

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,	
	2016	2015	2016	2015
Revenue:				
Equipment sales	\$ 190,306	\$ 199,831	\$ 675,451	\$ 695,159
Supplies	64,051	72,925	262,682	288,103
Software	90,901	103,265	348,661	386,506
Rentals	103,032	107,934	412,738	441,663
Financing	89,632	103,043	366,547	410,035
Support services	129,188	139,149	512,820	554,764
Business services	219,959	210,800	827,676	801,830
Total revenue	<u>887,069</u>	<u>936,947</u>	<u>3,406,575</u>	<u>3,578,060</u>
Costs and expenses:				
Cost of equipment sales	96,201	98,363	331,942	331,069
Cost of supplies	20,758	22,890	81,420	88,802
Cost of software	26,345	27,996	105,841	113,580
Cost of rentals	21,089	21,061	76,040	84,188
Financing interest expense	13,866	17,620	55,241	71,791
Cost of support services	70,895	78,107	295,685	322,960
Cost of business services	151,152	140,642	568,509	546,201
Selling, general and administrative	283,882	340,643	1,200,327	1,279,961
Research and development	31,545	26,463	121,306	110,156
Goodwill impairment	168,563	-	168,563	-
Restructuring charges and asset impairments, net	13,793	11,477	63,296	25,782
Interest expense, net	26,576	22,383	88,970	87,583
Other expense (income), net	-	78	536	(94,838)
Total costs and expenses	<u>924,665</u>	<u>807,723</u>	<u>3,157,676</u>	<u>2,967,235</u>
(Loss) income from continuing operations before income taxes	(37,596)	129,224	248,899	610,825
Provision for income taxes	38,235	44,204	131,850	189,778
(Loss) income from continuing operations	(75,831)	85,020	117,049	421,047
(Loss) income from discontinued operations, net of tax	(750)	5,853	(2,701)	5,271
Net (loss) income	(76,581)	90,873	114,348	426,318
Less: Preferred stock dividends attributable to noncontrolling interests	5,264	4,594	19,045	18,375
Net (loss) income - Pitney Bowes Inc.	<u>\$ (81,845)</u>	<u>\$ 86,279</u>	<u>\$ 95,303</u>	<u>\$ 407,943</u>
Amounts attributable to common stockholders:				
Net (loss) income from continuing operations	\$ (81,095)	\$ 80,426	\$ 98,004	\$ 402,672
(Loss) income from discontinued operations, net of tax	(750)	5,853	(2,701)	5,271
Net (loss) income - Pitney Bowes Inc.	<u>\$ (81,845)</u>	<u>\$ 86,279</u>	<u>\$ 95,303</u>	<u>\$ 407,943</u>
Basic (loss) earnings per share attributable to common stockholders ⁽¹⁾ :				
Continuing operations	\$ (0.44)	\$ 0.41	\$ 0.52	\$ 2.01
Discontinued operations	(0.00)	0.03	(0.01)	0.03
Net (loss) income - Pitney Bowes Inc.	<u>\$ (0.44)</u>	<u>\$ 0.44</u>	<u>\$ 0.51</u>	<u>\$ 2.04</u>
Diluted (loss) earnings per share attributable to common stockholders ⁽¹⁾ :				
Continuing operations	\$ (0.44)	\$ 0.41	\$ 0.52	\$ 2.00
Discontinued operations	(0.00)	0.03	(0.01)	0.03
Net (loss) income - Pitney Bowes Inc.	<u>\$ (0.44)</u>	<u>\$ 0.44</u>	<u>\$ 0.50</u>	<u>\$ 2.03</u>
Weighted-average shares used in diluted earnings per share	<u>185,645,814</u>	<u>197,959,779</u>	<u>188,975,198</u>	<u>200,944,874</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)

Assets	December 31, 2016	December 31, 2015 ⁽¹⁾
Current assets:		
Cash and cash equivalents	\$ 770,985	\$ 650,557
Short-term investments	31,985	117,021
Accounts receivable, net	463,483	476,583
Short-term finance receivables, net	885,994	918,383
Inventories	92,726	88,824
Current income taxes	11,373	6,584
Other current assets and prepayments	68,637	67,400
Total current assets	2,325,183	2,325,352
Property, plant and equipment, net	314,603	330,088
Rental property and equipment, net	188,054	177,515
Long-term finance receivables, net	673,207	760,657
Goodwill	1,573,864	1,745,957
Intangible assets, net	165,172	187,378
Noncurrent income taxes	74,806	70,294
Other assets	524,773	525,891
Total assets	<u>\$ 5,839,662</u>	<u>\$ 6,123,132</u>
Liabilities, noncontrolling interests and stockholders' (deficit) equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,378,822	\$ 1,448,321
Current income taxes	34,434	16,620
Current portion of long-term debt and notes payable	614,485	461,085
Advance billings	303,469	353,025
Total current liabilities	2,331,210	2,279,051
Deferred taxes on income	204,320	205,668
Tax uncertainties and other income tax liabilities	61,276	68,429
Long-term debt	2,750,405	2,489,583
Other noncurrent liabilities	593,613	605,310
Total liabilities	5,940,824	5,648,041
Noncontrolling interests (Preferred stockholders' equity in subsidiaries)	-	296,370
Stockholders' (deficit) equity:		
Cumulative preferred stock, \$50 par value, 4% convertible	1	1
Cumulative preference stock, no par value, \$2.12 convertible	483	505
Common stock, \$1 par value	323,338	323,338
Additional paid-in-capital	148,125	161,280
Retained earnings	5,110,232	5,155,537
Accumulated other comprehensive loss	(940,133)	(888,635)
Treasury stock, at cost	(4,743,208)	(4,573,305)
Total Pitney Bowes Inc. stockholders' (deficit) equity	(101,162)	178,721
Total liabilities, noncontrolling interests and stockholders' (deficit) equity	<u>\$ 5,839,662</u>	<u>\$ 6,123,132</u>

(1) Certain prior year amounts have been revised for accounting rules that became effective January 1, 2016 and to conform to current year presentation.

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

	Three months ended December 31,			Twelve months ended December 31,		
	2016	2015	% Change	2016	2015	% Change
Revenue						
North America Mailing	\$ 340,884	\$ 363,316	(6%)	\$ 1,342,673	\$ 1,435,140	(6%)
International Mailing	101,072	113,930	(11%)	406,797	445,328	(9%)
Small & Medium Business Solutions	<u>441,956</u>	<u>477,246</u>	<u>(7%)</u>	<u>1,749,470</u>	<u>1,880,468</u>	<u>(7%)</u>
Production Mail	115,054	122,298	(6%)	404,703	421,178	(4%)
Presort Services	118,368	122,247	(3%)	475,582	473,612	0%
Enterprise Business Solutions	<u>233,422</u>	<u>244,545</u>	<u>(5%)</u>	<u>880,285</u>	<u>894,790</u>	<u>(2%)</u>
Software Solutions	90,817	102,992	(12%)	348,234	385,908	(10%)
Global Ecommerce	120,874	112,164	8%	428,586	362,087	18%
Digital Commerce Solutions	<u>211,691</u>	<u>215,156</u>	<u>(2%)</u>	<u>776,820</u>	<u>747,995</u>	<u>4%</u>
Other	-	-	-	-	54,807	(100%)
Total revenue	<u>\$ 887,069</u>	<u>\$ 936,947</u>	<u>(5%)</u>	<u>\$ 3,406,575</u>	<u>\$ 3,578,060</u>	<u>(5%)</u>
EBIT ⁽¹⁾						
North America Mailing	\$ 138,350	\$ 164,537	(16%)	\$ 575,080	\$ 646,913	(11%)
International Mailing	12,182	14,485	(16%)	46,547	51,070	(9%)
Small & Medium Business Solutions	<u>150,532</u>	<u>179,022</u>	<u>(16%)</u>	<u>621,627</u>	<u>697,983</u>	<u>(11%)</u>
Production Mail	18,627	16,793	11%	54,061	48,254	12%
Presort Services	25,953	27,709	(6%)	95,258	104,655	(9%)
Enterprise Business Solutions	<u>44,580</u>	<u>44,502</u>	<u>0%</u>	<u>149,319</u>	<u>152,909</u>	<u>(2%)</u>
Software Solutions	12,251	13,627	(10%)	30,159	48,531	(38%)
Global Ecommerce	10,365	9,267	12%	19,200	19,229	(0%)
Digital Commerce Solutions	<u>22,616</u>	<u>22,894</u>	<u>(1%)</u>	<u>49,359</u>	<u>67,760</u>	<u>(27%)</u>
Other	-	-	-	-	10,569	(100%)
Segment EBIT	<u>\$ 217,728</u>	<u>\$ 246,418</u>	<u>(12%)</u>	<u>\$ 820,305</u>	<u>\$ 929,221</u>	<u>(12%)</u>

Reconciliation of segment EBIT to net (loss) income

Segment EBIT	\$ 217,728	\$ 246,418	\$ 820,305	\$ 929,221
Corporate expenses	(30,679)	(61,136)	(189,215)	(213,095)
Adjusted EBIT	187,049	185,282	631,090	716,126
Interest, net ⁽²⁾	(40,442)	(40,003)	(144,211)	(159,374)
Goodwill impairment	(168,563)	-	(168,563)	-
Restructuring charges and asset impairments, net	(13,793)	(11,477)	(63,296)	(25,782)
Other (expense) income, net	-	(78)	(536)	94,838
Acquisition/disposition related expenses	(1,847)	(4,500)	(5,585)	(14,983)
(Loss) income from continuing operations before income tax	(37,596)	129,224	248,899	610,825
Provision for income taxes	(38,235)	(44,204)	(131,850)	(189,778)
(Loss) income from continuing operations	(75,831)	85,020	117,049	421,047
(Loss) income from discontinued operations, net of tax	(750)	5,853	(2,701)	5,271
Net (loss) income	<u>\$ (76,581)</u>	<u>\$ 90,873</u>	<u>\$ 114,348</u>	<u>\$ 426,318</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⁾ 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,		
	2016	2015	Y/Y Chg.	2016	2015	Y/Y Chg.
Reconciliation of reported revenue to revenue excluding currency and Market Exits						
Revenue, as reported	\$ 887,069	\$ 936,947	(5%)	\$ 3,406,575	\$ 3,578,060	(5%)
Unfavorable impact on revenue due to currency	13,379	-	NM	36,536	-	NM
Revenue, excluding currency	900,448	936,947	(4%)	3,443,111	3,578,060	(4%)
Less revenue from Market Exits	(2,280)	(6,018)	NM	(5,983)	(25,912)	NM
Revenue, excluding currency and Market Exits	<u>\$ 898,168</u>	<u>\$ 930,929</u>	<u>(4%)</u>	<u>\$ 3,437,128</u>	<u>\$ 3,552,148</u>	<u>(3%)</u>

Reconciliation of reported net (loss) income to adjusted earnings						
Net (loss) income	\$ (76,581)	\$ 90,873		\$ 114,348	\$ 426,318	
Loss (income) from discontinued operations, net of tax	750	(5,853)		2,701	(5,271)	
Goodwill impairment	166,526	-		166,526	-	
Restructuring charges and asset impairments, net	9,945	9,481		42,343	18,089	
Loss (gain) on disposition of businesses	1,194	4,149		3,893	(84,250)	
Preferred stock redemption	(2,047)	-		2,800	-	
Transaction costs related to acquisitions and dispositions	-	48		206	11,475	
Acquisition/disposition related expenses	-	-		-	7,246	
Legal settlement	-	-		-	4,250	
Investment divestiture	-	-		-	(7,756)	
Income from continuing operations, after income taxes, as adjusted	99,787	98,698		332,817	370,101	
Provision for income taxes, as adjusted	46,820	46,581		154,062	186,651	
Income from continuing operations before income taxes, as adjusted	146,607	145,279		486,879	556,752	
Interest, net	40,442	40,003		144,211	159,374	
EBIT, as adjusted	187,049	185,282		631,090	716,126	
Depreciation and amortization	38,261	45,826		178,486	173,312	
EBITDA, as adjusted	<u>\$ 225,310</u>	<u>\$ 231,108</u>		<u>\$ 809,576</u>	<u>\$ 889,438</u>	

Reconciliation of reported diluted (loss) earnings per share to adjusted diluted earnings per share from continuing operations						
Diluted (loss) earnings per share	\$ (0.44)	\$ 0.44		\$ 0.50	\$ 2.03	
Loss (income) from discontinued operations, net of tax	0.00	(0.03)		0.01	(0.03)	
Goodwill impairment	0.89	-		0.88	-	
Restructuring charges and asset impairments, net	0.05	0.05		0.22	0.09	
Loss (gain) on disposition of businesses	0.01	0.02		0.02	(0.42)	
Preferred stock redemption	0.01	-		0.03	-	
Transaction costs related to acquisitions and dispositions	-	-		-	0.06	
Acquisition/disposition related expenses	-	-		-	0.04	
Legal settlement	-	-		-	0.02	
Investment divestiture	-	-		-	(0.04)	
Diluted earnings per share from continuing operations, as adjusted	<u>\$ 0.53</u>	<u>\$ 0.48</u>		<u>\$ 1.68</u>	<u>\$ 1.75</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	\$ 199,763	\$ 163,656		\$ 490,692	\$ 515,056	
Capital expenditures	(45,299)	(36,418)		(160,831)	(166,746)	
Restructuring payments	13,769	16,030		64,930	62,086	
Pension contribution	-	-		36,731	-	
Reserve account deposits	(3,996)	1,428		(2,183)	(24,202)	
Acquisition/disposition related expenses	-	-		-	10,483	
Tax payment related to investment divestiture	-	-		-	20,602	
Tax payment related to sale of Imagitas	-	5,306		-	21,224	
Cash transaction fees	-	6,856		335	17,971	
Free cash flow	<u>\$ 164,237</u>	<u>\$ 156,858</u>		<u>\$ 429,674</u>	<u>\$ 456,474</u>	