

Pitney Bowes Inc.
Consolidated Statements of Income

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

	Three months ended December 31,		Twelve months ended December 31,	
	2017	2016	2017	2016
Revenue:				
Equipment sales	\$ 200,555	\$ 190,306	\$ 679,803	\$ 675,451
Supplies	64,482	64,051	252,824	262,682
Software	88,464	90,901	352,595	348,661
Rentals	94,578	103,032	386,348	412,738
Financing	80,834	89,632	331,416	366,547
Support services	123,911	129,188	478,536	512,820
Business services	396,293	219,959	1,068,426	827,676
Total revenue	<u>1,049,117</u>	<u>887,069</u>	<u>3,549,948</u>	<u>3,406,575</u>
Costs and expenses:				
Cost of equipment sales	108,347	96,201	340,745	331,942
Cost of supplies	22,785	20,758	82,992	81,420
Cost of software	26,153	26,345	101,969	105,841
Cost of rentals	21,214	21,089	84,270	76,040
Financing interest expense	12,219	13,866	50,665	55,241
Cost of support services	71,744	70,895	288,976	295,685
Cost of business services	302,162	151,152	773,052	568,509
Selling, general and administrative	329,570	283,882	1,237,739	1,200,327
Research and development	32,896	31,545	129,767	121,306
Goodwill impairment	-	171,092	-	171,092
Restructuring charges and asset impairments, net	28,929	13,793	59,431	63,296
Interest expense, net	31,620	26,576	113,497	88,970
Other expense, net	3,856	-	3,856	536
Total costs and expenses	<u>991,495</u>	<u>927,194</u>	<u>3,266,959</u>	<u>3,160,205</u>
Income (loss) before income taxes	57,622	(40,125)	282,989	246,370
(Benefit) provision for income taxes	(32,326)	38,204	21,649	131,819
Income (loss) from continuing operations	89,948	(78,329)	261,340	114,551
Loss from discontinued operations, net of tax	-	(750)	-	(2,701)
Net income (loss)	89,948	(79,079)	261,340	111,850
Less: Preferred stock dividends attributable to noncontrolling interests	-	5,264	-	19,045
Net income (loss) - Pitney Bowes Inc.	<u>\$ 89,948</u>	<u>\$ (84,343)</u>	<u>\$ 261,340</u>	<u>\$ 92,805</u>
Amounts attributable to common stockholders:				
Net income (loss) from continuing operations	\$ 89,948	\$ (83,593)	\$ 261,340	\$ 95,506
Loss from discontinued operations, net of tax	-	(750)	-	(2,701)
Net income (loss) - Pitney Bowes Inc.	<u>\$ 89,948</u>	<u>\$ (84,343)</u>	<u>\$ 261,340</u>	<u>\$ 92,805</u>
Basic earnings (loss) per share attributable to common stockholders ⁽¹⁾ :				
Continuing operations	\$ 0.48	\$ (0.45)	\$ 1.40	\$ 0.51
Discontinued operations	-	-	-	(0.01)
Net income (loss) - Pitney Bowes Inc.	<u>\$ 0.48</u>	<u>\$ (0.45)</u>	<u>\$ 1.40</u>	<u>\$ 0.49</u>
Diluted earnings (loss) per share attributable to common stockholders ⁽¹⁾ :				
Continuing operations	\$ 0.48	\$ (0.45)	\$ 1.39	\$ 0.51
Discontinued operations	-	-	-	(0.01)
Net income (loss) - Pitney Bowes Inc.	<u>\$ 0.48</u>	<u>\$ (0.45)</u>	<u>\$ 1.39</u>	<u>\$ 0.49</u>
Weighted-average shares used in diluted earnings per share	<u>188,046,578</u>	<u>185,645,814</u>	<u>187,435,080</u>	<u>188,975,198</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>	December 31, 2017	December 31, 2016
Current assets:		
Cash and cash equivalents	\$ 1,009,021	\$ 764,522
Short-term investments	48,988	38,448
Accounts receivable, net	524,424	455,527
Short-term finance receivables, net	828,003	893,950
Inventories	89,679	92,726
Current income taxes	58,439	11,373
Other current assets and prepayments	77,954	68,637
Total current assets	2,636,508	2,325,183
Property, plant and equipment, net	379,044	314,603
Rental property and equipment, net	185,741	188,054
Long-term finance receivables, net	652,087	673,207
Goodwill	1,952,444	1,571,335
Intangible assets, net	272,186	165,172
Noncurrent income taxes	59,909	74,806
Other assets	540,796	524,773
Total assets	\$ 6,678,715	\$ 5,837,133
 <u>Liabilities and stockholders' equity (deficit)</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,487,575	\$ 1,378,822
Current income taxes	8,823	34,434
Current portion of long-term debt	271,057	614,485
Advance billings	288,372	299,878
Total current liabilities	2,055,827	2,327,619
Deferred taxes on income	236,974	204,289
Tax uncertainties and other income tax liabilities	116,551	61,276
Long-term debt	3,559,278	2,750,405
Other noncurrent liabilities	515,549	597,204
Total liabilities	6,484,179	5,940,793
Stockholders' equity (deficit):		
Cumulative preferred stock, \$50 par value, 4% convertible	1	1
Cumulative preference stock, no par value, \$2.12 convertible	441	483
Common stock, \$1 par value	323,338	323,338
Additional paid-in-capital	138,367	148,125
Retained earnings	5,229,584	5,107,734
Accumulated other comprehensive loss	(786,198)	(940,133)
Treasury stock, at cost	(4,710,997)	(4,743,208)
Total Pitney Bowes Inc. stockholders' equity (deficit)	194,536	(103,660)
Total liabilities and stockholders' equity (deficit)	\$ 6,678,715	\$ 5,837,133

Pitney Bowes Inc.
Business Segments - Revenue and EBIT
(Unaudited; in thousands)

	Three months ended December 31,			Twelve months ended December 31,		
	2017	2016 ⁽¹⁾	% Change	2017	2016 ⁽¹⁾	% Change
Revenue						
North America Mailing	\$ 339,921	\$ 362,638	(6%)	\$ 1,356,561	\$ 1,427,094	(5%)
International Mailing	101,520	102,345	(1%)	383,670	411,642	(7%)
Small & Medium Business Solutions	<u>441,441</u>	<u>464,983</u>	<u>(5%)</u>	<u>1,740,231</u>	<u>1,838,736</u>	<u>(5%)</u>
Production Mail	128,282	115,054	11%	407,194	404,703	1%
Presort Services	127,698	118,368	8%	497,901	475,582	5%
Enterprise Business Solutions	<u>255,980</u>	<u>233,422</u>	<u>10%</u>	<u>905,095</u>	<u>880,285</u>	<u>3%</u>
Software Solutions	88,293	90,817	(3%)	352,380	348,234	1%
Global Ecommerce	263,403	97,847	>100%	552,242	339,320	63%
Digital Commerce Solutions	<u>351,696</u>	<u>188,664</u>	<u>86%</u>	<u>904,622</u>	<u>687,554</u>	<u>32%</u>
Total revenue	<u>\$ 1,049,117</u>	<u>\$ 887,069</u>	<u>18%</u>	<u>\$ 3,549,948</u>	<u>\$ 3,406,575</u>	<u>4%</u>
EBIT						
North America Mailing	\$ 128,147	\$ 143,282	(11%)	\$ 497,809	\$ 592,978	(16%)
International Mailing	12,197	11,964	2%	48,164	44,806	7%
Small & Medium Business Solutions	<u>140,344</u>	<u>155,246</u>	<u>(10%)</u>	<u>545,973</u>	<u>637,784</u>	<u>(14%)</u>
Production Mail	18,998	18,627	2%	50,513	54,061	(7%)
Presort Services	28,045	25,953	8%	97,506	95,258	2%
Enterprise Business Solutions	<u>47,043</u>	<u>44,580</u>	<u>6%</u>	<u>148,019</u>	<u>149,319</u>	<u>(1%)</u>
Software Solutions	10,419	12,251	(15%)	41,635	30,159	38%
Global Ecommerce	(5)	5,651	(100%)	(17,899)	3,043	>(100%)
Digital Commerce Solutions	<u>10,414</u>	<u>17,902</u>	<u>(42%)</u>	<u>23,736</u>	<u>33,202</u>	<u>(29%)</u>
Segment EBIT ⁽²⁾	<u>\$ 197,801</u>	<u>\$ 217,728</u>	<u>(9%)</u>	<u>\$ 717,728</u>	<u>\$ 820,305</u>	<u>(13%)</u>

Reconciliation of segment EBIT to net income (loss)

Segment EBIT	\$ 197,801	\$ 217,728	\$ 717,728	\$ 820,305
Corporate expenses	(60,073)	(30,679)	(204,211)	(189,215)
Adjusted EBIT	<u>137,728</u>	<u>187,049</u>	<u>513,517</u>	<u>631,090</u>
Interest, net ⁽³⁾	(43,839)	(40,442)	(164,162)	(144,211)
Goodwill impairment	-	(171,092)	-	(171,092)
Restructuring charges and asset impairments, net	(28,929)	(13,793)	(59,431)	(63,296)
Loss on extinguishment of debt	(3,856)	-	(3,856)	-
Impact of divestiture transactions	-	(1,847)	-	(6,121)
Transaction costs	(3,482)	-	(9,164)	-
Gain on sale of technology	-	-	6,085	-
Income (loss) before income taxes	<u>57,622</u>	<u>(40,125)</u>	<u>282,989</u>	<u>246,370</u>
Benefit (provision) for income taxes	32,326	(38,204)	(21,649)	(131,819)
Income (loss) from continuing operations	<u>89,948</u>	<u>(78,329)</u>	<u>261,340</u>	<u>114,551</u>
Loss from discontinued operations, net of tax	-	(750)	-	(2,701)
Net income (loss)	<u>\$ 89,948</u>	<u>\$ (79,079)</u>	<u>\$ 261,340</u>	<u>\$ 111,850</u>

⁽¹⁾ Prior period amounts have been recast to conform to the current year presentation.

⁽²⁾ Segment EBIT excludes interest, taxes, general corporate expenses, restructuring charges, and other items that are not allocated to a particular business segment.

⁽³⁾ 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 December 31,			Twelve months ended December 31,		
	2017	2016	Y/Y Chg.	2017	2016	Y/Y Chg.
Reconciliation of reported revenue to revenue excluding currency						
Revenue, as reported	\$ 1,049,117	\$ 887,069		\$ 3,549,948	\$ 3,406,575	
(Favorable) unfavorable impact on revenue due to currency	(14,469)			1,222		
Revenue, excluding currency	<u>\$ 1,034,648</u>	<u>\$ 887,069</u>	17%	<u>\$ 3,551,170</u>	<u>\$ 3,406,575</u>	4%
Reconciliation of reported net income (loss) to adjusted earnings						
Net income (loss)	\$ 89,948	\$ (79,079)		\$ 261,340	\$ 111,850	
Loss from discontinued operations, net of tax	-	750		-	2,701	
Restructuring charges and asset impairments, net	19,599	9,945		39,671	42,343	
Goodwill impairment	-	169,024		-	169,024	
Gain on sale of technology	-	-		(5,605)	-	
Impact of divestiture transactions	-	1,194		-	4,099	
Transaction costs	2,178	-		5,762	-	
Loss on extinguishment of debt	2,375	-		2,375	-	
Tax legislation	(38,774)	-		(38,774)	-	
Preferred stock redemption	-	(2,047)		-	2,800	
Net income, as adjusted	<u>75,326</u>	<u>99,787</u>		<u>264,769</u>	<u>332,817</u>	
Provision for income taxes, as adjusted	<u>18,563</u>	<u>46,820</u>		<u>84,586</u>	<u>154,062</u>	
Income from continuing operations before income taxes, as adjusted	93,889	146,607		349,355	486,879	
Interest, net	43,839	40,442		164,162	144,211	
EBIT, as adjusted	137,728	187,049		513,517	631,090	
Depreciation and amortization	50,347	38,261		182,336	178,486	
EBITDA, as adjusted	<u>\$ 188,075</u>	<u>\$ 225,310</u>		<u>\$ 695,853</u>	<u>\$ 809,576</u>	

Reconciliation of reported diluted earnings per share to adjusted diluted earnings (loss) per share

Diluted earnings (loss) per share	\$ 0.48	\$ (0.45)		\$ 1.39	\$ 0.49	
Loss from discontinued operations, net of tax	-	0.00		-	0.01	
Restructuring charges and asset impairments, net	0.10	0.05		0.21	0.22	
Goodwill impairment	-	0.90		-	0.89	
Gain on sale of technology	-	-		(0.03)	-	
Impact of divestiture transactions	-	0.01		-	0.02	
Transaction costs	0.01	-		0.03	-	
Loss on extinguishment of debt	0.01	-		0.01	-	
Tax legislation	(0.21)	-		(0.21)	-	
Preferred stock redemption	-	0.01		-	0.03	
Diluted earnings per share, as adjusted	<u>\$ 0.40</u>	<u>\$ 0.53</u>		<u>\$ 1.41</u>	<u>\$ 1.68</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 ⁽¹⁾	\$ 165,236	\$ 199,763		\$ 495,813	\$ 496,122	
Capital expenditures	(51,428)	(45,299)		(170,990)	(160,831)	
Restructuring payments	10,828	13,769		40,804	64,930	
Pension contribution	-	-		-	36,731	
Reserve account deposits	13,462	(3,996)		10,954	(2,183)	
Other	7,396	-		7,396	335	
Free cash flow	<u>\$ 145,494</u>	<u>\$ 164,237</u>		<u>\$ 383,977</u>	<u>\$ 435,104</u>	

⁽¹⁾Net cash provided by operating activities for the three and twelve months ended December 31, 2016 has been revised for a new accounting standard adopted January 1, 2017.