

Pitney Bowes Inc.
Consolidated Statements of Income

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

	Three months ended March 31,	
	2017	2016
Revenue:		
Equipment sales	\$ 162,974	\$ 159,361
Supplies	66,818	72,051
Software	77,867	78,058
Rentals	99,870	104,090
Financing	85,745	97,423
Support services	118,847	128,260
Business services	224,519	205,346
Total revenue	<u>836,640</u>	<u>844,589</u>
Costs and expenses:		
Cost of equipment sales	69,562	71,539
Cost of supplies	21,471	20,690
Cost of software	25,308	26,815
Cost of rentals	20,662	20,495
Financing interest expense	12,974	14,915
Cost of support services	73,354	75,249
Cost of business services	150,843	135,538
Selling, general and administrative	306,303	326,882
Research and development	31,856	26,568
Restructuring charges and asset impairments, net	2,082	6,933
Interest expense, net	25,676	19,301
Total costs and expenses	<u>740,091</u>	<u>744,925</u>
Income before income taxes	96,549	99,664
Provision for income taxes	31,416	37,024
Net income	65,133	62,640
Less: Preferred stock dividends attributable to noncontrolling interests	-	4,594
Net income - Pitney Bowes Inc.	<u>\$ 65,133</u>	<u>\$ 58,046</u>
Earnings per share attributable to common stockholders:		
Basic	<u>\$ 0.35</u>	<u>\$ 0.30</u>
Diluted	<u>\$ 0.35</u>	<u>\$ 0.30</u>
Weighted-average shares used in diluted earnings per share	<u>186,875,143</u>	<u>193,181,424</u>

Pitney Bowes Inc.
Consolidated Balance Sheets

(Unaudited; in thousands, except share amounts)

	March 31, 2017	December 31, 2016
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 739,553	\$ 764,522
Short-term investments	43,895	38,448
Accounts receivable, net	389,990	455,527
Short-term finance receivables, net	853,390	893,950
Inventories	115,638	92,726
Current income taxes	11,919	11,373
Other current assets and prepayments	78,749	68,637
Total current assets	2,233,134	2,325,183
Property, plant and equipment, net	319,899	314,603
Rental property and equipment, net	178,281	188,054
Long-term finance receivables, net	664,630	673,207
Goodwill	1,583,302	1,571,335
Intangible assets, net	159,200	165,172
Noncurrent income taxes	78,946	74,806
Other assets	529,779	524,773
Total assets	\$ 5,747,171	\$ 5,837,133
<u>Liabilities and stockholders' deficit</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,317,532	\$ 1,378,822
Current income taxes	49,933	34,434
Current portion of long-term debt	785,287	614,485
Advance billings	295,688	299,878
Total current liabilities	2,448,440	2,327,619
Deferred taxes on income	210,604	204,289
Tax uncertainties and other income tax liabilities	61,195	61,276
Long-term debt	2,499,025	2,750,405
Other noncurrent liabilities	574,245	597,204
Total liabilities	5,793,509	5,940,793
Stockholders' deficit:		
Cumulative preferred stock, \$50 par value, 4% convertible	1	1
Cumulative preference stock, no par value, \$2.12 convertible	478	483
Common stock, \$1 par value	323,338	323,338
Additional paid-in-capital	126,564	148,125
Retained earnings	5,138,300	5,107,734
Accumulated other comprehensive loss	(913,831)	(940,133)
Treasury stock, at cost	(4,721,188)	(4,743,208)
Total Pitney Bowes Inc. stockholders' deficit	(46,338)	(103,660)
Total liabilities and stockholders' deficit	\$ 5,747,171	\$ 5,837,133

Pitney Bowes Inc.
Business Segments - Revenue and EBIT

(Unaudited; in thousands)

	Three months ended March 31,		
	2017	2016 ⁽¹⁾	% Change
<u>Revenue</u>			
North America Mailing	\$ 355,578	\$ 371,453	(4%)
International Mailing	93,058	104,986	(11%)
Small & Medium Business Solutions	448,636	476,439	(6%)
Production Mail	88,955	87,425	2%
Presort Services	132,677	127,396	4%
Enterprise Business Solutions	221,632	214,821	3%
Software Solutions	78,220	77,922	0%
Global Ecommerce	88,152	75,407	17%
Digital Commerce Solutions	166,372	153,329	9%
Total revenue	\$ 836,640	\$ 844,589	(1%)
<u>EBIT</u>			
North America Mailing	\$ 141,008	\$ 160,831	(12%)
International Mailing	13,269	11,176	19%
Small & Medium Business Solutions	154,277	172,007	(10%)
Production Mail	8,964	6,824	31%
Presort Services	30,717	28,910	6%
Enterprise Business Solutions	39,681	35,734	11%
Software Solutions	2,749	(2,572)	>100%
Global Ecommerce	(4,270)	(3,469)	(23%)
Digital Commerce Solutions	(1,521)	(6,041)	75%
Segment EBIT ⁽²⁾	\$ 192,437	\$ 201,700	(5%)

Reconciliation of segment EBIT to net income

Segment EBIT	\$ 192,437	\$ 201,700
Corporate expenses	(55,156)	(57,767)
Adjusted EBIT	137,281	143,933
Interest, net ⁽³⁾	(38,650)	(34,216)
Restructuring charges and asset impairments, net	(2,082)	(6,933)
Acquisition/disposition related expenses	-	(3,120)
Income before income taxes	96,549	99,664
Provision for income taxes	(31,416)	(37,024)
Net income	\$ 65,133	\$ 62,640

(1) Prior period amounts have been recast to conform to the way we now manage and report our segments.

(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 March 31,		Y/Y Chg.
	2017	2016	
Reconciliation of reported revenue to revenue excluding currency			
Revenue, as reported	\$ 836,640	\$ 844,589	(0.9%)
Unfavorable impact on revenue due to currency	9,546	-	NM
Revenue, excluding currency	\$ 846,186	\$ 844,589	0.2%

Reconciliation of reported net income to adjusted earnings			
Net income	\$ 65,133	\$ 62,640	
Less: Preferred stock dividends attributable to noncontrolling interests	-	4,594	
Net income attributable to PBI	65,133	58,046	
Restructuring charges and asset impairments, net	1,353	4,628	
Loss on disposition of businesses	-	2,175	
Net income, as adjusted	66,486	64,849	
Preferred stock dividends attributable to noncontrolling interests	-	4,594	
Provision for income taxes, as adjusted	32,145	40,274	
Income from continuing operations before income taxes, as adjusted	98,631	109,717	
Interest, net	38,650	34,216	
EBIT, as adjusted	137,281	143,933	
Depreciation and amortization	44,295	44,300	
EBITDA, as adjusted	\$ 181,576	\$ 188,233	

Reconciliation of reported diluted earnings per share to adjusted diluted earnings per share			
Diluted earnings per share	\$ 0.35	\$ 0.30	
Restructuring charges and asset impairments, net	0.01	0.02	
Loss on disposition of businesses	-	0.01	
Diluted earnings per share, as adjusted	\$ 0.36	\$ 0.34	

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⁾	\$ 154,006	\$ 63,493	
Capital expenditures	(35,920)	(40,670)	
Restructuring payments	12,416	21,656	
Pension contribution	-	36,731	
Reserve account deposits	(19,346)	(16,253)	
Other	-	189	
Free cash flow	\$ 111,156	\$ 65,146	

⁽¹⁾ Net cash provided by operating activities for the three months ended March 31, 2016 has been revised and increased \$5 million for a new accounting standard adopted January 1, 2017.