

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,	
	2018	2017	2018	2017
Revenue:				
Equipment sales	\$ 113,393	\$ 127,290	\$ 430,451	\$ 476,691
Supplies	52,451	58,091	218,304	231,412
Software	96,832	83,452	340,855	331,843
Rentals	85,507	94,036	363,057	384,123
Financing	81,274	80,508	314,778	330,985
Support services	74,103	76,736	293,413	299,792
Business services	443,580	396,293	1,561,522	1,068,426
Total revenue	<u>947,140</u>	<u>916,406</u>	<u>3,522,380</u>	<u>3,123,272</u>
Costs and expenses:				
Cost of equipment sales	49,253	55,666	181,766	201,116
Cost of supplies	14,308	18,025	60,960	66,302
Cost of software	25,424	24,411	100,681	95,033
Cost of rentals	19,371	20,834	86,330	82,703
Financing interest expense	12,332	12,219	48,857	50,665
Cost of support services	42,276	41,000	168,271	163,889
Cost of business services	363,555	302,162	1,246,084	773,052
Selling, general and administrative ⁽¹⁾	275,835	309,167	1,123,116	1,170,905
Research and development	31,433	30,105	125,588	118,703
Restructuring charges and asset impairments, net	7,438	27,114	27,077	56,223
Other components of net pension and postretirement cost ⁽¹⁾	28,495	1,334	22,425	5,413
Interest expense, net	24,941	31,620	110,900	113,497
Other expense	-	3,856	7,964	3,856
Total costs and expenses	<u>894,661</u>	<u>877,513</u>	<u>3,310,019</u>	<u>2,901,357</u>
Income from continuing operations before taxes	52,479	38,893	212,361	221,915
(Benefit) provision for income taxes	(8,362)	(38,147)	12,383	553
Income from continuing operations	60,841	77,040	199,978	221,362
(Loss) income from discontinued operations, net of tax	(15,856)	12,908	23,687	39,978
Net income	<u>\$ 44,985</u>	<u>\$ 89,948</u>	<u>\$ 223,665</u>	<u>\$ 261,340</u>
Basic earnings (loss) per share attributable to common stockholders ⁽²⁾ :				
Continuing operations	\$ 0.32	\$ 0.41	\$ 1.07	\$ 1.19
Discontinued operations	(0.08)	0.07	0.13	0.21
Net income	<u>\$ 0.24</u>	<u>\$ 0.48</u>	<u>\$ 1.19</u>	<u>\$ 1.40</u>
Diluted earnings (loss) per share attributable to common stockholders ⁽²⁾ :				
Continuing operations	\$ 0.32	\$ 0.41	\$ 1.06	\$ 1.18
Discontinued operations	(0.08)	0.07	0.13	0.21
Net income	<u>\$ 0.24</u>	<u>\$ 0.48</u>	<u>\$ 1.19</u>	<u>\$ 1.39</u>
Weighted-average shares used in diluted earnings per share	<u>188,806,855</u>	<u>188,046,578</u>	<u>188,381,647</u>	<u>187,435,080</u>

⁽¹⁾ Effective January 1, 2018, components of net periodic pension and postretirement costs, other than service costs, are required to be reported separately. Accordingly, for the three and twelve months ended December 30, 2017, \$1.3 million and \$5.4 million of costs have been reclassified from selling, general and administrative expense to other components of net pension and postretirement cost.

⁽²⁾ 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, 2018	December 31, 2017
Current assets:		
Cash and cash equivalents	\$ 866,742	\$ 1,009,021
Short-term investments	56,449	48,988
Accounts receivable, net	455,807	427,022
Short-term finance receivables, net	789,661	828,003
Inventories	41,964	40,769
Current income taxes	5,947	58,439
Other current assets and prepayments	99,332	83,293
Assets of discontinued operations	4,854	334,848
Total current assets	2,320,756	2,830,383
Property, plant and equipment, net	410,114	373,503
Rental property and equipment, net	178,099	183,956
Long-term finance receivables, net	592,165	652,087
Goodwill	1,766,511	1,774,645
Intangible assets, net	227,137	272,186
Noncurrent income taxes	61,420	59,909
Other assets	416,701	540,751
Total assets	\$ 5,972,903	\$ 6,687,420
 <u>Liabilities and stockholders' equity</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,401,635	\$ 1,458,854
Current income taxes	15,165	8,823
Current portion of long-term debt	199,535	271,057
Advance billings	237,529	257,766
Liabilities of discontinued operations	3,276	72,808
Total current liabilities	1,857,140	2,069,308
Deferred taxes on income	295,808	249,143
Tax uncertainties and other income tax liabilities	39,548	102,051
Long-term debt	3,066,073	3,559,278
Other noncurrent liabilities	474,862	519,079
Total liabilities	5,733,431	6,498,859
Stockholders' equity:		
Cumulative preferred stock, \$50 par value, 4% convertible	1	1
Cumulative preference stock, no par value, \$2.12 convertible	396	441
Common stock, \$1 par value	323,338	323,338
Additional paid-in-capital	121,475	138,367
Retained earnings	5,416,777	5,229,584
Accumulated other comprehensive loss	(948,426)	(792,173)
Treasury stock, at cost	(4,674,089)	(4,710,997)
Total stockholders' equity	239,472	188,561
Total liabilities and stockholders' equity	\$ 5,972,903	\$ 6,687,420

Pitney Bowes Inc.
Business Segments
(Unaudited; in thousands)

	Three months ended December 31,			Twelve months ended December 31,		
	2018	2017	% Change	2018	2017	% Change
REVENUE						
Global Ecommerce	\$ 304,327	\$ 263,403	16%	\$ 1,022,862	\$ 552,242	85%
Presort Services	133,273	127,698	4%	515,795	497,901	4%
Commerce Services	<u>437,600</u>	<u>391,101</u>	<u>12%</u>	<u>1,538,657</u>	<u>1,050,143</u>	<u>47%</u>
North America Mailing	320,945	340,412	(6%)	1,275,025	1,357,405	(6%)
International Mailing	91,478	101,615	(10%)	367,843	384,097	(4%)
Small & Medium Business Solutions	<u>412,423</u>	<u>442,027</u>	<u>(7%)</u>	<u>1,642,868</u>	<u>1,741,502</u>	<u>(6%)</u>
Software Solutions	<u>97,117</u>	<u>83,278</u>	<u>17%</u>	<u>340,855</u>	<u>331,627</u>	<u>3%</u>
Total revenue	<u>\$ 947,140</u>	<u>\$ 916,406</u>	<u>3%</u>	<u>\$ 3,522,380</u>	<u>\$ 3,123,272</u>	<u>13%</u>
EBIT						
Global Ecommerce	\$ (4,345)	\$ (5)	>(100%)	\$ (32,379)	\$ (17,899)	(81%)
Presort Services	16,742	28,045	(40%)	73,768	97,506	(24%)
Commerce Services	<u>12,397</u>	<u>28,040</u>	<u>(56%)</u>	<u>41,389</u>	<u>79,607</u>	<u>(48%)</u>
North America Mailing	117,435	128,567	(9%)	470,268	498,571	(6%)
International Mailing	21,780	12,292	77%	63,820	48,531	32%
Small & Medium Business Solutions	<u>139,215</u>	<u>140,859</u>	<u>(1%)</u>	<u>534,088</u>	<u>547,102</u>	<u>(2%)</u>
Software Solutions	<u>22,644</u>	<u>8,890</u>	<u>>100%</u>	<u>47,094</u>	<u>33,818</u>	<u>39%</u>
Segment EBIT ⁽¹⁾	<u>\$ 174,256</u>	<u>\$ 177,789</u>	<u>(2%)</u>	<u>\$ 622,571</u>	<u>\$ 660,527</u>	<u>(6%)</u>
EBITDA						
Global Ecommerce	\$ 11,654	\$ 14,523	(20%)	\$ 28,667	\$ 18,763	53%
Presort Services	23,928	34,158	(30%)	100,606	124,047	(19%)
Commerce Services	<u>35,582</u>	<u>48,681</u>	<u>(27%)</u>	<u>129,273</u>	<u>142,810</u>	<u>(9%)</u>
North America Mailing	134,190	144,431	(7%)	538,518	563,374	(4%)
International Mailing	25,738	17,246	49%	79,962	67,093	19%
Small & Medium Business Solutions	<u>159,928</u>	<u>161,677</u>	<u>(1%)</u>	<u>618,480</u>	<u>630,467</u>	<u>(2%)</u>
Software Solutions	<u>24,860</u>	<u>11,267</u>	<u>>100%</u>	<u>56,634</u>	<u>42,796</u>	<u>32%</u>
Segment EBITDA ⁽²⁾	<u>\$ 220,370</u>	<u>\$ 221,625</u>	<u>(1%)</u>	<u>\$ 804,387</u>	<u>\$ 816,073</u>	<u>(1%)</u>
<u>Reconciliation of segment EBITDA to net income</u>						
Segment EBITDA	\$ 220,370	\$ 221,625		\$ 804,387	\$ 816,073	
Less: Segment depreciation and amortization ⁽³⁾	<u>(46,114)</u>	<u>(43,836)</u>		<u>(181,816)</u>	<u>(155,546)</u>	
Segment EBIT	174,256	177,789		622,571	660,527	
Corporate expenses	<u>(43,224)</u>	<u>(62,599)</u>		<u>(180,481)</u>	<u>(214,072)</u>	
Adjusted EBIT	131,032	115,190		442,090	446,455	
Interest, net ⁽⁴⁾	<u>(37,273)</u>	<u>(43,839)</u>		<u>(159,757)</u>	<u>(164,162)</u>	
Pension settlement	<u>(31,329)</u>	<u>-</u>		<u>(31,329)</u>	<u>-</u>	
Restructuring charges and asset impairments, net	<u>(7,438)</u>	<u>(27,114)</u>		<u>(27,077)</u>	<u>(56,223)</u>	
Loss on extinguishment of debt	<u>-</u>	<u>(3,856)</u>		<u>(7,964)</u>	<u>(3,856)</u>	
Gain on sale of technology	<u>-</u>	<u>-</u>		<u>-</u>	<u>6,085</u>	
Transaction costs	<u>(2,513)</u>	<u>(1,488)</u>		<u>(3,602)</u>	<u>(6,384)</u>	
Benefit (provision) for income taxes	<u>8,362</u>	<u>38,147</u>		<u>(12,383)</u>	<u>(553)</u>	
Income from continuing operations	60,841	77,040		199,978	221,362	
(Loss) income from discontinued operations, net of tax	<u>(15,856)</u>	<u>12,908</u>		<u>23,687</u>	<u>39,978</u>	
Net income	<u>\$ 44,985</u>	<u>\$ 89,948</u>		<u>\$ 223,665</u>	<u>\$ 261,340</u>	

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

⁽²⁾ Segment EBITDA is calculated as Segment EBIT plus segment depreciation and amortization expense.

⁽³⁾ Includes depreciation and amortization expense of reporting segments only. Does not include corporate depreciation and amortization expense.

⁽⁴⁾ 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,		Y/Y Chg.	Twelve months ended December 31,		Y/Y Chg.
	2018	2017		2018	2017	
Reconciliation of reported revenue to revenue excluding currency						
Revenue, as reported	\$ 947,140	\$ 916,406	3%	\$ 3,522,380	\$ 3,123,272	13%
Currency impact on revenue	6,787	-		(12,797)	-	
Revenue, at constant currency	<u>\$ 953,927</u>	<u>\$ 916,406</u>	<u>4%</u>	<u>\$ 3,509,583</u>	<u>\$ 3,123,272</u>	<u>12%</u>
Reconciliation of reported revenue growth to pro forma revenue growth						
Revenue, as reported				\$ 3,522,380	\$ 3,123,272	13%
Less: Newgistics revenue included in PBI revenue				555,022	139,794	
PBI excluding Newgistics				2,967,358	2,983,478	(1%)
Actual Newgistics revenue, including preacquisition period				555,022	480,018	16%
Proforma revenue				3,522,380	3,463,496	2%
Currency impact on revenue				(12,797)	-	
Proforma revenue, at constant currency				<u>\$ 3,509,583</u>	<u>\$ 3,463,496</u>	<u>1%</u>
Reconciliation of reported net income to adjusted earnings						
Net income	\$ 44,985	\$ 89,948		\$ 223,665	\$ 261,340	
Loss (income) from discontinued operations, net of tax	15,856	(12,908)		(23,687)	(39,978)	
Pension settlement	23,402	-		23,402	-	
Restructuring charges and asset impairments, net	6,530	17,813		20,950	37,248	
Tax legislation	(20,316)	(38,774)		(36,909)	(38,774)	
State tax valuation allowance - Production Mail Business sale	-	-		2,628	-	
Transaction costs	1,876	953		2,690	4,052	
Loss on extinguishment of debt	-	2,375		5,933	2,375	
Gain on sale of technology	-	-		-	(5,605)	
Adjusted net income	72,333	59,407		218,672	220,658	
Provision for income taxes, as adjusted	21,426	11,944		63,661	61,635	
Interest, net	37,273	43,839		159,757	164,162	
Adjusted EBIT	131,032	115,190		442,090	446,455	
Depreciation and amortization	51,112	49,762		203,293	179,650	
Adjusted EBITDA	<u>\$ 182,144</u>	<u>\$ 164,952</u>		<u>\$ 645,383</u>	<u>\$ 626,105</u>	
Reconciliation of reported diluted earnings per share to adjusted diluted earnings per share						
Diluted earnings per share	\$ 0.24	\$ 0.48		\$ 1.19	\$ 1.39	
Loss (income) from discontinued operations, net of tax	0.08	(0.07)		(0.13)	(0.21)	
Pension settlement	0.12	-		0.12	-	
Restructuring charges and asset impairments, net	0.03	0.09		0.11	0.20	
Tax legislation	(0.11)	(0.21)		(0.20)	(0.21)	
State tax valuation allowance - Production Mail Business sale	-	-		0.01	-	
Transaction costs	0.01	0.01		0.01	0.02	
Loss on extinguishment of debt	-	0.01		0.03	0.01	
Gain on sale of technology	-	-		-	(0.03)	
Adjusted diluted earnings per share	<u>\$ 0.38</u>	<u>\$ 0.32</u>		<u>\$ 1.16</u>	<u>\$ 1.18</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	\$ 102,660	\$ 165,236		\$ 392,261	\$ 495,813	
Net cash (used in) provided by operating activities - discontinued operation	72,278	(10,986)		29,103	(29,006)	
Capital expenditures	(50,911)	(49,746)		(191,444)	(168,097)	
Restructuring payments	13,898	9,012		52,974	37,454	
Reserve account deposits	14,144	13,462		21,008	10,954	
Transaction costs paid	961	7,396		14,203	7,396	
Free cash flow	<u>\$ 153,030</u>	<u>\$ 134,374</u>		<u>\$ 318,105</u>	<u>\$ 354,514</u>	