

Pitney Bowes Inc.
Consolidated Statements of Income
(Unaudited; in thousands, except share and per share amounts)

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Revenue:				
Equipment sales	\$ 105,750	\$ 121,384	\$ 216,121	\$ 245,887
Supplies	55,457	58,639	115,450	119,694
Software	91,702	81,319	167,996	154,165
Rentals	91,809	95,447	186,435	194,754
Financing	76,671	83,653	156,774	169,398
Support services	72,171	72,068	145,194	147,273
Business services	367,876	217,903	754,414	442,422
Total revenue	<u>861,436</u>	<u>730,413</u>	<u>1,742,384</u>	<u>1,473,593</u>
Costs and expenses:				
Cost of equipment sales	47,106	51,506	93,160	96,122
Cost of supplies	15,738	16,216	32,685	33,068
Cost of software	26,459	23,361	50,514	46,515
Cost of rentals	21,078	21,143	45,132	41,422
Financing interest expense	12,346	12,843	24,571	25,817
Cost of support services	39,609	41,772	82,736	83,421
Cost of business services	293,480	153,063	590,879	303,906
Selling, general and administrative ⁽¹⁾	282,456	283,073	577,894	573,645
Research and development	31,073	30,328	61,395	59,282
Restructuring charges and asset impairments, net	11,503	25,990	12,407	27,639
Other components of net pension and postretirement cost ⁽¹⁾	(2,499)	1,267	(4,218)	2,723
Interest expense, net	29,623	27,600	60,476	53,276
Total costs and expenses	<u>807,972</u>	<u>688,162</u>	<u>1,627,631</u>	<u>1,346,836</u>
Income from continuing operations before taxes	53,464	42,251	114,753	126,757
Provision for income taxes	6,458	790	22,721	27,872
Income from continuing operations	47,006	41,461	92,032	98,885
Income from discontinued operations, net of tax	1,208	7,440	9,695	15,149
Net income	<u>\$ 48,214</u>	<u>\$ 48,901</u>	<u>\$ 101,727</u>	<u>\$ 114,034</u>
Basic earnings per share attributable to common stockholders ⁽²⁾:				
Continuing operations	\$ 0.25	\$ 0.22	\$ 0.49	\$ 0.53
Discontinued operations	0.01	0.04	0.05	0.08
Net income	<u>\$ 0.26</u>	<u>\$ 0.26</u>	<u>\$ 0.54</u>	<u>\$ 0.61</u>
Diluted earnings per share attributable to common stockholders ⁽²⁾:				
Continuing operations	\$ 0.25	\$ 0.22	\$ 0.49	\$ 0.53
Discontinued operations	0.01	0.04	0.05	0.08
Net income	<u>\$ 0.26</u>	<u>\$ 0.26</u>	<u>\$ 0.54</u>	<u>\$ 0.61</u>
Weighted-average shares used in diluted earnings per share	<u>188,113,750</u>	<u>187,377,059</u>	<u>188,056,884</u>	<u>186,944,571</u>

⁽¹⁾ Effective January 1, 2018, components of net periodic pension and postretirement costs, other than service costs, are required to be reported separately. Accordingly, for the three and six months ended June 30, 2017, \$1.3 million and \$2.7 million of costs have been reclassified from selling, general and administrative expense to other components of net pension and postretirement cost.

⁽²⁾ The sum of the earnings per share amounts may not equal the totals due to rounding.

Pitney Bowes Inc.
Consolidated Balance Sheets
(Unaudited; in thousands, except share amounts)

	June 30, 2018	December 31, 2017
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 689,870	\$ 1,009,021
Short-term investments	55,699	48,988
Accounts receivable, net	408,703	427,022
Short-term finance receivables, net	812,055	828,003
Inventories	49,051	40,769
Current income taxes	39,100	58,439
Other current assets and prepayments	102,104	74,589
Assets of discontinued operations	313,356	334,848
Total current assets	2,469,938	2,821,679
Property, plant and equipment, net	398,909	373,503
Rental property and equipment, net	180,585	183,956
Long-term finance receivables, net	597,302	652,087
Goodwill	1,767,848	1,774,645
Intangible assets, net	249,125	272,186
Noncurrent income taxes	54,099	59,909
Other assets	528,945	540,750
Total assets	\$ 6,246,751	\$ 6,678,715
<u>Liabilities and stockholders' equity</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,349,344	\$ 1,450,149
Current income taxes	5,686	8,823
Current portion of long-term debt	334,999	271,057
Advance billings	237,709	257,766
Liabilities of discontinued operations	84,219	72,808
Total current liabilities	2,011,957	2,060,603
Deferred taxes on income	234,190	234,643
Tax uncertainties and other income tax liabilities	105,803	116,551
Long-term debt	3,237,810	3,559,278
Other noncurrent liabilities	461,074	519,079
Total liabilities	6,050,834	6,490,154
Stockholders' equity:		
Cumulative preferred stock, \$50 par value, 4% convertible	1	1
Cumulative preference stock, no par value, \$2.12 convertible	415	441
Common stock, \$1 par value	323,338	323,338
Additional paid-in-capital	122,732	138,367
Retained earnings	5,248,991	5,229,584
Accumulated other comprehensive loss	(810,251)	(792,173)
Treasury stock, at cost	(4,689,309)	(4,710,997)
Total stockholders' equity	195,917	188,561
Total liabilities and stockholders' equity	\$ 6,246,751	\$ 6,678,715

Pitney Bowes Inc.
Business Segments
(Unaudited; in thousands)

	Three months ended June 30,			Six months ended June 30,		
	2018	2017	% Change	2018	2017	% Change
REVENUE						
Global Ecommerce	\$ 239,100	\$ 94,506	>100%	\$ 485,690	\$ 182,658	>100%
Presort Services	122,730	118,452	4%	257,188	251,129	2%
Commerce Services	361,830	212,958	70%	742,878	433,787	71%
North America Mailing	314,546	340,949	(8%)	640,115	696,902	(8%)
International Mailing	93,358	95,425	(2%)	191,395	188,624	1%
Small & Medium Business Solutions	407,904	436,374	(7%)	831,510	885,526	(6%)
Software Solutions	91,702	81,081	13%	167,996	154,280	9%
Total revenue	\$ 861,436	\$ 730,413	18%	\$ 1,742,384	\$ 1,473,593	18%
EBIT						
Global Ecommerce	\$ (5,993)	\$ (4,030)	(49%)	\$ (13,704)	\$ (8,300)	(65%)
Presort Services	12,565	19,270	(35%)	39,591	49,987	(21%)
Commerce Services	6,572	15,240	(57%)	25,887	41,687	(38%)
North America Mailing	115,193	120,797	(5%)	234,763	262,041	(10%)
International Mailing	13,215	14,020	(6%)	29,246	27,430	7%
Small & Medium Business Solutions	128,408	134,817	(5%)	264,009	289,471	(9%)
Software Solutions	18,433	5,091	>100%	20,925	6,397	>100%
Segment EBIT ⁽¹⁾	\$ 153,413	\$ 155,148	(1%)	\$ 310,821	\$ 337,555	(8%)
EBITDA						
Global Ecommerce	\$ 9,474	\$ 3,157	>100%	\$ 16,193	\$ 6,210	>100%
Presort Services	19,188	26,196	(27%)	52,376	64,111	(18%)
Commerce Services	28,662	29,353	(2%)	68,569	70,321	(2%)
North America Mailing	132,569	137,157	(3%)	268,996	294,427	(9%)
International Mailing	17,469	18,368	(5%)	38,021	36,475	4%
Small & Medium Business Solutions	150,038	155,525	(4%)	307,017	330,902	(7%)
Software Solutions	20,819	7,381	>100%	25,732	10,775	>100%
Segment EBITDA ⁽²⁾	\$ 199,519	\$ 192,259	4%	\$ 401,318	\$ 411,998	(3%)
Reconciliation of segment EBITDA to net income						
Segment EBITDA	\$ 199,519	\$ 192,259		\$ 401,318	\$ 411,998	
Less: Segment depreciation and amortization ⁽³⁾	(46,106)	(37,111)		(90,497)	(74,443)	
Segment EBIT	153,413	155,148		310,821	337,555	
Corporate expenses	(46,477)	(52,549)		(97,561)	(110,151)	
Adjusted EBIT	106,936	102,599		213,260	227,404	
Interest, net ⁽⁴⁾	(41,969)	(40,443)		(85,047)	(79,093)	
Restructuring charges and asset impairments, net	(11,503)	(25,990)		(12,407)	(27,639)	
Gain on sale of technology	-	6,085		-	6,085	
Transaction costs	-	-		(1,053)	-	
Provision for income taxes	(6,458)	(790)		(22,721)	(27,872)	
Income from continuing operations	47,006	41,461		92,032	98,885	
Income from discontinued operations, net of tax	1,208	7,440		9,695	15,149	
Net income	\$ 48,214	\$ 48,901		\$ 101,727	\$ 114,034	

⁽¹⁾ Segment EBIT excludes interest, taxes, general corporate expenses, restructuring charges, and other items that are not allocated to a particular business segment.

⁽²⁾ Segment EBITDA is calculated as Segment EBIT plus Segment depreciation and amortization expense.

⁽³⁾ Includes depreciation and amortization expense of reporting segments only. Does not include corporate depreciation and amortization expense.

⁽⁴⁾ Includes financing interest expense and interest expense, net.

Pitney Bowes Inc.
Reconciliation of Reported Consolidated Results to Adjusted Results
(Unaudited; in thousands, except per share amounts)

	<u>Three months ended June 30,</u>		<u>Y/Y Chg.</u>	<u>Six months ended June 30,</u>		<u>Y/Y Chg.</u>
	<u>2018</u>	<u>2017</u>		<u>2018</u>	<u>2017</u>	
Reconciliation of reported revenue to revenue excluding currency						
Revenue, as reported	\$ 861,436	\$ 730,413		\$ 1,742,384	\$ 1,473,593	
Favorable impact on revenue due to currency	(7,683)	-		(23,609)	-	
Revenue, excluding currency	<u>\$ 853,753</u>	<u>\$ 730,413</u>	<u>17%</u>	<u>\$ 1,718,775</u>	<u>\$ 1,473,593</u>	<u>17%</u>
Reconciliation of reported net income to adjusted net income						
Net income	\$ 48,214	\$ 48,901		\$ 101,727	\$ 114,034	
Income from discontinued operations, net of tax	(1,208)	(7,440)		(9,695)	(15,149)	
Restructuring charges and asset impairments, net	8,461	17,398		9,132	18,435	
Tax legislation	(5,980)	-		(5,980)	-	
Transaction costs	-	-		786	-	
Gain on sale of technology	-	(5,605)		-	(5,605)	
Net income, as adjusted	<u>\$ 49,487</u>	<u>\$ 53,254</u>		<u>\$ 95,970</u>	<u>\$ 111,715</u>	
Reconciliation of reported diluted earnings per share to adjusted diluted earnings per share						
Diluted earnings per share	\$ 0.26	\$ 0.26		\$ 0.54	\$ 0.61	
Income from discontinued operations, net of tax	(0.01)	(0.04)		(0.05)	(0.08)	
Restructuring charges and asset impairments, net	0.05	0.09		0.05	0.10	
Tax legislation	(0.03)	-		(0.03)	-	
Transaction costs	-	-		-	-	
Gain on sale of technology	-	(0.03)		-	(0.03)	
Diluted earnings per share, as adjusted	<u>\$ 0.26</u>	<u>\$ 0.28</u>		<u>\$ 0.51</u>	<u>\$ 0.60</u>	
Note: The sum of the earnings per share amounts may not equal the totals due to rounding.						
Reconciliation of reported net cash from operating activities to free cash flow						
Net cash provided by operating activities	\$ 92,362	\$ 30,641		\$ 175,034	\$ 184,647	
Net cash provided by operating activities - discontinued operations	(16,916)	(10,248)		(41,772)	(14,096)	
Capital expenditures	(57,962)	(40,140)		(100,022)	(75,844)	
Restructuring payments	11,943	5,667		27,528	17,651	
Reserve account deposits	(695)	21,860		5,959	2,514	
Transaction costs paid	1,444	-		4,037	-	
Free cash flow	<u>\$ 30,176</u>	<u>\$ 7,780</u>		<u>\$ 70,764</u>	<u>\$ 114,872</u>	