

Pitney Bowes Inc.
Consolidated Statements of Income

(Unaudited; in thousands, except share and per share amounts)

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Revenue:				
Equipment sales	\$ 173,143	\$ 163,857	\$ 485,145	\$ 495,328
Supplies	61,306	71,174	198,631	215,178
Software	89,087	97,700	257,760	283,241
Rentals	102,747	108,420	309,706	333,729
Financing	87,883	99,925	276,915	306,992
Support services	123,954	136,820	383,632	415,615
Business services	200,911	191,645	607,717	591,030
Total revenue	<u>839,031</u>	<u>869,541</u>	<u>2,519,506</u>	<u>2,641,113</u>
Costs and expenses:				
Cost of equipment sales	86,147	78,650	235,741	232,706
Cost of supplies	20,348	21,629	60,662	65,912
Cost of software	25,698	27,219	79,496	85,584
Cost of rentals	16,041	21,423	54,951	63,127
Financing interest expense	12,965	17,533	41,375	54,171
Cost of support services	74,799	79,747	224,790	244,853
Cost of business services	140,989	130,004	417,357	405,559
Selling, general and administrative	300,983	309,211	916,445	939,318
Research and development	28,680	29,153	89,761	83,693
Restructuring charges and asset impairments, net	16,494	36	49,503	14,305
Interest expense, net	22,294	20,165	62,394	65,200
Other (income) expense, net	-	(1,781)	536	(94,916)
Total costs and expenses	<u>745,438</u>	<u>732,989</u>	<u>2,233,011</u>	<u>2,159,512</u>
Income from continuing operations before income taxes	93,593	136,552	286,495	481,601
Provision for income taxes	23,197	42,676	93,615	145,574
Income from continuing operations	70,396	93,876	192,880	336,027
Loss from discontinued operations, net of tax	(291)	-	(1,951)	(582)
Net income	70,105	93,876	190,929	335,445
Less: Preferred stock dividends attributable to noncontrolling interests	4,593	4,594	13,781	13,781
Net income - Pitney Bowes Inc.	<u>\$ 65,512</u>	<u>\$ 89,282</u>	<u>\$ 177,148</u>	<u>\$ 321,664</u>
Amounts attributable to common stockholders:				
Net income from continuing operations	\$ 65,803	\$ 89,282	\$ 179,099	\$ 322,246
Loss from discontinued operations, net of tax	(291)	-	(1,951)	(582)
Net income - Pitney Bowes Inc.	<u>\$ 65,512</u>	<u>\$ 89,282</u>	<u>\$ 177,148</u>	<u>\$ 321,664</u>
Basic earnings per share attributable to common stockholders ⁽¹⁾ :				
Continuing operations	\$ 0.35	\$ 0.45	\$ 0.95	\$ 1.60
Discontinued operations	0.00	-	(0.01)	-
Net income - Pitney Bowes Inc.	<u>\$ 0.35</u>	<u>\$ 0.45</u>	<u>\$ 0.94</u>	<u>\$ 1.60</u>
Diluted earnings per share attributable to common stockholders ⁽¹⁾ :				
Continuing operations	\$ 0.35	\$ 0.44	\$ 0.94	\$ 1.60
Discontinued operations	0.00	-	(0.01)	-
Net income - Pitney Bowes Inc.	<u>\$ 0.35</u>	<u>\$ 0.44</u>	<u>\$ 0.93</u>	<u>\$ 1.59</u>
Weighted-average shares used in diluted earnings per share	<u>186,682,575</u>	<u>201,016,809</u>	<u>189,592,489</u>	<u>201,884,967</u>

⁽¹⁾ 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)

<u>Assets</u>	September 30, 2016	December 31, 2015 ⁽¹⁾
Current assets:		
Cash and cash equivalents	\$ 992,089	\$ 650,557
Short-term investments	24,259	117,021
Accounts receivable, net	435,015	476,583
Short-term finance receivables, net	862,797	918,383
Inventories	108,766	88,824
Current income taxes	13,060	6,584
Other current assets and prepayments	65,622	67,400
Total current assets	2,501,608	2,325,352
Property, plant and equipment, net	312,597	330,088
Rental property and equipment, net	179,554	177,515
Long-term finance receivables, net	704,294	760,657
Goodwill	1,766,418	1,745,957
Intangible assets, net	174,221	187,378
Noncurrent income taxes	66,547	70,294
Other assets	553,635	525,891
Total assets	\$ 6,258,874	\$ 6,123,132
 <u>Liabilities, noncontrolling interests and stockholders' equity</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,307,808	\$ 1,448,321
Current income taxes	19,170	16,620
Current portion of long-term debt and notes payable	535,289	461,085
Advance billings	303,153	353,025
Total current liabilities	2,165,420	2,279,051
Deferred taxes on income	229,998	205,668
Tax uncertainties and other income tax liabilities	57,423	68,429
Long-term debt	2,831,767	2,489,583
Other noncurrent liabilities	547,444	605,310
Total liabilities	5,832,052	5,648,041
Noncontrolling interests (Preferred stockholders' equity in subsidiaries)	296,370	296,370
Stockholders' equity:		
Cumulative preferred stock, \$50 par value, 4% convertible	1	1
Cumulative preference stock, no par value, \$2.12 convertible	489	505
Common stock, \$1 par value	323,338	323,338
Additional paid-in-capital	149,997	161,280
Retained earnings	5,226,894	5,155,537
Accumulated other comprehensive loss	(825,962)	(888,635)
Treasury stock, at cost	(4,744,305)	(4,573,305)
Total Pitney Bowes Inc. stockholders' equity	130,452	178,721
Total liabilities, noncontrolling interests and stockholders' equity	\$ 6,258,874	\$ 6,123,132

⁽¹⁾ Certain prior year amounts have been revised for accounting rules that became effective January 1, 2016 and to conform to current year presentation.

Pitney Bowes Inc.
Business Segments - Revenue and EBIT

(Unaudited; in thousands)

	Three months ended September 30,			Nine months ended September 30,		
	2016	2015	% Change	2016	2015	% Change
Revenue						
North America Mailing	\$ 329,995	\$ 353,159	(7%)	\$ 1,001,789	\$ 1,071,824	(7%)
International Mailing	95,628	104,615	(9%)	305,725	331,398	(8%)
Small & Medium Business Solutions	<u>425,623</u>	<u>457,774</u>	<u>(7%)</u>	<u>1,307,514</u>	<u>1,403,222</u>	<u>(7%)</u>
Production Mail	106,350	101,646	5%	289,649	298,880	(3%)
Presort Services	114,053	115,912	(2%)	357,214	351,365	2%
Enterprise Business Solutions	<u>220,403</u>	<u>217,558</u>	<u>1%</u>	<u>646,863</u>	<u>650,245</u>	<u>(1%)</u>
Software Solutions	89,031	97,638	(9%)	257,417	282,916	(9%)
Global Ecommerce	103,974	96,571	8%	307,712	249,923	23%
Digital Commerce Solutions	<u>193,005</u>	<u>194,209</u>	<u>(1%)</u>	<u>565,129</u>	<u>532,839</u>	<u>6%</u>
Other	-	-	-	-	54,807	(100%)
Total revenue	<u>\$ 839,031</u>	<u>\$ 869,541</u>	<u>(4%)</u>	<u>\$ 2,519,506</u>	<u>\$ 2,641,113</u>	<u>(5%)</u>
EBIT ⁽¹⁾						
North America Mailing	\$ 138,588	\$ 159,319	(13%)	\$ 436,730	\$ 482,376	(9%)
International Mailing	9,733	10,739	(9%)	34,365	36,585	(6%)
Small & Medium Business Solutions	<u>148,321</u>	<u>170,058</u>	<u>(13%)</u>	<u>471,095</u>	<u>518,961</u>	<u>(9%)</u>
Production Mail	15,696	12,401	27%	35,434	31,461	13%
Presort Services	19,181	25,908	(26%)	69,305	76,946	(10%)
Enterprise Business Solutions	<u>34,877</u>	<u>38,309</u>	<u>(9%)</u>	<u>104,739</u>	<u>108,407</u>	<u>(3%)</u>
Software Solutions	10,329	14,613	(29%)	17,908	34,904	(49%)
Global Ecommerce	4,389	(1,240)	>100%	8,835	9,962	(11%)
Digital Commerce Solutions	<u>14,718</u>	<u>13,373</u>	<u>10%</u>	<u>26,743</u>	<u>44,866</u>	<u>(40%)</u>
Other	-	-	-	-	10,569	(100%)
Segment EBIT	<u>\$ 197,916</u>	<u>\$ 221,740</u>	<u>(11%)</u>	<u>\$ 602,577</u>	<u>\$ 682,803</u>	<u>(12%)</u>

Reconciliation of segment EBIT to net income

Segment EBIT	\$ 197,916	\$ 221,740	\$ 602,577	\$ 682,803
Corporate expenses	(51,992)	(49,235)	(158,536)	(151,959)
Adjusted EBIT	145,924	172,505	444,041	530,844
Interest, net ⁽²⁾	(35,259)	(37,698)	(103,769)	(119,371)
Restructuring charges and asset impairments, net	(16,494)	(36)	(49,503)	(14,305)
Other income (expense), net	-	1,781	(536)	94,916
Acquisition/disposition related expenses	(578)	-	(3,738)	(10,483)
Income from continuing operations before income taxes	93,593	136,552	286,495	481,601
Provision for income taxes	(23,197)	(42,676)	(93,615)	(145,574)
Income from continuing operations	70,396	93,876	192,880	336,027
Loss from discontinued operations, net of tax	(291)	-	(1,951)	(582)
Net income	<u>\$ 70,105</u>	<u>\$ 93,876</u>	<u>\$ 190,929</u>	<u>\$ 335,445</u>

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

⁽²⁾ 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)

	Three months ended September 30,			Nine months ended September 30,		
	2016	2015	Y/Y Chg.	2016	2015	Y/Y Chg.
Reconciliation of reported revenue to revenue excluding currency and Market Exits						
Revenue, as reported	\$ 839,031	\$ 869,541	(4%)	\$ 2,519,506	\$ 2,641,113	(5%)
Unfavorable impact on revenue due to currency	8,436	-	NM	23,157	-	NM
Revenue, excluding currency	847,467	869,541	(3%)	2,542,663	2,641,113	(4%)
Less revenue from Market Exits	(1,164)	(8,352)	NM	(3,703)	(19,894)	NM
Revenue, excluding currency and Market Exits	<u>\$ 846,303</u>	<u>\$ 861,189</u>	<u>(2%)</u>	<u>\$ 2,538,960</u>	<u>\$ 2,621,219</u>	<u>(3%)</u>

Reconciliation of reported net income to adjusted earnings						
Net income	\$ 70,105	\$ 93,876		\$ 190,929	\$ 335,445	
Loss from discontinued operations, net of tax	291	-		1,951	582	
Restructuring charges and asset impairments, net	10,840	47		32,399	8,607	
Loss (gain) on disposition of businesses	275	30		2,698	(88,399)	
Transaction costs related to acquisitions and dispositions	90	5,323		206	11,428	
Legal settlement	-	(370)		-	4,250	
Investment divestiture	-	(7,756)		-	(7,756)	
Tax cost - preferred stock redemption	4,847	-		4,847	-	
Acquisition/disposition related expenses	-	-		-	7,246	
Income from continuing operations, after income taxes, as adjusted	86,448	91,150		233,030	271,403	
Provision for income taxes, as adjusted	24,217	43,657		107,242	140,070	
Income from continuing operations before income taxes, as adjusted	110,665	134,807		340,272	411,473	
Interest, net	35,259	37,698		103,769	119,371	
EBIT, as adjusted	145,924	172,505		444,041	530,844	
Depreciation and amortization	50,687	42,333		140,225	127,486	
EBITDA, as adjusted	<u>\$ 196,611</u>	<u>\$ 214,838</u>		<u>\$ 584,266</u>	<u>\$ 658,330</u>	

Reconciliation of reported diluted earnings per share to adjusted diluted earnings per share from continuing operations						
Diluted earnings per share	\$ 0.35	\$ 0.44		\$ 0.93	\$ 1.59	
Loss from discontinued operations, net of tax	-	-		0.01	-	
Restructuring charges and asset impairments, net	0.06	-		0.17	0.04	
Loss (gain) on disposition of businesses	-	-		0.01	(0.44)	
Transaction costs related to acquisitions and dispositions	-	0.03		-	0.06	
Legal settlement	-	-		-	0.02	
Investment divestiture	-	(0.04)		-	(0.04)	
Tax cost - preferred stock redemption	0.03	-		0.03	-	
Acquisition/disposition related expenses	-	-		-	0.04	
Diluted earnings per share from continuing operations, as adjusted	<u>\$ 0.44</u>	<u>\$ 0.43</u>		<u>\$ 1.16</u>	<u>\$ 1.28</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	\$ 137,342	\$ 150,392		\$ 290,929	\$ 351,400	
Capital expenditures	(44,173)	(40,716)		(115,532)	(130,328)	
Restructuring payments	17,295	15,281		51,161	46,056	
Pension contribution	-	-		36,731	-	
Reserve account deposits	8,956	(4,166)		1,813	(25,630)	
Acquisition/disposition related expenses	-	-		-	10,483	
Tax (receipts) payments related to investment divestiture	-	(5,773)		-	20,602	
Tax payment related to sale of Imagitas	-	15,918		-	15,918	
Cash transaction fees	-	-		335	11,116	
Free cash flow	<u>\$ 119,420</u>	<u>\$ 130,936</u>		<u>\$ 265,437</u>	<u>\$ 299,617</u>	