

Pitney Bowes Inc.
Consolidated Statements of Income
(Unaudited)

(Dollars in thousands, except per share data)

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Revenue:				
Equipment sales	\$ 243,644	\$ 224,235	\$ 458,643	\$ 444,414
Supplies	72,337	70,522	146,624	146,887
Software	100,482	104,551	187,494	208,901
Rentals	136,775	145,497	273,154	285,886
Financing	115,929	122,948	232,691	249,696
Support services	163,178	171,254	328,664	344,772
Business services	325,862	327,350	649,207	655,447
Total revenue	1,158,207	1,166,357	2,276,477	2,336,003
Costs and expenses:				
Cost of equipment sales	128,426	106,718	237,763	203,634
Cost of supplies	22,692	20,863	45,954	44,734
Cost of software	21,435	24,404	42,141	45,497
Cost of rentals	26,424	31,851	54,179	62,076
Financing interest expense	19,798	20,642	39,673	41,781
Cost of support services	104,282	112,123	212,291	227,210
Cost of business services	248,715	242,010	495,611	485,952
Selling, general and administrative	376,559	380,656	748,014	779,852
Research and development	31,501	33,811	64,836	67,884
Restructuring charges and asset impairments	19,955	(585)	19,955	(585)
Goodwill impairment	97,787	-	97,787	-
Other interest expense	31,347	30,353	62,086	59,720
Interest income	(1,302)	(2,003)	(3,050)	(3,736)
Other income, net	-	4,372	25,121	1,138
Total costs and expenses	1,127,619	1,005,215	2,142,361	2,015,157
Income from continuing operations before income taxes	30,588	161,142	134,116	320,846
Provision for income taxes	15,160	53,113	42,899	68,211
Income from continuing operations	15,428	108,029	91,217	252,635
(Loss) income from discontinued operations, net of income tax	(20,067)	(3,812)	(23,756)	14,846
Net (loss) income before attribution of noncontrolling interests	(4,639)	104,217	67,461	267,481
Less: Preferred stock dividends of subsidiaries attributable to noncontrolling interests	4,594	4,594	9,188	9,188
Net (loss) income - Pitney Bowes Inc.	\$ (9,233)	\$ 99,623	\$ 58,273	\$ 258,293
Amounts attributable to common stockholders:				
Income from continuing operations	\$ 10,834	\$ 103,435	\$ 82,029	\$ 243,447
Loss (income) from discontinued operations	(20,067)	(3,812)	(23,756)	14,846
Net (loss) income - Pitney Bowes Inc.	\$ (9,233)	\$ 99,623	\$ 58,273	\$ 258,293
Basic earnings per share attributable to common stockholders ⁽¹⁾:				
Continuing operations	0.05	0.52	0.41	1.22
Discontinued operations	(0.10)	(0.02)	(0.12)	0.07
Net (loss) income - Pitney Bowes Inc.	\$ (0.05)	\$ 0.50	\$ 0.29	\$ 1.29
Diluted earnings per share attributable to common stockholders ⁽¹⁾:				
Continuing operations	0.05	0.51	0.41	1.21
Discontinued operations	(0.10)	(0.02)	(0.12)	0.07
Net (loss) income - Pitney Bowes Inc.	\$ (0.05)	\$ 0.50	\$ 0.29	\$ 1.29

(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)

Assets	June 30, 2013	December 31, 2012
Current assets:		
Cash and cash equivalents	\$ 608,568	\$ 913,276
Short-term investments	22,898	36,611
Accounts receivable, gross	604,068	748,469
Allowance for doubtful accounts receivable	(15,528)	(20,219)
Accounts receivable, net	588,540	728,250
Finance receivables	1,158,795	1,213,776
Allowance for credit losses	(26,277)	(25,484)
Finance receivables, net	1,132,518	1,188,292
Inventories	141,061	179,678
Current income taxes	30,578	51,836
Other current assets and prepayments	158,812	114,184
Assets held for sale	71,052	-
Total current assets	2,754,027	3,212,127
Property, plant and equipment, net	351,606	385,377
Rental property and equipment, net	230,759	241,192
Finance receivables	960,480	1,041,099
Allowance for credit losses	(9,824)	(14,610)
Finance receivables, net	950,656	1,026,489
Investment in leveraged leases	33,606	34,546
Goodwill	2,012,752	2,136,138
Intangible assets, net	143,451	166,214
Non-current income taxes	93,318	94,434
Other assets	563,027	563,374
Total assets	\$ 7,133,202	\$ 7,859,891
<u>Liabilities, noncontrolling interests and stockholders' equity</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,563,069	\$ 1,809,226
Current income taxes	208,063	240,681
Notes payable and current portion of long-term obligations	-	375,000
Advance billings	448,129	452,130
Liabilities of assets held for sale	67,476	-
Total current liabilities	2,286,737	2,877,037
Deferred taxes on income	44,460	69,222
Tax uncertainties and other income tax liabilities	144,260	145,881
Long-term debt	3,654,032	3,642,375
Other non-current liabilities	685,002	718,375
Total liabilities	6,814,491	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	613	648
Common stock, \$1 par value	323,338	323,338
Additional paid-in-capital	198,938	223,847
Retained Earnings	4,689,969	4,744,802
Accumulated other comprehensive loss	(723,523)	(681,213)
Treasury Stock, at cost	(4,466,998)	(4,500,795)
Total Pitney Bowes Inc. stockholders' equity	22,341	110,631
Total liabilities, noncontrolling interests and stockholders' equity	\$ 7,133,202	\$ 7,859,891

Pitney Bowes Inc.
Revenue and EBIT
Business Segments
June 30, 2013
(Unaudited)

(Dollars in thousands)

	Three Months Ended June 30,		
	2013	2012	% Change
<u>Revenue</u>			
North America Mailing	\$ 432,889	453,484	(5%)
International Mailing	164,556	165,480	(1%)
Small & Medium Business Solutions	<u>597,445</u>	<u>618,964</u>	(3%)
Production Mail	144,986	123,067	18%
Software	92,242	99,874	(8%)
Management Services	174,708	180,562	(3%)
Mail Services	119,058	108,045	10%
Marketing Services	29,768	35,845	(17%)
Enterprise Business Solutions	<u>560,762</u>	<u>547,393</u>	2%
Total revenue	<u>\$ 1,158,207</u>	<u>1,166,357</u>	(1%)
<u>EBIT (1)</u>			
North America Mailing	\$ 166,363	\$ 167,870	(1%)
International Mailing	19,285	21,758	(11%)
Small & Medium Business Solutions	<u>185,648</u>	<u>189,628</u>	(2%)
Production Mail	13,617	5,594	143%
Software	15,729	8,487	85%
Management Services	14,735	14,222	4%
Mail Services	15,484	28,464	(46%)
Marketing Services	4,181	7,503	(44%)
Enterprise Business Solutions	<u>63,746</u>	<u>64,270</u>	(1%)
Total EBIT	<u>\$ 249,394</u>	<u>\$ 253,898</u>	(2%)
Unallocated amounts:			
Interest, net (2)	(49,843)	(48,992)	
Corporate and other expenses	(51,221)	(44,349)	
Restructuring and asset impairments	(19,955)	585	
Goodwill impairment	<u>(97,787)</u>	<u>-</u>	
Income from continuing operations before income taxes	<u>\$ 30,588</u>	<u>\$ 161,142</u>	

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

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

Pitney Bowes Inc.
Revenue and EBIT
Business Segments
June 30, 2013
(Unaudited)

(Dollars in thousands)

	Six Months Ended June 30,		
	2013	2012	% Change
<u>Revenue</u>			
North America Mailing	\$ 863,264	914,789	(6%)
International Mailing	332,011	333,494	(0%)
Small & Medium Business Solutions	<u>1,195,275</u>	<u>1,248,283</u>	(4%)
Production Mail	263,788	238,083	11%
Software	172,963	200,201	(14%)
Management Services	351,278	360,702	(3%)
Mail Services	237,913	222,681	7%
Marketing Services	55,260	66,053	(16%)
Enterprise Business Solutions	<u>1,081,202</u>	<u>1,087,720</u>	(1%)
Total Revenue	<u>\$ 2,276,477</u>	<u>2,336,003</u>	(3%)
<u>EBIT (1)</u>			
North America Mailing	\$ 320,868	\$ 346,041	(7%)
International Mailing	37,034	41,755	(11%)
Small & Medium Business Solutions	<u>357,902</u>	<u>387,796</u>	(8%)
Production Mail	16,672	8,373	99%
Software	20,619	19,179	8%
Management Services	29,097	26,210	11%
Mail Services	34,833	62,709	(44%)
Marketing Services	6,167	12,320	(50%)
Enterprise Business Solutions	<u>107,388</u>	<u>128,791</u>	(17%)
Total EBIT	<u>\$ 465,290</u>	<u>\$ 516,587</u>	(10%)
Unallocated amounts:			
Interest, net (2)	(98,709)	(97,765)	
Corporate and other expenses	(114,723)	(98,561)	
Restructuring and asset impairments	(19,955)	585	
Goodwill impairment	<u>(97,787)</u>	<u>-</u>	
Income from continuing operations before income taxes	<u>\$ 134,116</u>	<u>\$ 320,846</u>	

(1) Earnings before interest and taxes (EBIT) excludes general corporate expenses, restructuring, goodwill and 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)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
GAAP income from continuing operations after income taxes, as reported	\$ 10,834	\$ 103,435	\$ 82,029	\$ 243,447
Restructuring charges and asset impairments	13,493	(912)	13,493	(912)
Goodwill impairment	81,638	-	81,638	-
Sale of leveraged lease assets	-	-	-	(12,886)
Extinguishment of debt	-	-	15,325	-
Income from continuing operations after income taxes, as adjusted	<u>\$ 105,965</u>	<u>\$ 102,523</u>	<u>\$ 192,485</u>	<u>\$ 229,649</u>
GAAP diluted earnings per share from continuing operations, as reported	\$ 0.05	\$ 0.51	\$ 0.41	\$ 1.21
Restructuring charges and asset impairments	0.07	(0.00)	0.07	(0.00)
Goodwill impairment	0.40	-	0.40	-
Sale of leveraged lease	-	-	-	(0.06)
Extinguishment of debt	-	-	0.08	-
Diluted earnings per share from continuing operations, as adjusted	<u>\$ 0.52</u>	<u>\$ 0.51</u>	<u>\$ 0.95</u>	<u>\$ 1.14</u>
GAAP net cash provided by operating activities, as reported	\$ 146,875	\$ 268,452	\$ 279,035	\$ 339,832
Capital expenditures	(34,602)	(38,722)	(73,441)	(88,751)
Restructuring payments	10,980	21,630	27,255	47,875
Pension contribution	-	-	-	95,000
Tax payments on sale of leveraged lease assets	-	15,671	-	84,904
Reserve account deposits	1,138	28,008	(26,189)	2,334
Extinguishment of debt	-	-	25,121	-
Free cash flow, as adjusted	<u>\$ 124,391</u>	<u>\$ 295,039</u>	<u>\$ 231,781</u>	<u>\$ 481,194</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 June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
GAAP income from continuing operations				
after income taxes, as reported	\$ 10,834	\$ 103,435	\$ 82,029	\$ 243,447
Restructuring charges and asset impairments	13,493	(912)	13,493	(912)
Goodwill impairment	81,638	-	81,638	-
Sale of leveraged lease assets	-	-	-	(12,886)
Extinguishment of debt	-	-	15,325	-
Income from continuing operations				
after income taxes, as adjusted	105,965	102,523	192,485	229,649
Provision for income taxes, as adjusted	37,771	53,440	75,306	85,240
Preferred stock dividends of subsidiaries				
attributable to noncontrolling interests	4,594	4,594	9,188	9,188
Income from continuing operations, as adjusted	148,330	160,557	276,979	324,077
Interest expense, net	49,843	48,992	98,709	97,765
Adjusted EBIT	198,173	209,549	375,688	421,842
Depreciation and amortization	56,475	67,237	113,702	131,607
Adjusted EBITDA	\$ 254,648	\$ 276,786	\$ 489,390	\$ 553,449