

Pitney Bowes Inc.
Consolidated Statements of Income
(Unaudited)

(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
Amounts attributable to common stockholders:				
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
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⁾ :				
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)

<u>Assets</u>	12/31/12	12/31/11
Current assets:		
Cash and cash equivalents	\$ 913,276	\$ 856,238
Short-term investments	36,611	12,971
Accounts receivable, gross	755,218	755,485
Allowance for doubtful accounts receivable	(26,968)	(31,855)
Accounts receivable, net	728,250	723,630
Finance 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	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	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
<u>Liabilities, noncontrolling interests and stockholders' equity (deficit)</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,809,226	\$ 1,840,465
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 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)
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)

(Dollars in thousands)

	Three Months Ended December 31,		
	2012	2011	% Change
<u>Revenue</u>			
North America Mailing	\$ 456,243	\$ 482,843	(6%)
International Mailing	187,973	182,928	3%
Small & Medium Business Solutions	<u>644,216</u>	<u>665,771</u>	<u>(3%)</u>
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	<u>643,091</u>	<u>639,384</u>	<u>1%</u>
Total revenue	<u>\$ 1,287,307</u>	<u>\$ 1,305,155</u>	<u>(1%)</u>
<u>EBIT (1)</u>			
North America Mailing	\$ 173,690	\$ 195,272	(11%)
International Mailing	25,939	23,568	10%
Small & Medium Business Solutions	<u>199,629</u>	<u>218,840</u>	<u>(9%)</u>
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	<u>76,836</u>	<u>84,387</u>	<u>(9%)</u>
Total EBIT	<u>\$ 276,465</u>	<u>\$ 303,227</u>	<u>(9%)</u>
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	<u>-</u>	<u>(84,500)</u>	
Income from continuing operations before income taxes	<u>\$ 147,768</u>	<u>\$ 22,999</u>	

(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
<u>Revenue</u>			
North America Mailing	\$ 1,818,952	\$ 1,961,198	(7%)
International Mailing	675,637	707,416	(4%)
Small & Medium Business Solutions	<u>2,494,589</u>	<u>2,668,614</u>	<u>(7%)</u>
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	<u>2,409,426</u>	<u>2,453,982</u>	<u>(2%)</u>
Total Revenue	<u>\$ 4,904,015</u>	<u>\$ 5,122,596</u>	<u>(4%)</u>
<u>EBIT (1)</u>			
North America Mailing	\$ 688,665	\$ 727,999	(5%)
International Mailing	78,979	98,601	(20%)
Small & Medium Business Solutions	<u>767,644</u>	<u>826,600</u>	<u>(7%)</u>
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	<u>247,866</u>	<u>276,275</u>	<u>(10%)</u>
Total EBIT	<u>\$ 1,015,510</u>	<u>\$ 1,102,875</u>	<u>(8%)</u>
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	<u>-</u>	<u>(84,500)</u>	
Income from continuing operations before income taxes	<u>\$ 604,613</u>	<u>\$ 486,541</u>	

- (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,		Twelve Months Ended 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	62,571	15,407	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	<u>\$ 114,046</u>	<u>\$ 196,615</u>	<u>\$ 438,453</u>	<u>\$ 557,956</u>
GAAP diluted earnings per share from				
continuing operations, as reported	\$ 0.49	\$ 0.25	\$ 2.16	\$ 1.98
Restructuring charges and asset impairments	0.07	0.31	0.08	0.48
Goodwill impairment	-	0.41	-	0.41
Sale of leveraged lease	-	-	(0.06)	(0.13)
Tax adjustments	-	0.00	-	0.02
Diluted earnings per share from continuing				
operations, as adjusted	<u>\$ 0.56</u>	<u>\$ 0.98</u>	<u>\$ 2.18</u>	<u>\$ 2.75</u>
GAAP net cash provided by operating activities,				
as reported	\$ 255,560	\$ 198,531	\$ 660,188	\$ 948,987
Capital expenditures	(48,770)	(32,951)	(176,586)	(155,980)
Restructuring payments	13,972	28,623	74,718	107,002
Pension contribution	-	-	95,000	123,000
Tax payments on sale of leveraged lease assets	14,879	-	114,128	-
Reserve account deposits	17,009	49,882	1,636	35,354
Free cash flow, as adjusted	<u>\$ 252,650</u>	<u>\$ 244,085</u>	<u>\$ 769,084</u>	<u>\$ 1,058,363</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 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,		Twelve Months Ended 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	62,571	15,407	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				
attributable 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