PITNEY BOWES INC /DE/
Form 10-Q
May 07, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2009

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________________ to ________________
Commission file number: 1-3579

PITNEY BOWES INC.

(Exact name of registrant as specified in its charter)

Delaware	**06-0495050**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1 Elmcroft Road, Stamford, Connecticut	**06926-0700**
(Address of principal executive offices)	(Zip Code)

(203) 356-5000
(Registrant s telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes o No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company.

Large accelerated filer þ Accelerated filer o Non-accelerated filer o Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No þ

Indicate the number of shares outstanding of each of the issuer s classes of common stock as of May 5, 2009.

Class	Outstanding
Common Stock, $1 par value per share	206,388,687 shares

PITNEY BOWES INC.
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PART I. FINANCIAL INFORMATION

Item 1: Financial Statements

PITNEY BOWES INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited; in thousands, except per share data)

	Three Months Ended March 31,	
	2009	**2008**
Revenue:		
Equipment sales	**$ 231,825**	$ 302,713
Supplies	**88,029**	107,600
Software	**79,726**	105,405
Rentals	**168,130**	184,953
Financing	**182,798**	198,939
Support services	**174,347**	191,525
Business services	**454,729**	482,822
Total revenue	**1,379,584**	1,573,957
Costs and expenses:		
Cost of equipment sales	**123,085**	161,113
Cost of supplies	**23,341**	27,872
Cost of software	**19,497**	27,737
Cost of rentals	**35,851**	38,304
Cost of support services	**98,326**	113,995
Cost of business services	**359,907**	379,291
Selling, general and administrative	**443,528**	496,495
Research and development	**46,949**	50,000
Restructuring charges and asset impairments		17,093
Interest expense	**52,203**	61,767
Interest income	**(1,552)**	(2,990)
Total costs and expenses	**1,201,135**	1,370,677
Income from continuing operations before income taxes	**178,449**	203,280
Provision for income taxes	**72,149**	75,547
Income from continuing operations	**106,300**	127,733
Gain (loss) from discontinued operations, net of income tax	**2,623**	(3,832)
Net income before attribution of noncontrolling interests	**108,923**	123,901
Less: Preferred stock dividends of subsidiaries attributable to noncontrolling interests	**4,521**	4,798
Pitney Bowes Inc. net income	**$ 104,402**	$ 119,103
Amounts attributable to Pitney Bowes Inc. common stockholders:		
Income from continuing operations	**$ 101,779**	$ 122,935
Gain (loss) from discontinued operations	**2,623**	(3,832)

Pitney Bowes Inc. net income	**$ 104,402**	$ 119,103
Basic earnings per share of common stock attributable to Pitney Bowes Inc. common stockholders (1):		
Continuing operations	**$ 0.49**	$ 0.58
Discontinued operations	**0.01**	(0.02)
Net income	**$ 0.51**	$ 0.56
Diluted earnings per share of common stock attributable to Pitney Bowes Inc. common stockholders (1):		
Continuing operations	**$ 0.49**	$ 0.58
Discontinued operations	**0.01**	(0.02)
Net income	**$ 0.50**	$ 0.56
Dividends declared per share of common stock	**$ 0.36**	$ 0.35

(1) The sum of the earnings per share amounts may not equal the totals above due to rounding.

See Notes to Condensed Consolidated Financial Statements

PITNEY BOWES INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited; in thousands, except share and per share data)

	March 31, 2009	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 423,217**	$ 376,671
Short-term investments	**19,717**	21,551
Accounts receivables, gross	**837,608**	924,886
Allowance for doubtful accounts receivables	**(42,336)**	(45,264)
Accounts receivables, net	**795,272**	879,622
Finance receivables	**1,428,249**	1,501,678
Allowance for credit losses	**(43,592)**	(45,932)
Finance receivables, net	**1,384,657**	1,455,746
Inventories	**170,228**	161,321
Current income taxes	**53,018**	59,594
Other current assets and prepayments	**79,458**	78,108
Total current assets	**2,925,567**	3,032,613
Property, plant and equipment, net	**555,963**	574,260
Rental property and equipment, net	**385,680**	397,949
Finance receivables	**1,396,195**	1,445,822
Allowance for credit losses	**(24,877)**	(25,858)
Finance receivables, net	**1,371,318**	1,419,964
Investment in leveraged leases	**195,340**	201,921
Goodwill	**2,209,599**	2,251,830
Intangible assets, net	**353,603**	375,822
Non-current income taxes	**62,283**	64,387
Other assets	**425,769**	417,685
Total assets	**$ 8,485,122**	$ 8,736,431
LIABILITIES AND STOCKHOLDERS DEFICIT		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 1,684,080**	$ 1,922,399
Current income taxes	**138,895**	108,662
Notes payable and current portion of long-term obligations	**384,382**	770,501
Advance billings	**482,215**	441,556
Total current liabilities	**2,689,572**	3,243,118
Deferred taxes on income	**270,630**	254,353
FIN 48 uncertainties and other income tax liabilities	**305,077**	294,487
Long-term debt	**4,227,697**	3,934,865
Other non-current liabilities	**820,310**	823,322
Total liabilities	**8,313,286**	8,550,145

Noncontrolling interests (Preferred stockholders equity in subsidiaries)	**374,165**	374,165
Commitments and contingencies (See Note 18)		
Stockholders deficit:		
Cumulative preferred stock, $50 par value, 4% convertible	**7**	7
Cumulative preference stock, no par value, $2.12 convertible	**972**	976
Common stock, $1 par value (480,000,000 shares authorized; 323,337,912 shares issued)	**323,338**	323,338
Additional paid-in capital	**255,535**	259,306
Retained earnings	**4,308,909**	4,278,804
Accumulated other comprehensive loss	**(644,905)**	(596,341)
Treasury stock, at cost (117,083,391 and 117,156,719 shares, respectively)	**(4,446,185)**	(4,453,969)
Total Pitney Bowes Inc. stockholders deficit	**(202,329)**	(187,879)
Total liabilities and stockholders deficit	**$ 8,485,122**	$ 8,736,431

See Notes to Condensed Consolidated Financial Statements

PITNEY BOWES INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited; in thousands)

	Three Months Ended March 31,	
	2009	**2008**
Cash flows from operating activities:		
Net income before attribution of noncontrolling interests	**$ 108,923**	$ 123,901
Restructuring charges, net of tax		10,353
Restructuring payments	**(32,701)**	(12,398)
Payments for settlement of derivative instruments	**(20,281)**	
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**87,386**	97,527
Stock-based compensation	**5,270**	5,959
Changes in operating assets and liabilities, excluding effects of acquisitions:		
(Increase) decrease in accounts receivables	**72,768**	(5,206)
(Increase) decrease in finance receivables	**102,248**	30,827
(Increase) decrease in inventories	**(11,499)**	(17,682)
(Increase) decrease in prepaid, deferred expense and other assets	**(2,540)**	(11,531)
Increase (decrease) in accounts payable and accrued liabilities	**(141,542)**	(85,485)
Increase (decrease) in current and non-current income taxes	**58,561**	49,231
Increase (decrease) in advance billings	**44,192**	57,553
Increase (decrease) in other operating capital, net	**5,686**	10,086
Net cash provided by operating activities	**276,471**	253,135
Cash flows from investing activities:		
Short-term and other investments	**6,397**	(6,767)
Capital expenditures	**(47,776)**	(56,933)
Net investment in external financing	**764**	4,674
Acquisitions, net of cash acquired		(5,100)
Reserve account deposits	**(21,675)**	(7,233)
Net cash used in investing activities	**(62,290)**	(71,359)
Cash flows from financing activities:		
Increase (decrease) in notes payable, net	**(384,650)**	(37,349)
Proceeds from long-term obligations	**297,513**	245,582
Principal payments on long-term obligations		(119,679)
Proceeds from issuance of common stock	**2,279**	6,108
Stock repurchases		(179,997)
Dividends paid to stockholders	**(74,297)**	(74,134)
Dividends paid to noncontrolling interests	**(4,521)**	(4,798)
Net cash used in financing activities	**(163,676)**	(164,267)
Effect of exchange rate changes on cash and cash equivalents	**(3,959)**	3,101
Increase in cash and cash equivalents	**46,546**	20,610
Cash and cash equivalents at beginning of period	**376,671**	377,176
Cash and cash equivalents at end of period	**$ 423,217**	$ 397,786

Cash interest paid	**$**	**72,749**	$	90,134
Cash income taxes paid, net	**$**	**9,374**	$	22,767

See Notes to Condensed Consolidated Financial Statements

PITNEY BOWES INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited; tabular dollars in thousands, except for per share data)

1. Basis of Presentation

The terms we , us , and our are used in this report to refer collectively to Pitney Bowes Inc. and its subsidiaries.

The accompanying unaudited Condensed Consolidated Financial Statements of Pitney Bowes Inc. have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and the instructions to Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In addition, the December 31, 2008 condensed consolidated balance sheet data was derived from audited financial statements, which were revised in the current period to reflect presentation changes for the adoption of SFAS 160, *Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51*, but does not include all disclosures required by accounting principles generally accepted in the United States of America. In our opinion, all adjustments (consisting of only normal recurring adjustments) considered necessary to present fairly our financial position at March 31, 2009 and December 31, 2008, our results of operations for the three months ended March 31, 2009 and 2008 and our cash flows for the three months ended March 31, 2009 and 2008 have been included. Operating results for the three months ended March 31, 2009 are not necessarily indicative of the results that may be expected for any other interim period or the year ending December 31, 2009.

These statements should be read in conjunction with the financial statements and notes thereto included in our 2008 Annual Report to Stockholders on Form 10-K.

Certain prior year amounts have been reclassified to conform with the current period presentation.

2. Nature of Operations

We are a provider of leading-edge, global, integrated mail and document management solutions for organizations of all sizes. We operate in two business groups: Mailstream Solutions and Mailstream Services. Mailstream Solutions includes worldwide revenue and related expenses from the sale, rental, and financing of mail finishing, mail creation, shipping equipment and software; production mail equipment; supplies; mailing support and other professional services; payment solutions; and mailing, customer communication and location intelligence software. Mailstream Services includes worldwide revenue and related expenses from facilities management services; secure mail services; reprographics, document management, and other value-added services for targeted customer markets; mail services operations, which include presort mail services and international mail services; and marketing services. See Note 7 to the Condensed Consolidated Financial Statements for details of our reporting segments and a description of their activities.

3. Recent Accounting Pronouncements

In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements* (SFAS 157), to define how the fair value of assets and liabilities should be measured in accounting standards where it is allowed or required. In addition to defining fair value, the Statement established a framework within GAAP for measuring fair value and expanded required disclosures surrounding fair value measurements. In February 2008, the FASB issued FASB Staff Position (FSP) FAS 157-2, *Effective Date of FASB Statement No. 157,* which delayed the effective date by one year for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. In October 2008, the FASB issued FSP FAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active*, to clarify the application of SFAS 157 in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. This FSP was effective immediately. In April 2009, the FASB issued FSP FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*, to provide additional guidance for estimating fair value when the volume and level of activity for the asset or liability have significantly decreased. This FSP will be effective for interim and annual reporting periods ending after June 15, 2009. We adopted SFAS 157 for financial assets and financial liabilities on January 1, 2008, and the adoption did not have a material impact on our financial position, results of operations, or cash flows. We adopted SFAS 157 for nonfinancial items on January 1, 2009, and the adoption did not have a material impact on our financial position, results of operations, or cash flows. We currently do not have any financial assets that are valued using inactive markets, and as such are not impacted by the issuances of FSP 157-3 and FSP 157-4. See Note 17 to the Condensed Consolidated Financial Statements for additional discussion on fair value measurements.

PITNEY BOWES INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited; tabular dollars in thousands, except for per share data)

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations* (SFAS 141(R)). SFAS 141(R) establishes principles and requirements for how a company (a) recognizes and measures in their financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest (previously referred to as minority interest); (b) recognizes and measures the goodwill acquired in a business combination or a gain from a bargain purchase; and (c) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of a business combination. SFAS 141(R) requires fair value measurements at the date of acquisition, with limited exceptions specified in the Statement. Some of the major impacts of this new standard include expense recognition for transaction costs and restructuring costs. SFAS 141(R) was effective for fiscal years beginning on or after December 15, 2008 and is applied prospectively. The adoption of this Statement has not had a material impact on our financial position, results of operations, or cash flows during the first quarter of 2009.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51* (SFAS 160). SFAS 160 addresses the accounting and reporting for the outstanding noncontrolling interest (previously referred to as minority interest) in a subsidiary and for the deconsolidation of a subsidiary. It also establishes additional disclosures in the consolidated financial statements that identify and distinguish between the interests of the parent s owners and of the noncontrolling owners of a subsidiary. This Statement is effective for fiscal years beginning on or after December 15, 2008. SFAS 160 requires retroactive adoption of the presentation and disclosure requirements for existing minority interests. All other requirements of SFAS 160 are applied prospectively. We adopted the presentation and disclosure requirements of SFAS 160 on a retrospective basis in the first quarter of 2009.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities* (SFAS 161). SFAS 161 requires enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities,* and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity s financial position, financial performance, and cash flows. This Statement is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. This Statement encourages, but does not require, comparative disclosures for earlier periods at initial adoption. The adoption of this Statement requires us to present currently disclosed information in a tabular format and also expands our disclosures concerning where derivatives are reported on the balance sheet and where gains/losses are recognized in the results of operations. The Company has complied with the disclosure requirements of this Statement in the first quarter of 2009. See Note 17 to the Condensed Consolidated Financial Statements for the additional disclosures.

In April 2008, the FASB issued FASB FSP No. 142-3, *Determination of the Useful Life of Intangible Assets* (FSP FAS 142-3). FSP FAS 142-3 removed the requirement of SFAS No. 142*, Goodwill and Other Intangible Assets* (SFAS 142)*,* for an entity to consider, when determining the useful life of an acquired intangible asset, whether the intangible asset can be renewed without substantial cost or material modification to the existing terms and conditions associated with the intangible asset. FSP FAS 142-3 replaces the previous useful life assessment criteria with a requirement that an entity considers its own experience in renewing similar arrangements. If the entity has no relevant experience, it would consider market participant assumptions regarding renewal. This should lead to greater consistency between the useful life of recognized intangibles under SFAS 142 and the period of expected cash flows used to measure fair value of such assets under SFAS No. 141(R), *Business Combinations*. FSP FAS 142-3 is being applied prospectively beginning January 1, 2009. The adoption of this Statement has not had a material impact on our financial position, results of operations, or cash flows during the first quarter 2009.

In November 2008, the Emerging Issues Task Force (EITF) issued EITF Issue No. 08-7, *Accounting for Defensive Intangible Assets*. EITF Issue No. 08-7 clarifies the accounting for certain separately identifiable assets, which an acquirer does not intend to actively use but intends to hold to prevent its competitors from obtaining access to them. EITF Issue No. 08-7 requires an acquirer to account for a defensive intangible asset as a separate unit of accounting, which should be amortized to expense over the period the asset diminishes in value. The provisions of EITF Issue No. 08-7 were adopted prospectively on January 1, 2009. This EITF Issue did not impact our financial position, results of operations, or cash flows during the first quarter 2009.

In December 2008, the FASB issued FSP FAS 132(R)-1, *Employers Disclosures about Postretirement Benefit Plan Assets*, which amends Statement No. 132(R) to require more detailed disclosures about employer s plan assets, including investment strategies, major categories of assets, concentrations of risk within plan assets and valuation techniques used to measure the fair value of assets. The FSP is effective for fiscal years ending after December 15, 2009. The Company will comply with the additional disclosure requirements.

PITNEY BOWES INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited; tabular dollars in thousands, except for per share data)

In April 2009, the FASB issued FSP No. FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments*. This FSP amends FASB Statement No. 107, *Disclosures about Fair Value of Financial Instruments,* to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. This FSP also amends APB Opinion No. 28, *Interim Financial Reporting,* to require those disclosures in summarized financial information at interim reporting periods. This FSP shall be effective for interim reporting periods ending after June 15, 2009. The Company will comply with the additional disclosure requirements beginning in the second quarter of 2009.

In April 2009, the FASB issued FSP No. FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments*. This FSP amends the other-than-temporary impairment guidance in U.S. GAAP for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. The FSP does not amend existing recognition and measurement guidance related to other-than-temporary impairments of equity securities. The FSP shall be effective for interim and annual reporting periods ending after June 15, 2009. The Company currently does not have any financial assets that are other-than-temporary impaired.

In April 2009, the SEC released Staff Accounting Bulletin No. 111 (SAB 111), which amends SAB Topic 5-M. SAB 111 notes that FSP No. 115-2 and FAS 124-2 were scoped to debt securities only, and the FSP referred readers to SEC SAB Topic 5-M for factors to consider with respect to other-than-temporary impairments for equity securities. With the amendments in SAB 111, debt securities are excluded from the scope of Topic 5-M, but the SEC staff s views on equity securities are still included within the topic. The Company currently does not have any financial assets that are other-than-temporary impaired.

In April 2009, the FASB issued FSP No. FAS 141(R)-1, *Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies*, to address some of the application issues under SFAS 141(R). The FSP deals with the initial recognition and measurement of an asset acquired or a liability assumed in a business combination that arises from a contingency provided the asset or liability s fair value on the date of acquisition can be determined. When the fair value can t be determined, the FSP requires using the guidance under SFAS No. 5, *Accounting for Contingencies,* and FASB Interpretation (FIN) No. 14, *Reasonable Estimation of the Amount of a Loss*. This FSP was effective for assets or liabilities arising from contingencies in business combinations for which the acquisition date is on or after January 1, 2009. The adoption of this FSP has not had a material impact on our financial position, results of operations, or cash flows during the first quarter of 2009.

4. Discontinued Operations

The following table shows selected financial information included in discontinued operations for the three months ended March 31, 2009 and 2008, respectively:

	Three Months Ended March 31,	
	2009	**2008**
Discontinued Operations		
Pre-tax income	**$ 9,773**	$
Tax provision	**(7,150)**	(3,832)
Gain (loss) from discontinued operations, net of tax	**$ 2,623**	$ (3,832)

The net gain for the three months ended March 31, 2009 relates to $9.8 million pre-tax income, less tax of $3.8 million, for a bankruptcy settlement, which was partially offset by the accrual of interest on uncertain tax positions. We received a bankruptcy settlement for unsecured claims pertaining to the leasing of certain aircraft. These leasing transactions were originally executed by our former Capital Services business, which was sold in 2006. At the time of the Capital Services sale, we retained the rights to the bankruptcy claims. Since these claims were attributable to our former Capital Services business, we recorded the gain on this settlement in discontinued operations. The net loss for the three months ended 2008 relates to the accrual of interest on uncertain tax positions.

5. Acquisitions

On April 21, 2008, we acquired Zipsort, Inc. for $40 million in cash, net of cash acquired. Zipsort, Inc. acts as an intermediary between customers and the U.S. Postal Service. Zipsort, Inc. offers mailing services that include presorting of first class, standard class, flats, permit and international mail as well as metering services. We assigned the goodwill to the Mail Services segment.

PITNEY BOWES INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited; tabular dollars in thousands, except for per share data)

There were no acquisitions during the three months ended March 31, 2009. The following table summarizes selected financial data for the opening balance sheet of the Zipsort, Inc. acquisition in 2008:

	2008
	Zipsort, Inc.
Purchase price allocation:	
Current assets	$ 708
Other non-current assets	11,707
Intangible assets	7,942
Goodwill	25,294
Current liabilities	(2,975)
Non-current liabilities	(2,885)
Purchase price, net of cash acquired	$ 39,791
Intangible assets:	
Customer relationships	$ 7,658
Non-compete agreements	284
Total intangible assets	$ 7,942
Intangible assets amortization period:	
Customer relationships	15 years
Non-compete agreements	4 years
Total weighted average	15 years

No tax deductible goodwill was added during the three months ended March 31, 2009.

During the three months ended March 31, 2008, we completed one acquisition with an aggregate cost of $5.1 million. This acquisition did not have a material impact on our financial results. The amount of tax deductible goodwill added from this acquisition was $3.6 million.

Consolidated impact of acquisitions

The Condensed Consolidated Financial Statements include the results of operations of the acquired businesses from their respective dates of acquisition. These acquisitions increased our revenue and earnings but, including related financing costs, did not materially impact earnings either on an aggregate or per share basis.

The following table provides unaudited pro forma consolidated revenue for the three months ended March 31, 2009 and 2008 as if our acquisitions had been acquired on January 1 of each year:

	Three Months Ended March 31,	
	2009	2008
Total revenue	**$ 1,379,584**	$ 1,589,527

The pro forma earnings results of these acquisitions were not material to net income or earnings per share. The pro forma consolidated results do not purport to be indicative of actual results that would have occurred had the acquisitions been completed on January 1, 2009 and 2008, nor do they purport to be indicative of the results that will be obtained in the future.

PITNEY BOWES INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited; tabular dollars in thousands, except for per share data)

6. Earnings per Share

A reconciliation of the basic and diluted earnings per share computations for the three months ended March 31, 2009 and 2008 is as follows:

	2009			**2008**		
	Income	**Weighted Average Shares**	**Per Share**	**Income**	**Weighted Average Shares**	**Per Share**
Pitney Bowes Inc. net income	**$ 104,402**			$ 119,103		
Less:						
Preferred stock dividends						
Preference stock dividends	**(19)**			(20)		
Basic earnings per share	**$ 104,383**	**206,255**	**$ 0.51**	$ 119,083	211,783	$ 0.56
Effect of dilutive securities:						
Data for basic earnings per share	**$ 104,383**	**206,255**		$ 119,083	211,783	
Preferred stock		**3**			3	
Preference stock	**19**	**596**		20	607	
Stock options and stock purchase plans					809	
Other stock plans		**4**			80	
Diluted earnings per share	**$ 104,402**	**206,858**	**$ 0.50**	$ 119,103	213,282	$ 0.56

	Per Share	**Per Share**
Basic earnings per share of common stock attributable to Pitney Bowes Inc. common stockholders:		
Continuing operations	**$ 0.49**	$ 0.58
Discontinued operations	**0.01**	(0.02)
Net income	**$ 0.51**	$ 0.56

	Per Share	**Per Share**
Diluted earnings per share of common stock attributable to Pitney Bowes Inc. common stockholders:		
Continuing operations	**$ 0.49**	$ 0.58
Discontinued operations	**0.01**	(0.02)
Net income	**$ 0.50**	$ 0.56

Note: The sum of the earnings per share amounts may not equal the totals above due to rounding.

In accordance with SFAS No. 128, *Earnings per Share*, approximately 6.9 million and 1.8 million common stock equivalent shares for the three months ended March 31, 2009 and 2008, respectively, issuable upon the exercise of stock options were excluded from the above computations because the exercise prices of such options were greater than the average market price of the common stock and therefore the impact of these shares was anti-dilutive.

On February 9, 2009, we made our annual stock compensation grant which consisted of approximately 1.6 million stock options and 0.8 million restricted stock units.

PITNEY BOWES INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited; tabular dollars in thousands, except for per share data)

7. Segment Information

We conduct our business activities in seven business segments within the Mailstream Solutions and Mailstream Services business groups. We calculate earnings before interest and taxes (EBIT) by deducting from revenue the related costs and expenses attributable to the segment. Segment EBIT excludes general corporate expenses, restructuring charges and asset impairments.

Mailstream Solutions:

U.S. Mailing: Includes the U.S. revenue and related expenses from the sale, rental and financing of our mail finishing, mail creation, shipping equipment and software; supplies; support and other professional services; and payment solutions.

International Mailing: Includes the non-U.S. revenue and related expenses from the sale, rental and financing of our mail finishing, mail creation, shipping equipment and software; supplies; support and other professional services; and payment solutions.

Production Mail: Includes the worldwide revenue and related expenses from the sale, financing, support and other professional services of our high-speed, production mail systems and sorting equipment.

Software: Includes the worldwide revenue and related expenses from the sale and support services of non-equipment-based mailing, customer communication and location intelligence software.

Mailstream Services:

Management Services: Includes worldwide facilities management services; secure mail services; reprographic, document management services; and litigation support and eDiscovery services.

Mail Services: Includes presort mail services and cross-border mail services.

Marketing Services: Includes direct marketing services for targeted customers; web-tools for the customization of promotional mail and marketing collateral; and other marketing consulting services.

PITNEY BOWES INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited; tabular dollars in thousands, except for per share data)

Revenue and EBIT by business segment for the three months ended March 31, 2009 and 2008 are as follows:

	Three Months Ended March 31,	
	2009	**2008**
Revenue:		
U.S. Mailing	**$ 508,523**	$ 552,585
International Mailing	**237,312**	308,333
Production Mail	**109,429**	135,404
Software	**75,375**	99,663
Mailstream Solutions	**930,639**	1,095,985
Management Services	**266,502**	302,635
Mail Services	**141,251**	125,422
Marketing Services	**41,192**	49,915
Mailstream Services	**448,945**	477,972
Total revenue	**$ 1,379,584**	$ 1,573,957