

Pitney Bowes Inc.
Consolidated Statements of Income
(Unaudited)

(Dollars in thousands, except per share data)

	Three months ended March 31,	
	2013	2012
Revenue:		
Equipment sales	\$ 214,999	\$ 220,179
Supplies	74,287	76,365
Software	87,012	104,350
Rentals	136,379	140,389
Financing	116,762	126,748
Support services	165,486	173,518
Business services	372,031	378,587
	1,166,956	1,220,136
Costs and expenses:		
Cost of equipment sales	109,337	96,916
Cost of supplies	23,262	23,871
Cost of software	20,706	21,093
Cost of rentals	27,755	30,225
Financing interest expense	19,875	21,139
Cost of support services	108,009	115,087
Cost of business services	291,648	286,817
Selling, general and administrative	377,206	405,486
Research and development	33,335	34,073
Other interest expense	30,739	29,367
Interest income	(1,748)	(1,733)
Other expense (income), net	25,121	(3,234)
	1,065,245	1,059,107
Income from continuing operations before income taxes	101,711	161,029
Provision for income taxes	27,549	15,493
Income from continuing operations	74,162	145,536
(Loss) income from discontinued operations, net of tax	(2,062)	17,728
Net income before attribution of noncontrolling interests	72,100	163,264
Less: Preferred stock dividends of subsidiaries attributable to noncontrolling interests	4,594	4,594
Net income - Pitney Bowes Inc.	\$ 67,506	\$ 158,670
Amounts attributable to common stockholders:		
Net income from continuing operations	\$ 69,568	\$ 140,942
(Loss) income from discontinued operations, net of tax	(2,062)	17,728
Net income - Pitney Bowes Inc.	\$ 67,506	\$ 158,670
Basic earnings per share attributable to common stockholders ⁽¹⁾ :		
Continuing operations	0.35	0.70
Discontinued operations	(0.01)	0.09
Net income - Pitney Bowes Inc.	\$ 0.34	\$ 0.79
Diluted earnings per share attributable to common stockholders ⁽¹⁾ :		
Continuing operations	0.34	0.70
Discontinued operations	(0.01)	0.09
Net income - Pitney Bowes Inc.	\$ 0.33	\$ 0.79

⁽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)

Assets	March 31, 2013	December 31, 2012
Current assets:		
Cash and cash equivalents	\$ 909,664	\$ 913,276
Short-term investments	37,712	36,611
Accounts receivable, gross	663,357	748,469
Allowance for doubtful accounts receivable	(15,739)	(20,219)
Accounts receivable, net	647,618	728,250
Finance receivables	1,160,865	1,213,776
Allowance for credit losses	(23,774)	(25,484)
Finance receivables, net	1,137,091	1,188,292
Inventories	167,469	179,678
Current income taxes	49,082	51,836
Other current assets and prepayments	113,142	114,184
Total current assets	3,061,778	3,212,127
Property, plant and equipment, net	377,246	385,377
Rental property and equipment, net	236,026	241,192
Finance receivables	993,242	1,041,099
Allowance for credit losses	(13,206)	(14,610)
Finance receivables, net	980,036	1,026,489
Investment in leveraged leases	34,236	34,546
Goodwill	2,115,450	2,136,138
Intangible assets, net	153,440	166,214
Non-current income taxes	93,391	94,434
Other assets	564,503	563,374
Total assets	\$ 7,616,106	\$ 7,859,891
<u>Liabilities, noncontrolling interests and stockholders' equity</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,586,957	\$ 1,809,226
Current income taxes	207,081	240,681
Notes payable and current portion of long-term obligations	375,000	375,000
Advance billings	466,677	452,130
Total current liabilities	2,635,715	2,877,037
Deferred taxes on income	94,883	69,222
Tax uncertainties and other income tax liabilities	144,739	145,881
Long-term debt	3,657,634	3,642,375
Other non-current liabilities	713,578	718,375
Total liabilities	7,246,549	7,452,890
Noncontrolling interests (Preferred stockholders' equity in subsidiaries)	296,370	296,370
Stockholders' equity:		
Cumulative preferred stock, \$50 par value, 4% convertible	4	4
Cumulative preference stock, no par value, \$2.12 convertible	648	648
Common stock, \$1 par value	323,338	323,338
Additional paid-in-capital	203,454	223,847
Retained Earnings	4,736,961	4,744,802
Accumulated other comprehensive loss	(711,974)	(681,213)
Treasury Stock, at cost	(4,479,244)	(4,500,795)
Total Pitney Bowes Inc. stockholders' equity	73,187	110,631
Total liabilities, noncontrolling interests and stockholders' equity	\$ 7,616,106	\$ 7,859,891

Pitney Bowes Inc.
Revenue and EBIT
Business Segments
March 31, 2013
(Unaudited)

(Dollars in thousands)

	Three Months Ended March 31,		
	2013	2012	% Change
<u>Revenue</u>			
North America Mailing	\$ 430,375	\$ 461,305	(7%)
International Mailing	167,455	168,014	(0%)
Small & Medium Business Solutions	<u>597,830</u>	<u>629,319</u>	<u>(5%)</u>
Production Mail	118,802	115,016	3%
Software	80,721	100,327	(20%)
Management Services	225,256	230,630	(2%)
Mail Services	118,855	114,636	4%
Marketing Services	25,492	30,208	(16%)
Enterprise Business Solutions	<u>569,126</u>	<u>590,817</u>	<u>(4%)</u>
Total Revenue	<u>\$ 1,166,956</u>	<u>\$ 1,220,136</u>	<u>(4%)</u>
<u>EBIT (1)</u>			
North America Mailing	\$ 154,505	\$ 178,171	(13%)
International Mailing	17,749	19,997	(11%)
Small & Medium Business Solutions	<u>172,254</u>	<u>198,168</u>	<u>(13%)</u>
Production Mail	3,055	2,779	10%
Software	4,890	10,692	(54%)
Management Services	12,545	13,315	(6%)
Mail Services	19,349	34,245	(43%)
Marketing Services	1,986	4,817	(59%)
Enterprise Business Solutions	<u>41,825</u>	<u>65,848</u>	<u>(36%)</u>
Total EBIT	<u>\$ 214,079</u>	<u>\$ 264,016</u>	<u>(19%)</u>
Unallocated amounts:			
Interest, net	(48,866)	(48,773)	
Corporate and other expenses	<u>(63,502)</u>	<u>(54,214)</u>	
Income from continuing operations before income taxes	<u>\$ 101,711</u>	<u>\$ 161,029</u>	

- (1) Earnings before interest and taxes (EBIT) excludes general corporate expenses.
(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 March 31,	
	2013	2012
GAAP income from continuing operations		
after income taxes, as reported	\$ 69,568	\$ 140,942
Extinguishment of debt	15,325	-
Sale of leveraged lease assets	-	(12,886)
Income from continuing operations	<u>84,893</u>	<u>128,056</u>
after income taxes, as adjusted	<u>\$ 84,893</u>	<u>\$ 128,056</u>
GAAP diluted earnings per share from		
continuing operations, as reported	\$ 0.34	\$ 0.70
Extinguishment of debt	0.08	-
Sale of leveraged lease	-	(0.06)
Diluted earnings per share from continuing	<u>0.42</u>	<u>0.64</u>
operations, as adjusted	<u>\$ 0.42</u>	<u>\$ 0.64</u>
GAAP net cash provided by operating activities,		
as reported	\$ 132,160	\$ 71,380
Capital expenditures	(38,839)	(50,029)
Restructuring payments	16,275	26,245
Extinguishment of debt	25,121	-
Pension contribution	-	95,000
Tax payments on sale of leveraged lease assets	-	69,233
Reserve account deposits	(27,327)	(25,674)
Free cash flow, as adjusted	<u>\$ 107,390</u>	<u>\$ 186,155</u>

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 decreased by \$24.6 million for the three months ended March 31, 2012.

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

(Dollars in thousands, except per share data)

	Three Months Ended March 31,	
	2013	2012
GAAP income from continuing operations after income taxes, as reported	\$ 69,568	\$ 140,942
Extinguishment of debt	15,325	-
Sale of leveraged lease assets	-	(12,886)
Income from continuing operations after income taxes, as adjusted	84,893	128,056
Provision for income taxes, as adjusted	37,345	32,194
Preferred stock dividends of subsidiaries attributable to noncontrolling interests	4,594	4,594
Income from continuing operations, as adjusted	126,832	164,844
Interest expense, net	48,866	48,773
Adjusted EBIT	175,698	213,617
Depreciation and amortization	57,227	64,370
Adjusted EBITDA	\$ 232,925	\$ 277,987