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 June 30, 2018

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.)
3001 Summer Street, Stamford, Connecticut	**06926**
(Address of principal executive offices)	(Zip Code)

(203) 356-5000

(Registrant's telephone number, including area code)

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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)
Smaller reporting company o	Emerging growth company o	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. 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

As of July 25, 2018, 188,021,682 shares of common stock, par value $1 per share, of the registrant were outstanding.

PITNEY BOWES INC.
INDEX

		Page Number
Part I - Financial Information:		
Item 1:	Financial Statements	
	Condensed Consolidated Statements of Income for the Three and Six Months Ended June 30, 2018 and 2017	3
	Condensed Consolidated Statements of Comprehensive Income for the Three and Six Months Ended June 30, 2018 and 2017	4
	Condensed Consolidated Balance Sheets at June 30, 2018 and December 31, 2017	5
	Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2018 and 2017	6
	Notes to Condensed Consolidated Financial Statements	7
Item 2:	Management's Discussion and Analysis of Financial Condition and Results of Operations	34
Item 3:	Quantitative and Qualitative Disclosures about Market Risk	44
Item 4:	Controls and Procedures	44
Part II - Other Information:		
Item 1:	Legal Proceedings	45
Item 1A:	Risk Factors	45
Item 2:	Unregistered Sales of Equity Securities and Use of Proceeds	45
Item 6:	Exhibits	46
Signatures		47

PART I. FINANCIAL INFORMATION

Item 1: Financial Statements

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	**2018**	2017
Revenue:				
Equipment sales	**$ 105,750**	$ 121,384	**$ 216,121**	$ 245,887
Supplies	**55,457**	58,639	**115,450**	119,694
Software	**91,702**	81,319	**167,996**	154,165
Rentals	**91,809**	95,447	**186,435**	194,754
Financing	**76,671**	83,653	**156,774**	169,398
Support services	**72,171**	72,068	**145,194**	147,273
Business services	**367,876**	217,903	**754,414**	442,422
Total revenue	**861,436**	730,413	**1,742,384**	1,473,593
Costs and expenses:				
Cost of equipment sales	**47,106**	51,506	**93,160**	96,122
Cost of supplies	**15,738**	16,216	**32,685**	33,068
Cost of software	**26,459**	23,361	**50,514**	46,515
Cost of rentals	**21,078**	21,143	**45,132**	41,422
Financing interest expense	**12,346**	12,843	**24,571**	25,817
Cost of support services	**39,609**	41,772	**82,736**	83,421
Cost of business services	**293,480**	153,063	**590,879**	303,906
Selling, general and administrative	**282,456**	283,073	**577,894**	573,645
Research and development	**31,073**	30,328	**61,395**	59,282
Restructuring charges and asset impairments, net	**11,503**	25,990	**12,407**	27,639
Other components of net pension and postretirement cost	**(2,499)**	1,267	**(4,218)**	2,723
Interest expense, net	**29,623**	27,600	**60,476**	53,276
Total costs and expenses	**807,972**	688,162	**1,627,631**	1,346,836
Income from continuing operations before taxes	**53,464**	42,251	**114,753**	126,757
Provision for income taxes	**6,458**	790	**22,721**	27,872
Income from continuing operations	**47,006**	41,461	**92,032**	98,885
Income from discontinued operations, net of tax	**1,208**	7,440	**9,695**	15,149
Net income	**$ 48,214**	$ 48,901	**$ 101,727**	$ 114,034
Basic earnings per share [(1)]:				
Continuing operations	**$ 0.25**	$ 0.22	**$ 0.49**	$ 0.53
Discontinued operations	**0.01**	0.04	**0.05**	0.08
Net income	**$ 0.26**	$ 0.26	**$ 0.54**	$ 0.61
Diluted earnings per share [(1)]:				
Continuing operations	**$ 0.25**	$ 0.22	**$ 0.49**	$ 0.53
Discontinued operations	**0.01**	0.04	**0.05**	0.08
Net income	**$ 0.26**	$ 0.26	**$ 0.54**	$ 0.61
Dividends declared per share of common stock	**$ 0.1875**	$ 0.1875	**$ 0.375**	$ 0.375

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

See Notes to Condensed Consolidated Financial Statements

PITNEY BOWES INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited; in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	**2018**	2017
Net income	**$ 48,214**	$ 48,901	**$ 101,727**	$ 114,034
Other comprehensive income, net of tax:				
Foreign currency translation	**(44,584)**	46,791	**(29,073)**	66,706
Net unrealized (loss) gain on cash flow hedges, net of tax of $(78), $(120), $154 and $235, respectively	**(235)**	(196)	**251**	383
Net unrealized (loss) gain on investment securities, net of tax of $(447), $758, $(1,813) and $1,102, respectively	**(1,305)**	1,291	**(5,296)**	1,876
Adjustments to pension and postretirement plans, net of tax of $(304)	**—**	—	**—**	(1,482)
Amortization of pension and postretirement costs, net of tax benefits of $2,564, $3,442, $5,368 and $6,956, respectively	**7,868**	6,624	**16,040**	13,335
Other comprehensive (loss) income, net of tax	**(38,256)**	54,510	**(18,078)**	80,818
Comprehensive income	**$ 9,958**	$ 103,411	**$ 83,649**	$ 194,852

See Notes to Condensed Consolidated Financial Statements

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

	June 30, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 689,870**	$ 1,009,021
Short-term investments	**55,699**	48,988
Accounts receivable (net of allowance of $13,515 and $14,786, respectively)	**408,703**	427,022
Short-term finance receivables (net of allowance of $14,924 and $12,187, respectively)	**812,055**	828,003
Inventories	**49,051**	40,769
Current income taxes	**39,100**	58,439
Other current assets and prepayments	**102,104**	74,589
Assets of discontinued operations	**313,356**	334,848
Total current assets	**2,469,938**	2,821,679
Property, plant and equipment, net	**398,909**	373,503
Rental property and equipment, net	**180,585**	183,956
Long-term finance receivables (net of allowance of $6,420 and $6,446 respectively)	**597,302**	652,087
Goodwill	**1,767,848**	1,774,645
Intangible assets, net	**249,125**	272,186
Noncurrent income taxes	**54,099**	59,909
Other assets	**528,945**	540,750
Total assets	**$ 6,246,751**	$ 6,678,715
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 1,349,344**	$ 1,450,149
Current income taxes	**5,686**	8,823
Current portion of long-term debt	**334,999**	271,057
Advance billings	**237,709**	257,766
Liabilities of discontinued operations	**84,219**	72,808
Total current liabilities	**2,011,957**	2,060,603
Deferred taxes on income	**234,190**	234,643
Tax uncertainties and other income tax liabilities	**105,803**	116,551
Long-term debt	**3,237,810**	3,559,278
Other noncurrent liabilities	**461,074**	519,079
Total liabilities	**6,050,834**	6,490,154
Commitments and contingencies (See Note 14)		
Stockholders' equity:		
Cumulative preferred stock, $50 par value, 4% convertible	**1**	1
Cumulative preference stock, no par value, $2.12 convertible	**415**	441
Common stock, $1 par value (480,000,000 shares authorized; 323,337,912 shares issued)	**323,338**	323,338
Additional paid-in capital	**122,732**	138,367
Retained earnings	**5,248,991**	5,229,584
Accumulated other comprehensive loss	**(810,251)**	(792,173)
Treasury stock, at cost (136,104,630 and 136,734,174 shares, respectively)	**(4,689,309)**	(4,710,997)
Total stockholders' equity	**195,917**	188,561
Total liabilities and stockholders' equity	**$ 6,246,751**	$ 6,678,715

See Notes to Condensed Consolidated Financial Statements

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

	Six Months Ended June 30,	
	2018	2017
Cash flows from operating activities:		
Net income	**$ 101,727**	$ 114,034
Income from discontinued operations	**(9,695)**	(15,149)
Restructuring payments	**(27,528)**	(17,651)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**101,862**	86,710
Stock-based compensation	**9,153**	12,531
Restructuring charges and asset impairments, net	**12,407**	27,639
Gain on sale of technology	**—**	(6,085)
Changes in operating assets and liabilities, net of acquisitions/divestitures:		
Decrease in accounts receivable	**14,323**	58,263
Decrease in finance receivables	**60,563**	76,915
Increase in inventories	**(6,706)**	(3,762)
Increase in other current assets and prepayments	**(33,041)**	(18,728)
Decrease in accounts payable and accrued liabilities	**(47,118)**	(69,146)
Increase (decrease) in current and non-current income taxes	**4,570**	(40,856)
Decrease in advance billings	**(22,643)**	(22,972)
Other, net	**(24,612)**	(11,192)
Net cash provided by operating activities - continuing operations	**133,262**	170,551
Net cash provided by operating activities - discontinued operations	**41,772**	14,096
Net cash provided by operating activities	**175,034**	184,647
Cash flows from investing activities:		
Purchases of available-for-sale securities	**(48,303)**	(70,405)
Proceeds from sales/maturities of available-for-sale securities	**36,157**	61,913
Net activity from short-term and other investments	**10,959**	(131,303)
Capital expenditures	**(100,022)**	(75,844)
Acquisition of businesses, net of cash acquired	**(2,407)**	(7,889)
Change in reserve account deposits	**5,959**	2,514
Other investing activities	**(2,500)**	(3,000)
Net cash used in investing activities - continuing operations	**(100,157)**	(224,014)
Net cash used in investing activities - discontinued operations	**(1,169)**	(777)
Net cash used in investing activities	**(101,326)**	(224,791)
Cash flows from financing activities:		
Proceeds from the issuance of long-term debt	**—**	395,772
Principal payments of long-term debt	**(260,099)**	(229,323)
Dividends paid to stockholders	**(70,113)**	(69,527)
Other financing activities	**(49,606)**	(5,551)
Net cash (used in) provided by financing activities	**(379,818)**	91,371
Effect of exchange rate changes on cash and cash equivalents	**(13,041)**	24,815
(Decrease) increase in cash and cash equivalents	**(319,151)**	76,042
Cash and cash equivalents at beginning of period	**1,009,021**	764,522
Cash and cash equivalents at end of period	**$ 689,870**	$ 840,564
Cash interest paid	**$ 89,339**	$ 82,405
Cash income tax payments, net of refunds	**$ 19,244**	$ 78,649

See Notes to Condensed Consolidated Financial Statements

1. Description of Business and Basis of Presentation

Pitney Bowes Inc. (we, us, our, or the company), was incorporated in the state of Delaware in 1920. We are a global technology company offering innovative products and solutions that help our clients navigate the complex world of commerce. We provide innovative products and solutions for mailing, shipping and cross border ecommerce that enable the sending of packages globally and products and solutions for customer information management, location intelligence and customer engagement to help our clients market to their customers. Clients around the world rely on our products, solutions and services. For more information about us, our products, services and solutions, visit www.pb.com.

The accompanying unaudited Condensed Consolidated Financial Statements 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, 2017 Condensed Consolidated Balance Sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. In management's opinion, all adjustments, consisting only of normal recurring adjustments, considered necessary to fairly state our financial position, results of operations and cash flows for the periods presented have been included. Operating results for the periods presented are not necessarily indicative of the results that may be expected for any other interim period or for the year ending December 31, 2018. These statements should be read in conjunction with the financial statements and notes thereto included in our Annual Report to Stockholders on Form 10-K for the year ended December 31, 2017 (2017 Annual Report).

During the quarter, we entered into an agreement to sell our Document Messaging Technologies production mail business and supporting software (collectively, the Production Mail Business). Accordingly, the Production Mail Business is now reported as a discontinued operation in our condensed consolidated financial statements. Prior periods have been recast to conform to the current period presentation. See Note 4 for further details.

Accounting Pronouncements Adopted on January 1, 2018

We adopted Accounting Standard Update (ASU) 2014-09, *Revenue from Contracts with Customers* (ASC 606), which requires companies to recognize revenue when or as control of a promised good or service is transferred to a client in amounts that reflect consideration the company expects to receive in exchange for those goods and services. See Note 2 for more information on the adoption of ASC 606.

We adopted ASU No. 2016-16, *Income Taxes: Intra-entity Transfers of Assets other than Inventory,* which requires tax expense to be recognized from the sale of intra-entity assets, other than inventory, when the transfer occurs, even though the effects of the transaction are eliminated in consolidation. Under prior guidance, the tax effects of transfers were deferred until the transferred asset was sold or otherwise recovered through use. We recognized the cumulative effect of initially applying this standard as a net reduction of $3 million to opening retained earnings.

We adopted ASU 2017-07, *Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Benefit Cost.* The ASU requires only the service cost component of net periodic benefit cost be presented in the same income statement line item as other employee compensation costs. Other components of the net periodic benefit cost are now presented separately in other components of net pension and postretirement costs in the Consolidated Statements of Income. Prior period information has been recast to conform to the current period presentation.

We adopted ASU 2016-01, *Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*. This standard primarily affects the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. There was no impact on our consolidated financial statements.

We early adopted ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities.* The ASU changes the recognition and presentation requirements as well as the cost and complexity of applying hedge accounting by easing the requirements for effectiveness testing and hedge documentation. There was no impact on our consolidated financial statements.

We adopted ASU 2017-09, *Scope of Modification Accounting*. The ASU provides guidance about which changes to terms and conditions of a share-based payment award require an entity to apply modification accounting. There was no impact on our consolidated financial statements.

We adopted ASU 2017-01, *Clarifying the Definition of a Business,* which clarifies the definition of a business with the objective of adding guidance to assist entities in evaluating whether transactions should be accounted for as an acquisition or disposal of assets or a business. There was no impact on our consolidated financial statements.

New Accounting Pronouncements - Not Yet Adopted

In February 2018, the FASB issued ASU 2018-02, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income* (AOCI). The ASU permits a reclassification of the disproportionate income tax effects of the 2017 Tax Cuts and Jobs Act (the Act) on items within AOCI to retained earnings. The ASU also requires certain new disclosures, some of which are applicable for all companies. The standard is effective beginning January 1, 2019; however, early adoption is permitted. We are currently assessing the impact this standard will have on our consolidated financial statements.

In March 2017, the FASB issued ASU 2017-08, *Receivables - Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities*. The ASU shortens the amortization period for certain callable debt securities held at a premium, requiring the premium to be amortized to the earliest call date. The standard will be applied on a modified retrospective basis through a cumulative effect adjustment as of the beginning of the period of adoption. The standard is effective beginning January 1, 2019; however, early adoption is permitted. We are currently assessing the impact this standard will have on our consolidated financial statements.

In January 2017, the FASB issued ASU 2017-06, *Plan Accounting: Defined Benefit Pension Plans (Topic 960); Defined Contribution Pension Plans (Topic 962); Health and Welfare Benefit Plans (Topic 965): Employee Benefit Plan Master Trust Reporting*. The ASU requires separate disclosure in the statement of net assets available for benefits and the statement of changes in net assets available for benefits of changes in any interests held in a Master Trust and other enhanced disclosures. The standard is effective beginning January 1, 2019. We are currently evaluating the impact this standard will have on our consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses*. The ASU sets forth a "current expected credit loss" (CECL) model, which requires companies to measure expected credit losses for all financial instruments held at the reporting date based on historical experience, current conditions and reasonably supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost and applies to some off-balance sheet credit exposures. This standard is effective beginning January 1, 2020. We are currently assessing the impact this standard will have on our consolidated financial statements and disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases.* This standard, among other things, requires lessees to recognize almost all leases on their balance sheet as a right-of-use asset and a lease liability and provide enhanced disclosures. The standard is effective beginning January 1, 2019. We are currently assessing the impact this standard will have on our consolidated financial statements and disclosures.

2. Revenue from Contracts with Customers

Adoption of ASC 606

We adopted ASU 2014-09, *Revenue from Contracts with Customers* (ASC 606) using the modified retrospective approach. Prior period information was not restated and continues to be reported under the accounting standards in effect for those periods. We recognized a cumulative effect adjustment from the adoption of this standard that reduced opening retained earnings by $9 million. Significant components of the cumulative effect adjustment include:

- The write-off of previously capitalized deferred marketing costs that did not meet the criteria for capitalization under ASC 606.
- The capitalization of certain costs to obtain a contract, primarily sales commissions, that are permitted to be capitalized under ASC 606.
- The establishment of deferred revenue related to the early renewal of software and data license contracts with terms beginning in 2018, as ASC 606 requires revenue recognition at the commencement of the license term.
- The write-off of deferred revenues and related costs for certain software licenses bundled with a lease that are recognized at time of delivery under ASC 606.
- The write-off of advance billings related to certain software data products that are recognized upon delivery under ASC 606.

The impact on our consolidated financial statements as if they were presented under the prior guidance is as follows:

	Three months ended June 30, 2018			Six months ended June 30, 2018		
	As reported	Prior guidance	Total increase (decrease)	As reported	Prior guidance	Total increase (decrease)
Income Statement						
Total revenue	**$ 861,436**	**$ 852,781**	**$ 8,655**	**$ 1,742,384**	**$ 1,724,060**	**$ 18,324**
Equipment sales	$ 105,750	$ 106,301	$ (551)	$ 216,121	$ 217,533	$ (1,412)
Software	$ 91,702	$ 82,054	$ 9,648	$ 167,996	$ 147,329	$ 20,667
Business services	$ 367,876	$ 368,318	$ (442)	$ 754,414	$ 755,345	$ (931)
Total costs and expenses	**$ 807,972**	**$ 810,342**	**$ (2,370)**	**$ 1,627,631**	**$ 1,629,841**	**$ (2,210)**
Cost of equipment sales	$ 47,106	$ 47,035	$ 71	$ 93,160	$ 93,219	$ (59)
Cost of software	$ 26,459	$ 25,769	$ 690	$ 50,514	$ 48,542	$ 1,972
Selling, general and administrative	$ 282,456	$ 285,587	$ (3,131)	$ 577,894	$ 582,017	$ (4,123)
Income from continuing operations before taxes	**$ 53,464**	**$ 42,439**	**$ 11,025**	**$ 114,753**	**$ 94,221**	**$ 20,532**
Provision for income taxes	$ 6,458	$ 3,640	$ 2,818	$ 22,721	$ 17,434	$ 5,287
Net income from continuing operations	**$ 47,006**	**$ 38,799**	**$ 8,207**	**$ 92,032**	**$ 76,787**	**$ 15,245**
Basic earnings per share attributable to common stockholders - continuing operations	$ 0.25	$ 0.21	$ 0.04	$ 0.49	$ 0.41	$ 0.08
Diluted earnings per share attributable to common stockholders - continuing operations	$ 0.25	$ 0.22	$ 0.03	$ 0.49	$ 0.41	$ 0.08

The most significant change to the Consolidated Statements of Income for the three and six months ended June 30, 2018, was due to higher software revenue of $10 million and $21 million, respectively, under ASC 606 primarily as a result of the change in timing of revenue recognition related to certain software licenses and data subscriptions. These higher software revenues also resulted in higher income from continuing operations before taxes of $9 million and $19 million for the three and six months ended June 30, 2018, respectively.

	June 30, 2018		
	As reported	Prior guidance	Total increase (decrease)
Balance Sheet			
Total Assets	**$ 6,246,751**	**$ 6,250,943**	**$ (4,192)**
Accounts receivable	$ 408,703	$ 407,204	$ 1,499
Current income taxes	$ 39,100	$ 39,298	$ (198)
Other current assets and prepayments	$ 102,104	$ 102,760	$ (656)
Assets of discontinued operations	$ 313,356	$ 312,922	$ 434
Noncurrent income taxes	$ 54,099	$ 54,429	$ (330)
Other assets	$ 528,945	$ 533,886	$ (4,941)
Total Liabilities	**$ 6,050,834**	**$ 6,062,221**	**$ (11,387)**
Accounts payable and accrued liabilities	$ 1,349,344	$ 1,347,837	$ 1,507
Current income taxes	$ 5,686	$ 43	$ 5,643
Advance billings	$ 237,709	$ 250,948	$ (13,239)
Liabilities of discontinued operations	$ 84,219	$ 84,132	$ 87
Deferred taxes on income	$ 234,190	$ 238,539	$ (4,349)
Other noncurrent liabilities	$ 461,074	$ 462,110	$ (1,036)
Total Stockholders' equity	**$ 195,917**	**$ 188,722**	**$ 7,195**
Retained earnings	$ 5,248,991	$ 5,241,824	$ 7,167
Accumulated other comprehensive loss	$ (810,251)	$ (810,279)	$ 28

The most significant changes to the Consolidated Balance Sheet at June 30, 2018 were:

- Higher accounts receivable, net and accounts payable and accrued liabilities due to reserves for refunds to customers that were recorded in accounts receivable, net under previous guidance.
- Lower other assets primarily due to the write-off of deferred marketing costs at January 1, 2018, offset by the capitalization of certain costs to obtain a contract, including sales commissions and other contract costs.
- Lower advance billings and other noncurrent liabilities due to the write-off of deferred revenue from software licenses bundled with leases and data products, which are now recognized at time of delivery rather than ratably under previous guidance.

Cash Flow Statement

The adoption of ASC 606 had no impact on our Consolidated Statements of Cash Flows.

Significant Accounting Policies

The most significant impact of ASC 606 on our consolidated financial statements will be in the timing of recognizing certain revenues and costs to obtain a contract related to software and software related products. We will continue to recognize revenue from equipment sales under sales-type leases and related financing income and rental of postage meters and mailing equipment in accordance with ASC 840, Leases.

We applied the following practical expedients and policy elections when adopting ASC 606:

- Costs incurred to obtain a contract with a customer are expensed if the amortization period is one year or less.
- With the exception of certain services contracts, all taxes assessed by government authorities, such as sales and use taxes, value added taxes and excise taxes, are excluded from the transaction price.
- The transaction price is not adjusted for a significant financing component when a performance obligation is satisfied within one year.
- Revenue is recognized based on the amount billable to the customer when that amount corresponds to the value transferred to the customer.
- Shipping and handling activities are accounted for as a fulfillment activity rather than a separate performance obligation.
- We reflected the aggregate effect of all modifications when identifying performance obligations and allocating transaction price.

Significant changes to accounting policies disclosed in our 2017 Annual Report due to the adoption of ASC 606 are discussed below.

Software Sales and Integration Services

Our software products include software and data licenses that are either "right to use" or "right to access". A majority of our software and data license products are considered right to use and are generally distinct from other promised goods and services within a contract. Revenue for right to use software and data licenses is recognized at a point in time when control has transferred to the customer, which is generally upon delivery or acceptance for those licenses requiring significant integration or customization. Revenue from renewals are recognized at the beginning of the license term.

Right to access licenses generally bundle certain software licenses, data licenses and data updates that are highly interdependent and the updates are critical to the continued use of the license by the customer. Revenue for these arrangements are deferred and recognized ratably over the license term.

We generally invoice customers upon delivery of our software and data licenses. Data contracts that include both data and data updates are invoiced in one or more equal installments. A contract asset is recognized on data licenses for which consideration will be received in future periods.

We allocate the transaction price based on relative standalone selling prices, which are generally based on observable selling prices in standalone transactions for our data products, maintenance and professional services. We estimate the standalone selling prices for our software licenses using the residual approach, as the selling prices are highly variable and when observable standalone selling prices exist for the other goods and services in the contract.

We often bundle software licenses with lease contracts. Revenue is recognized upon delivery of those software licenses considered distinct and functional in nature.

Costs to Obtain a Contract and Marketing Costs

Certain incremental costs to obtain a contract are capitalized if we expect the benefit of those costs to be realized over a period greater than one year. These costs primarily relate to sales commission on multi-year equipment and software support service contracts. These costs are amortized in a manner consistent with the timing of the related revenue over the contract performance period or longer, if renewals are expected and the renewal commission is not commensurate with the initial commission. Amortization expense for the three and six months ended June 30, 2018 was $3 million and $7 million, respectively, and is included in selling, general and administrative expenses. Unamortized contract costs at June 30, 2018 were $26 million and are included in other assets.

Certain marketing costs associated with the acquisition of new customers are expensed as incurred since these costs do not meet the criteria of a cost to obtain a contract.

Revenue from Contracts with Customers

The following tables disaggregate our revenue by major source:

	Three months ended June 30, 2018							
	Global Ecommerce	Presort Services	North America Mailing	International Mailing	Software Solutions	Total Revenue from sales and services (ASC 606)	Revenue from leasing transactions and financing	Total Consolidated Revenue
Equipment sales	$ —	$ —	$ 15,303	$ 11,654	$ —	$ 26,957	$ 78,793	$ 105,750
Supplies	—	—	36,271	19,186	—	55,457	—	55,457
Software	—	—	—	—	91,702	91,702	—	91,702
Rentals	—	—	5,121	2,139	—	7,260	84,549	91,809
Financing	—	—	15,714	2,866	—	18,580	58,091	76,671
Support services	—	—	50,902	21,269	—	72,171		72,171
Business services	239,100	122,730	4,453	1,593	—	367,876	—	367,876
	$ 239,100	$ 122,730	$ 127,764	$ 58,707	$ 91,702	$ 640,003	$ 221,433	$ 861,436
Revenue from sales and services (ASC 606)	$ 239,100	$ 122,730	$ 127,764	$ 58,707	$ 91,702	$ 640,003	$ —	$ 640,003
Revenue from leasing transactions and financing	—	—	186,782	34,651	—	—	221,433	221,433
Total revenue	$ 239,100	$ 122,730	$ 314,546	$ 93,358	$ 91,702	$ 640,003	$ 221,433	$ 861,436
Timing of revenue recognition (ASC 606)								
Products/services transferred at a point in time	$ —	$ —	$ 51,574	$ 30,840	$ 38,963	$ 121,377		
Products/services transferred over time	239,100	122,730	76,190	27,867	52,739	518,626		
Total revenue	$ 239,100	$ 122,730	$ 127,764	$ 58,707	$ 91,702	$ 640,003		

	Six months ended June 30, 2018							
	Global Ecommerce	Presort Services	North America Mailing	International Mailing	Software Solutions	Total Revenue from sales and services (ASC 606)	Revenue from leasing transactions and financing	Total Consolidated Revenue
Equipment sales	$ —	$ —	$ 32,449	$ 25,018	$ —	$ 57,467	$ 158,654	$ 216,121
Supplies	—	—	75,223	40,227	—	115,450	—	115,450
Software	—	—	—	—	167,996	167,996	—	167,996
Rentals	—	—	10,832	4,305	—	15,137	171,298	186,435
Financing	—	—	32,290	5,842	—	38,132	118,642	156,774
Support services	—	—	101,647	43,547	—	145,194	—	145,194
Business services	485,690	257,188	8,255	3,281	—	754,414	—	754,414
	$ 485,690	$ 257,188	$ 260,696	$ 122,220	$ 167,996	$ 1,293,790	$ 448,594	$ 1,742,384
Revenue from sales and services (ASC 606)	$ 485,690	$ 257,188	$ 260,696	$ 122,220	$ 167,996	$ 1,293,790	$ —	$ 1,293,790
Revenue from leasing transactions and financing	—	—	379,419	69,175	—	—	448,594	448,594
Total revenue	$ 485,690	$ 257,188	$ 640,115	$ 191,395	$ 167,996	$ 1,293,790	$ 448,594	$ 1,742,384
Timing of revenue recognition (ASC 606)								
Products/services transferred at a point in time	$ —	$ —	$ 107,672	$ 65,245	$ 65,020	$ 237,937		
Products/services transferred over time	485,690	257,188	153,024	56,975	102,976	1,055,853		
Total revenue	$ 485,690	$ 257,188	$ 260,696	$ 122,220	$ 167,996	$ 1,293,790		

Our performance obligations are as follows:

Equipment sales and supplies: Our performance obligations generally include the sale of mailing equipment, excluding sales-type leases, and supplies. We recognize revenue upon delivery for self-install equipment and supplies and upon acceptance or installation for other equipment. We provide a warranty that our equipment is free of defects and meets stated specifications. The warranty is not considered a separate performance obligation.

Software: Our performance obligations include the sale of software licenses, maintenance, data products and professional services. Revenue for licenses is generally recognized upon delivery or over time for those licenses that require critical updates over the term of the contract.

Rentals: Our performance obligations include the fees associated with postage refills for meters.

Financing: Our performance obligations for financing revenue include services under our equipment replacement program. The fees received for this program are recognized ratably over the contract term.

Support services: Our performance obligations include providing maintenance and professional services for our equipment. Maintenance contract revenue is recognized ratably over the contract period and revenue for professional services is recognized when services are complete.

Business services: Our performance obligations include mail processing services and ecommerce solutions. Revenue is recognized as the services are provided as these services represent a series of distinct services that are similar and the revenue is recognized as the services are provided.

Revenue from leasing transactions and financing include revenue from sales-type leases, finance income and late fees that are not accounted for under ASC 606.

Contract Assets and Advance Billings from Contracts with Customers

	June 30, 2018	January 1, 2018 [1]	Total increase (decrease)
Contracts assets, current	$ 8,213	$ 5,075	$ 3,138
Contracts assets, noncurrent	$ 4,006	$ 648	$ 3,358
Advance billings, current	$ 186,778	$ 209,098	$ (22,320)
Advance billings, noncurrent	$ 14,658	$ 17,765	$ (3,107)

[1] Balances adjusted for the cumulative effect of accounting change

Contract assets are recorded in other current assets and prepayments and other assets, respectively. Advance billings are recorded in advance billings and other noncurrent liabilities.

Contract Assets

We record contract assets when performance obligations are satisfied in advance of invoicing the customer when the right to consideration is conditional on the satisfaction of another performance obligation within a contract. The net increase is driven by revenue recognized on data contracts during the second quarter, for which consideration will be invoices in future periods.

Advance Billings from Contracts with Customers

Advance billings are recorded when cash payments are due in advance of our performance. Items in advance billings primarily relate to support services on equipment and software licenses, subscription services and certain software data products. Revenue is recognized ratably over the contract term.

The net decrease in advance billings at June 30, 2018 is primarily driven by revenues recognized during the period, which includes $128 million of advance billings at the beginning of the period, partially offset by advance billings in the quarter.

Future Performance Obligations

The transaction prices allocated to future performance obligations will be recognized as follows:

	Total	Remainder of 2018	2019	2020-2025
North America Mailing[1]	$ 233,955	$ 57,793	$ 89,529	$ 86,633
International Mailing[1]	117,562	29,432	36,415	51,715
Software Solutions[2]	102,383	41,674	36,120	24,589
Total	$ 453,900	$ 128,899	$ 162,064	$ 162,937

[1] Revenue streams bundled with our leasing contracts, primarily maintenance and other services
[2] Multiple-year software maintenance contracts, certain software and data licenses and data updates

The table above does not include revenue related to performance obligations for contracts with terms less than 12 months and expected consideration for those performance obligations where revenue is recognized based on the amount billable to the customer.

3. Segment Information

In January 2018, we revised our business reporting groups to reflect how we manage these groups and clients served in each market. The Commerce Services group was formed and includes our Global Ecommerce and Presort Services segments. We have classified the operating results of the Production Mail Business as discontinued operations and as such, segment operating results for prior years have been recast to conform to this presentation. The principal products and services of each of our reportable segments are as follows:

Commerce Services:

Global Ecommerce: Includes the worldwide revenue and related expenses from cross-border ecommerce transactions and domestic retail and ecommerce shipping solutions, including fulfillment and returns.

Presort Services: Includes revenue and related expenses from sortation services which allow clients to qualify large mail volumes for postal worksharing discounts.

Small & Medium Business Solutions:

North America Mailing: Includes the revenue and related expenses from mailing and office solutions, financing services and supplies for small and medium businesses to efficiently create physical and digital mail, evidence postage and help simplify and save on the sending, tracking and receiving of letters, parcels and flats in the U.S. and Canada.

International Mailing: Includes the revenue and related expenses from mailing and office solutions, financing services and supplies for small and medium businesses to efficiently create physical and digital mail, evidence postage and help simplify and save on the sending, tracking and receiving of letters, parcels and flats in areas outside the U.S. and Canada.

Software Solutions:

Includes the worldwide revenue and related expenses from the licensing of customer engagement, customer information, and location intelligence software and data solutions and related support services.

We determine segment earnings before interest and taxes (EBIT) by deducting from segment revenue the related costs and expenses attributable to the segment. Segment EBIT excludes interest, taxes, general corporate expenses, restructuring charges and other items, which are not allocated to a particular business segment. Management uses segment EBIT to measure profitability and performance at the segment level and believes that it provides a useful measure of operating performance and underlying trends of the businesses. Segment EBIT may not be indicative of our overall consolidated performance and therefore, should be read in conjunction with our consolidated results of operations. The following tables provide information about our reportable segments.

Revenue and EBIT by business segment is presented below:

	Revenue			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	**2018**	2017
Global Ecommerce	**$ 239,100**	$ 94,506	**$ 485,690**	$ 182,658
Presort Services	**122,730**	118,452	**257,188**	251,129
Commerce Services	**361,830**	212,958	**742,878**	433,787
North America Mailing	**314,546**	340,949	**640,115**	696,902
International Mailing	**93,358**	95,425	**191,395**	188,624
Small & Medium Business Solutions	**407,904**	436,374	**831,510**	885,526
Software Solutions	**91,702**	81,081	**167,996**	154,280
Total revenue	**$ 861,436**	$ 730,413	**$ 1,742,384**	$ 1,473,593

	EBIT			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	**2018**	2017
Global Ecommerce	**$ (5,993)**	$ (4,030)	**$ (13,704)**	$ (8,300)
Presort Services	**12,565**	19,270	**39,591**	49,987
Commerce Services	**6,572**	15,240	**25,887**	41,687
North America Mailing	**115,193**	120,797	**234,763**	262,041
International Mailing	**13,215**	14,020	**29,246**	27,430
Small & Medium Business Solutions	**128,408**	134,817	**264,009**	289,471
Software Solutions	**18,433**	5,091	**20,925**	6,397
Total segment EBIT	**153,413**	155,148	**310,821**	337,555
Reconciling items:				
Unallocated corporate expenses	**(46,477)**	(52,549)	**(97,561)**	(110,151)
Interest, net	**(41,969)**	(40,443)	**(85,047)**	(79,093)
Restructuring charges and asset impairments, net	**(11,503)**	(25,990)	**(12,407)**	(27,639)
Gain from the sale of technology	**—**	6,085	**—**	6,085
Transaction costs	**—**	—	**(1,053)**	—
Income from continuing operations before income taxes	**53,464**	42,251	**114,753**	126,757
Provision for income taxes	**6,458**	790	**22,721**	27,872
Income from discontinued operations, net of tax	**1,208**	7,440	**9,695**	15,149
Net income	**$ 48,214**	$ 48,901	**$ 101,727**	$ 114,034

4. Discontinued Operations

On July 2, 2018, we completed the sale of the Production Mail Business, other than in certain non-U.S. jurisdictions, to an affiliate of Platinum Equity, LLC, a leading global private equity firm. Cash proceeds received at the closing were $316 million. We expect to close the other non-U.S. jurisdiction sales in the third and fourth quarters, subject to local regulatory requirements. On August 1, 2018, following the completion of certain local requirements in a non-U.S. jurisdiction, we received an additional $24 million.

Net proceeds from the sale after the payment of closing costs, transaction fees and taxes are estimated to be approximately $270 million.

In connection with the sale of the Production Mail Business, we entered into Transition Services Agreements (TSAs) with the purchaser whereby we will perform certain support functions for periods of a year or less. None of these TSAs will have a material effect on our financial performance.

Selected financial information of the Production Mail Business included in discontinued operations is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	**2018**	2017
Revenue	**$ 89,201**	$ 90,958	**$ 191,435**	$ 184,418
Earnings from discontinued operations	**$ 8,278**	$ 11,602	**$ 21,620**	$ 23,645
Transaction costs	**(7,238)**	—	**(8,777)**	—
Income from discontinued operations before taxes	**1,040**	11,602	**12,843**	23,645
Tax (benefit) provision	**(168)**	4,162	**3,148**	8,496
Income from discontinued operations, net of tax	**$ 1,208**	$ 7,440	**$ 9,695**	$ 15,149

The assets and liabilities of the Production Mail Business have been classified as assets of discontinued operations and liabilities of discontinued operations on the Condensed Consolidated Balance Sheets. The major categories of assets and liabilities of the Production Mail Business included in assets of discontinued operations and liabilities of discontinued operations are as follows:

	June 30, 2018	December 31, 2017
Accounts receivable, net	**$ 69,924**	$ 97,402
Inventories	**54,808**	48,910
Other current assets and prepayments	**6,653**	3,365
Property, plant and equipment, net	**3,185**	5,541
Rental property and equipment, net	**1,041**	1,786
Goodwill	**176,501**	177,799
Other assets	**1,244**	45
Total assets of discontinued operations	**$ 313,356**	$ 334,848
Accounts payable and accrued liabilities	**$ 34,244**	$ 36,592
Advance billings	**44,694**	30,607
Other noncurrent liabilities	**5,281**	5,609
Total liabilities of discontinued operations	**$ 84,219**	$ 72,808

5. Earnings per Share

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	**2018**	2017
Numerator:				
Net income from continuing operations	**$ 47,006**	$ 41,461	**$ 92,032**	$ 98,885
Income from discontinued operations, net of tax	**1,208**	7,440	**9,695**	15,149
Net income (numerator for diluted EPS)	**48,214**	48,901	**101,727**	114,034
Less: Preference stock dividend	**8**	10	**16**	19
Income attributable to common stockholders (numerator for basic EPS)	**$ 48,206**	$ 48,891	**$ 101,711**	$ 114,015
Denominator:				
Weighted-average shares used in basic EPS	**187,180**	186,333	**187,004**	186,136
Effect of dilutive shares	**934**	1,044	**1,053**	809
Weighted-average shares used in diluted EPS	**188,114**	187,377	**188,057**	186,945
Basic earnings per share:				
Continuing operations	**$ 0.25**	$ 0.22	**$ 0.49**	$ 0.53
Discontinued operations	**0.01**	0.04	**0.05**	0.08
Net Income	**$ 0.26**	$ 0.26	**$ 0.54**	$ 0.61
Diluted earnings per share:				
Continuing operations	**$ 0.25**	$ 0.22	**$ 0.49**	$ 0.53
Discontinued operations	**0.01**	0.04	**0.05**	0.08
Net Income	**$ 0.26**	$ 0.26	**$ 0.54**	$ 0.61
Anti-dilutive shares not used in calculating diluted weighted-average shares	**12,453**	9,916	**11,959**	11,379

6. Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined on the last-in, first-out (LIFO) basis for most U.S. inventories and the first-in, first-out (FIFO) basis for most non-U.S. inventories. Inventories at June 30, 2018 and December 31, 2017 consisted of the following:

	June 30, 2018	December 31, 2017
Raw materials	**$ 13,502**	$ 11,767
Supplies and service parts	**21,822**	21,475
Finished products	**19,461**	13,261
Inventory at FIFO cost	**54,785**	46,503
Excess of FIFO cost over LIFO cost	**(5,734)**	(5,734)
Total inventory, net	**$ 49,051**	$ 40,769

7. Finance Assets

Finance Receivables

Finance receivables are comprised of sales-type lease receivables and unsecured revolving loan receivables. Sales-type lease receivables are generally due in monthly, quarterly or semi-annual installments over periods ranging from three to five years. Loan receivables arise primarily from financing services offered to our clients for postage and supplies. Loan receivables are generally due each month; however, clients may rollover outstanding balances. Interest is recognized on loan receivables using the effective interest method and related annual fees are initially deferred and recognized ratably over the annual period covered. Client acquisition costs are expensed as incurred.

Finance receivables at June 30, 2018 and December 31, 2017 consisted of the following:

	June 30, 2018			December 31, 2017		
	North America	**International**	**Total**	North America	International	Total
Sales-type lease receivables						
Gross finance receivables	**$ 1,004,241**	**$ 273,118**	**$ 1,277,359**	$ 1,023,549	$ 292,059	$ 1,315,608
Unguaranteed residual values	**62,358**	**13,391**	**75,749**	74,093	14,202	88,295
Unearned income	**(209,870)**	**(58,527)**	**(268,397)**	(216,720)	(62,325)	(279,045)
Allowance for credit losses	**(11,129)**	**(2,406)**	**(13,535)**	(7,721)	(2,794)	(10,515)
Net investment in sales-type lease receivables	**845,600**	**225,576**	**1,071,176**	873,201	241,142	1,114,343
Loan receivables						
Loan receivables	**313,049**	**32,941**	**345,990**	339,373	34,492	373,865
Allowance for credit losses	**(6,869)**	**(940)**	**(7,809)**	(7,098)	(1,020)	(8,118)
Net investment in loan receivables	**306,180**	**32,001**	**338,181**	332,275	33,472	365,747
Net investment in finance receivables	**$ 1,151,780**	**$ 257,577**	**$ 1,409,357**	$ 1,205,476	$ 274,614	$ 1,480,090

Allowance for Credit Losses

We provide an allowance for probable credit losses based on historical loss experience, the nature and volume of our portfolios, adverse situations that may affect a client's ability to pay, prevailing economic conditions and our ability to manage the collateral. We continually evaluate the adequacy of the allowance for credit losses and make adjustments as necessary. The assumptions used in determining an estimate of credit losses are inherently subjective and actual results may differ significantly from estimated reserves.

We establish credit approval limits based on the credit quality of the client and the type of equipment financed. Our policy is to discontinue revenue recognition for lease receivables that are more than 120 days past due and for loan receivables that are more than 90 days past due. We resume revenue recognition when the client's payments reduce the account aging to less than 60 days past due. Finance receivables deemed uncollectible are written off against the allowance after all collection efforts have been exhausted and management deems the account to be uncollectible. We believe that our finance receivable credit risk is low because of the geographic and industry diversification of our clients and small account balances for most of our clients.

Activity in the allowance for credit losses for the six months ended June 30, 2018 and 2017 was as follows:

	Sales-type Lease Receivables		Loan Receivables		
	North America	International	North America	International	Total
Balance at January 1, 2018	$ 7,721	$ 2,794	$ 7,098	$ 1,020	$ 18,633
Amounts charged to expense	**5,946**	**545**	**7,008**	**250**	**13,749**
Write-offs and other	**(2,538)**	**(933)**	**(7,237)**	**(330)**	**(11,038)**
Balance at June 30, 2018	**$ 11,129**	**$ 2,406**	**$ 6,869**	**$ 940**	**$ 21,344**

	Sales-type Lease Receivables		Loan Receivables		
	North America	International	North America	International	Total
Balance at January 1, 2017	$ 8,247	$ 2,647	$ 8,517	$ 1,089	$ 20,500
Amounts charged to expense	5,182	466	2,891	450	8,989
Write-offs and other	(4,973)	(617)	(3,905)	(382)	(9,877)
Balance at June 30, 2017	$ 8,456	$ 2,496	$ 7,503	$ 1,157	$ 19,612

Aging of Receivables

The aging of gross finance receivables at June 30, 2018 and December 31, 2017 was as follows:

	June 30, 2018				
	Sales-type Lease Receivables		Loan Receivables		
	North America	International	North America	International	Total
1 - 90 days	**$ 961,356**	**$ 266,146**	**$ 305,116**	**$ 32,706**	**$ 1,565,324**
> 90 days	**42,885**	**6,972**	**7,933**	**235**	**58,025**
Total	**$ 1,004,241**	**$ 273,118**	**$ 313,049**	**$ 32,941**	**$ 1,623,349**
Past due amounts > 90 days					
Still accruing interest	**$ 6,297**	**$ 1,672**	**$ —**	**$ —**	**$ 7,969**
Not accruing interest	**36,588**	**5,300**	**7,933**	**235**	**50,056**
Total	**$ 42,885**	**$ 6,972**	**$ 7,933**	**$ 235**	**$ 58,025**

	December 31, 2017				
	Sales-type Lease Receivables		Loan Receivables		
	North America	International	North America	International	Total
1 - 90 days	$ 971,002	$ 286,170	$ 330,503	$ 34,239	$ 1,621,914
> 90 days	52,547	5,889	8,870	253	67,559
Total	$ 1,023,549	$ 292,059	$ 339,373	$ 34,492	$ 1,689,473
Past due amounts > 90 days					
Still accruing interest	$ 10,807	$ 1,738	$ —	$ —	$ 12,545
Not accruing interest	41,740	4,151	8,870	253	55,014
Total	$ 52,547	$ 5,889	$ 8,870	$ 253	$ 67,559

Credit Quality

The extension of credit and management of credit lines to new and existing clients uses a combination of an automated credit score, where available, and a detailed manual review of the client's financial condition and, when applicable, payment history. Once credit is granted, the payment performance of the client is managed through automated collections processes and is supplemented with direct follow up should an account become delinquent. We have robust automated collections and extensive portfolio management processes. The portfolio management processes ensure that our global strategy is executed, collection resources are allocated appropriately and enhanced tools and processes are implemented as needed.

We use a third party to score the majority of the North America portfolio on a quarterly basis using a commercial credit score. We do not use a third party to score our International portfolio because the cost to do so is prohibitive, given that it is a localized process and there is no single credit score model that covers all countries.

The table below shows the North America portfolio at June 30, 2018 and December 31, 2017 by relative risk class based on the relative scores of the accounts within each class. The relative scores are determined based on a number of factors, including the company type, ownership structure, payment history and financial information. A fourth class is shown for accounts that are not scored. Absence of a score is not indicative of the credit quality of the account. The degree of risk (low, medium, high), as defined by the third party, refers to the relative risk that an account may become delinquent in the next 12 months.

- Low risk accounts are companies with very good credit scores and are considered to approximate the top 30% of all commercial borrowers.
- Medium risk accounts are companies with average to good credit scores and are considered to approximate the middle 40% of all commercial borrowers.
- High risk accounts are companies with poor credit scores, are delinquent or are at risk of becoming delinquent and are considered to approximate the bottom 30% of all commercial borrowers.

	June 30, 2018	December 31, 2017
Sales-type lease receivables		
Low	**$ 817,554**	$ 819,776
Medium	**130,175**	148,000
High	**20,663**	21,728
Not Scored	**35,849**	34,045
Total	**$ 1,004,241**	$ 1,023,549
Loan receivables		
Low	**$ 244,570**	$ 262,646
Medium	**50,711**	56,744
High	**5,593**	6,791
Not Scored	**12,175**	13,192
Total	**$ 313,049**	$ 339,373

8. Acquisitions, Intangible Assets and Goodwill

Acquisitions

In October 2017, we acquired Newgistics for $471 million, net of cash acquired. The results of Newgistics are included in our consolidated operating results from the date of acquisition. Our consolidated revenue for the three and six months ended June 30, 2018 includes $127 million and $257 million, respectively, from Newgistics. On a supplemental pro forma basis, had we acquired Newgistics on January 1, 2017, our revenues would have been $115 million and $234 million higher for the three and six months ended June 30, 2017, respectively. The impact on our earnings would not have been material.

Intangible Assets

Intangible assets at June 30, 2018 and December 31, 2017 consisted of the following:

	June 30, 2018			December 31, 2017		
	Gross Carrying Amount	**Accumulated Amortization**	**Net Carrying Amount**	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	**$ 482,092**	**$ (265,904)**	**$ 216,188**	$ 504,716	$ (271,066)	$ 233,650
Software & technology	**166,100**	**(141,338)**	**24,762**	167,122	(138,724)	28,398
Trademarks & other	**40,403**	**(32,228)**	**8,175**	40,649	(30,511)	10,138
Total intangible assets	**$ 688,595**	**$ (439,470)**	**$ 249,125**	$ 712,487	$ (440,301)	$ 272,186

Amortization expense was $11 million and $8 million for the three months ended June 30, 2018 and 2017, respectively and $22 million and $17 million for the six months ended June 30, 2018 and 2017, respectively.

Future amortization expense as of June 30, 2018 was as follows:

Remaining for year ending December 31, 2018	$ 25,997
Year ending December 31, 2019	38,023
Year ending December 31, 2020	33,722
Year ending December 31, 2021	30,001
Year ending December 31, 2022	29,012
Thereafter	92,370
Total	$ 249,125

Actual amortization expense may differ from the amounts above due to, among other things, fluctuations in foreign currency exchange rates, impairments, acquisitions and accelerated amortization.

Goodwill

Changes in the carrying value of goodwill, by reporting segment, for the six months ended June 30, 2018 are shown in the table below.

	December 31, 2017	**Acquisitions**	**Other[1]**	**June 30, 2018**
Global Ecommerce	$ 602,461	$ —	**$ (653)**	**$ 601,808**
Presort Services	204,781	**2,684**	—	**207,465**
Commerce Services	807,242	**2,684**	**(653)**	**809,273**
North America Mailing	368,905	—	**(354)**	**368,551**
International Mailing	158,203	—	**(5,784)**	**152,419**
Small & Medium Business Solutions	527,108	—	**(6,138)**	**520,970**
Software Solutions	440,295	—	**(2,690)**	**437,605**
Total goodwill	$ 1,774,645	**$ 2,684**	**$ (9,481)**	**$ 1,767,848**

[1] Primarily represents foreign currency translation adjustments.

9. Fair Value Measurements and Derivative Instruments

We measure certain financial assets and liabilities at fair value on a recurring basis. Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. An entity is required to classify certain assets and liabilities measured at fair value based on the following fair value hierarchy that prioritizes the inputs used to measure fair value:

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2 – Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity, may be derived from internally developed methodologies based on management's best estimate of fair value and that are significant to the fair value of the asset or liability.

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect its placement within the fair value hierarchy. The following tables show, by level within the fair value hierarchy, our financial assets and liabilities that are accounted for at fair value on a recurring basis at June 30, 2018 and December 31, 2017.

	June 30, 2018			
	Level 1	Level 2	Level 3	Total
Assets:				
Investment securities				
Money market funds / commercial paper	**$ 114,665**	**$ 328,296**	**$ —**	**$ 442,961**
Equity securities	**—**	**24,637**	**—**	**24,637**
Commingled fixed income securities	**1,549**	**20,795**	**—**	**22,344**
Government and related securities	**123,239**	**16,429**	**—**	**139,668**
Corporate debt securities	**—**	**71,078**	**—**	**71,078**
Mortgage-backed / asset-backed securities	**—**	**165,835**	**—**	**165,835**
Derivatives				
Interest rate swap	**—**	**824**	**—**	**824**
Foreign exchange contracts	**—**	**2,673**	**—**	**2,673**
Total assets	**$ 239,453**	**$ 630,567**	**$ —**	**$ 870,020**
Liabilities:				
Derivatives				
Foreign exchange contracts	**$ —**	**$ (178)**	**$ —**	**$ (178)**
Total liabilities	**$ —**	**$ (178)**	**$ —**	**$ (178)**

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Assets:				
Investment securities				
Money market funds / commercial paper	$ 143,349	$ 542,568	$ —	$ 685,917
Equity securities	—	40,717	—	40,717
Commingled fixed income securities	1,569	4,516	—	6,085
Government and related securities	116,041	18,587	—	134,628
Corporate debt securities	—	75,109	—	75,109
Mortgage-backed / asset-backed securities	—	158,202	—	158,202
Derivatives				
Interest rate swap	—	1,776	—	1,776
Foreign exchange contracts	—	122	—	122
Total assets	$ 260,959	$ 841,597	$ —	$ 1,102,556
Liabilities:				
Derivatives				
Foreign exchange contracts	$ —	$ (335)	$ —	$ (335)
Total liabilities	$ —	$ (335)	$ —	$ (335)

Investment Securities

The valuation of investment securities is based on the market approach using inputs that are observable, or can be corroborated by observable data, in an active marketplace. The following information relates to our classification into the fair value hierarchy:

- *Money Market Funds / Commercial Paper:* Money market funds typically invest in government securities, certificates of deposit, commercial paper and other highly liquid, low risk securities. Money market funds are principally used for overnight deposits and are classified as Level 1 when unadjusted quoted prices in active markets are available and as Level 2 when they are not actively traded on an exchange. Direct investments in commercial paper are not listed on an exchange in an active market and are classified as Level 2.
- *Equity Securities:* Comprised of mutual funds investing in U.S. and foreign stocks. These mutual funds are classified as Level 2.
- *Commingled Fixed Income Securities:* Comprised of mutual funds that invest in a variety of fixed income securities including securities of the U.S. government and its agencies, corporate debt, mortgage-backed securities and asset-backed securities. Fair value is based on the value of the underlying investments owned by each fund, minus its liabilities, divided by the number of shares outstanding, as reported by the fund manager. These mutual funds are classified as Level 2.
- *Government and Related Securities:* Debt securities are classified as Level 1 where active, high volume trades for identical securities exist. Valuation adjustments are not applied to these securities. Debt securities are classified as Level 2 where fair value is determined using quoted market prices for similar securities or benchmarking model derived prices to quoted market prices and trade data for identical or comparable securities.
- *Corporate Debt Securities:* Corporate debt securities are valued using recently executed comparable transactions, market price quotations or bond spreads for the same maturity as the security. These securities are classified as Level 2.
- *Mortgage-Backed Securities / Asset-Backed Securities:* These securities are valued based on external pricing indices or external price/spread data. These securities are classified as Level 2.

Available-For-Sale Securities

Certain investment securities are classified as available-for-sale and recorded at fair value. Unrealized holding gains and losses, net of tax are recorded in AOCI. Available-for-sale investment securities are predominantly held at the Pitney Bowes Bank, whose primary business is to provide financing solutions to clients that rent postage meters and purchase supplies.

Available-for-sale securities at June 30, 2018 and December 31, 2017 consisted of the following:

	June 30, 2018			
	Amortized cost	**Gross unrealized gains**	**Gross unrealized losses**	**Estimated fair value**
Government and related securities	**$ 140,583**	**$ 1,247**	**$ (2,162)**	**$ 139,668**
Corporate debt securities	**72,428**	**268**	**(1,618)**	**71,078**
Commingled fixed income securities	**1,619**	**—**	**(70)**	**1,549**
Mortgage-backed / asset-backed securities	**168,585**	**730**	**(3,480)**	**165,835**
Total	**$ 383,215**	**$ 2,245**	**$ (7,330)**	**$ 378,130**

	December 31, 2017			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Government and related securities	$ 131,872	$ 1,984	$ (1,090)	$ 132,766
Corporate debt securities	73,612	1,724	(227)	75,109
Commingled fixed income securities	1,796	—	(40)	1,756
Mortgage-backed / asset-backed securities	158,496	1,348	(1,642)	158,202
Total	$ 365,776	$ 5,056	$ (2,999)	$ 367,833

At June 30, 2018, investment securities in a loss position for 12 or more continuous months had aggregate unrealized holding losses of $6 million and an estimated fair value of $228 million, and investment securities in a loss position for less than 12 continuous months had aggregate unrealized holding losses of $1 million and an estimated fair value of $90 million.

At December 31, 2017, investment securities in a loss position for 12 or more continuous months had aggregate unrealized holding losses of $2 million and an estimated fair value of $116 million, and investment securities in a loss position for less than 12 continuous months had aggregate unrealized holding losses of $1 million and an estimated fair value of $91 million.

We have not recognized an other-than-temporary impairment on any of the investment securities in an unrealized loss position because we have the ability and intent to hold these securities until recovery of the unrealized losses and expect to receive the stated principal and interest at maturity.

Scheduled maturities of available-for-sale securities at June 30, 2018 were as follows:

	Amortized cost	**Estimated fair value**
Within 1 year	$ 56,012	$ 55,705
After 1 year through 5 years	114,973	113,720
After 5 years through 10 years	58,066	56,867
After 10 years	154,164	151,838
Total	$ 383,215	$ 378,130

The scheduled maturities of mortgage-backed and asset-backed securities may not coincide with the actual payment as borrowers have the right to prepay obligations.

We have not experienced any significant write-offs in our investment portfolio. The majority of our mortgage-backed securities are either guaranteed or supported by the U.S. Government. We have no investments in inactive markets that would warrant a possible change in our pricing methods or classification within the fair value hierarchy.

Derivative Instruments

In the normal course of business, we are exposed to the impact of changes in foreign currency exchange rates and interest rates. We mitigate these exposures by following established risk management policies and procedures, including the use of derivatives. We use derivative instruments to limit the effects of exchange rate fluctuations on financial results and manage the cost of debt. We do not use derivatives for trading or speculative purposes. We record derivative instruments at fair value and the accounting for changes in the fair value depends on the intended use of the derivative, the resulting designation and the effectiveness of the instrument in offsetting the risk exposure it is designed to hedge.

Foreign Exchange Contracts

We enter into foreign exchange contracts to mitigate the currency risk associated with the anticipated purchase of inventory between affiliates and from third parties. These contracts are designated as cash flow hedges. The effective portion of the gain or loss on cash flow hedges is included in AOCI in the period that the change in fair value occurs and is reclassified to earnings in the period that the hedged item is recorded in earnings. At June 30, 2018 and December 31, 2017, we had outstanding contracts associated with these anticipated transactions with notional amounts of $11 million and $10 million, respectively.

The valuation of foreign exchange derivatives is based on the market approach using observable market inputs, such as foreign currency spot and forward rates and yield curves. We have not seen a material change in the creditworthiness of those banks acting as derivative counterparties.

Interest Rate Swap

We have an interest rate swap with a notional amount of $300 million to mitigate the interest rate risk associated with $300 million of variable-rate term loans. The swap is designated as a cash flow hedge. The effective portion of the gain or loss on the cash flow hedge is included in AOCI in the period that the change in fair value occurs and is reclassified to earnings in the period that the hedged item is recorded in earnings. Under the terms of the swap agreement, we pay fixed-rate interest of 0.8826% and receive variable-rate interest based on 1-month LIBOR. The variable interest rate resets monthly.

The valuation of our interest rate swap is based on the income approach using a model with inputs that are observable or that can be derived from or corroborated by observable market data.

The fair value of derivative instruments at June 30, 2018 and December 31, 2017 was as follows:

Designation of Derivatives	Balance Sheet Location	June 30, 2018	December 31, 2017
Derivatives designated as hedging instruments			
Foreign exchange contracts	Other current assets and prepayments	**$ 114**	$ 57
	Accounts payable and accrued liabilities	**(39)**	(144)
Interest rate swap	Other assets	**824**	1,776
Derivatives not designated as hedging instruments			
Foreign exchange contracts	Other current assets and prepayments	**2,559**	65
	Accounts payable and accrued liabilities	**(139)**	(191)
	Total derivative assets	**$ 3,497**	$ 1,898
	Total derivative liabilities	**(178)**	(335)
	Total net derivative asset	**$ 3,319**	$ 1,563

The majority of the amounts included in AOCI at June 30, 2018 will be recognized in earnings within the next 12 months. No amount of ineffectiveness was recorded in earnings for these designated cash flow hedges.

The following represents the results of cash flow hedging relationships for the three and six months ended June 30, 2018 and 2017:

	Three Months Ended June 30,				
	Derivative Gain (Loss) Recognized in AOCI (Effective Portion)			Gain (Loss) Reclassified from AOCI to Earnings (Effective Portion)	
Derivative Instrument	2018	2017	Location of Gain (Loss) (Effective Portion)	2018	2017
Foreign exchange contracts	**$ 119**	$ (599)	Revenue	**$ 79**	$ 34
			Cost of sales	**(1)**	36
Interest rate swap	**(771)**	(147)	Interest Expense	**—**	—
	$ (652)	$ (746)		**$ 78**	$ 70

	Six Months Ended June 30,				
	Derivative Gain (Loss) Recognized in AOCL (Effective Portion)			Gain (Loss) Reclassified from AOCL to Earnings (Effective Portion)	
Derivative Instrument	2018	2017	Location of Gain (Loss) (Effective Portion)	2018	2017
Foreign exchange contracts	**$ 154**	$ (549)	Revenue	**$ 76**	$ 6
			Cost of sales	**(85)**	148
Interest rate swap	**(952)**	321	Interest Expense	**—**	—
	$ (798)	$ (228)		**$ (9)**	$ 154

We enter into foreign exchange contracts to minimize the impact of exchange rate fluctuations on short-term intercompany loans and related interest that are denominated in a foreign currency. The revaluation of intercompany loans and interest and the corresponding mark-to-market adjustment on derivatives are recorded in earnings. The table below represents the mark-to-market adjustments of non-designated derivative instruments for the three and six months ended June 30, 2018 and 2017. All outstanding contracts at June 30, 2018 mature within 12 months.

		Three Months Ended June 30,	
		Derivative Gain (Loss) Recognized in Earnings	
Derivatives Instrument	**Location of Derivative Gain (Loss)**	**2018**	2017
Foreign exchange contracts	Selling, general and administrative expense	**$ (14,828)**	$ 789

		Six Months Ended June 30,	
		Derivative Gain (Loss) Recognized in Earnings	
Derivatives Instrument	**Location of Derivative Gain (Loss)**	**2018**	2017
Foreign exchange contracts	Selling, general and administrative expense	**$ (18,396)**	$ (1,061)

Credit-Risk-Related Contingent Features

Certain derivative instruments contain credit-risk-related contingent features that require us to post collateral based on a combination of our long-term senior unsecured debt ratings and the net fair value of our derivatives. At June 30, 2018, we had $4 million of cash collateral posted with certain counterparties. Due to the change in net fair value of our derivatives, the amount was returned in full on July 2, 2018.

Fair Value of Financial Instruments

Our financial instruments include cash and cash equivalents, investment securities, accounts receivable, loan receivables, derivative instruments, accounts payable and debt. The carrying value for cash and cash equivalents, accounts receivable, loans receivable, and accounts payable approximate fair value because of the short maturity of these instruments.

The carrying value and estimated fair value of our debt at June 30, 2018 and December 31, 2017 were as follows:

	June 30, 2018	December 31, 2017
Carrying value	**$ 3,572,809**	$ 3,830,335
Fair value	**$ 3,381,964**	$ 3,718,986

10. Restructuring Charges

Activity in our restructuring reserves for the six months ended June 30, 2018 and 2017 was as follows:

	Severance and benefits costs	**Other exit costs**	**Total**
Balance at January 1, 2018	$ 42,151	$ 1,569	$ 43,720
Expenses, net	**7,990**	**4,417**	**12,407**
Cash payments	**(26,942)**	**(586)**	**(27,528)**
Balance at June 30, 2018	**$ 23,199**	**$ 5,400**	**$ 28,599**
Balance at January 1, 2017	$ 28,234	$ 281	$ 28,515
Expenses, net	22,489	1,560	24,049
Cash payments	(17,154)	(497)	(17,651)
Balance at June 30, 2017	$ 33,569	$ 1,344	$ 34,913

The majority of the remaining restructuring reserves are expected to be paid over the next 12 to 24 months; however, due to certain international labor laws and long-term lease agreements, some payments will extend beyond 24 months. We expect to fund these payments from cash flows from operations.

Asset Impairment

In 2017, we recorded asset impairment charges of $4 million.

11. Debt

Total debt at June 30, 2018 and December 31, 2017 consisted of the following:

	Interest rate	June 30, 2018	December 31, 2017
Notes due March 2018	5.60%	**$ —**	$ 250,000
Notes due March 2019	6.25%	**300,000**	300,000
Notes due September 2020	3.625%	**300,000**	300,000
Notes due October 2021	3.625%	**600,000**	600,000
Notes due May 2022	4.375%	**400,000**	400,000
Notes due April 2023	4.7%	**400,000**	400,000
Notes due March 2024	4.625%	**500,000**	500,000
Notes due January 2037	5.25%	**35,841**	35,841
Notes due March 2043	6.7%	**425,000**	425,000
Term loans	Variable	**640,000**	650,000
Other debt		**5,378**	5,476
Principal amount		**3,606,219**	3,866,317
Less: unamortized costs, net		**33,410**	35,982
Total debt		**3,572,809**	3,830,335
Less: current portion long-term debt		**334,999**	271,057
Long-term debt		**$ 3,237,810**	$ 3,559,278

The interest rate on certain notes and term loans are subject to adjustment based on changes in our credit ratings. During the quarter, Standard & Poor's lowered our corporate credit rating from BBB- to BB+. As a result, the interest rate on the May 2022 Notes and term loans increased 0.25% and the interest rate on the September 2020 notes, the October 2021 notes, and the April 2023 notes will increase 0.25% effective after the next interest payment date.

During the year, we repaid the $250 million of 5.6% Notes that matured in March 2018 and $10 million of principal on our term loans.

On August 2, 2018, we redeemed the $300 million 6.25% Notes due March 2019.

12. Pensions and Other Benefit Programs

The components of net periodic benefit cost (income) were as follows:

	Defined Benefit Pension Plans				Nonpension Postretirement Benefit Plans	
	United States		Foreign			
	Three Months Ended June 30,		Three Months Ended June 30,		Three Months Ended June 30,	
	2018	2017	**2018**	2017	**2018**	2017
Service cost	**$ 9**	$ 34	**$ 575**	$ 559	**$ 405**	$ 434
Interest cost	**15,108**	17,121	**4,591**	4,640	**1,607**	1,770
Expected return on plan assets	**(25,119)**	(24,369)	**(9,118)**	(7,961)	**—**	—
Amortization of transition credit	**—**	—	**(2)**	(2)	**—**	—
Amortization of prior service (credit) cost	**(15)**	(15)	**(18)**	(17)	**88**	74
Amortization of net actuarial loss	**7,628**	7,229	**1,870**	1,892	**881**	905
Net periodic benefit (income) cost	**$ (2,389)**	$ —	**$ (2,102)**	$ (889)	**$ 2,981**	$ 3,183
Contributions to benefit plans	**$ 1,906**	$ 1,046	**$ 769**	$ 1,319	**$ 4,316**	$ 4,426

	Defined Benefit Pension Plans				Nonpension Postretirement Benefit Plans	
	United States		Foreign			
	Six Months Ended June 30,		Six Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	**2018**	2017	**2018**	2017
Service cost	**$ 46**	$ 64	**$ 1,164**	$ 1,101	**$ 811**	$ 853
Interest cost	**30,724**	34,366	**9,287**	9,184	**3,210**	3,541
Expected return on plan assets	**(50,543)**	(48,917)	**(18,304)**	(15,742)	**—**	—
Amortization of transition credit	**—**	—	**(3)**	(4)	**—**	—
Amortization of prior service (credit) cost	**(30)**	(30)	**(37)**	(35)	**176**	148
Amortization of net actuarial loss	**15,704**	14,497	**3,783**	3,926	**1,815**	1,789
Net periodic benefit (income) cost	**$ (4,099)**	$ (20)	**$ (4,110)**	$ (1,570)	**$ 6,012**	$ 6,331
Contributions to benefit plans	**$ 3,194**	$ 2,594	**$ 9,979**	$ 10,391	**$ 9,111**	$ 9,124

13. Income Taxes

The effective tax rate for the three months ended June 30, 2018 and 2017 was 12.1% and 1.9%, respectively, and the effective tax rate for the six months ended June 30, 2018 and 2017 was 19.8% and 22.0%, respectively. The effective tax rate for the six months ended June 30, 2018 and 2017 included a $2 million and $4 million charge, respectively, from the write-off of deferred tax assets associated with the expiration of out-of-the-money vested stock options and the vesting of restricted stock. The effective tax rate for the three and six months ended June 30 2018 included a $3 million and $6 million benefit, respectively, from the resolution of certain tax examinations. The effective tax rate for the three and six months ended June 30, 2017 included a $10 million and $14 million benefit, respectively, from the resolution of certain tax examinations.

The provisional amounts recorded under Staff Accounting Bulletin No. 118 in 2017 have been adjusted and both the three and six month periods ended June 30, 2018 include a benefit of $9 million related to the re-measurement of deferred tax assets. The amounts recorded as of December 31, 2017 and adjusted June 30, 2018 remain provisional and further adjustments are expected to be made during the measurement period.

As is the case with other large corporations, our tax returns are examined by tax authorities in the U.S. and other global taxing jurisdictions in which we have operations. As a result, it is reasonably possible that the amount of unrecognized tax benefits will decrease in the next 12 months, and this decrease could be up to 20% of our unrecognized tax benefits.

The IRS examinations of our consolidated U.S. income tax returns for tax years prior to 2013 are closed to audit; however, various post-2006 U.S. state and local tax returns are still subject to examination. In Canada, the examination of our tax filings prior to 2012 are closed to audit, except for the pending application of legal principles to specific issues arising in earlier years. Other significant jurisdictions include France, which is closed to audit through the end of 2014, Germany, which is closed to audit through the end of 2012 and the UK, which, except for an item under appeal, is closed to audit through the end of 2015. We also have other less significant tax filings currently subject to examination.

14. Commitments and Contingencies

In the ordinary course of business, we are routinely defendants in, or party to a number of pending and threatened legal actions. These may involve litigation by or against us relating to, among other things, contractual rights under vendor, insurance or other contracts; intellectual property or patent rights; equipment, service, payment or other disputes with clients; or disputes with employees. Some of these actions may be brought as a purported class action on behalf of a purported class of employees, customers or others. In management's opinion, the potential liability, if any, that may result from these actions, either individually or collectively, is not reasonably expected to have a material effect on our financial position, results of operations or cash flows. However, as litigation is inherently unpredictable, there can be no assurances in this regard.

15. Stockholders' Equity

Changes in stockholders' equity for the six months ended June 30, 2018 and 2017 were as follows:

	Preferred stock	**Preference stock**	**Common stock**	**Additional paid-in capital**	**Retained earnings**	**Accumulated other comprehensive loss**	**Treasury stock**	**Total equity**
Balance at December 31, 2017	$ 1	$ 441	$ 323,338	$ 138,367	$ 5,229,584	$ (792,173)	$ (4,710,997)	$ 188,561
Cumulative effect of accounting changes	—	—	—	—	**(12,207)**	—	—	**(12,207)**
Net income	—	—	—	—	**101,727**	—	—	**101,727**
Other comprehensive income	—	—	—	—	—	**(18,078)**	—	**(18,078)**
Dividends paid	—	—	—	—	**(70,113)**	—	—	**(70,113)**
Issuance of common stock	—	—	—	**(24,267)**	—	—	**21,141**	**(3,126)**
Conversion to common stock	—	**(26)**	—	**(521)**	—	—	**547**	—
Stock-based compensation expense	—	—	—	**9,153**	—	—	—	**9,153**
Balance at June 30, 2018	**$ 1**	**$ 415**	**$ 323,338**	**$ 122,732**	**$ 5,248,991**	**$ (810,251)**	**$ (4,689,309)**	**$ 195,917**

	Preferred stock	Preference stock	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Treasury stock	Total (deficit) equity
Balance at December 31, 2016	$ 1	$ 483	$ 323,338	$ 148,125	$ 5,107,734	$ (940,133)	$ (4,743,208)	$ (103,660)
Net income	—	—	—	—	114,034	—	—	114,034
Other comprehensive loss	—	—	—	—	—	80,818	—	80,818
Dividends paid	—	—	—	—	(69,527)	—	—	(69,527)
Issuance of common stock	—	—	—	(28,567)	—	—	23,744	(4,823)
Conversion to common stock	—	(20)	—	(398)	—	—	418	—
Stock-based compensation expense	—	—	—	12,531	—	—	—	12,531
Balance at June 30, 2017	$ 1	$ 463	$ 323,338	$ 131,691	$ 5,152,241	$ (859,315)	$ (4,719,046)	$ 29,373

16. Accumulated Other Comprehensive Income

Reclassifications out of AOCI for the three and six months ended June 30, 2018 and 2017 were as follows:

	Amount Reclassified from AOCI [a]			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	**2018**	2017
Gains (losses) on cash flow hedges				
Revenue	**$ 79**	$ 34	**$ 76**	$ 6
Cost of sales	**(1)**	36	**(85)**	148
Interest expense, net	**(507)**	(507)	**(1,014)**	(1,014)
Total before tax	**(429)**	(437)	**(1,023)**	(860)
Benefit from income taxes	**110**	170	**261**	336
Net of tax	**$ (319)**	$ (267)	**$ (762)**	$ (524)
Gains (losses) on available for sale securities				
Interest expense, net	**$ 214**	$ (117)	**$ 190**	$ (226)
(Provision) benefit from income taxes	**(54)**	44	**(48)**	84
Net of tax	**$ 160**	$ (73)	**$ 142**	$ (142)
Pension and Postretirement Benefit Plans [b]				
Transition credit	**$ 2**	$ 2	**$ 3**	$ 4
Prior service costs	**(55)**	(42)	**(109)**	(83)
Actuarial losses	**(10,379)**	(10,026)	**(21,302)**	(20,212)
Total before tax	**(10,432)**	(10,066)	**(21,408)**	(20,291)
Benefit from income taxes	**2,564**	3,442	**5,368**	6,956
Net of tax	**$ (7,868)**	$ (6,624)	**$ (16,040)**	$ (13,335)

[a] Amounts in parentheses indicate reductions to income and increases to other comprehensive income (loss).

[b] Reclassified from accumulated other comprehensive loss into other components of net pension and postretirement cost. These amounts are included in the computation of net periodic costs (see Note 12 for additional details).

Changes in AOCI for the six months ended June 30, 2018 and 2017 were as follows:

	Cash flow hedges	**Available for sale securities**	**Pension and postretirement benefit plans**	**Foreign currency adjustments**	**Total**
Balance at January 1, 2018	$ (406)	$ 1,597	$ (748,800)	$ (44,564)	$ (792,173)
Other comprehensive loss before reclassifications (a)	**(511)**	**(5,154)**	**—**	**(29,073)**	**(34,738)**
Reclassifications into earnings (a), (b)	**762**	**(142)**	**16,040**	**—**	**16,660**
Net other comprehensive income (loss)	**251**	**(5,296)**	**16,040**	**(29,073)**	**(18,078)**
Balance at June 30, 2018	**$ (155)**	**$ (3,699)**	**$ (732,760)**	**$ (73,637)**	**$ (810,251)**

	Cash flow hedges	Available for sale securities	Pension and postretirement benefit plans	Foreign currency adjustments	Total
Balance at January 1, 2017	$ (1,485)	$ 120	$ (787,813)	$ (150,955)	$ (940,133)
Other comprehensive (loss) income before reclassifications (a)	(141)	1,734	(1,482)	66,706	66,817
Reclassifications into earnings (a), (b)	524	142	13,335	—	14,001
Net other comprehensive income	383	1,876	11,853	66,706	80,818
Balance at June 30, 2017	$ (1,102)	$ 1,996	$ (775,960)	$ (84,249)	$ (859,315)

(a) Amounts are net of tax. Amounts in parentheses indicate debits to AOCI.
(b) See table above for additional details of these reclassifications.

Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

This Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) contains statements that are forward-looking. We want to caution readers that any forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 may change based on various factors. These forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties and actual results could differ materially. Words such as "estimate," "target," "project," "plan," "believe," "expect," "anticipate," "intend" and similar expressions may identify such forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Factors which could cause future financial performance to differ materially from the expectations as expressed in any forward-looking statement made by or on our behalf include, without limitation:

- declining physical mail volumes
- competitive factors, including pricing pressures; technological developments and the introduction of new products and services by competitors
- our success in developing new products and services, including digital-based products and services and obtaining regulatory approval if required
- the market's acceptance of new products and services
- changes in postal or banking regulations
- changes in, or loss of, our contractual relationships with the U.S. Postal Service or posts in our other major markets
- changes in labor conditions and transportation costs
- the continued availability and security of key information technology systems and the cost to comply with information security requirements and privacy laws
- a breach of security, including a cyberattack or other comparable event
- macroeconomic factors, including global and regional business conditions that adversely impact customer demand, foreign currency exchange rates, interest rates and tariffs
- economic tensions between governments and changes in international trade policies
- third-party suppliers' ability to provide products and services required by our clients
- our success at managing the relationships with our outsource providers, including the costs of outsourcing functions and operations not central to our business
- integrating newly acquired businesses, including operations and product and service offerings
- the loss of some of our larger clients in the Global Ecommerce segment
- intellectual property infringement claims
- our success at managing customer credit risk
- capital market disruptions or credit rating downgrades that adversely impact our ability to access capital markets at reasonable costs
- our ability to fully utilize the enterprise business platform in North America and successfully deploy it in major international markets without significant disruption to existing operations
- significant changes in pension, health care and retiree medical costs
- income tax adjustments or other regulatory levies for prior audit years and changes in tax laws, rulings or regulations, including the impact of the Tax Cuts and Jobs Act of 2017
- a disruption of our businesses due to changes in international or national political conditions, including the use of the mail for transmitting harmful biological agents or other terrorist attacks
- acts of nature

Overview

In the first half of 2018, total revenue increased 18% and our gross margin declined to 48.6% from 59% as compared to the prior year. We continued to see a shift in our overall portfolio to higher growth, digital and shipping solutions. The margins from these higher growth areas are lower than in our traditional markets, which are experiencing secular declines.

Our strategy is focused around three core principles: to invest in offerings that reduce the complexity of shipping for our clients; to continue to focus on operational excellence initiatives to reduce the costs in the business; and to focus on re-using technologies and our expertise in one line of our business to improve the capabilities and results of other lines of business.

Over the last five years, we have developed a simpler and more digital operating model and have reduced our cost structure by approximately $300 million. In the fourth quarter of 2017, we announced our intentions to reduce costs by an additional $200 million over a 24-month period. Our attainment through the first half of 2018 leaves us well positioned to achieve $120 million in savings this year.

During the second quarter of 2018, we announced our intention to sell our Document Messaging Technology production mail business and supporting software (the Production Mail Business). The sale was completed on July 2, 2018, other than in certain non-U.S. jurisdictions which are expected to close in the third and fourth quarters, subject to local regulatory requirements. We utilized the majority of the proceeds to repay debt in August 2018. This transaction supports the move to higher growth markets and aligns with our strategic focus on shipping and enhancing the value for clients.

Financial Results Summary - Three Months Ended June 30:

	2018	2017	Change
Revenue	$ 861,436	$ 730,413	18%
Net income from continuing operations	$ 47,006	$ 41,461	13%
Diluted earnings per share - continuing operations	$ 0.25	$ 0.22	14%

Revenue

Revenue increased 18% as reported and 17% on a constant currency basis.

- The increase reflects growth in business services revenue and software revenue, partially offset by declines in equipment sales, and stream revenues (financing, rentals, supplies and support services).
- Commerce Services grew 70% as reported and 69% on a constant currency basis primarily due to growth in Global Ecommerce. Revenue for Global Ecommerce more than doubled over the prior year, and excluding revenue from Newgistics, grew 19% primarily due to higher shipping revenue. Presort Services revenue grew 4% due to higher mail processing volumes.
- Small and Medium Business Solutions (SMB) revenue declined 7% as reported and 8% on a constant currency basis. North America Mailing revenue declined 8% as reported and on a constant currency basis primarily due to a decline in equipment sales and stream revenues. International Mailing revenue declined 2% as reported and 7% on a constant currency basis due to lower equipment sales, and stream revenues.
- Software Solutions revenue increased 13% as reported and 12% on a constant currency basis due to growth in Data, Customer Information Management and Location Intelligence, in part from the implementation of the new revenue recognition accounting standard (ASC 606). See Note 2 to the Condensed Consolidated Financial Statements for further information.

Net Income from Continuing Operations

Net income from continuing operations increased 13% driven largely by restructuring charges and pension expense, partially offset by lower gross margins and higher effective tax rate.

Financial Results Summary - Six Months Ended June 30:

		2018		2017	Change
Revenue	$	1,742,384	$	1,473,593	18%
Net income from continuing operations	$	92,032	$	98,885	(7)%
Diluted earnings per share - continuing operations	$	0.49	$	0.53	(8)%
Net cash provided by operating activities - continuing operations	$	133,262	$	170,551	(22)%

Revenue

Revenue increased 18% as reported and 17% on a constant currency basis.

- The increase reflects growth in business services revenue and software revenue, partially offset by declines in equipment sales and stream revenues.
- Commerce Services grew 71% as reported and 70% on a constant currency basis primarily due to growth in Global Ecommerce. Revenue for Global Ecommerce more than doubled over the prior year, and excluding revenue from Newgistics, grew 25% due to higher shipping and marketplace revenue. Presort Services revenue grew 2% due to higher mail processing volumes.
- SMB revenue declined 6% as reported and 8% on a constant currency basis. North America Mailing revenue declined 8% as reported and on a constant currency basis primarily due to a decline in equipment sales and stream revenues. International Mailing revenue increased 1% as reported, but declined 6% on a constant currency basis due to lower equipment sales, supplies and support services revenue.
- Software Solutions revenue increased 9% as reported and 7% on a constant currency basis due to the implementation of ASC 606. See Note 2 to the Condensed Consolidated Financial Statements for further information.

Net Income from Continuing Operations

Net income from continuing operations declined 7% driven largely by lower overall margins as our portfolio continues to shift to higher revenue growth but lower margin businesses, continued investments in Global Ecommerce and higher amortization expense from the acquisition of Newgistics, partially offset by a decline in our effective tax rate.

Cash Flows from Continuing Operations

Net cash provided by operating activities from continuing operations was $133 million compared to $171 million in the prior year. The decline primarily relates to working capital changes. During the first six months of 2018, we used cash to:

- repay $260 million of debt;
- pay dividends of $70 million to our stockholders; and
- invest $100 million in capital expenditures.

Outlook

As we continue to execute on the three core principles and shift our portfolio to higher revenue growth, lower-margin areas, we expect 2018 revenue to grow, but our overall gross profit margins to contract due largely to the changing mix of the business. We will continue to drive productivity and expect to execute on our commitment to deliver at least $200 million of spend reduction over 24 months. Shipping will become a larger contributor to overall revenue and we continue to integrate and leverage the Newgistics network into our business within Commerce Services. Shipping APIs, cross-border volume expansion and carrier services offerings will continue to add growth to Global Ecommerce. Presort Services revenue is expected to continue to perform around the market ranges.

We expect trends in equipment sales and stream revenues in North America to improve over the long-term as we continue to sell the SendPro products. We have introduced new and expanded finance offerings to our clients and expect to see benefits from these offerings over time.

In Software Solutions, we continue to build our indirect channel to drive improvements and expect to expand our customer base.

RESULTS OF OPERATIONS

Revenue by source and the related cost of revenue are shown in the following tables:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2018	2017	Actual % change	Constant Currency % change	**2018**	2017	Actual % change	Constant Currency % change
Equipment sales	**$ 105,750**	$ 121,384	(13)%	(14)%	**$ 216,121**	$ 245,887	(12)%	(14)%
Supplies	**55,457**	58,639	(5)%	(7)%	**115,450**	119,694	(4)%	(7)%
Software	**91,702**	81,319	13 %	11 %	**167,996**	154,165	9 %	7 %
Rentals	**91,809**	95,447	(4)%	(5)%	**186,435**	194,754	(4)%	(5)%
Financing	**76,671**	83,653	(8)%	(9)%	**156,774**	169,398	(7)%	(9)%
Support services	**72,171**	72,068	— %	(2)%	**145,194**	147,273	(1)%	(4)%
Business services	**367,876**	217,903	69 %	68 %	**754,414**	442,422	71 %	70 %
Total revenue	**$ 861,436**	$ 730,413	18 %	17 %	**$ 1,742,384**	$ 1,473,593	18 %	17 %

	Three Months Ended June 30,				Six Months Ended June 30,			
			Percentage of Revenue				Percentage of Revenue	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
Cost of equipment sales	**$ 47,106**	$ 51,506	**44.5%**	42.4%	**$ 93,160**	$ 96,122	**43.1%**	39.1%
Cost of supplies	**15,738**	16,216	**28.4%**	27.7%	**32,685**	33,068	**28.3%**	27.6%
Cost of software	**26,459**	23,361	**28.9%**	28.7%	**50,514**	46,515	**30.1%**	30.2%
Cost of rentals	**21,078**	21,143	**23.0%**	22.2%	**45,132**	41,422	**24.2%**	21.3%
Financing interest expense	**12,346**	12,843	**16.1%**	15.4%	**24,571**	25,817	**15.7%**	15.2%
Cost of support services	**39,609**	41,772	**54.9%**	58.0%	**82,736**	83,421	**57.0%**	56.6%
Cost of business services	**293,480**	153,063	**79.8%**	70.2%	**590,879**	303,906	**78.3%**	68.7%
Total cost of revenue	**$ 455,816**	$ 319,904	**52.9%**	43.8%	**$ 919,677**	$ 630,271	**52.8%**	42.8%

The discussion below refers to the change in revenue on a constant currency basis to exclude changes in foreign currency exchange rates on the change in revenue. We believe that the use of a constant currency revenue measure provides a better understanding of underlying revenue performance. Constant currency is calculated by converting our current period reported revenue at the prior year's exchange rates.

Revenue and Cost of Revenues - 2018 compared to 2017

Equipment sales

Equipment sales revenue decreased 13% in the quarter and 12% in the first six months of 2018. On a constant currency basis, equipment sales decreased 14% in both periods, primarily due to:

- 12% from lower equipment sales in North America Mailing reflecting a change in product mix and lower backlog at the beginning of the quarter compared to prior year periods; and
- 2% from lower equipment sales in International Mailing, particularly the U.K.

Cost of equipment sales as a percentage of equipment sales increased to 44.5% in the quarter and 43.1% in the first six months of 2018, primarily due to a higher mix of lower margin product sales.

Supplies

Supplies revenue decreased 5% in the quarter. On a constant currency basis, supplies revenue decreased 7% primarily due to:

- 6% from lower supplies revenue in North America Mailing; and
- 2% from lower supplies revenue in International Mailing.

Supplies revenue decreased 4% in the first six months of 2018. On a constant currency basis, supplies revenue decreased 7% primarily due to:

- 4% from lower supplies revenue in North America Mailing; and
- 2% from lower supplies revenue in International Mailing.

Cost of supplies as a percentage of supplies revenue increased slightly to 28.4% in the quarter and 28.3% in the first six months of 2018.

Software

Software revenue increased 13% in the quarter and 11% on a constant currency basis primarily due to growth in Data, Customer Information Management and Location Intelligence, in part due to the adoption of ASC 606.

Software revenue increased 9% in the first six months of 2018. On a constant currency basis, software revenue increased 7% primarily due to $21 million from the adoption of ASC 606.

Cost of software as a percentage of software revenue was consistent with prior year at 28.9% in the quarter and 30.1% in the first six months of 2018.

Rentals

Rentals revenue declined 4% as reported and 5% on a constant currency basis in both the quarter and first six months of 2018, primarily due to a declining meter population. Cost of rentals as a percentage of rentals revenue increased to 23.0% for the quarter and 24.2% for the first six months of 2018 primarily due to higher residual losses.

Financing

Financing revenue decreased 8% and 7% on a reported basis in the quarter and first six months of 2018, respectively. On a constant currency basis, financing revenue declined 9% in both the quarter and first six months of 2018, primarily due to a declining portfolio and lower fees.

We allocate a portion of our total cost of borrowing to financing interest expense. In computing financing interest expense, we assume an 8:1 debt to equity leverage ratio and apply our overall effective interest rate to the average outstanding finance receivables. Financing interest expense as a percentage of financing revenue increased to 16.1% for the quarter and 15.7% for the first six months of 2018 primarily due to lower average outstanding finance receivables and lower fees revenue.

Support Services

Support services revenue was flat in the quarter. On a constant currency basis, support services revenue decreased 2% primarily due to:
- 2% from a decline in support services revenue in International Mailing; offset partially by
- 1% from an increase in support services revenue in North America Mailing.

Cost of support services as a percentage of support services revenue decreased to 54.9% in the second quarter primarily due to cost savings initiatives in North America.

Support services revenue decreased 1% in the first six months of 2018. On a constant currency basis, support services revenue decreased 4% primarily due to a worldwide decline in installed mailing equipment. Cost of support services as a percentage of support services revenue increased to 57% in the first six months of 2018 primarily due to higher costs.

Business Services

Business services revenue increased 69% in the quarter. On a constant currency basis, business services revenue increased 68% primarily due to:
- 58% from the acquisition of Newgistics;
- 8% from growth in Global Ecommerce, excluding Newgistics, due to higher shipping revenues; and
- 2% from higher volumes of mail processed in Presort Services.

Business services revenue increased 71% in the first six months of 2018. On a constant currency basis, business services revenue increased 70% primarily due to:
- 58% from the acquisition of Newgistics;
- 10% from growth in Global Ecommerce, excluding Newgistics, due to higher shipping and cross-border revenue; and
- 1% from higher volumes of mail processed in Presort Services.

Cost of business services as a percentage of business services revenue increased to 79.8% in the quarter and 78.3% in the first six months of 2018 primarily due to continued investment in Global Ecommerce and higher labor and transportation costs in Global Ecommerce and Presort Services.

Selling, general and administrative (SG&A)

SG&A expense was relatively flat at $282 million in the second quarter primarily due to savings from cost reduction initiatives, including lower marketing expenses, offset by $17 million of additional expenses from Newgistics and $3 million impact from foreign currency.

SG&A expense increased 1% to $578 million in the first six months of 2018 primarily due to $35 million of additional expenses from Newgistics and $10 million from the impact of foreign currency offset partially by savings from cost reduction initiatives, including lower marketing expenses.

Research and development (R&D)

R&D expense increased 2% to $31 million in the quarter, and 4% to $61 million in the first six months of 2018, primarily due to continued investments in our Global Ecommerce business.

Income taxes

See Note 13 to the Condensed Consolidated Financial Statements.

Income from Discontinued Operations

See Note 4 to the Condensed Consolidated Financial Statements.

Pension and Postretirement Costs

In connection with the disposition of the Production Mail Business and certain other actions, we may incur material non-cash pension settlement charges during the second half of 2018; however the amount and timing of the settlement charges will depend on the election of benefits by the impacted employees.

Business segment results - 2018 compared to 2017

In January 2018, we revised our business reporting groups to reflect how we manage these groups and clients served in each market. The Commerce Services group was formed and includes our Global Ecommerce and Presort Services segments. The operating results of the Production Mail Business are classified as discontinued operations and prior year results have been recast to conform to the current year presentation. The principal products and services of each of our reportable segments are as follows:

Commerce Services:

Global Ecommerce: Includes the worldwide revenue and related expenses from cross-border ecommerce transactions and domestic retail and ecommerce shipping solutions, including fulfillment and returns.

Presort Services: Includes revenue and related expenses from sortation services which allow clients to qualify large mail volumes for postal worksharing discounts.

Small & Medium Business Solutions:

North America Mailing: Includes the revenue and related expenses from mailing and office solutions, financing services and supplies for small and medium businesses to efficiently create physical and digital mail, evidence postage and help simplify and save on the sending, tracking and receiving of letters, parcels and flats in the U.S. and Canada.

International Mailing: Includes the revenue and related expenses from mailing and office solutions, financing services and supplies for small and medium businesses to efficiently create physical and digital mail, evidence postage and help simplify and save on the sending, tracking and receiving of letters, parcels and flats in areas outside the U.S. and Canada.

Software Solutions:

Includes the worldwide revenue and related expenses from the licensing of customer engagement, customer information, and location intelligence software and data solutions and related support services.

Management uses segment earnings before interest and taxes (EBIT) to measure profitability and performance at the segment level and believes that it provides a useful measure of operating performance and underlying trends of the businesses. We determine segment EBIT by deducting from segment revenue the related costs and expenses attributable to the segment. Segment EBIT excludes interest, taxes, general corporate expenses, restructuring charges and other items, which are not allocated to a particular business segment. Segment EBIT may not be indicative of our overall consolidated performance and should be read in conjunction with our consolidated results of operations. Due to acquisition activity in Commerce Services, we are also providing segment earnings before interest, taxes, depreciation and amortization (EBITDA) as a supplemental non-GAAP measure of profit and operational performance for each segment. See Note 3 to the Condensed Consolidated Financial Statements for reconciliation of segment EBIT to net income.

Segment information for the three and six months ended June 30, 2018 and 2017 is presented below:

	Revenue							
	Three Months Ended June 30,				**Six Months Ended June 30,**			
	2018	2017	Actual % change	Constant Currency % change	**2018**	2017	Actual % change	Constant Currency % change
Global Ecommerce	**$ 239,100**	$ 94,506	>100%	>100%	**$ 485,690**	$ 182,658	>100%	>100%
Presort Services	**122,730**	118,452	4 %	4 %	**257,188**	251,129	2 %	2 %
Commerce Services	**361,830**	212,958	70 %	69 %	**742,878**	433,787	71 %	70 %
North America Mailing	**314,546**	340,949	(8)%	(8)%	**640,115**	696,902	(8)%	(8)%
International Mailing	**93,358**	95,425	(2)%	(7)%	**191,395**	188,624	1 %	(6)%
Small & Medium Business Solutions	**407,904**	436,374	(7)%	(8)%	**831,510**	885,526	(6)%	(8)%
Software Solutions	**91,702**	81,081	13 %	12 %	**167,996**	154,280	9 %	7 %
Total	**$ 861,436**	$ 730,413	18 %	17 %	**$ 1,742,384**	$ 1,473,593	18 %	17 %

	EBIT					
	Three Months Ended June 30,			Six Months Ended June 30,		
	2018	2017	% change	2018	2017	% change
Global Ecommerce	**$ (5,993)**	$ (4,030)	(49)%	**$ (13,704)**	$ (8,300)	(65)%
Presort Services	**12,565**	19,270	(35)%	**39,591**	49,987	(21)%
Commerce Services	**6,572**	15,240	(57)%	**25,887**	41,687	(38)%
North America Mailing	**115,193**	120,797	(5)%	**234,763**	262,041	(10)%
International Mailing	**13,215**	14,020	(6)%	**29,246**	27,430	7 %
Small & Medium Business Solutions	**128,408**	134,817	(5)%	**264,009**	289,471	(9)%
Software Solutions	**18,433**	5,091	>100%	**20,925**	6,397	> 100%
Total Segment EBIT	**$ 153,413**	$ 155,148	(1)%	**$ 310,821**	$ 337,555	(8)%

	EBITDA					
	Three Months Ended June 30,			Six Months Ended June 30,		
	2018	2017	% change	**2018**	2017	% change
Global Ecommerce	**$ 9,474**	$ 3,157	>100%	**$ 16,193**	$ 6,210	>100%
Presort Services	**19,188**	26,196	(27)%	**52,376**	64,111	(18)%
Commerce Services	**28,662**	29,353	(2)%	**68,569**	70,321	(2)%
North America Mailing	**132,569**	137,157	(3)%	**268,996**	294,427	(9)%
International Mailing	**17,469**	18,368	(5)%	**38,021**	36,475	4 %
Small & Medium Business Solutions	**150,038**	155,525	(4)%	**307,017**	330,902	(7)%
Software Solutions	**20,819**	7,381	>100%	**25,732**	10,775	>100%
Total Segment EBITDA	**199,519**	192,259	4 %	**401,318**	411,998	(3)%
Less: Segment depreciation and amortization[(1)]	**(46,106)**	(37,111)	24 %	**(90,497)**	(74,443)	22 %
Total Segment EBIT	**$ 153,413**	$ 155,148	(1)%	**$ 310,821**	$ 337,555	(8)%

[(1)] Excludes corporate depreciation and amortization expense.

Global Ecommerce

Global Ecommerce revenue increased 153% in the quarter. On a constant currency basis, revenue increased 152% primarily due to:

- 134%, or $127 million, from the additional revenue from Newgistics; and
- 18% from higher shipping revenues due to increased domestic volumes.

EBIT for the quarter was a loss of $6 million compared to a loss of $4 million in the prior year. The higher loss was primarily due to $8 million of additional depreciation and amortization expense primarily from the acquisition of Newgistics, investments in market growth opportunities and higher transportation and labor costs, partially offset by higher revenue. The acquisition of Newgistics did not have a material impact on EBIT. EBITDA in the quarter more than doubled compared to the prior year due to the increase in revenue.

Global Ecommerce revenue increased 166% in the first six months of 2018. On a constant currency basis, revenue increased 164% primarily due to:

- 140%, or $256 million, from the additional revenue from Newgistics;
- 19% from higher shipping revenues due to increased volumes; and
- 5% from higher cross-border marketplace volumes, particularly in the U.S.

EBIT for the first six months of 2018 was a loss of $14 million compared to a loss of $8 million in the prior year. The higher loss was primarily due to $15 million of additional depreciation and amortization expense primarily from the acquisition of Newgistics, investments in market growth opportunities and higher transportation and labor costs, partially offset by higher revenue. The acquisition of Newgistics did not have a material impact on EBIT. EBITDA in the first six months of 2018 more than doubled compared to the prior year due to the increase in revenue.

Presort Services

Presort Services revenue increased 4% in the quarter and 2% in the first six months of 2018 primarily due to higher volumes of First Class mail, partially offset by lower volumes of Standard Class mail processed. Revenue was also impacted by lower revenue per piece, in part driven by higher volumes of mail processed from larger clients. EBIT decreased 35% in the quarter and 21% in the first six months of 2018 primarily due to lower revenue per piece and higher labor and transportation costs.

North America Mailing

North America Mailing revenue decreased 8% in the quarter primarily due to:
- 4% from lower equipment sales due to lower sales of certain products and lower backlog at the beginning of the quarter compared to the prior year period;
- 2% from lower financing revenue primarily due to a declining lease portfolio and lower fees; and
- 1% from a decline in rentals revenue due to a decline in installed mailing equipment and lower postage volumes.

North America Mailing revenue decreased 8% in the first six months of 2018 primarily due to:
- 4% from lower equipment sales due to lower sales of certain products, lower client lease extensions and a large prior year deal that impacted the year-over-year comparison;
- 2% from lower financing revenue primarily due to a declining lease portfolio and lower fees; and
- 2% from declines in rentals and support services revenue due to a decline in installed mailing equipment and lower postage volumes.

EBIT decreased 5% in the quarter and 10% in the first six months of 2018 primarily due to a decline in recurring stream revenues and equipment sales, partially offset by lower expenses.

International Mailing

International Mailing revenue decreased 2% in the quarter; however, on a constant currency basis, revenue decreased 7% primarily due to:
- 4% from lower stream revenues resulting from a lower installed meter base, declining postages volumes and a declining lease portfolio; and
- 2% from lower equipment sales, primarily in the UK and Italy.

EBIT decreased 6% in the quarter primarily due to lower gross margins partially offset by lower expenses.

International Mailing revenue increased 1% in the first six months of 2018; however, on a constant currency basis, revenue decreased 6% primarily due to:
- 4% from lower stream revenues resulting from a lower installed meter base, declining postages volumes and a declining lease portfolio; and
- 2% from lower equipment sales, primarily in the UK.

EBIT increased 7% in the first six months of 2018 primarily due to lower expenses.

Software Solutions

Software revenue increased 13% in the quarter and 12% on a constant currency basis primarily due to growth in Data, Customer Information Management and Location Intelligence, in part due to the adoption of ASC 606.

Software revenue increased 9% in the first six months of 2018. On a constant currency basis, software revenue increased 7% primarily due to $21 million from the adoption of ASC 606.

EBIT more than doubled in both the quarter and the first six months of 2018 primarily due to higher revenue and lower expenses. ASC 606 had a favorable impact of $9 million and $19 million in the quarter and first six months of 2018, respectively.

LIQUIDITY AND CAPITAL RESOURCES

We believe that existing cash and investments, cash generated from operations and borrowing capacity through the capital markets will be sufficient to support our current cash needs, including discretionary uses such as capital investments, dividends, strategic acquisitions and share repurchases. Cash and cash equivalents and short-term investments were $746 million at June 30, 2018 and $1,058 million at December 31, 2017. We continuously review our credit profile through published credit ratings and the credit default swap market. We also monitor the creditworthiness of those banks acting as derivative counterparties, depository banks or credit providers.

Cash and cash equivalents held by our foreign subsidiaries were $200 million at June 30, 2018 compared to $608 million at December 31, 2017. Through June 30, 2018, we repatriated $471 million of cash to the U.S. from our foreign subsidiaries. Cash and cash equivalents held by our foreign subsidiaries are generally used to support the liquidity needs of these subsidiaries.

Cash Flow Summary

Changes in cash and cash equivalents for the six months ended June 30, 2018 and 2017 were as follows:

	2018	2017	Change
Net cash provided by operating activities	**$ 175,034**	$ 184,647	$ (9,613)
Net cash used in investing activities	**(101,326)**	(224,791)	123,465
Net cash (used in) provided by financing activities	**(379,818)**	91,371	(471,189)
Effect of exchange rate changes on cash and cash equivalents	**(13,041)**	24,815	(37,856)
Change in cash and cash equivalents	**$ (319,151)**	$ 76,042	$ (395,193)

Net cash provided by operating activities included $42 million and $14 million of cash flow from discontinued operations in 2018 and 2017, respectively. Net cash provided by operating activities of continuing operations was $133 million and $170 million for the six months ended June 30, 2018 and 2017, respectively. The decrease of $37 million was primarily due to lower net income, higher restructuring payments and changes in working capital.

Cash flows used in investing activities improved $123 million, primarily due to:

- Lower cash outflows from investment activities of $139 million due to the investment of residual proceeds from the issuance of debt in the prior year; partially offset by
- Higher capital expenditures of $24 million.

Cash flows from financing activities decreased $471 million, primarily due to:

- Net proceeds of $396 million in 2017 from issuance of debt;
- Repayment of $260 million of debt in the first six months of 2018 compared to the repayment of $229 million in the prior year; and
- The settlement of $46 million related to a timing difference between our investing excess cash at the subsidiary level and our funding of an intercompany cash transfer at year end.

Financings and Capitalization

We are a "Well-Known Seasoned Issuer" within the meaning of Rule 405 under the Securities Act, which allows us to issue debt securities, preferred stock, preference stock, common stock, purchase contracts, depositary shares, warrants and units in an expedited fashion. We have a committed credit facility of $1 billion that expires in January 2021. As of June 30, 2018, we have not drawn upon the credit facility.

There were no outstanding commercial paper borrowings at June 30, 2018 and December 31, 2017, and we did not issue any commercial paper during the second quarter of 2018.

The interest rate on certain notes and term loans are subject to adjustment based on changes in our credit ratings. During the quarter, Standard & Poor's lowered our corporate credit rating from BBB- to BB+. As a result, the interest rate on the May 2022 Notes and term loans increased 0.25% and the interest rate on the September 2020 notes, the October 2021 notes, and the April 2023 notes will increase 0.25% effective after the next interest payment date.

During the year, we repaid the $250 million of 5.6% Notes that matured in March 2018 and $10 million of principal on our term loans.

On August 2, 2018 we redeemed the $300 million 6.25% Notes due March 2019. As a result of this redemption, we will recognize an $8 million loss in the third quarter of 2018.

Dividends and Share Repurchases

During the six months ended June 30, 2018, we paid dividends of $70 million. Each quarter, our Board of Directors considers our recent and projected earnings and other capital needs and priorities in deciding whether to approve the payment, as well as the amount, of a dividend. There are no material restrictions on our ability to declare dividends.

We did not repurchase any of our common shares during the quarter and still have remaining authorization to repurchase up to $21 million of our common shares.

Off-Balance Sheet Arrangements

At June 30, 2018, we had no off-balance sheet arrangements that have, or are reasonably likely to have, a material effect on our financial condition, results of operations or liquidity.

Regulatory Matters

There have been no significant changes to the regulatory matters disclosed in our 2017 Annual Report.

Item 3: Quantitative and Qualitative Disclosures about Market Risk

There were no material changes to the disclosures made in our 2017 Annual Report.

Item 4: Controls and Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed in reports filed or submitted under the Securities Exchange Act of 1934, as amended (Exchange Act) is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures are also designed to reasonably ensure that such information is accumulated and communicated to management, including our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), as appropriate to allow timely decisions regarding required disclosure.

Under the direction of our CEO and CFO, management evaluated our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act) and internal control over financial reporting. Our CEO and CFO concluded that, as of the end of the period covered by this report, such disclosure controls and procedures were effective to ensure that information we are required to disclose in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms. In addition, no changes in internal control over financial reporting occurred during the fiscal quarter covered by this report that have materially affected, or are reasonably likely to materially affect, such internal control over financial reporting. It should be noted that any system of controls is based in part upon certain assumptions designed to obtain reasonable (and not absolute) assurance as to its effectiveness, and there can be no assurance that any design will succeed in achieving its stated goals. Notwithstanding this caution, the CEO and CFO have reasonable assurance that the disclosure controls and procedures were effective as of June 30, 2018.

We acquired Newgistics in a purchase business combination in October 2017. We are in the process of reviewing and evaluating the internal controls of Newgistics and are implementing our internal control structure over this acquired business.

PART II. OTHER INFORMATION

Item 1: Legal Proceedings

See Note 14 to the Condensed Consolidated Financial Statements.

Item 1A: Risk Factors

There were no material changes to the risk factors identified in our 2017 Annual Report.

Item 2: Unregistered Sales of Equity Securities and Use of Proceeds

Repurchases of Equity Securities

We periodically repurchase shares of our common stock in the open market to manage the dilution created by shares issued under employee stock plans and for other purposes. The following table provides information about purchases of our common stock during the three months ended June 30, 2018:

	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Approximate dollar value of shares that may yet be purchased under the plans or programs (in thousands)
Beginning balance				$21,022
April 1, 2018 - April 30, 2018	—	—	—	$21,022
May 1, 2018 - May 31, 2018	—	—	—	$21,022
June 1, 2018 - June 30, 2018	—	—	—	$21,022
	—	—	—	

Item 6: Exhibits

Exhibit Number	Description	Exhibit Number in this Form 10-Q
3(a)	Restated Certificate of Incorporation of Pitney Bowes Inc. (incorporated by reference to Exhibit 3(c) to Form 8-K filed with the Commission on May 12, 2012)	3(a)
3(b)	Pitney Bowes Inc. Amended and Restated By-laws effective May 13, 2013 (incorporated by reference to Exhibit 3(d) to Form 8-K filed with the Commission on May 15, 2013)	3(b)
10	Asset Purchase agreement between Pitney Bowes Inc. and Stark Acquisition Corporation dated April 27, 2018 (incorporated by reference to Exhibit 2.1 to Form 8-K filed with Commission on May 1, 2018)	10
10a	Amendment and supplement asset purchase agreement between Pitney Bowes, Inc. and Stark Acquisition Corporation dated July 1, 2018.	10
12	Computation of ratio of earnings to fixed charges	12
31.1	Certification of Chief Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended	31.1
31.2	Certification of Chief Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended	31.2
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350	32.1
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350	32.2
101.INS	XBRL Report Instance Document	
101.SCH	XBRL Taxonomy Extension Schema Document	
101.CAL	XBRL Taxonomy Calculation Linkbase Document	
101.DEF	XBRL Taxonomy Definition Linkbase Document	
101.LAB	XBRL Taxonomy Label Linkbase Document	
101.PRE	XBRL Taxonomy Presentation Linkbase Document	

* Pursuant to Item 601(b)(2) of Regulation S-K, certain exhibits and schedules have been omitted. The registrant hereby agrees to furnish supplementally a copy of any omitted attachment to the SEC upon request.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PITNEY BOWES INC.

Date: August 2, 2018

/s/ Stanley J. Sutula III

Stanley J. Sutula III
Executive Vice President and Chief Financial Officer (Principal Financial Officer)

/s/ Joseph R. Catapano

Joseph R. Catapano
Vice President, Chief Accounting Officer
(Principal Accounting Officer)

AMENDMENT AND SUPPLEMENT TO ASSET PURCHASE AGREEMENT

This AMENDMENT AND SUPPLEMENT TO ASSET PURCHASE AGREEMENT (this "Amendment") is made as of July 1, 2018, by and between Pitney Bowes Inc., a Delaware corporation (the "Seller"), and DMT Solutions Global Corporation (f/k/a Stark Acquisition Corporation), a Delaware corporation (the "Purchaser"). Capitalized terms used in this Amendment and not otherwise defined herein shall have the meanings given to them in the Purchase Agreement (as defined below).

R E C I T A L S

WHEREAS, the Purchaser and the Seller are parties to that certain Asset Purchase Agreement, dated as of April 27, 2018 (the "Purchase Agreement"), providing for the sale of the Business (as such term is defined in the Purchase Agreement) by the Seller to the Purchaser, on the terms and subject to the conditions set forth therein;

WHEREAS, pursuant to Section 8.5 of the Purchase Agreement, the Purchase Agreement may be amended by the execution of an instrument in writing signed by the Purchaser and the Seller; and

WHEREAS, the parties hereto desire to amend and supplement the Purchase Agreement as set forth herein.

A G R E E M E N T

NOW, THEREFORE, in consideration of the mutual promises, covenants and agreements herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Amendments to the Purchase Agreement.

1.1 Section 1.5 of the Purchase Agreement is hereby amended to read in its entirety as follows:

Section 1.5 Purchase Price. Subject to the terms and conditions hereof, at Closing, the Purchaser shall pay or cause to be paid to the Seller (and/or one or more Affiliates of the Seller as designated by the Seller in such amounts as designated by the Seller) an aggregate amount equal to (i) Three Hundred Sixty One Million Dollars and No Cents ($361,000,000.00) (the "Purchase Price"), plus (ii) the Estimated Adjustment Amount (which may be positive or negative) (the "Closing Purchase Price"). The Closing Purchase Price shall be subject to adjustment as provided in Section 1.8.

1.2 Section 2.1 of the Purchase Agreement is hereby amended to read in its entirety as follows:

Section 2.1 Closing Date. The closing of the transactions contemplated by this Agreement (the "Closing") shall take place by the electronic exchange of documents on July 2, 2018 (the "Closing Date").

1.3 Section 2.2 of the Purchase Agreement is hereby amended to read in its entirety as follows:

Section 2.2 Effectiveness. Notwithstanding anything to the contrary herein, assuming the Closing occurs, the Parties expressly agree and intend that the Closing shall be deemed to occur for all economic, accounting and Tax purposes as of 12:01 a.m., local time, in each jurisdiction in which any of the Transferred Assets or the Transferred Entity is located on July 1, 2018 (the "Economic Effective Time").

1.4 A new second sentence of Section 2.4 is hereby added to the Purchase Agreement, which shall read in its entirety as follows:

The Seller and the Purchaser agree that the allocation of Purchase Price made pursuant to this Section 2.4 shall be made in a manner consistent with the attached Exhibit M.

1.5 Section 2.5(a) of the Purchase Agreement is hereby amended to read in its entirety as follows:

Notwithstanding anything herein to the contrary, if (i) any (x) consent, approval or employee information and/or consulting obligations from or with any employee consultation body or other similar body or (y) other filing, consent, approval or action of any Governmental Authority or third party, in each case set forth on Section 2.5(a) of the Disclosure Schedules, shall not have been obtained or completed by the Closing Date or (ii) the Purchaser has not been able to form a legal entity in any jurisdiction that is necessary for the acquisition of Transferred Assets in such jurisdiction or the employment of Business Employees in such jurisdiction and (iii) in either of the cases described in clauses (i) and (ii) the Closing is required to be held as provided in Section 2.1, then the transfer of the Transferred Assets and the Transferred Employees and the assumption of the Assumed Liabilities in the jurisdiction in which such consent, approval, obligation, filing or action has not been obtained or completed (each, a "Deferred Jurisdiction") (such Transferred Assets, Transferred Employees and Assumed Liabilities, collectively, a "Deferred Business") will not occur on the Closing Date, but shall instead occur as set forth in this Section 2.5. The Disapplied Provisions shall apply to the Deferred Business as of the applicable Local Closing Date and not as of the Closing. In respect of the Disapplied Provisions, (A) the term "Business" shall be deemed to exclude the Deferred Business, (B) the term "Transferred Assets" shall be deemed to exclude the Transferred Assets in the Deferred Jurisdiction, (C) the term "Assumed Liabilities" shall be deemed to exclude the Assumed Liabilities in the Deferred Jurisdiction and (D) the term "Transferred Employees"

shall be deemed to exclude the Transferred Employees in the Deferred Jurisdiction, in each case, as of the Closing. In addition, (I) notwithstanding anything to the contrary contained in Section 2.3, the documents required to be delivered at Closing pursuant to Section 2.3(a) and Section 2.3(b) with respect to each Deferred Jurisdiction and with respect to the French Business shall not be required to be delivered until the applicable Local Closing Date or until the French Put Option is exercised, as applicable, and (II) notwithstanding anything to the contrary contained in Section 5.12, the actions required to be taken at Closing pursuant to Section 5.12 with respect to the French Business shall not be required to be taken until the French Put Option is exercised.

1.6 Section 2.5(b) of the Purchase Agreement is hereby amended to read in its entirety as follows:

The closing of each transfer of a Deferred Business (a "Deferred Transfer") will be effected, and will be effective (including for purposes of calculating the net amount set forth in the relevant Deferred Transfer Statement) as of 12:01 a.m. local time, on the first day of the month after the relevant consent, approval, obligation, filing or action in such Deferred Jurisdiction has been obtained or completed; provided that, if such day is not a business day in the applicable Deferred Jurisdiction, then such Deferred Transfer shall take place on the first business day thereafter (though such Deferred Transfer shall remain effective as of 12:01 a.m. local time on the first day of the month). The parties shall use reasonable best efforts to ensure that any Deferred Transfer occurs as soon as reasonably practicable after the Closing Date (the date on which the Deferred Transfer occurs, the "Local Closing Date") in accordance with this Section 2.5. For the avoidance of doubt, the Closing Date shall not be delayed as a result of any Deferred Transfer and, except as set forth in Section 2.5(f) and Section 5.11(b)(iv), there shall be no change in the amount paid at the Closing pursuant to Section 1.5 as a result of any Deferred Transfer. At the closing of each Deferred Transfer, the relevant members of the Seller Group, on the one hand, and the Purchaser or an Affiliate of the Purchaser, on the other, shall execute and deliver the Local Transfer Agreement pertaining to such Deferred Jurisdiction. Notwithstanding that legal title to the Deferred Businesses will not be transferred to the Purchaser on the Closing Date, all provisions of this Agreement (including the calculation of Closing Working Capital, Closing Cash and Transferring Indebtedness) shall apply to the parties as though such transfer occurred at the Closing, except to the extent otherwise expressly provided in this Section 2.5. Neither the Seller nor any of its Affiliates makes any representation or warranty of any kind whatsoever, whether express or implied, at Law or in equity, with respect to the Deferred Businesses, other than as set forth in Article III of this Agreement and then only as of the date of this Agreement and as of the Closing Date, in accordance with the terms of this Agreement.

1.7 A new Section 2.5(f) is hereby added to the Purchase Agreement, which shall read in its entirety as follows:

(f) The Closing Purchase Price shall be reduced by an amount equal to the Deferred Local Consideration. The applicable Deferred Local Consideration shall be paid by the applicable local Purchaser subsidiary to the applicable local Selling Party(ies) pursuant to the applicable Local Transfer Agreement in local currency by wire transfer of immediately available funds to an account or accounts designated by the Seller or the applicable local Selling Party(ies) at the closing of the transactions contemplated such Local Transfer Agreement. The exchange rate to be used in determining the amount of any payment of local currency to be paid as Deferred Local Consideration shall be the exchange rate actually obtained by Purchaser or its relevant subsidiary after using its commercially reasonable efforts to obtain the most favorable rate available.

1.8 A new Section 2.5(g) is hereby added to the Purchase Agreement, which shall read in its entirety as follows:

(g) Notwithstanding anything to the contrary herein, (i) to the extent any Deferred Transfer Statement is finally determined in accordance with Section 2.5(c) prior to the determination of the Final Purchase Price Adjustment, any amount reflected in such Deferred Transfer Statement that directly applies to the calculation of the Final Purchase Price Adjustment shall be applied consistently in calculating the Final Purchase Price Adjustment, and (ii) to the extent the Final Purchase Price Adjustment is determined prior to the final determination of a Deferred Transfer Statement, any amount reflected in the Final Purchase Adjustment that directly applies to the calculation of such Deferred Transferred Statement shall be applied consistently in calculating such Deferred Transfer Statement.

1.9 Section 5.10(a) of the Purchase Agreement is hereby amended to read in its entirety as follows:

(a) Business Employee List. With respect to non-U.S. Business Employees, the Seller shall deliver to the Purchaser an update to the Business Employee List at each of (i) a reasonable time prior to the Closing Date and (ii) with respect to each Deferred Jurisdiction, at least twenty (20) days prior to the anticipated applicable Local Closing Date and, with respect to U.S. Business Employees, the Seller shall deliver to the Purchaser an update to the Business Employee List at a reasonable time prior to the expiration of the Employee Leasing Agreement. With respect to the updated Business Employee Lists to be delivered by the Seller, unless otherwise agreed upon by the Parties in writing, no modifications shall be made to such Business Employee Lists from the final list delivered by the Seller prior to the Closing Date, except to reflect Business Employees hired or terminated since the date of such list, in each case, subject to and consistent with the terms of the Purchase Agreement.

1.10 Section 5.10(c) of the Purchase Agreement is hereby amended to read in its entirety as follows:

(c) Offers of Employment. Each Business Employee (other than Business Employees who are on long-term disability or other long term leave of absence) who is not an Automatic Transferred Employee is referred to herein as an "Offer Employee". With respect to non-U.S. Offer Employees, the Purchaser shall, or shall cause one of its Affiliates to make an offer of employment to such non-U.S. Offer Employee (which offer may be of at-will employment to the extent permitted by applicable Law), at least fifteen (15) days prior to the anticipated Local Closing Date (or such longer period as may be required by applicable Law, the terms of any applicable Labor Contract or the Severance Obligations), with such employment to be effective as of the applicable Local Closing Date. With respect to U.S. Offer Employees, the Purchaser shall, or shall cause one of its Affiliates to make an offer of employment to such U.S. Offer Employee (which offer may be of at-will employment to the extent permitted by applicable Law), at least fifteen (15) days prior to the anticipated expiration

of the term of the Employee Leasing Agreement (or such longer period as may be required by applicable Law, the terms of any applicable Labor Contract or the Severance Obligations), with such employment to be effective as of the first day following the expiration of the term of the Employee Leasing Agreement. Any such offer of employment shall (i) comply with applicable Law, any applicable Labor Contract and this Section 5.10 and (ii) provide for terms and conditions of employment which, in the case of each Business Employee are sufficient to avoid Severance Obligations. Each such Offer Employee who accepts such offer of employment from the Purchaser, collectively with each Automatic Transferred Employee, is referred to herein as a "Transferred Employee". The Seller shall retain all Liabilities with respect to any Offer Employee who does not accept an offer of employment that complies with the terms of this Agreement. Except as otherwise specifically provided in this Section 5.10 or to the extent required by applicable Law, effective as of the day after the Closing Date (or such later date on which a Transferred Employee commences employment with the Purchaser), the Transferred Employees shall cease (x) all active participation in and accrual of benefits under the Business Benefit Plans, other than any such plan that is sponsored, maintained, contributed to or required to be contributed to by the Transferred Entity and (y) receiving payment of their wages from the Seller Group. If and to the extent that any Business Employee who is on long-term disability or other long-term leave of absence as of the Closing Date but who would otherwise have been an Offer Employee is able to return to active employment within 180 days of the Closing Date, the Purchaser shall make such Business Employee an offer of employment as provided above and, if accepted, such Business Employee will become a Transferred Employee from and after the date that his or her employment with the Purchaser or any of its Affiliates commences as provided in such offer.

1.11 Section 5.11(c)(i) of the Purchase Agreement is hereby amended to read in its entirety as follows:

(i) the Disapplied Provisions shall apply to the French Business as of the closing of the sale of the French Business and not as of the Closing Date;

1.12 Section 5.17 of the Purchase Agreement is hereby amended to read in its entirety as follows:

Section 5.17 Resignations. At the Purchaser's request, the Seller shall cause the Manager of the Transferred Entity, as of immediately prior to the closing of the sale of the French Business, to deliver to the Purchaser his or her resignation as the Manager of the Transferred Entity, effective at the time of the closing of the sale of the French Business.

Section 5.23(f) of the Purchase Agreement is hereby amended to read in its entirety as follows:

(f) French Tax Considerations. Pursuant to Article 223 N 2 of the French code général des impôt, the French Parent shall pay or cause to be paid to the French public treasury all installments (accomptes) of French corporation tax payable with respect to the Transferred Entity for the Tax Year in which the Closing Date for the Transferred Entity occurs. The Purchaser shall reimburse or cause the Transferred Entity to reimburse the French Parent for such installment payments that are due after such Closing Date to the extent such installment payments relate to the tax period beginning after such Closing Date, such reimbursement to be made at least five (5) Business Days before the due date of the installment to which it relates.

1.13 Section 6.2(a) of the Purchase Agreement is hereby amended to read in its entirety as follows:

(a) Deliveries of the Seller. Subject to the last sentence of Section 2.5(a), the Purchaser shall have received all certificates, instruments, agreements and other documents to be delivered on or before the Closing Date pursuant to Section 2.3(a).

1.14 Section 6.3(a) of the Purchase Agreement is hereby amended to read in its entirety as follows:

(a) Deliveries of the Purchaser. Subject to the last sentence of Section 2.5(a), the Seller shall have received all certificates, instruments, agreements and other documents to be delivered on or before the Closing Date pursuant to Section 2.3(a).

1.15 Section 8.2(a) of the Purchase Agreement is hereby amended to insert the following additional defined terms into such Section in alphabetical order:

"Brazil Local Purchase Price" shall mean an amount equal to Six Hundred Ninety Eight Thousand Two Hundred Four Dollars ($698,204).

"Deferred Local Consideration" shall mean an amount equal to (i) the Brazil Local Purchase Price plus (ii) the India Local Purchase Price.

"India Local Purchase Price" shall mean an amount equal to Forty Eight Thousand Two Hundred Twenty Dollars ($48,220).

1.16 The following definitions in Section 8.2(a) of the Purchase Agreement are hereby amended to read in their entirety as follows:

"Estimated Adjustment Amount" shall mean the amount (which may be positive or negative) equal to (a)(i) Estimated Closing Working Capital, minus (ii) Target Working Capital plus (b) Estimated Closing Cash minus (c) Estimated Transferring Indebtedness minus (d) Three Million Six Hundred Twenty-Five Thousand Dollars ($3,625,000).

"Final Adjustment Amount" shall mean the amount (which may be positive or negative) equal to (a)(i) Closing Working Capital minus (ii) Target Working Capital plus (b) Closing Cash minus (c) Transferring Indebtedness minus (d) Three Million Six Hundred Twenty-Five Thousand Dollars ($3,625,000).

1.17 All references to "*Effective Time*" in the Purchase Agreement are hereby amended to read "*Economic Effective Time*".

1.18 The form of Bill of Sale, Assignment and Assumption Agreement attached to the Purchase Agreement as Exhibit B thereto is hereby replaced with the form of Bill of Sale, Assignment and Assumption Agreement attached hereto as **Exhibit A**.

1.19 The form of Transition Services Agreement attached to the Purchase Agreement as Exhibit C thereto is hereby replaced with the form of Transition Services Agreement attached hereto as **Exhibit B**.

1.20 The form of Employee Leasing Agreement attached to the Purchase Agreement as Exhibit D thereto is hereby replaced with the form of Employee Leasing Agreement attached hereto as **Exhibit C**.

1.21 The form of Real Property License Agreement – Danbury, CT attached to the Purchase Agreement as Exhibit E-1 thereto is hereby replaced with the form of Real Property License Agreement – Danbury, CT attached hereto as **Exhibit D**.

1.22 The form of Real Property License Agreement – Peachtree City, GA attached to the Purchase Agreement as Exhibit E-2 thereto is hereby replaced with the form of Real Property License Agreement – Peachtree City, GA attached hereto as **Exhibit E**.

1.23 The form of Lease Servicing Agreement attached to the Purchase Agreement as Exhibit G thereto is hereby replaced with the form of Lease Servicing Agreement attached hereto as **Exhibit F**.

1.24 The form of Infinity Meter Agreement attached to the Purchase Agreement as Exhibit H thereto is hereby replaced with the form of Infinity Meter Agreement attached hereto as **Exhibit G**.

1.25 Each reference in the Purchase Agreement to "Presort Commercial Agreement" is hereby amended to read "Equipment Order Form" and the form of Equipment Order Form attached to the Purchase Agreement as Exhibit I thereto is hereby replaced with the form of Equipment Order Form attached hereto as **Exhibit H**.

1.26 The form of Maintenance Services Agreement attached to the Purchase Agreement as Exhibit J thereto is hereby replaced with the form of Maintenance Services Agreement attached hereto as **Exhibit I**.

1.27 A new Exhibit M is hereby added to the Purchase Agreement in the form attached hereto as **Exhibit J**.

1.28 The Disclosure Schedules are hereby amended as set forth in **Exhibit K** attached hereto, and the parties agree to the additional matters with respect to the Disclosure Schedules as set forth in **Exhibit K** attached hereto.

2. Assignment. Pursuant to Section 8.6 of the Purchase Agreement, the Purchaser has assigned its right to enter into the Local Transfer Agreements to its subsidiaries set forth on **Exhibit L** attached hereto.

3. Miscellaneous.

3.1 Effect of Amendment. Except as otherwise expressly provided for herein, the Purchase Agreement shall remain unchanged and shall continue in full force and effect. From and after the date hereof, any references to the Purchase Agreement shall be deemed to be references to the Purchase Agreement as amended by this Amendment.

3.2 Successors and Assigns. This Amendment shall inure to the benefit of and be binding upon the parties hereto and their respective legal representatives and successors. This Amendment does not, and is not intended to, confer upon any Person other than the parties to this Amendment any rights or remedies hereunder.

3.3 Governing Law. This Amendment shall be governed in all respects, including as to validity, interpretation and effect, by the internal laws of the State of Delaware, without giving effect to the conflict of laws rules thereof to the extent that the application of the law of another jurisdiction would be required thereby.

3.4 Counterparts. This Amendment may be executed simultaneously in one or more counterparts (including by facsimile or electronic .pdf submission), and by the different parties in separate counterparts, each of which when executed shall be deemed to be an original, but all of which shall constitute one and the same agreement.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties have caused this Amendment and Supplement to Asset Purchase Agreement to be executed as of the date first above written.

SELLER:

PITNEY BOWES INC.

By:__
Name:
Title:

PURCHASER:

DMT SOLUTIONS GLOBAL CORPORATION (F/K/A STARK ACQUISITION CORPORATION)

By:
Name:
Title:

Exhibit 12

PITNEY BOWES INC.
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(Dollars in thousands)

	Six Months Ended June 30,	
	2018	2017
Income from continuing operations before income taxes	**$ 114,753**	$ 126,757
Add:		
Interest expense	**89,366**	81,661
Portion of rent expense representative of the interest factor	**8,644**	8,006
Income as adjusted	**$ 212,763**	$ 216,424
Fixed charges:		
Interest expense	**$ 89,366**	$ 81,661
Portion of rent expense representative of the interest factor	**8,644**	8,006
Total fixed charges	**$ 98,010**	$ 89,667
Ratio of earnings to fixed charges	**2.17**	2.41

The computation of the ratio of earnings to fixed charges has been computed by dividing income from continuing operations before income taxes as adjusted by fixed charges. Included in fixed charges is one-third of rent expense as the representative portion of interest.

Exhibit 31.1

CERTIFICATION PURSUANT TO

SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Marc B. Lautenbach, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pitney Bowes Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2018

/s/ Marc B. Lautenbach

Marc B. Lautenbach

President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO

SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Stanley J. Sutula III, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pitney Bowes Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2018

/s/ Stanley J. Sutula III

Stanley J. Sutula III

Executive Vice President and Chief Financial Officer (Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Pitney Bowes Inc. (the "Company") on Form 10-Q for the period ended June 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Marc B. Lautenbach, President and Chief Executive Officer of the Company, certify, to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Marc B. Lautenbach

Marc B. Lautenbach

President and Chief Executive Officer

Date: August 2, 2018

The foregoing certification is being furnished solely to accompany this report pursuant to 18 U.S.C. §1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company.

Exhibit 32.2

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Pitney Bowes Inc. (the "Company") on Form 10-Q for the period ended June 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stanley J. Sutula III, Executive Vice President, Chief Operating Officer and Chief Financial Officer of the Company, certify, to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Stanley J. Sutula III

Stanley J. Sutula III

Executive Vice President and Chief Financial Officer (Principal Financial Officer)

Date: August 2, 2018

The foregoing certification is being furnished solely to accompany this report pursuant to 18 U.S.C. §1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company.