

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,	
	2018	2017	2018	2017
Revenue:				
Equipment sales	\$ 100,937	\$ 103,514	\$ 317,058	\$ 349,401
Supplies	50,403	53,627	165,853	173,321
Software	76,026	94,226	244,022	248,391
Rentals	91,115	95,333	277,550	290,087
Financing	76,730	81,079	233,504	250,477
Support services	74,117	75,783	219,311	223,056
Business services	363,528	229,711	1,117,942	672,133
Total revenue	<u>832,856</u>	<u>733,273</u>	<u>2,575,240</u>	<u>2,206,866</u>
Costs and expenses:				
Cost of equipment sales	39,353	49,328	132,513	145,450
Cost of supplies	13,967	15,209	46,652	48,277
Cost of software	24,743	24,107	75,257	70,622
Cost of rentals	21,827	20,447	66,959	61,869
Financing interest expense	11,954	12,629	36,525	38,446
Cost of support services	43,259	39,468	125,995	122,889
Cost of business services	291,650	166,984	882,529	470,890
Selling, general and administrative ⁽¹⁾	269,387	288,093	847,281	861,738
Research and development	32,760	29,316	94,155	88,598
Restructuring charges and asset impairments, net	7,232	1,470	19,639	29,109
Other components of net pension and postretirement cost ⁽¹⁾	(1,852)	1,356	(6,070)	4,079
Interest expense, net	25,483	28,601	85,959	81,877
Other expense, net	7,964	-	7,964	-
Total costs and expenses	<u>787,727</u>	<u>677,008</u>	<u>2,415,358</u>	<u>2,023,844</u>
Income from continuing operations before taxes	45,129	56,265	159,882	183,022
(Benefit) provision for income taxes	(1,976)	10,828	20,745	38,700
Income from continuing operations	47,105	45,437	139,137	144,322
Income from discontinued operations, net of tax	29,848	11,921	39,543	27,070
Net income	<u>\$ 76,953</u>	<u>\$ 57,358</u>	<u>\$ 178,680</u>	<u>\$ 171,392</u>
Basic earnings per share attributable to common stockholders ⁽²⁾ :				
Continuing operations	\$ 0.25	\$ 0.24	\$ 0.74	\$ 0.77
Discontinued operations	0.16	0.06	0.21	0.15
Net income	<u>\$ 0.41</u>	<u>\$ 0.31</u>	<u>\$ 0.95</u>	<u>\$ 0.92</u>
Diluted earnings per share attributable to common stockholders ⁽²⁾ :				
Continuing operations	\$ 0.25	\$ 0.24	\$ 0.74	\$ 0.77
Discontinued operations	0.16	0.06	0.21	0.14
Net income	<u>\$ 0.41</u>	<u>\$ 0.31</u>	<u>\$ 0.95</u>	<u>\$ 0.92</u>
Weighted-average shares used in diluted earnings per share	<u>188,414,719</u>	<u>187,756,543</u>	<u>188,190,057</u>	<u>187,200,225</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 nine months ended September 30, 2017, \$1.4 million and \$4.1 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>	September 30, 2018	December 31, 2017
Current assets:		
Cash and cash equivalents	\$ 759,231	\$ 1,009,021
Short-term investments	55,929	48,988
Accounts receivable, net	378,036	427,022
Short-term finance receivables, net	787,121	828,003
Inventories	48,199	40,769
Current income taxes	11,395	58,439
Other current assets and prepayments	92,916	74,589
Assets of discontinued operations	18,273	334,848
Total current assets	2,151,100	2,821,679
Property, plant and equipment, net	399,347	373,503
Rental property and equipment, net	179,058	183,956
Long-term finance receivables, net	600,129	652,087
Goodwill	1,765,083	1,774,645
Intangible assets, net	238,167	272,186
Noncurrent income taxes	54,114	59,909
Other assets	526,937	540,750
Total assets	\$ 5,913,935	\$ 6,678,715
 <u>Liabilities and stockholders' equity</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,342,097	\$ 1,450,149
Current income taxes	40,018	8,823
Current portion of long-term debt	192,649	271,057
Advance billings	224,141	257,766
Liabilities of discontinued operations	10,446	72,808
Total current liabilities	1,809,351	2,060,603
Deferred taxes on income	230,663	234,643
Tax uncertainties and other income tax liabilities	101,362	116,551
Long-term debt	3,076,968	3,559,278
Other noncurrent liabilities	443,925	519,079
Total liabilities	5,662,269	6,490,154
Stockholders' equity:		
Cumulative preferred stock, \$50 par value, 4% convertible	1	1
Cumulative preference stock, no par value, \$2.12 convertible	403	441
Common stock, \$1 par value	323,338	323,338
Additional paid-in-capital	117,918	138,367
Retained earnings	5,290,761	5,229,584
Accumulated other comprehensive loss	(804,609)	(792,173)
Treasury stock, at cost	(4,676,146)	(4,710,997)
Total stockholders' equity	251,666	188,561
Total liabilities and stockholders' equity	\$ 5,913,935	\$ 6,678,715

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

	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	% Change	2018	2017	% Change
REVENUE						
Global Ecommerce	\$ 232,845	\$ 106,181	>100%	\$ 718,535	\$ 288,839	>100%
Presort Services	125,334	119,074	5%	382,522	370,203	3%
Commerce Services	<u>358,179</u>	<u>225,255</u>	<u>59%</u>	<u>1,101,057</u>	<u>659,042</u>	<u>67%</u>
North America Mailing	313,965	320,091	(2%)	954,080	1,016,993	(6%)
International Mailing	84,970	93,858	(9%)	276,365	282,482	(2%)
Small & Medium Business Solutions	<u>398,935</u>	<u>413,949</u>	<u>(4%)</u>	<u>1,230,445</u>	<u>1,299,475</u>	<u>(5%)</u>
Software Solutions	<u>75,742</u>	<u>94,069</u>	<u>(19%)</u>	<u>243,738</u>	<u>248,349</u>	<u>(2%)</u>
Total revenue	<u>\$ 832,856</u>	<u>\$ 733,273</u>	<u>14%</u>	<u>\$ 2,575,240</u>	<u>\$ 2,206,866</u>	<u>17%</u>
EBIT						
Global Ecommerce	\$ (14,330)	\$ (9,594)	(49%)	\$ (28,034)	\$ (17,894)	(57%)
Presort Services	17,435	19,474	(10%)	57,026	69,461	(18%)
Commerce Services	<u>3,105</u>	<u>9,880</u>	<u>(69%)</u>	<u>28,992</u>	<u>51,567</u>	<u>(44%)</u>
North America Mailing	118,070	107,963	9%	352,833	370,004	(5%)
International Mailing	12,794	8,809	45%	42,040	36,239	16%
Small & Medium Business Solutions	<u>130,864</u>	<u>116,772</u>	<u>12%</u>	<u>394,873</u>	<u>406,243</u>	<u>(3%)</u>
Software Solutions	<u>3,525</u>	<u>18,531</u>	<u>(81%)</u>	<u>24,450</u>	<u>24,928</u>	<u>(2%)</u>
Segment EBIT ⁽¹⁾	<u>\$ 137,494</u>	<u>\$ 145,183</u>	<u>(5%)</u>	<u>\$ 448,315</u>	<u>\$ 482,738</u>	<u>(7%)</u>
EBITDA						
Global Ecommerce	\$ 820	\$ (1,970)	>100%	\$ 17,013	\$ 4,240	>100%
Presort Services	24,302	25,778	(6%)	76,678	89,889	(15%)
Commerce Services	<u>25,122</u>	<u>23,808</u>	<u>6%</u>	<u>93,691</u>	<u>94,129</u>	<u>(0%)</u>
North America Mailing	135,332	124,516	9%	404,328	418,943	(3%)
International Mailing	16,204	13,372	21%	54,225	49,847	9%
Small & Medium Business Solutions	<u>151,536</u>	<u>137,888</u>	<u>10%</u>	<u>458,553</u>	<u>468,790</u>	<u>(2%)</u>
Software Solutions	<u>6,042</u>	<u>20,754</u>	<u>(71%)</u>	<u>31,774</u>	<u>31,529</u>	<u>1%</u>
Segment EBITDA ⁽²⁾	<u>\$ 182,700</u>	<u>\$ 182,450</u>	<u>0%</u>	<u>\$ 584,018</u>	<u>\$ 594,448</u>	<u>(2%)</u>
<u>Reconciliation of segment EBITDA to net income</u>						
Segment EBITDA	\$ 182,700	\$ 182,450		\$ 584,018	\$ 594,448	
Less: Segment depreciation and amortization ⁽³⁾	<u>(45,206)</u>	<u>(37,267)</u>		<u>(135,703)</u>	<u>(111,710)</u>	
Segment EBIT	137,494	145,183		448,315	482,738	
Corporate expenses	<u>(39,696)</u>	<u>(41,322)</u>		<u>(137,257)</u>	<u>(151,473)</u>	
Adjusted EBIT	97,798	103,861		311,058	331,265	
Interest, net ⁽⁴⁾	<u>(37,437)</u>	<u>(41,230)</u>		<u>(122,484)</u>	<u>(120,323)</u>	
Restructuring charges and asset impairments, net	<u>(7,232)</u>	<u>(1,470)</u>		<u>(19,639)</u>	<u>(29,109)</u>	
Loss on debt extinguishment	<u>(7,964)</u>	<u>-</u>		<u>(7,964)</u>	<u>-</u>	
Gain on sale of technology	<u>-</u>	<u>-</u>		<u>-</u>	<u>6,085</u>	
Transaction costs	<u>(36)</u>	<u>(4,896)</u>		<u>(1,089)</u>	<u>(4,896)</u>	
Benefit (provision) for income taxes	<u>1,976</u>	<u>(10,828)</u>		<u>(20,745)</u>	<u>(38,700)</u>	
Income from continuing operations	<u>47,105</u>	<u>45,437</u>		<u>139,137</u>	<u>144,322</u>	
Income from discontinued operations, net of tax	<u>29,848</u>	<u>11,921</u>		<u>39,543</u>	<u>27,070</u>	
Net income	<u>\$ 76,953</u>	<u>\$ 57,358</u>		<u>\$ 178,680</u>	<u>\$ 171,392</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 September 30,		Y/Y Chg.	Nine months ended September 30,		Y/Y Chg.
	2018	2017		2018	2017	
Reconciliation of reported revenue to revenue excluding currency						
Revenue, as reported	\$ 832,856	\$ 733,273		\$ 2,575,240	\$ 2,206,866	
Currency impact on revenue	4,023	-		(19,586)	-	
Revenue, at constant currency	<u>\$ 836,879</u>	<u>\$ 733,273</u>	14%	<u>\$ 2,555,654</u>	<u>\$ 2,206,866</u>	16%

Reconciliation of reported net income to adjusted earnings						
Net income	\$ 76,953	\$ 57,358		\$ 178,680	\$ 171,392	
Income from discontinued operations, net of tax	(29,848)	(11,921)		(39,543)	(27,070)	
Restructuring charges and asset impairments, net	5,290	999		14,422	19,434	
Loss on debt extinguishment	5,933	-		5,933	-	
Transaction costs	27	3,099		813	3,099	
Gain on sale of technology	-	-		-	(5,605)	
Tax legislation	(7,986)	-		(13,966)	-	
Adjusted net income	<u>50,369</u>	<u>49,535</u>		<u>146,339</u>	<u>161,250</u>	
Provision for income taxes, as adjusted	9,992	13,096		42,235	49,692	
Interest, net	<u>37,437</u>	<u>41,230</u>		<u>122,484</u>	<u>120,323</u>	
Adjusted EBIT	97,798	103,861		311,058	331,265	
Depreciation and amortization	50,319	43,178		152,181	129,888	
Adjusted EBITDA	<u>\$ 148,117</u>	<u>\$ 147,039</u>		<u>\$ 463,239</u>	<u>\$ 461,153</u>	

Reconciliation of reported diluted earnings per share to adjusted diluted earnings per share						
Diluted earnings per share	\$ 0.41	\$ 0.31		\$ 0.95	\$ 0.92	
Income from discontinued operations, net of tax	(0.16)	(0.06)		(0.21)	(0.14)	
Restructuring charges and asset impairments, net	0.03	0.01		0.08	0.10	
Loss on debt extinguishment	0.03	-		0.03	-	
Transaction costs	-	0.02		-	0.02	
Gain on sale of technology	-	-		-	(0.03)	
Tax legislation	(0.04)	-		(0.07)	-	
Adjusted diluted earnings per share	<u>\$ 0.27</u>	<u>\$ 0.26</u>		<u>\$ 0.78</u>	<u>\$ 0.86</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	\$ 115,592	\$ 145,930		\$ 290,626	\$ 330,577	
Net cash provided by operating activities - discontinued operations	(2,428)	(3,924)		(44,200)	(18,020)	
Capital expenditures	(40,511)	(42,507)		(140,533)	(118,351)	
Restructuring payments	11,572	10,791		39,100	28,442	
Reserve account deposits	905	(5,022)		6,864	(2,508)	
Transaction costs paid	9,205	-		13,242	-	
Free cash flow	<u>\$ 94,335</u>	<u>\$ 105,268</u>		<u>\$ 165,099</u>	<u>\$ 220,140</u>	