

Pitney Bowes Inc.
Consolidated Statements of Income
(Unaudited)

(Dollars in thousands, except per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Revenue:				
Equipment sales	\$ 201,830	\$ 199,609	\$ 634,779	\$ 618,620
Supplies	69,696	66,878	216,254	213,665
Software	98,164	93,476	285,658	302,377
Rentals	128,225	137,149	391,590	414,922
Financing	113,955	123,999	346,646	373,695
Support services	166,785	176,769	505,226	529,615
Business services	160,131	151,909	458,061	446,654
Total revenue	<u>938,786</u>	<u>949,789</u>	<u>2,838,214</u>	<u>2,899,548</u>
Costs and expenses:				
Cost of equipment sales	92,307	95,008	307,992	278,457
Cost of supplies	21,840	20,689	67,794	65,423
Cost of software	29,698	29,227	80,093	85,023
Cost of rentals	25,612	25,182	79,791	87,258
Financing interest expense	20,306	19,604	59,979	61,385
Cost of support services	103,004	107,074	315,275	334,274
Cost of business services	112,447	103,230	322,970	298,689
Selling, general and administrative	355,202	370,935	1,067,394	1,111,144
Research and development	24,769	30,226	81,351	87,810
Restructuring charges and asset impairments	34,909	-	53,940	(980)
Other interest expense	27,508	27,541	89,594	87,261
Interest income	(1,457)	(2,057)	(4,507)	(5,793)
Other expense, net	-	-	25,121	1,138
Total costs and expenses	<u>846,145</u>	<u>826,659</u>	<u>2,546,787</u>	<u>2,491,089</u>
Income from continuing operations before income taxes	92,641	123,130	291,427	408,459
Provision for income taxes	11,370	30,590	55,530	85,108
Income from continuing operations	81,271	92,540	235,897	323,351
(Loss) income from discontinued operations, net of tax	(82,204)	(11,413)	(169,369)	25,257
Net (loss) income before attribution of noncontrolling interests	(933)	81,127	66,528	348,608
Less: Preferred stock dividends of subsidiaries attributable to noncontrolling interests	4,594	4,594	13,782	13,782
Net (loss) income - Pitney Bowes Inc.	<u>\$ (5,527)</u>	<u>\$ 76,533</u>	<u>\$ 52,746</u>	<u>\$ 334,826</u>
Amounts attributable to common stockholders:				
Income from continuing operations	\$ 76,677	\$ 87,946	\$ 222,115	\$ 309,569
(Loss) income from discontinued operations	(82,204)	(11,413)	(169,369)	25,257
Net (loss) income - Pitney Bowes Inc.	<u>\$ (5,527)</u>	<u>\$ 76,533</u>	<u>\$ 52,746</u>	<u>\$ 334,826</u>
Basic earnings per share attributable to common stockholders ⁽¹⁾:				
Continuing operations	0.38	0.44	1.10	1.55
Discontinued operations	(0.41)	(0.06)	(0.84)	0.13
Net (loss) income - Pitney Bowes Inc.	<u>\$ (0.03)</u>	<u>\$ 0.38</u>	<u>\$ 0.26</u>	<u>\$ 1.67</u>
Diluted earnings per share attributable to common stockholders ⁽¹⁾:				
Continuing operations	0.38	0.44	1.10	1.54
Discontinued operations	(0.40)	(0.06)	(0.84)	0.13
Net (loss) income - Pitney Bowes Inc.	<u>\$ (0.03)</u>	<u>\$ 0.38</u>	<u>\$ 0.26</u>	<u>\$ 1.66</u>

(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	September 30, 2013	December 31, 2012
Current assets:		
Cash and cash equivalents	\$ 759,636	\$ 913,276
Short-term investments	20,471	36,611
Accounts receivable, gross	433,265	748,469
Allowance for doubtful accounts receivable	(15,230)	(20,219)
Accounts receivable, net	418,035	728,250
Finance receivables	1,145,075	1,213,776
Allowance for credit losses	(25,007)	(25,484)
Finance receivables, net	1,120,068	1,188,292
Inventories	134,266	179,678
Current income taxes	28,419	51,836
Other current assets and prepayments	173,068	114,184
Assets held for sale	550,641	-
Total current assets	3,204,604	3,212,127
Property, plant and equipment, net	240,609	385,377
Rental property and equipment, net	230,098	241,192
Finance receivables	958,517	1,041,099
Allowance for credit losses	(11,489)	(14,610)
Finance receivables, net	947,028	1,026,489
Investment in leveraged leases	34,858	34,546
Goodwill	1,729,178	2,136,138
Intangible assets, net	128,588	166,214
Non-current income taxes	96,714	94,434
Other assets	538,255	563,374
Total assets	<u>\$ 7,149,932</u>	<u>\$ 7,859,891</u>
<u>Liabilities, noncontrolling interests and stockholders' equity</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,501,189	\$ 1,809,226
Current income taxes	291,930	240,681
Notes payable and current portion of long-term obligations	299,570	375,000
Advance billings	418,231	452,130
Liabilities held for sale	118,177	-
Total current liabilities	2,629,097	2,877,037
Deferred taxes on income	19,192	69,222
Tax uncertainties and other income tax liabilities	157,102	145,881
Long-term debt	3,351,020	3,642,375
Other non-current liabilities	685,914	718,375
Total liabilities	6,842,325	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	608	648
Common stock, \$1 par value	323,338	323,338
Additional paid-in-capital	201,643	223,847
Retained Earnings	4,646,593	4,744,802
Accumulated other comprehensive loss	(696,593)	(681,213)
Treasury Stock, at cost	(4,464,356)	(4,500,795)
Total Pitney Bowes Inc. stockholders' equity	11,237	110,631
Total liabilities, noncontrolling interests and stockholders' equity	<u>\$ 7,149,932</u>	<u>\$ 7,859,891</u>

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

(Dollars in thousands)

	Three Months Ended September 30,		
	2013	2012	% Change
<u>Revenue</u>			
North America Mailing	\$ 422,821	447,920	(6%)
International Mailing	142,443	141,630	1%
Small & Medium Business Solutions	<u>565,264</u>	<u>589,550</u>	(4%)
Production Mail	116,477	114,889	1%
Presort Services	105,093	105,909	(1%)
Enterprise Business Solutions	<u>221,570</u>	<u>220,798</u>	0%
Digital Commerce Solutions	151,952	139,441	9%
Total revenue	<u>\$ 938,786</u>	<u>\$ 949,789</u>	(1%)
<u>EBIT (1)</u>			
North America Mailing	\$ 167,433	\$ 168,934	(1%)
International Mailing	15,456	11,206	38%
Small & Medium Business Solutions	<u>182,889</u>	<u>180,140</u>	2%
Production Mail	10,620	10,125	5%
Presort Services	20,398	19,167	6%
Enterprise Business Solutions	<u>31,018</u>	<u>29,292</u>	6%
Digital Commerce Solutions	10,196	2,971	243%
Total EBIT	<u>\$ 224,103</u>	<u>\$ 212,403</u>	6%
Unallocated amounts:			
Interest, net (2)	(46,357)	(45,088)	
Corporate and other expenses	(50,196)	(44,185)	
Restructuring and asset impairments	<u>(34,909)</u>	<u>-</u>	
Income from continuing operations before income taxes	<u>\$ 92,641</u>	<u>\$ 123,130</u>	

- (1) Earnings before interest and taxes (EBIT) excludes general corporate expenses and restructuring charges and asset impairments.
- (2) Interest, net includes financing interest expense, other interest expense and interest income.

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

(Dollars in thousands)

	Nine Months Ended September 30,		
	2013	2012	% Change
Revenue			
North America Mailing	\$ 1,286,085	1,362,709	(6%)
International Mailing	448,684	449,583	(0%)
Small & Medium Business Solutions	<u>1,734,769</u>	<u>1,812,292</u>	(4%)
Production Mail	360,352	337,582	7%
Presort Services	<u>322,954</u>	<u>322,401</u>	0%
Enterprise Business Solutions	<u>683,306</u>	<u>659,983</u>	4%
Digital Commerce Solutions	<u>420,139</u>	<u>427,273</u>	(2%)
Total Revenue	<u>\$ 2,838,214</u>	<u>\$ 2,899,548</u>	(2%)
EBIT (1)			
North America Mailing	\$ 488,301	\$ 514,975	(5%)
International Mailing	52,967	51,670	3%
Small & Medium Business Solutions	<u>541,268</u>	<u>566,645</u>	(4%)
Production Mail	34,239	28,439	20%
Presort Services	<u>65,132</u>	<u>82,728</u>	(21%)
Enterprise Business Solutions	<u>99,371</u>	<u>111,167</u>	(11%)
Digital Commerce Solutions	<u>20,134</u>	<u>23,674</u>	(15%)
Total EBIT	<u>\$ 660,773</u>	<u>\$ 701,486</u>	(6%)
Unallocated amounts:			
Interest, net (2)	(145,066)	(142,853)	
Corporate and other expenses	(170,340)	(151,154)	
Restructuring and asset impairments	<u>(53,940)</u>	<u>980</u>	
Income from continuing operations before income taxes	<u>\$ 291,427</u>	<u>\$ 408,459</u>	

- (1) Earnings before interest and taxes (EBIT) excludes general corporate expenses and restructuring charges and asset impairments and other income, net.
- (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 September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
GAAP income from continuing operations				
after income taxes, as reported	\$ 76,677	\$ 87,946	\$ 222,115	\$ 309,569
Restructuring charges and asset impairments	22,536	-	35,662	(1,150)
Sale of leveraged lease assets	-	-	-	(12,886)
Extinguishment of debt	-	-	15,325	-
Income from continuing operations				
after income taxes, as adjusted	<u>\$ 99,213</u>	<u>\$ 87,946</u>	<u>\$ 273,102</u>	<u>\$ 295,533</u>
GAAP diluted earnings per share from				
continuing operations, as reported	\$ 0.38	\$ 0.44	\$ 1.10	\$ 1.54
Restructuring charges and asset impairments	0.11	-	0.18	(0.01)
Sale of leveraged lease	-	-	-	(0.06)
Extinguishment of debt	-	-	0.08	-
Diluted earnings per share from continuing				
operations, as adjusted	<u>\$ 0.49</u>	<u>\$ 0.44</u>	<u>\$ 1.35</u>	<u>\$ 1.47</u>
GAAP net cash provided by operating activities,				
as reported	\$ 214,526	\$ 64,796	\$ 493,561	\$ 404,628
Capital expenditures	(29,951)	(39,065)	(103,392)	(127,816)
Restructuring payments	14,098	12,871	41,353	60,746
Pension contribution	-	-	-	95,000
Tax payments on sale of leveraged lease assets	-	14,345	-	99,249
Reserve account deposits	9,227	(17,707)	(16,962)	(15,373)
Extinguishment of debt	-	-	25,121	-
Free cash flow, as adjusted	<u>\$ 207,900</u>	<u>\$ 35,240</u>	<u>\$ 439,681</u>	<u>\$ 516,434</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 September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
GAAP income from continuing operations				
after income taxes, as reported	\$ 76,677	\$ 87,946	\$ 222,115	\$ 309,569
Restructuring charges and asset impairments	22,536	-	35,662	(1,150)
Extinguishment of debt	-	-	15,325	-
Sale of leveraged lease assets	-	-	-	(12,886)
Income from continuing operations				
after income taxes, as adjusted	99,213	87,946	273,102	295,533
Provision for income taxes, as adjusted	23,743	30,590	83,605	101,981
Preferred stock dividends of subsidiaries				
attributable to noncontrolling interests	4,594	4,594	13,782	13,782
Income from continuing operations, as adjusted	127,550	123,130	370,489	411,296
Interest expense, net	46,357	45,088	145,066	142,853
Adjusted EBIT	173,907	168,218	515,555	554,149
Depreciation and amortization	53,675	59,900	167,377	191,507
Adjusted EBITDA	\$ 227,582	\$ 228,118	\$ 682,932	\$ 745,656