,465 Current liabilities: Accounts payable and current portion of long-term obligations 375,000 550,000 Advance billings 2,877,037 3,091,862 14,842,972 Notes payable and current portion of long-term obligations 452,130 458,425 Total current liabilities 2,877,037 3,091,862 Deferred taxes on income 69,222 175,944 Tax uncertainties and other income tax liabilities 145,881 194,840 Long-term debt 3,642,375 3,683,909 7,452,890 7,889,720 <td< td=""><td>Finance receivables</td><td></td><td>1,041,099</td><td></td><td>1,123,638</td></td<>	Finance receivables		1,041,099		1,123,638	
Finance receivables, net 1,026,489 1,105,791 Investment in leveraged leases 34,546 138,271 Goodwill 2,136,138 2,147,088 Intangible assets, net 166,214 21,2603 Non-current income taxes 94,434 89,992 Other assets 563,374 530,644 Total assets \$ 7,859,891 \$ 8,147,104 Liabilities, noncontrolling interests and stockholders' equity (deficit) Current income taxes 240,681 242,972 Notes payable and accrued liabilities \$ 1,809,226 \$ 1,840,465 240,681 242,972 Notes payable and current portion of long-term obligations 375,000 550,000 550,000 Advance billings 2,877,037 3,091,862 1,840,465 Deferred taxes on income 69,222 175,944 Tax uncertainties and other income tax liabilities 145,881 194,840 Long-term debt 3,642,375 3,683,909 7,431,65 Total liabilities 7,452,890 7,839,720 1,892,720 Noncontrolling interests (Preferred stockholders' equity in subsidiaries)	Allowance for credit losses					
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Intangible assets, net 166,214 212,603 Non-current income taxes 94,434 89,992 Other assets 563,374 530,644 Total assets \$ 7,859,891 \$ 8,147,104 Liabilities, noncontrolling interests and stockholders' equity (deficit) \$ 1,809,226 \$ 1,840,465 Current liabilities: 240,681 242,972 Notes payable and acrued liabilities 375,000 550,000 Accounts payable and current portion of long-term obligations 375,000 550,000 Advance billings 452,130 458,425 Total current liabilities 2,877,037 3,091,862 Deferred taxes on income 69,222 175,944 Tax uncertainties and other income tax liabilities 145,881 194,840 Long-term debt 3,642,375 3,683,909 Other non-current liabilities 7,452,890 7,889,720 Noncontrolling interests (Preferred stockholders' equity in subsidiaries) 296,370 296,370 Stockholders' equity: 233,338 323,338 323,338 Additional paid-in-capital 2,23,847	_		•			
Other assets 563,374 530,644 Total assets \$ 7,859,891 \$ 8,147,104 Liabilities, noncontrolling interests and stockholders' equity (deficit) Current liabilities: \$ 1,809,226 \$ 1,840,465 Current liabilities: Accounts payable and accrued liabilities \$ 240,681 242,972 Notes payable and current portion of long-term obligations 375,000 550,000 Advance billings 452,130 458,425 Total current liabilities 2,877,037 3,091,862 Deferred taxes on income 69,222 175,944 Tax uncertainties and other income tax liabilities 145,881 194,840 Long-term debt 3,642,375 3,683,909 Other non-current liabilities 718,375 743,165 Total liabilities 7,452,890 7,889,720 Noncontrolling interests (Preferred stockholders' equity in subsidiaries) 296,370 296,370 Stockholders' equity: 233,338 323,338 323,338 Cumulative preference stock, no par value, \$2,12 convertible 648 659 Common stock, \$1 par value 323,338 323,	Intangible assets, net					
Total assets\$ 7,859,891\$ 8,147,104Liabilities, noncontrolling interests and stockholders' equity (deficit)Current liabilities: Accounts payable and accrued liabilities\$ 1,809,226\$ 1,840,465Current income taxes Advance billings240,681242,972Notes payable and current portion of long-term obligations Advance billings375,000550,000Advance billings2,877,0373,091,862Deferred taxes on income69,222175,944Tax uncertainties and other income tax liabilities145,881194,840Long-term debt3,642,3753,683,909Other non-current liabilities7,452,8907,889,720Noncontrolling interests (Preferred stockholders' equity in subsidiaries)296,370296,370Stockholders' equity: 	Non-current income taxes		94,434		89,992	
Liabilities, noncontrolling interests and stockholders' equity (deficit)Current liabilities: Accounts payable and accrued liabilities Current income taxes Notes payable and current portion of long-term obligations Advance billings\$ 1,809,226 240,681 242,972 375,000 2452,130\$ 1,840,465 242,972 375,000 375,000 375,000Total current liabilities2,877,0373,091,862Deferred taxes on income Tax uncertainties and other income tax liabilities69,222 3,642,375175,944 3,642,375Total liabilities718,375 743,165743,165Total liabilities7,452,8907,889,720Noncontrolling interests (Preferred stockholders' equity in subsidiaries)296,370296,370Stockholders' equity: Cumulative preference stock, no par value, 4% convertible Common stock, \$10 par value Additional paid-in-capital Retained Earnings Additional paid-in-capital Retained Earnings Additional paid-in-capital Retained Earnings Additional paid-in-capital Retained Earnings Additional paid-in-capital Retained Earnings Accumulated other comprehensive loss (681,213) (661,645) Treasury Stock, at cost(4,500,795) (4,542,143)Total Pitney Bowes Inc. stockholders' equity (deficit)110,631 (38,986)	Other assets		563,374		530,644	
Current liabilities: Accounts payable and accrued liabilities\$ 1,809,226\$ 1,840,465Current income taxes240,681242,972Notes payable and current portion of long-term obligations375,000550,000Advance billings375,000452,130458,425Total current liabilities2,877,0373,091,862Deferred taxes on income69,222175,944Tax uncertainties and other income tax liabilities145,881194,840Long-term debt3,642,3753,683,909Other non-current liabilities718,375743,165Total liabilities7,452,8907,889,720Noncontrolling interests (Preferred stockholders' equity in subsidiaries)296,370296,370Stockholders' equity: Cumulative preference stock, no par value, 4% convertible44Cumulative preference stock, no par value, \$2.12 convertible648659Common stock, \$1 par value323,338323,338Additional paid-in-capital223,847240,584Retained Earnings4,744,8024,600,217Accumulated other comprehensive loss(681,213)(661,645)Treasury Stock, at cost(4,500,795)(4,542,143)Total Pitney Bowes Inc. stockholders' equity (deficit)110,631(38,986)	Total assets	\$	7,859,891	\$	8,147,104	
Accounts payable and accrued liabilities\$ 1,809,226\$ 1,840,465Current income taxes240,681242,972Notes payable and current portion of long-term obligations375,000550,000Advance billings452,130458,425Total current liabilities2,877,0373,091,862Deferred taxes on income69,222175,944Tax uncertainties and other income tax liabilities145,881194,840Long-term debt3,642,3753,683,909Other non-current liabilities718,375743,165Total liabilities7,452,8907,889,720Noncontrolling interests (Preferred stockholders' equity in subsidiaries)296,370296,370Stockholders' equity:233,338323,338323,338Additional paid-in-capital223,847240,584Retained Earnings4,744,8024,600,217Accumulated other comprehensive loss(681,213)(661,645)Treasury Stock, at cost(4,500,795)(4,542,143)Total Pitney Bowes Inc. stockholders' equity (deficit)110,631(38,986)	Liabilities, noncontrolling interests and stockholders' equity (deficit)					
Current income taxes 240,681 242,972 Notes payable and current portion of long-term obligations 375,000 550,000 Advance billings 452,130 458,425 Total current liabilities 2,877,037 3,091,862 Deferred taxes on income 69,222 175,944 Tax uncertainties and other income tax liabilities 145,881 194,840 Long-term debt 3,642,375 3,683,909 Other non-current liabilities 718,375 743,165 Total liabilities 7,452,890 7,889,720 Noncontrolling interests (Preferred stockholders' equity in subsidiaries) 296,370 296,370 Stockholders' equity: Cumulative preferred stock, \$50 par value, 4% convertible 4 4 Cumulative preferred stock, \$50 par value, \$2.12 convertible 648 659 Common stock, \$1 par value 323,338 323,338 323,338 Additional paid-in-capital 223,847 240,584 Retained Earnings 4,744,802 4,600,217 Accumulated other comprehensive loss (681,213) (661,645) Treasury Stock, at c	Current liabilities:					
Notes payable and current portion of long-term obligations375,000550,000Advance billings452,130458,425Total current liabilities2,877,0373,091,862Deferred taxes on income69,222175,944Tax uncertainties and other income tax liabilities145,881194,840Long-term debt3,642,3753,683,909Other non-current liabilities718,375743,165Total liabilities7,452,8907,889,720Noncontrolling interests (Preferred stockholders' equity in subsidiaries)296,370296,370Stockholders' equity: Cumulative preferred stock, \$50 par value, 4% convertible44Cumulative preferred stock, \$50 par value, \$2.12 convertible648659Common stock, \$1 par value323,338323,338Additional paid-in-capital223,847240,584Retained Earnings4,744,8024,600,217Accumulated other comprehensive loss(681,213)(661,645)Treasury Stock, at cost(4,500,795)(4,542,143)Total Pitney Bowes Inc. stockholders' equity (deficit)110,631(38,986)	Accounts payable and accrued liabilities	\$	1,809,226	\$	1,840,465	
Advance billings452,130458,425Total current liabilities2,877,0373,091,862Deferred taxes on income69,222175,944Tax uncertainties and other income tax liabilities145,881194,840Long-term debt3,642,3753,683,909Other non-current liabilities718,375743,165Total liabilities7,452,8907,889,720Noncontrolling interests (Preferred stockholders' equity in subsidiaries)296,370296,370Stockholders' equity: Cumulative preferred stock, \$50 par value, 4% convertible44Cumulative preferred stock, \$50 par value, \$2.12 convertible648659Common stock, \$1 par value323,338323,338Additional paid-in-capital223,847240,584Retained Earnings4,744,8024,600,217Accumulated other comprehensive loss(681,213)(661,645)Treasury Stock, at cost(4,500,795)(4,542,143)Total Pitney Bowes Inc. stockholders' equity (deficit)110,631(38,986)			240,681		242,972	
Total current liabilities2,877,0373,091,862Deferred taxes on income69,222175,944Tax uncertainties and other income tax liabilities145,881194,840Long-term debt3,642,3753,683,909Other non-current liabilities718,375743,165Total liabilities7,452,8907,889,720Noncontrolling interests (Preferred stockholders' equity in subsidiaries)296,370296,370Stockholders' equity:206,370296,370296,370Cumulative preferred stock, \$50 par value, 4% convertible44Cumulative preference stock, no par value, \$2.12 convertible648659Common stock, \$1 par value323,338323,338Additional paid-in-capital223,847240,584Retained Earnings4,744,8024,600,217Accumulated other comprehensive loss(681,213)(661,645)Treasury Stock, at cost(4,500,795)(4,542,143)Total Pitney Bowes Inc. stockholders' equity (deficit)110,631(38,986)						
Deferred taxes on income69,222175,944Tax uncertainties and other income tax liabilities145,881194,840Long-term debt3,642,3753,683,909Other non-current liabilities718,375743,165Total liabilities7,452,8907,889,720Noncontrolling interests (Preferred stockholders' equity in subsidiaries)296,370296,370Stockholders' equity:296,370296,370Cumulative preferred stock, \$50 par value, 4% convertible44Cumulative preferred stock, no par value, \$2.12 convertible648659Common stock, \$1 par value323,338323,338Additional paid-in-capital223,847240,584Retained Earnings4,744,8024,600,217Accumulated other comprehensive loss(681,213)(661,645)Treasury Stock, at cost(4,500,795)(4,542,143)Total Pitney Bowes Inc. stockholders' equity (deficit)110,631(38,986)	Advance billings				458,425	
Tax uncertainties and other income tax liabilities 145,881 194,840 Long-term debt 3,642,375 3,683,909 Other non-current liabilities 718,375 743,165 Total liabilities 7,452,890 7,889,720 Noncontrolling interests (Preferred stockholders' equity in subsidiaries) 296,370 296,370 Stockholders' equity: 296,370 296,370 296,370 Cumulative preferred stock, \$50 par value, 4% convertible 4 4 Cumulative preferred stock, no par value, \$2.12 convertible 648 659 Common stock, \$1 par value 323,338 323,338 Additional paid-in-capital 223,847 240,584 Retained Earnings 4,744,802 4,600,217 Accumulated other comprehensive loss (681,213) (661,645) Treasury Stock, at cost (4,500,795) (4,542,143) Total Pitney Bowes Inc. stockholders' equity (deficit) 110,631 (38,986)	Total current liabilities		2,877,037		3,091,862	
Long-term debt 3,642,375 3,683,909 Other non-current liabilities 718,375 743,165 Total liabilities 7,452,890 7,889,720 Noncontrolling interests (Preferred stockholders' equity in subsidiaries) 296,370 296,370 Stockholders' equity: 296,370 296,370 296,370 Cumulative preferred stock, \$50 par value, 4% convertible 4 4 Cumulative preferred stock, no par value, \$2.12 convertible 648 659 Common stock, \$1 par value 323,338 323,338 Additional paid-in-capital 223,847 240,584 Retained Earnings 4,744,802 4,600,217 Accumulated other comprehensive loss (681,213) (661,645) Treasury Stock, at cost (4,500,795) (4,542,143) Total Pitney Bowes Inc. stockholders' equity (deficit) 110,631 (38,986)	Deferred taxes on income		69,222		175,944	
Other non-current liabilities718,375743,165Total liabilities7,452,8907,889,720Noncontrolling interests (Preferred stockholders' equity in subsidiaries)296,370296,370Stockholders' equity: Cumulative preferred stock, \$50 par value, 4% convertible44Cumulative preferred stock, \$50 par value, 4% convertible648659Common stock, \$1 par value323,338323,338Additional paid-in-capital223,847240,584Retained Earnings4,744,8024,600,217Accumulated other comprehensive loss(681,213)(661,645)Treasury Stock, at cost(4,500,795)(4,542,143)Total Pitney Bowes Inc. stockholders' equity (deficit)110,631(38,986)	Tax uncertainties and other income tax liabilities		145,881		194,840	
Total liabilities7,452,8907,889,720Noncontrolling interests (Preferred stockholders' equity in subsidiaries)296,370296,370Stockholders' equity: Cumulative preferred stock, \$50 par value, 4% convertible44Cumulative preference stock, no par value, \$2.12 convertible648659Common stock, \$1 par value323,338323,338Additional paid-in-capital223,847240,584Retained Earnings4,744,8024,600,217Accumulated other comprehensive loss(681,213)(661,645)Treasury Stock, at cost(4,500,795)(4,542,143)Total Pitney Bowes Inc. stockholders' equity (deficit)110,631(38,986)	Long-term debt		3,642,375		3,683,909	
Noncontrolling interests (Preferred stockholders' equity in subsidiaries)296,370296,370Stockholders' equity: </td <td>Other non-current liabilities</td> <td></td> <td>718,375</td> <td></td> <td>743,165</td>	Other non-current liabilities		718,375		743,165	
Stockholders' equity:4Cumulative preferred stock, \$50 par value, 4% convertible4Cumulative preference stock, no par value, \$2.12 convertible648Common stock, \$1 par value323,338Additional paid-in-capital223,847Retained Earnings4,744,802Accumulated other comprehensive loss(681,213)Treasury Stock, at cost(4,500,795)Total Pitney Bowes Inc. stockholders' equity (deficit)110,631	Total liabilities		7,452,890		7,889,720	
Cumulative preferred stock, \$50 par value, 4% convertible44Cumulative preference stock, no par value, \$2.12 convertible648659Common stock, \$1 par value323,338323,338Additional paid-in-capital223,847240,584Retained Earnings4,744,8024,600,217Accumulated other comprehensive loss(681,213)(661,645)Treasury Stock, at cost(4,500,795)(4,542,143)Total Pitney Bowes Inc. stockholders' equity (deficit)110,631(38,986)	Noncontrolling interests (Preferred stockholders' equity in subsidiaries)		296,370		296,370	
Cumulative preference stock, no par value, \$2.12 convertible 648 659 Common stock, \$1 par value 323,338 323,338 Additional paid-in-capital 223,847 240,584 Retained Earnings 4,744,802 4,600,217 Accumulated other comprehensive loss (681,213) (661,645) Treasury Stock, at cost (4,500,795) (4,542,143) Total Pitney Bowes Inc. stockholders' equity (deficit) 110,631 (38,986)	Stockholders' equity:					
Common stock, \$1 par value 323,338 323,338 Additional paid-in-capital 223,847 240,584 Retained Earnings 4,744,802 4,600,217 Accumulated other comprehensive loss (681,213) (661,645) Treasury Stock, at cost (4,500,795) (4,542,143) Total Pitney Bowes Inc. stockholders' equity (deficit) 110,631 (38,986)	Cumulative preferred stock, \$50 par value, 4% convertible		4		4	
Additional paid-in-capital 223,847 240,584 Retained Earnings 4,744,802 4,600,217 Accumulated other comprehensive loss (681,213) (661,645) Treasury Stock, at cost (4,500,795) (4,542,143) Total Pitney Bowes Inc. stockholders' equity (deficit) 110,631 (38,986)	Cumulative preference stock, no par value, \$2.12 convertible		648		659	
Retained Earnings 4,744,802 4,600,217 Accumulated other comprehensive loss (681,213) (661,645) Treasury Stock, at cost (4,500,795) (4,542,143) Total Pitney Bowes Inc. stockholders' equity (deficit) 110,631 (38,986)	Common stock, \$1 par value		323,338		323,338	
Accumulated other comprehensive loss (681,213) (661,645) Treasury Stock, at cost (4,500,795) (4,542,143) Total Pitney Bowes Inc. stockholders' equity (deficit) 110,631 (38,986)	Additional paid-in-capital		223,847		240,584	
Treasury Stock, at cost (4,500,795) (4,542,143) Total Pitney Bowes Inc. stockholders' equity (deficit) 110,631 (38,986)						
Total Pitney Bowes Inc. stockholders' equity (deficit)110,631(38,986)						
Total liabilities, noncontrolling interests and stockholders' equity (deficit) \$ 7,859,891 \$ 8,147,104	Total Pitney Bowes Inc. stockholders' equity (deficit)		110,631		(38,986)	
	Total liabilities, noncontrolling interests and stockholders' equity (deficit)	\$	7,859,891	\$	8,147,104	

Pitney Bowes Inc. Revenue and EBIT Business Segments December 31, 2012 (Unaudited)

ollars in thousands)		Three Months Ended December 31,						
		2012		2011	% Change			
Revenue					<u> </u>			
North America Mailing	\$	456,243	\$	482,843	(6%)			
International Mailing		187,973		182,928	3%			
Small & Medium Business Solutions		644,216		665,771	(3%)			
Production Mail		151,775		161,888	(6%)			
Software		104,550		102,481	2%			
Management Services		241,880		231,378	5%			
Mail Services		112,690		109,849	3%			
Marketing Services		32,196		33,788	(5%)			
Enterprise Business Solutions		643,091		639,384	1%			
Total revenue	\$	1,287,307	\$	1,305,155	(1%)			
<u>EBIT</u> (1)								
North America Mailing	\$	173,690	\$	195,272	(11%)			
International Mailing		25,939		23,568	10%			
Small & Medium Business Solutions		199,629		218,840	(9%)			
Production Mail		13,716		19,591	(30%)			
Software		17,823		6,564	172%			
Management Services		19,012		17,065	11%			
Mail Services		19,841		34,651	(43%)			
Marketing Services		6,444		6,516	(1%)			
Enterprise Business Solutions		76,836		84,387	(9%)			
Total EBIT	\$	276,465	\$	303,227	(9%)			
Unallocated amounts:								
Interest, net (2)		(45,533)		(49,047)				
Corporate and other expenses		(60,873)		(62,594)				
Restructuring and asset impairments		(22,291)		(84,087)				
Goodwill impairment		-		(84,500)				
Income from continuing operations before income taxes	\$	147,768	\$	22,999				

(1) Earnings before interest and taxes (EBIT) excludes general corporate expenses, restructuring charges and asset impairments and goodwill impairment.

(2) Interest, net includes financing interest expense, other interest expense and interest income.

Pitney Bowes Inc. Revenue and EBIT Business Segments December 31, 2012 (Unaudited)

Dollars in thousands)		Twelve Months Ended December 31,						
		2012		2011	% Change			
Revenue								
North America Mailing	\$	1,818,952	\$	1,961,198	(7%)			
International Mailing		675,637		707,416	(4%)			
Small & Medium Business Solutions		2,494,589		2,668,614	(7%)			
Production Mail		512,109		544,483	(6%)			
Software		393,380		407,402	(3%)			
Management Services		920,959		948,891	(3%)			
Mail Services		445,092		411,634	8%			
Marketing Services		137,886		141,572	(3%)			
Enterprise Business Solutions		2,409,426		2,453,982	(2%)			
Total Revenue	\$	4,904,015	\$	5,122,596	(4%)			
<u>EBIT (1)</u>								
North America Mailing	\$	688,665	\$	727,999	(5%)			
International Mailing		78,979		98,601	(20%)			
Small & Medium Business Solutions		767,644		826,600	(7%)			
Production Mail		25,644		32,562	(21%)			
Software		37,958		38,182	(1%)			
Management Services		55,198		76,321	(28%)			
Mail Services		101,005		103,026	(2%)			
Marketing Services		28,061		26,184	7%			
Enterprise Business Solutions		247,866		276,275	(10%)			
Total EBIT	\$	1,015,510	\$	1,102,875	(8%)			
Unallocated amounts:								
Interest, net		(188,386)		(197,266)				
Corporate and other expenses		(199,394)		(198,020)				
Restructuring and asset impairments		(23,117)		(136,548)				
Goodwill impairment		-		(84,500)				
Income from continuing operations before income taxes	\$	604,613	\$	486,541				

(1) Earnings before interest and taxes (EBIT) excludes general corporate expenses, restructuring charges and asset impairments and goodwill impairment.

(2) Interest, net includes financing interest expense, other interest expense and interest income.

Pitney Bowes Inc. Reconciliation of Reported Consolidated Results to Adjusted Results (Unaudited)

(Dollars in thousands, except per share data)

	Three Months Ended December 31,			Twe	lve Months End	ded December 31,		
		2012		2011	2012			2011
GAAP income from continuing operations after income taxes, as reported Restructuring charges and asset impairments Goodwill impairment Sale of leveraged lease assets Tax adjustments	\$	98,950 15,096 - - -	\$	50,575 62,571 82,890 - 579	\$	435,932 15,407 - (12,886) -	\$	400,556 97,660 82,890 (26,689) 3,539
Income from continuing operations after income taxes, as adjusted	\$	114,046	\$	196,615	\$	438,453	\$	557,956
GAAP diluted earnings per share from continuing operations, as reported Restructuring charges and asset impairments Goodwill impairment Sale of leveraged lease Tax adjustments Diluted earnings per share from continuing operations, as adjusted	\$	0.49 0.07 - - - 0.56	\$	0.25 0.31 0.41 - 0.00 0.98	\$	2.16 0.08 - (0.06) - 2.18	\$	1.98 0.48 0.41 (0.13) 0.02 2.75
GAAP net cash provided by operating activities, as reported Capital expenditures Restructuring payments Pension contribution Tax payments on sale of leveraged lease assets Reserve account deposits	\$	255,560 (48,770) 13,972 - 14,879 17,009	\$	198,531 (32,951) 28,623 - - 49,882	\$	660,188 (176,586) 74,718 95,000 114,128 1,636	\$	948,987 (155,980) 107,002 123,000 - 35,354
Free cash flow, as adjusted	\$	252,650	\$	244,085	\$	769,084	\$	1,058,363

NOTE:

The sum of the earnings per share amounts may not equal the totals above due to rounding.

The above table includes an adjustment to GAAP net cash provided by operating activities due to a reclassification between net cash provided by operating activities and net cash used in investing activities. As a result, GAAP net cash provided by operating activities increased by \$28.8 million for the year ended December 31, 2011, and decreased by \$35.0 million for the nine months ended September 30, 2012.

Pitney Bowes Inc. Reconciliation of Reported Consolidated Results to Adjusted Results (Unaudited)

(Dollars in thousands, except per share data)

	Three Months Ended December 31,				Twe	lve Months En	ded December 31,		
	2012			2011	2012			2011	
GAAP income from continuing operations									
after income taxes, as reported	\$	98,950	\$	50,575	\$	435,932	\$	400,556	
Restructuring charges and asset impairments	÷	15,096	Ŧ	62,571	Ŧ	15,407	Ŧ	97,660	
Goodwill impairment		-		82,890		-		82,890	
Sale of leveraged lease assets		-				(12,886)		(26,689)	
Tax adjustments		-		579		-		3,539	
Income from continuing operations								·	
after income taxes, as adjusted		114,046		196,615		438,453		557,956	
Provision for income taxes, as adjusted		51,418		(9,623)		174,718		138,539	
Preferred stock dividends of subsidiaries									
attibutable to noncontrolling interests		4,594		4,594		18,376		18,375	
Income from continuing operations, as adjusted		170,058		191,586		631,547		714,870	
Interest expense, net		45,533		49,047		188,386		197,266	
Adjusted EBIT		215,591		240,633		819,933		912,136	
Depreciation and amortization		64,049		67,141		255,556		272,142	
Adjusted EBITDA	\$	279,640	\$	307,774	\$	1,075,489	\$	1,184,278	