

Pitney Bowes Inc.
Consolidated Statements of Income
(Unaudited)

(Dollars in thousands, except per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Revenue:				
Equipment sales	\$ 177,458	\$ 197,044	\$ 558,032	\$ 619,035
Supplies	72,548	68,692	228,349	213,185
Software	112,271	98,164	312,891	285,658
Rentals	119,047	125,918	365,069	384,436
Financing	107,835	111,032	325,529	337,739
Support services	154,321	159,508	470,763	482,400
Business services	198,164	160,131	576,958	458,061
Total revenue	<u>941,644</u>	<u>920,489</u>	<u>2,837,591</u>	<u>2,780,514</u>
Costs and expenses:				
Cost of equipment sales	90,984	88,945	262,336	295,567
Cost of supplies	22,470	21,444	70,129	66,536
Cost of software	29,775	29,698	93,423	80,093
Cost of rentals	23,636	24,434	74,273	75,946
Financing interest expense	19,667	19,468	59,733	57,438
Cost of support services	92,500	98,425	288,203	300,291
Cost of business services	142,512	112,447	406,472	322,970
Selling, general and administrative	341,738	352,299	1,031,497	1,057,876
Research and development	26,060	24,769	80,901	81,351
Restructuring charges & asset impairments	4,526	34,909	22,666	53,940
Other interest expense	23,370	27,508	71,001	89,594
Interest income	(1,212)	(1,457)	(3,297)	(4,507)
Other (income) expense, net	(15,919)	-	45,738	25,121
Total costs and expenses	<u>800,107</u>	<u>832,889</u>	<u>2,503,075</u>	<u>2,502,216</u>
Income from continuing operations before income taxes	141,537	87,600	334,516	278,298
Provision for income taxes	25,310	10,032	79,681	52,045
Income from continuing operations	116,227	77,568	254,835	226,253
Income (loss) from discontinued operations, net of tax	20,655	(78,501)	30,173	(159,725)
Net income (loss) before attribution of noncontrolling interests	136,882	(933)	285,008	66,528
Less: Preferred stock dividends of subsidiaries attributable to noncontrolling interests	4,593	4,594	13,781	13,782
Net income (loss) - Pitney Bowes Inc.	<u>\$ 132,289</u>	<u>\$ (5,527)</u>	<u>\$ 271,227</u>	<u>\$ 52,746</u>
Amounts attributable to common stockholders:				
Income from continuing operations	\$ 111,634	\$ 72,974	\$ 241,054	\$ 212,471
Income (loss) from discontinued operations	20,655	(78,501)	30,173	(159,725)
Net income (loss) - Pitney Bowes Inc.	<u>\$ 132,289</u>	<u>\$ (5,527)</u>	<u>\$ 271,227</u>	<u>\$ 52,746</u>
Basic earnings per share attributable to common stockholders ⁽¹⁾:				
Continuing operations	0.55	0.36	1.19	1.05
Discontinued operations	0.10	(0.39)	0.15	(0.79)
Net income (loss) - Pitney Bowes Inc.	<u>\$ 0.65</u>	<u>\$ (0.03)</u>	<u>\$ 1.34</u>	<u>\$ 0.26</u>
Diluted earnings per share attributable to common stockholders ⁽¹⁾:				
Continuing operations	0.55	0.36	1.18	1.05
Discontinued operations	0.10	(0.39)	0.15	(0.79)
Net income (loss) - Pitney Bowes Inc.	<u>\$ 0.65</u>	<u>\$ (0.03)</u>	<u>\$ 1.33</u>	<u>\$ 0.26</u>

⁽¹⁾ The sum of the earnings per share amounts may not equal the totals above due to rounding.

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

<u>Assets</u>	September 30, 2014	December 31, 2013 (1)
Current assets:		
Cash and cash equivalents	\$ 923,676	\$ 907,806
Short-term investments	35,348	31,128
Accounts receivable, gross	412,702	482,949
Allowance for doubtful accounts receivable	(13,651)	(13,149)
Accounts receivable, net	399,051	469,800
Finance receivables	1,040,156	1,127,261
Allowance for credit losses	(21,914)	(24,340)
Finance receivables, net	1,018,242	1,102,921
Inventories	94,879	103,580
Current income taxes	29,815	28,934
Other current assets and prepayments	135,973	147,067
Assets held for sale	55,118	46,976
Total current assets	2,692,102	2,838,212
Property, plant and equipment, net	266,520	245,171
Rental property and equipment, net	206,394	226,146
Finance receivables	839,912	974,972
Allowance for credit losses	(9,323)	(12,609)
Finance receivables, net	830,589	962,363
Investment in leveraged leases	32,465	34,410
Goodwill	1,694,987	1,734,871
Intangible assets, net	91,797	120,387
Non-current income taxes	65,092	73,751
Other assets	544,091	537,397
Total assets	\$ 6,424,037	\$ 6,772,708
<u>Liabilities, noncontrolling interests and stockholders' equity</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,428,690	\$ 1,644,582
Current income taxes	153,809	157,340
Notes payable and current portion of long-term obligations	274,879	-
Advance billings	399,016	425,833
Total current liabilities	2,256,394	2,227,755
Deferred taxes on income	57,830	39,701
Tax uncertainties and other income tax liabilities	148,119	190,645
Long-term debt	2,962,997	3,346,295
Other non-current liabilities	423,981	466,766
Total liabilities	5,849,321	6,271,162
Noncontrolling interests (Preferred stockholders' equity in subsidiaries)	296,370	296,370
Stockholders' equity:		
Cumulative preferred stock, \$50 par value, 4% convertible	1	4
Cumulative preference stock, no par value, \$2.12 convertible	559	591
Common stock, \$1 par value	323,338	323,338
Additional paid-in-capital	174,783	196,977
Retained earnings	4,872,875	4,715,564
Accumulated other comprehensive loss	(614,741)	(574,556)
Treasury stock, at cost	(4,478,469)	(4,456,742)
Total Pitney Bowes Inc. stockholders' equity	278,346	205,176
Total liabilities, noncontrolling interests and stockholders' equity	\$ 6,424,037	\$ 6,772,708

(1) Certain prior year amounts have been revised.

Pitney Bowes Inc.
Revenue and EBIT
Business Segments
September 30, 2014
(Unaudited)

(Dollars in thousands)

	Three Months Ended September 30,		
	2014	2013	% Change
Revenue			
North America Mailing	\$ 363,285	\$ 381,685	(5%)
International Mailing	132,291	141,332	(6%)
Small & Medium Business Solutions	<u>495,576</u>	<u>523,017</u>	(5%)
Production Mail	113,497	116,477	(3%)
Presort Services	111,434	105,093	6%
Enterprise Business Solutions	<u>224,931</u>	<u>221,570</u>	2%
Digital Commerce Solutions	<u>221,137</u>	<u>175,902</u>	26%
Total revenue	<u>\$ 941,644</u>	<u>\$ 920,489</u>	2%
EBIT (1)			
North America Mailing	\$ 159,638	\$ 158,692	1%
International Mailing	16,079	15,627	3%
Small & Medium Business Solutions	<u>175,717</u>	<u>174,319</u>	1%
Production Mail	9,570	10,620	(10%)
Presort Services	21,927	20,398	7%
Enterprise Business Solutions	<u>31,497</u>	<u>31,018</u>	2%
Digital Commerce Solutions	<u>24,534</u>	<u>12,885</u>	90%
Total EBIT	<u>\$ 231,748</u>	<u>\$ 218,222</u>	6%
Unallocated amounts:			
Interest, net (2)	(41,825)	(45,519)	
Corporate and other expenses	(59,779)	(50,194)	
Restructuring charges & asset impairments	(4,526)	(34,909)	
Other income, net	<u>15,919</u>	<u>-</u>	
Income from continuing operations before income taxes	<u>\$ 141,537</u>	<u>\$ 87,600</u>	

- (1) Earnings before interest and taxes (EBIT) excludes general corporate expenses and restructuring charges & asset impairments.
(2) Interest, net includes financing interest expense, other interest expense and interest income.

Pitney Bowes Inc.
Revenue and EBIT
Business Segments
September 30, 2014
(Unaudited)

(Dollars in thousands)

	Nine Months Ended September 30,		
	2014	2013	% Change
<u>Revenue</u>			
North America Mailing	\$ 1,115,507	\$ 1,162,718	(4%)
International Mailing	438,819	444,665	(1%)
Small & Medium Business Solutions	<u>1,554,326</u>	<u>1,607,383</u>	(3%)
Production Mail	330,469	360,352	(8%)
Presort Services	339,205	322,954	5%
Enterprise Business Solutions	<u>669,674</u>	<u>683,306</u>	(2%)
Digital Commerce Solutions	<u>613,591</u>	<u>489,825</u>	25%
Total revenue	<u>\$ 2,837,591</u>	<u>\$ 2,780,514</u>	2%
<u>EBIT (1)</u>			
North America Mailing	\$ 476,757	\$ 464,668	3%
International Mailing	67,347	53,092	27%
Small & Medium Business Solutions	<u>544,104</u>	<u>517,760</u>	5%
Production Mail	27,865	34,239	(19%)
Presort Services	68,235	65,132	5%
Enterprise Business Solutions	<u>96,100</u>	<u>99,371</u>	(3%)
Digital Commerce Solutions	<u>51,994</u>	<u>27,969</u>	86%
Total EBIT	<u>\$ 692,198</u>	<u>\$ 645,100</u>	7%
Unallocated amounts:			
Interest, net (2)	(127,437)	(142,525)	
Corporate and other expenses	(161,841)	(145,216)	
Restructuring charges & asset impairments	(22,666)	(53,940)	
Other expense, net	<u>(45,738)</u>	<u>(25,121)</u>	
Income from continuing operations before income taxes	<u>\$ 334,516</u>	<u>\$ 278,298</u>	

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

(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)

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
GAAP income from continuing operations after income taxes, as reported	\$ 111,634	\$ 72,974	\$ 241,054	\$ 212,471
Restructuring charges & asset impairments	2,903	22,536	15,161	35,662
Extinguishment of debt	-	-	37,833	15,324
Investment divestiture	(9,774)	-	(9,774)	-
Income from continuing operations after income taxes, as adjusted	<u>\$ 104,763</u>	<u>\$ 95,510</u>	<u>\$ 284,274</u>	<u>\$ 263,457</u>
GAAP diluted earnings per share from continuing operations, as reported	\$ 0.55	\$ 0.36	\$ 1.18	\$ 1.05
Restructuring charges & asset impairments	0.01	0.11	0.07	0.18
Extinguishment of debt	-	-	0.19	0.08
Investment divestiture	(0.05)	-	(0.05)	-
Diluted earnings per share from continuing operations, as adjusted	<u>\$ 0.51</u>	<u>\$ 0.47</u>	<u>\$ 1.39</u>	<u>\$ 1.30</u>
GAAP net cash provided by operating activities, as reported	\$ 116,985	\$ 214,526	\$ 397,432	\$ 493,560
Capital expenditures	(48,920)	(29,951)	(121,270)	(103,392)
Restructuring payments	8,621	14,098	42,151	41,353
Payments related to investment divestiture	53,738	-	53,738	-
Reserve account deposits	(12,563)	9,227	(15,919)	(16,962)
Extinguishment of debt	-	-	61,657	25,121
Free cash flow, as adjusted	<u>\$ 117,861</u>	<u>\$ 207,900</u>	<u>\$ 417,789</u>	<u>\$ 439,680</u>

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

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

(Dollars in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
GAAP income from continuing operations after income taxes, as reported	\$ 111,634	\$ 72,974	\$ 241,054	\$ 212,471
Restructuring charges & asset impairments	2,903	22,536	15,161	35,662
Extinguishment of debt	-	-	37,833	15,324
Investment divestiture	(9,774)	-	(9,774)	-
Income from continuing operations after income taxes, as adjusted	104,763	95,510	284,274	263,457
Provision for income taxes, as adjusted	20,788	22,405	104,865	80,120
Preferred stock dividends of subsidiaries attributable to noncontrolling interests	4,593	4,594	13,781	13,782
Income from continuing operations before income taxes, as adjusted	130,144	122,509	402,920	357,359
Interest, net	41,825	45,519	127,437	142,525
Adjusted EBIT	171,969	168,028	530,357	499,884
Depreciation and amortization	49,643	50,679	142,506	153,878
Adjusted EBITDA	\$ 221,612	\$ 218,707	\$ 672,863	\$ 653,762