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

FORM 10-Q

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

For the quarterly period ended September 30, 2005

OR

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.

State of Incorporation	IRS Employer Identification No.
Delaware	06-0495050

World Headquarters
1 Elmcroft Road
Stamford, Connecticut 06926-0700
Telephone Number: (203) 356-5000

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 X No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes X No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No X

Number of shares of common stock, $1 par value, outstanding as of October 21, 2005 is 228,116,410.

Pitney Bowes Inc.
Index

Part I - Financial Information

Item 1: Financial Statements

Pitney Bowes Inc.
Consolidated Statements of Income
(Unaudited)

(Dollars in thousands, except per share data)	Three Months Ended September 30, 2005	Three Months Ended September 30, 2004	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2004
Revenue from:				
Sales	$ 394,754	$ 346,397	$ 1,162,768	$ 1,016,199
Rentals	198,894	199,768	606,029	601,841
Financing	159,582	147,599	478,244	443,821
Support services	196,162	177,480	588,393	495,839
Business services	376,409	316,462	1,094,041	926,829
Capital Services	30,633	29,816	104,921	110,816
Total revenue	1,356,434	1,217,522	4,034,396	3,595,345
Costs and expenses:				
Cost of sales	168,228	152,255	507,294	463,548
Cost of rentals	38,975	39,193	125,261	123,970
Cost of support services	103,198	89,923	306,369	260,660
Cost of business services	299,585	262,843	887,724	761,425
Cost of Capital Services	-	-	-	13,017
Selling, general and administrative	421,115	371,056	1,245,158	1,096,315
Research and development	40,029	42,629	121,873	117,563
Restructuring	12,918	15,582	23,480	46,854
Charitable contribution	-	-	10,000	-
Interest, net	54,144	43,403	151,374	127,386
Total costs and expenses	1,138,192	1,016,884	3,378,533	3,010,738
Income before income taxes	218,242	200,638	655,863	584,607
Provision for income taxes	73,943	64,122	222,929	186,779
Net income	$ 144,299	$ 136,516	$ 432,934	$ 397,828
Basic earnings per share	$ .63	$ .59	$ 1.89	$ 1.72
Diluted earnings per share	$ .62	$ .58	$ 1.86	$ 1.70
Dividends declared per share of common stock	$ .31	$ .305	$ .93	$ .915

See Notes to Consolidated Financial Statements

Pitney Bowes Inc.
Consolidated Balance Sheets

(Dollars in thousands, except share data)	September 30, 2005	December 31, 2004
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 294,527	$ 316,217
Short-term investments	50,703	3,933
Accounts receivable, less allowances: 9/05, $47,726; 12/04, $50,254	637,054	567,772
Finance receivables, less allowances: 9/05, $65,680; 12/04, $71,001	1,361,381	1,400,593
Inventories (Note 3)	228,708	206,697
Other current assets and prepayments	214,087	197,874
Total current assets	2,786,460	2,693,086
Property, plant and equipment, net (Note 4)	626,737	644,495
Rental equipment and related inventories, net (Note 4)	484,600	475,905
Property leased under capital leases, net (Note 4)	3,667	3,081
Long-term finance receivables, less allowances: 9/05, $84,057; 12/04, $102,074	1,794,908	1,820,733
Investment in leveraged leases	1,574,760	1,585,030
Goodwill (Note 11)	1,623,505	1,411,381
Intangible assets, net (Note 11)	360,585	323,737
Other assets	900,046	863,132
Total assets	$ 10,155,268	$ 9,820,580
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 1,458,522	$ 1,475,107
Income taxes payable	135,684	218,605
Notes payable and current portion of long-term obligations	931,685	1,178,946
Advance billings	467,522	421,819
Total current liabilities	2,993,413	3,294,477
Deferred taxes on income	1,787,556	1,771,825
Long-term debt (Note 5)	3,351,732	2,798,894
Other noncurrent liabilities	342,038	355,303
Total liabilities	8,474,739	8,220,499
Preferred stockholders' equity in a subsidiary company	310,000	310,000
Stockholders' equity:		
Cumulative preferred stock, $50 par value, 4% convertible	17	19
Cumulative preference stock, no par value, $2.12 convertible	1,160	1,252
Common stock, $1 par value	323,338	323,338
Retained earnings	4,452,852	4,243,404
Accumulated other comprehensive income (Note 8)	118,121	135,526
Treasury stock, at cost	(3,524,959)	(3,413,458)
Total stockholders' equity	1,370,529	1,290,081
Total liabilities and stockholders' equity	$ 10,155,268	$ 9,820,580

See Notes to Consolidated Financial Statements

Pitney Bowes Inc.
Consolidated Statements of Cash Flows
(Unaudited)

(Dollars in thousands)	Nine Months Ended September 30,

	2005	2004
Cash flows from operating activities:		
Net income	$ 432,934	$ 397,828
Nonrecurring charges, net of taxes	22,034	29,991
Nonrecurring payments	(58,922)	(44,848)
Bond posted with the Internal Revenue Service	(200,000)	-
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	248,544	225,737
Change in assets and liabilities, net of effects of acquisitions:		
Accounts receivable	(63,135)	(519)
Net investment in internal finance receivables	(39,402)	10,656
Inventories	(15,765)	(621)
Other current assets and prepayments	(5,851)	(4,192)
Accounts payable and accrued liabilities	(30,054)	(31,418)
Deferred taxes on income and income taxes payable	125,498	157,774
Advanced billings	27,676	(2,392)
Other, net	(10,958)	(10,178)
Net cash provided by operating activities	432,599	727,818
Cash flows from investing activities:		
Capital expenditures	(215,446)	(226,225)
Investments	(34,428)	(1,711)
Net proceeds from sale of main plant	30,238	-
Net investment in Capital Services	105,378	44,712
Reserve account deposits	(9,100)	23,115
Acquisitions, net of cash acquired	(283,764)	(379,410)
Net cash used in investing activities	(407,122)	(539,519)
Cash flows from financing activities:		
Increase in notes payable, net	65,768	139,610
Proceeds from long-term obligations	900,058	348,869
Principal payments on long-term obligations	(672,046)	(328,961)
Proceeds from issuance of stock	64,601	51,591
Stock repurchases	(189,951)	(175,004)
Dividends paid	(213,761)	(211,903)
Net cash used in financing activities	(45,331)	(175,798)
Effect of exchange rate changes on cash	(1,836)	3,589
(Decrease) increase in cash and cash equivalents	(21,690)	16,090
Cash from consolidation of PBG Capital Partners LLC	-	36,620
Cash and cash equivalents at beginning of period	316,217	293,812
Cash and cash equivalents at end of period	$ 294,527	$ 346,522
Interest paid	$ 152,443	$ 130,921
Income taxes paid, net	$ 99,313	$ 56,578

See Notes to Consolidated Financial Statements

Pitney Bowes Inc.
Notes to Consolidated Financial Statements

Note 1: Description of Business and Principles of Consolidation

Pitney Bowes is a provider of leading edge, global, integrated mail and document management solutions for organizations of all sizes. Pitney Bowes Inc. and all of its subsidiaries (the company) operate in the following groups of segments: Global Mailstream Solutions, Global Business Services and Capital Services. The company operates both inside and outside the United States. See Note 7 to the consolidated financial statements for financial information concerning revenue and earnings before interest and taxes (EBIT) by segment.

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America (GAAP) for complete financial statements. In the opinion of management, all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the financial position of the company at September 30, 2005 and December 31, 2004, the results of its operations for the three and nine months ended September 30, 2005 and 2004 and its cash flows for the nine months ended September 30, 2005 and 2004 have been included.

Operating results for the three and nine months ended September 30, 2005 are not necessarily indicative of the results that may be expected for any other interim period or the year ending December 31, 2005. These statements should be read in conjunction with the financial statements and notes thereto included in the company's 2004 Annual Report to Stockholders on Form 10-K. Certain prior year amounts in the consolidated financial statements have been reclassified to conform with the current year presentation.

Note 2: New Accounting Pronouncements

In January 2003, the Financial Accounting Standards Board (FASB) issued FASB Interpretation (FIN) No. 46, "Consolidation of Variable Interest Entities." FIN No. 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or is entitled to receive a majority of the entity's residual returns or both. The company's ownership of the equity of PBG Capital Partners LLC (PBG) qualifies as a variable interest entity under FIN No. 46. PBG was formed with GATX Corporation in 1997 for the purpose of financing and managing certain leasing related assets. The company adopted the provisions of FIN No. 46 effective March 31, 2004 and consolidated the assets and liabilities of PBG on March 31, 2004. Prior to March 31, 2004, the company accounted for PBG under the equity method of accounting. PBG's minority interest of $43 million and $41 million, respectively, is included in other noncurrent liabilities in the Consolidated Balance Sheets at September 30, 2005 and December 31, 2004. The consolidation of PBG did not have a material impact on the company's results of operations or cash flows.

In May 2004, the FASB issued FASB Staff Position (FSP) No. 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003." The FSP provides accounting guidance for the effects of the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act") to a sponsor of a postretirement health care plan that has concluded that prescription drug benefits available under the plan are actuarially equivalent and thus qualify for the subsidy under the Act. The company concluded that the prescription drug benefits provided under its nonpension postretirement benefit plans are actuarially equivalent to the prescription drug benefits offered under Medicare Part D. The provisions of FSP No. 106-2 were adopted on a prospective basis on July 1, 2004. The adoption of FSP No. 106-2 reduced the company's nonpension postretirement accumulated benefit obligation by approximately $60 million, which has been recognized as a reduction in the compnay's unrecognized actuarial loss.

In November 2004, Statement of Financial Accounting Standards (FAS) No. 151, "Inventory Costs," was issued. FAS No. 151 amends and clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material (spoilage). The provisions of FAS No. 151 are effective for fiscal years beginning after June 15, 2005. The company is currently evaluating the provisions of FAS No. 151 and does not expect the adoption of this provision to have a material impact on its financial position, results of operations or cash flows.

In December 2004, the FASB issued FSP No. 109-2, "Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004." The FSP provides guidance under FAS No. 109, "Accounting for Income Taxes," with respect to recording the potential impact of the repatriation provisions of the American Jobs Creation Act of 2004 (the "Jobs Act") on enterprises' income tax expense and deferred tax liability. The Jobs Act was enacted on October 22, 2004. FSP No. 109-2 states that companies are allowed time beyond the financial reporting period of enactment to evaluate the effect of the Jobs Act on their plan for reinvestment or repatriation of foreign earnings for purposes of applying FAS No. 109. The company is currently evaluating the effects of the repatriation provision and does not expect the adoption of this provision to have a material impact on its financial position, results of operations or cash flows.

In June 2005, the FASB issued FASB Staff Position (FSP) No. FAS 143-1, "Accounting for Electronic Equipment Waste Obligations," that provides guidance on how commercial users and producers of electronic equipment should recognize and measure asset retirement obligations associated with the European Directive 2002/96/EC on Waste Electrical and Electronic Equipment (the "Directive"). The adoption of this FSP did not have a material effect on the company's financial position, results of operations or cash flows for those European Union (EU) countries that enacted the Directive into country-specific laws. The company is currently evaluating the impact of applying this FSP in the remaining countries in future periods and does not expect the adoption of this provision to have a material effect on the company's financial position, results of operations or cash flows.

Accounting for stock-based compensation

In April 2005, the Securities and Exchange Commission (SEC) approved a new rule delaying the effective date of FAS No. 123 (revised 2004), "Share-Based Payment," to January 1, 2006. In light of this delay, the company will adopt the provisions of FAS No. 123R when it becomes effective. FAS No. 123R supercedes Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees." The revised statement addresses the accounting for share-based payment transactions with employees and other third parties, eliminates the ability to account for share-based transactions using APB No. 25 and requires that the compensation costs relating to such transactions be recognized in the consolidated financial statements. FAS No. 123R requires compensation cost to be recognized immediately for awards granted to retirement eligible employees or over the period from the grant date to the date retirement eligibility is achieved, if that is expected to occur during the nominal vesting period. The company currently uses the nominal vesting period approach to determine the pro forma stock based compensation expense for all awards. FAS No. 123R requires additional disclosures relating to the income tax and cash flow effects resulting from share-based payments. The company is currently evaluating the impact of adopting FAS No. 123R, which was issued in December 2004.

The company adopted the disclosure-only provisions of FAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure," which amends FAS No. 123 and requires more prominent and more frequent disclosures in the financial statements of the effects of stock-based compensation.

The company applies APB No. 25 and related interpretations in accounting for its stock-based plans. Accordingly, no compensation expense has been recognized for its U.S. and U.K. Stock Option Plans (ESP) or its U.S. and U.K. Employee Stock Purchase Plans (ESPP), except for the compensation expense recorded for its performance-based awards under the ESP and the Directors' Stock Plan.

If the company had elected to recognize compensation expense based on the fair value method as prescribed by FAS No. 123, net income and earnings per share for the three and nine months ended September 30, 2005 and 2004 would have been reduced to the following pro forma amounts:

(Dollars in thousands, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
Net Income				
As reported	$ 144,299	$ 136,516	$ 432,934	$ 397,828
Deduct: Stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(4,219)	(4,440)	(12,112)	(13,033)
Pro forma	$ 140,080	$ 132,076	$ 420,822	$ 384,795
Basic earnings per share				
As reported	$ .63	$ .59	$ 1.89	$ 1.72
Pro forma	$ .61	$ .57	$ 1.83	$ 1.66
Diluted earnings per share				
As reported	$ .62	$ .58	$ 1.86	$ 1.70
Pro forma	$ .61	$ .56	$ 1.81	$ 1.64

The fair value of each stock option and employee stock purchase right grant is estimated on the date of grant using the Black-Scholes option-pricing model using the following weighted average assumptions:

	Three and Nine Months Ended September 30,	
	2005	2004
Expected dividend yield	2.8%	2.9%
Expected stock price volatility	18%	23%
Risk-free interest rate	3.4%	3%
Expected life (years)	5	5

Note 3: Inventories

Inventories are composed of the following:

(Dollars in thousands)	September 30, 2005	December 31, 2004
Raw materials and work in process	$ 97,182	$ 75,508
Supplies and service parts	65,655	67,666
Finished products	65,871	63,523
Total	$ 228,708	$ 206,697

If all inventories valued at last-in, first-out had been stated at current costs, inventories would have been $24.8 million and $20.2 million higher than reported at September 30, 2005 and December 31, 2004, respectively.

Note 4: Fixed Assets

Fixed assets are composed of the following:

(Dollars in thousands)	September 30, 2005	December 31, 2004
Property, plant and equipment	$ 1,737,666	$ 1,756,480
Accumulated depreciation	(1,110,929)	(1,111,985)
Property, plant and equipment, net	$ 626,737	$ 644,495
Rental equipment and related inventories	$ 1,145,882	$ 1,150,931
Accumulated depreciation	(661,282)	(675,026)
Rental equipment and related inventories, net	$ 484,600	$ 475,905
Property leased under capital leases	$ 11,245	$ 8,662
Accumulated amortization	(7,578)	(5,581)
Property leased under capital leases, net	$ 3,667	$ 3,081

Depreciation expense was $219.7 million and $205.2 million for the nine months ended September 30, 2005 and 2004, respectively.

Note 5: Debt

On October 11, 2005, Pitney Bowes Nova Scotia II ULC, a wholly owned subsidiary of the company, issued $150 million floating rate notes maturing in October 2010. These notes bear interest at an annual rate of LIBOR plus 15 basis points and pay interest quarterly beginning December 2005. The proceeds from these notes will be used for general corporate purposes, including the repayment of commercial paper, the financing of acquisitions and the repurchase of company stock.

On September 30, 2005, $1.6 billion remained available under the shelf registration statement filed in February 2005 with the SEC, permitting issuances of up to $2.5 billion in debt securities, preferred stock, preference stock, common stock, purchase contracts, depositary shares, warrants and units.

In July 2005, the company issued $500 million of unsecured fixed rate notes maturing in January 2016. These notes bear interest at an annual rate of 4.75% and pay interest semi-annually beginning January 2006. The proceeds from these notes were used for general corporate purposes, including the repayment of commercial paper, the financing of acquisitions and the repurchase of company stock.

In March 2005, the company issued $400 million of unsecured fixed rate notes maturing in March 2015. These notes bear interest at an annual rate of 5.0% and pay interest semi-annually beginning September 2005. The proceeds from these notes were used for general corporate purposes, including the repayment of commercial paper, financing of acquisitions and the repurchase of company stock.

Note 6: Earnings Per Share

A reconciliation of the basic and diluted earnings per share computations for the three months ended September 30, 2005 and 2004 is as follows (in thousands, except per share data):

	2005			2004		
	Income	Shares	Per Share	Income	Shares	Per Share
Net income	$ 144,299			$ 136,516		
Less:						
Preferred stock dividends	-			-		
Preference stock dividends	(21)			(25)		
Basic earnings per share	$ 144,278	228,582	$ .63	$ 136,491	230,768	$.59
Effect of dilutive securities:						
Preferred stock	-	8		-	9	
Preference stock	21	715		25	773	
Stock options		1,768			2,117	
Other		75			130	
Diluted earnings per share	$ 144,299	231,148	$ .62	$ 136,516	233,797	$.58

A reconciliation of the basic and diluted earnings per share computations for the nine months ended September 30, 2005 and 2004 is as follows (in thousands, except per share data):

	2005			2004		
	Income	Shares	Per Share	Income	Shares	Per Share
Net income	$ 432,934			$ 397,828		
Less:						
Preferred stock dividends	(1)			-		
Preference stock dividends	(68)			(75)		
Basic earnings per share	$ 432,865	229,538	$1.89	$ 397,753	231,293	$1.72
Effect of dilutive securities:						
Preferred stock	1	8		-	9	
Preference stock	68	739		75	784	
Stock options		2,023			2,059	
Other		109			144	
Diluted earnings per share	$ 432,934	232,417	$1.86	$ 397,828	234,289	$1.70

In accordance with FAS No. 128, "Earnings per Share," 1.6 million and 1.4

million common stock equivalent shares for the three months ended September 30, 2005 and 2004, respectively, and 1.3 million and 1.7 million common stock equivalent shares for the nine months ended September 30, 2005 and 2004, respectively, issuable upon the exercise of stock options were excluded from the computations because the exercise prices of such options were greater than the average market price of the common stock and therefore the impact of these shares was antidilutive.

Note 7: Business Segment Information

In light of the company's recent organizational realignment, effective January 1, 2005, the company revised its segments to reflect its product-based businesses separately from its service-based businesses. Prior year amounts have been reclassified to conform with the current year presentation. The Global Mailstream Solutions group of segments includes worldwide revenue and related expenses from the sale, rental and financing of mail finishing, mail creation, shipping, and production mail equipment; supplies; support services; payment solutions; and mailing and customer communications software. The Global Business Services group of segments includes worldwide revenue and related expenses from facilities management contracts, reprographics, document management, and other value-added services to key vertical markets; and mail services operations, which include presort mail services, international outbound mail services and direct mail marketing services. The Capital Services segment includes financing of third-party equipment.

Revenue and EBIT by business segment for the three and nine months ended September 30, 2005 and 2004 were as follows:

(Dollars in thousands)	Three Months Ended September 30, 2005	Three Months Ended September 30, 2004	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2004
Revenue:				
Inside the U.S. - Mailing	$ 560,016	$ 537,635	$ 1,680,026	$ 1,614,207
- DMT	115,570	91,525	303,535	225,272
Outside the U.S.	273,806	242,084	851,873	718,221
Global Mailstream Solutions (1)	949,392	871,244	2,835,434	2,557,700
Global Management Services	261,535	266,321	805,008	800,544
Mail Services	114,874	50,141	289,033	126,285
Global Business Services	376,409	316,462	1,094,041	926,829
Capital Services	30,633	29,816	104,921	110,816
Total revenue	$ 1,356,434	$ 1,217,522	$ 4,034,396	$ 3,595,345
EBIT: (2)				
Inside the U.S. - Mailing	$ 226,301	$ 214,645	$ 667,740	$ 635,955
- DMT	18,499	7,331	34,806	17,350
Outside the U.S.	40,995	40,959	141,741	118,867
Global Mailstream Solutions	285,795	262,935	844,287	772,172
Global Management Services	17,477	12,859	51,062	39,062
Mail Services	8,348	2,664	16,124	8,117
Global Business Services	25,825	15,523	67,186	47,179
Capital Services	16,266	22,108	61,794	69,825
Total EBIT	327,886	300,566	973,267	889,176
Unallocated amounts:				
Interest, net	(54,144)	(43,403)	(151,374)	(127,386)
Corporate expense	(42,582)	(40,943)	(132,550)	(130,329)
Charitable contribution	-	-	(10,000)	-
Restructuring	(12,918)	(15,582)	(23,480)	(46,854)
Income before income taxes	$ 218,242	$ 200,638	$ 655,863	$ 584,607

<FN>

(1) Financing revenue reported in the Consolidated Statements of Income is included in Global Mailstream Solutions.

(2) EBIT excludes general corporate expenses.
</FN>

Note 8: Comprehensive Income

Comprehensive income for the three and nine months ended September 30, 2005 and 2004 was as follows:

(Dollars in thousands)	Three Months Ended September 30, 2005	Three Months Ended September 30, 2004	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2004
Net income	$ 144,299	$ 136,516	$ 432,934	$ 397,828
Other comprehensive (loss) income, net of tax:				
Foreign currency translation adjustments	(2,885)	36,666	(18,714)	57,545
Net unrealized (loss) gain on derivative instruments	(2,150)	(2,580)	1,309	(2,934)
Comprehensive income	$ 139,264	$ 170,602	$ 415,529	$ 452,439

Note 9: Restructuring Charges

The company accounts for one-time benefit arrangements and exit or disposal activities in accordance with FAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," which requires that a liability be recognized when the costs are incurred. The company accounts for ongoing benefit arrangements under FAS No. 112, "Employers' Accounting for Postemployment Benefits," which requires that a liability be recognized when the costs are probable and reasonably estimable. The fair values of impaired long-lived assets are determined primarily using probability weighted expected cash flows in accordance with FAS No. 144, "Accounting for the Impairment of Long-Lived Assets."

In connection with our previously announced restructuring initiatives, the company recorded pre-tax restructuring charges of $12.9 million and $15.6 million for the three months ended September 30, 2005 and 2004, respectively. For the nine months ended September 30, 2005 and 2004, pre-tax restructuring charges were $23.5 million and $46.9 million, respectively.

The pre-tax restructuring charges are composed of:

(Dollars in millions)	Three Months Ended September 30, 2005	Three Months Ended September 30, 2004	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2004
Severance and benefit costs	$ 10.0	$ 12.4	$ 47.8	$ 30.5
Asset impairments	1.8	1.6	2.8	11.0
Other exit costs	1.1	1.6	3.1	5.4
Gain on sale of main plant	-	-	(30.2)	-
Total	$ 12.9	$ 15.6	$ 23.5	$ 46.9

All restructuring charges, except for asset impairments, will result in cash outflows. The severance and benefit costs relate to a reduction in workforce of approximately 3,100 employees worldwide from the inception of this plan through September 30, 2005 and expected future workforce reductions of approximately 500 employees. The workforce reductions relate to actions across several of the company's businesses resulting from infrastructure and process improvements and its continuing efforts to streamline operations, and include managerial, professional, clerical and technical roles. Approximately 61% of the workforce reductions are in the U.S. The majority of the international workforce reductions are in Europe and Canada. Asset impairments relate primarily to the write-down of property, plant and equipment resulting from the closure or streamlining of certain facilities and systems. Other exit costs relate primarily to lease termination costs, non-cancelable lease payments, consolidation of excess facilities and other costs associated with exiting business activities. During the three months ended March 31, 2005, the company recorded a pre-tax gain of $30.2 million related to the sale of its main plant manufacturing facility in Connecticut.

Accrued restructuring charges at September 30, 2005 are composed of the following:

(Dollars in millions)	Balance at January 1, 2005	Restructuring charges (gain)	Cash (payments) receipts	Non-cash charges	Ending balance at September 30, 2005
Severance and benefit costs...................	$ 48.4	$ 47.8	$ (45.4)	$ -	$ 50.8
Asset impairments................	-	2.8	-	(2.8)	-
Other exit costs.................	3.1	3.1	(3.5)	-	2.7
Gain on sale of main plant.....................	-	(30.2)	30.2	-	-
	$ 51.5	$ 23.5	$ (18.7)	$ (2.8)	$ 53.5

Note 10: Acquisitions

On June 30, 2005, the company completed the acquisition of Danka Canada Inc. (Danka), a subsidiary of Danka Business Systems PLC, for a net purchase price of $14 million in cash. Danka is a leading provider of office systems services, supplies and equipment in Canada. This acquisition strengthens the company's Canadian operations by enhancing its geographic coverage and extending its offerings. The goodwill was assigned to Outside the U.S. in the Global Mailstream Solutions group of segments.

On May 26, 2005, the company completed the acquisition of Imagitas, Inc. (Imagitas) for a net purchase price of $230 million in cash, net of unrestricted cash. Imagitas is a marketing services company that specializes in using mail to help companies connect with hard to reach consumers. This acquisition expands the company's presence in the mailstream and adds to the array of valuable services that it currently delivers to its customers. The goodwill was assigned to Mail Services in the Global Business Services group of segments.

On March 24, 2005, the company completed the acquisition of Compulit, Inc. (Compulit) for a net purchase price of $25 million in cash. Compulit is a leading provider of litigation support services to law firms and corporate clients. This acquisition expands the company's ability to provide a broader range of high value services to its legal vertical. The goodwill was assigned to Global Management Services in the Global Business Services group of segments.

On December 16, 2004, the company completed the acquisition of Groupe MAG for a net purchase price of $43 million in cash. Groupe MAG is a distributor of production mail equipment, software and services in France, Belgium and Luxembourg. This acquisition extended the company's distribution capabilities internationally. The goodwill was assigned to Outside the U.S. in the Global Mailstream Solutions group of segments.

On November 1, 2004, the company completed the acquisition of a substantial portion of the assets of Ancora Capital & Management Group LLC (Ancora) for a net purchase price of $37 million in cash. Ancora is a provider of first class, standard letter and international mail processing and presort services with five operations in southern California, Pennsylvania and Maryland. This acquisition expanded the company's mail services operations. The goodwill was assigned to Mail Services in the Global Business Services group of segments.

On July 20, 2004, the company completed the acquisition of Group 1 Software, Inc. (Group 1) for a net purchase price of $329 million in cash. Group 1 is an industry leader in software that enhances mailing efficiency, data quality and customer communications. The goodwill was assigned to Inside the U.S. - DMT and Outside the U.S. in the Global Mailstream Solutions group of segments.

On May 21, 2004, the company completed the acquisition of substantially all of the assets of International Mail Express, Inc. (IMEX) for a net purchase price of $30 million in cash. IMEX consolidates letters and flat-sized mail headed to international addresses to reduce postage costs and expedite delivery. This acquisition expanded the company's mail services operations. The goodwill was assigned to Mail Services in the Global Business Services group of segments.

The following table summarizes selected financial data for these acquisitions:

(Dollars in thousands)	Danka	Imagitas	Compulit	Groupe MAG	Ancora	Group 1	IMEX

Purchase price allocation							
Intangible assets..................	$ 4,203	$ 61,600	$ 2,797	$10,356	$13,923	$ 82,067	$ 9,600
Goodwill...........................	8,358	193,740	18,062	27,127	20,791	293,593	20,180
Other, net.........................	1,439	(25,340)	4,141	5,775	2,248	(46,539)	347
Purchase price....................	$14,000	$230,000	$25,000	$43,258	$36,962	$329,121	$30,127
Intangible assets							
Customer relationships.............	$3,327	$18,100	$2,366	$10,356	$13,923	$32,267	$8,100
Supplier relationships.............	-	35,300	-	-	-	-	-
Mailing software and technology....................	-	4,100	-	-	-	43,600	900
Trademarks and trade names.............................	876	4,100	431	-	-	6,200	600
Total intangible assets...........	$4,203	$61,600	$2,797	$10,356	$13,923	$82,067	$9,600
Intangible assets amortization period							
Customer relationships.............	15 years	5 years	4 years	15 years	15 years	15 years	15 years
Supplier relationships.............	-	9 years	-	-	-	-	-
Mailing software and technology....................	-	5 years	-	-	-	9 years	5 years
Trademarks and trade names.............................	4 years	5 years	5 years	-	-	9 years	2 years
Total weighted average............	13 years	8 years	4 years	15 years	15 years	12 years	13 years

Allocation of the purchase price to the assets acquired and liabilities assumed has not been finalized for certain of these acquisitions. Final determination of the purchase price and fair values to be assigned may result in adjustments to the preliminary estimated values assigned at the date of acquisition.

Consolidated impact of acquisitions

The consolidated financial statements include the results of operations of the acquired businesses from their respective dates of acquisition. These acquisitions increased the company's earnings, but including related financing costs, did not materially impact earnings either on a per share or aggregate basis.

The following unaudited pro forma consolidated results of operations have been prepared as if the acquisitions of Danka, Imagitas, Compulit, Groupe MAG, Ancora, Group 1 and IMEX had occurred on January 1, 2004:

(Dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
Total revenue................................	$ 1,356,434	$ 1,290,161	$ 4,071,046	$ 3,857,734

The pro forma consolidated results do not purport to be indicative of actual results that would have occurred had the acquisitions been completed on January 1, 2004, nor do they purport to be indicative of the results that will be obtained in the future. The pro forma earning results of these acquisitions were not material to earnings on either a per share or an aggregate basis.

During 2005 and 2004, the company also completed several smaller acquisitions, including additional sites for its mail services operations and some of its international dealerships. The company also acquired the hardware equipment services business of Standard Register Inc. at the end of 2004. The cost of these acquisitions was in the aggregate less than $75 million in each year. These acquisitions did not have a material impact on the company's financial results either individually or on an aggregate basis.

Note 11: Intangible Assets and Goodwill

Intangible assets are composed of the following:

(Dollars in thousands)	September 30, 2005		December 31, 2004	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer relationships........................	$ 275,742	$ 47,652	$ 255,512	$ 33,168
Supplier relationships........................	35,300	1,570	-	-
Mailing software and technology...............	114,255	28,237	111,876	20,730
Trademarks and trade names....................	20,914	8,793	15,897	6,685
Non-compete agreements........................	3,884	3,258	3,922	2,887
	$ 450,095	$ 89,510	$ 387,207	$ 63,470

Intangible assets acquired during the nine months ended September 30, 2005 are as follows:

(Dollars in thousands)	Weighted Average Amortization Period	Acquisition Cost
Customer relationships........................	7 years	$ 26,651
Supplier relationships........................	9 years	35,300
Mailing software and technology...............	5 years	4,400
Trademarks and trade names....................	5 years	5,407
Non-compete agreements........................	5 years	87
	8 years	$ 71,845

Amortization expense for intangible assets for the three months ended September 30, 2005 and 2004 was $10.9 million and $6.9 million, respectively. Amortization expense for intangible assets for the nine months ended September 30, 2005 and 2004 was $28.9 million and $16.9 million, respectively. Estimated intangible assets amortization expense for 2005 and the next five years is as follows:

(Dollars in thousands)	
For the year ending 12/31/05..................	$ 39,600
For the year ending 12/31/06..................	$ 42,600
For the year ending 12/31/07..................	$ 40,600
For the year ending 12/31/08..................	$ 39,300
For the year ending 12/31/09..................	$ 37,800
For the year ending 12/31/10..................	$ 32,400

Changes in the carrying amount of goodwill by business segment for the nine months ended September 30, 2005 are as follows:

(Dollars in thousands)	Balance at January 1, 2005	Acquired during the period	Other	Balance at September 30, 2005
Inside the U.S. -Mailing......................	$ 63,259	$ 5,399	$ 29	$ 68,687
-DMT..........................	291,686	-	1,218	292,904
Outside the United States.....................	423,536	8,358	(18,824)	413,070
Global Mailstream Solutions...................	778,481	13,757	(17,577)	774,661
Global Management Services....................	427,574	18,062	(5,598)	440,038
Mail Services.................................	205,326	199,879	3,601	408,806
Global Business Services......................	632,900	217,941	(1,997)	848,844
Capital Services..............................	-	-	-	-
Total...	$ 1,411,381	$ 231,698	$ (19,574)	$ 1,623,505

"Other" includes the impact of post closing acquisition and foreign currency translation adjustments.

Note 12: Retirement Plans and Nonpension Postretirement Benefits

Defined Benefit Pension Plans

The components of net periodic benefit cost for defined benefit pension plans for the three months ended September 30, 2005 and 2004 are as follows:

(Dollars in thousands)	United States		Foreign	
	Three Months Ended September 30,		Three Months Ended September 30,	
	2005	2004	2005	2004
Service cost..................................	$ 8,175	$ 7,447	$ 2,141	$ 2,706
Interest cost.................................	21,878	21,934	5,147	6,242
Expected return on plan assets................	(30,732)	(32,486)	(6,542)	(7,517)
Amortization of transition cost...............	-	-	(150)	(130)
Amortization of prior service cost............	(692)	(696)	143	164
Amortization of net loss......................	7,646	3,601	992	1,983
Settlement/curtailment........................	-	-	160	-
Net periodic benefit cost.....................	$ 6,275	$ (200)	$ 1,891	$ 3,448

The components of net periodic benefit cost for defined benefit pension plans for the nine months ended September 30, 2005 and 2004 are as follows:

(Dollars in thousands)	United States		Foreign	
	Nine Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
Service cost..................................	$ 25,247	$ 24,074	$ 7,291	$ 7,788
Interest cost.................................	67,568	66,321	15,936	17,817
Expected return on plan assets................	(94,912)	(96,033)	(20,134)	(21,431)
Amortization of transition cost...............	-	-	(442)	(392)
Amortization of prior service cost............	(2,138)	(2,052)	426	467
Amortization of net loss......................	19,960	9,495	6,263	5,621
Settlement/curtailment........................	-	-	160	-
Net periodic benefit cost.....................	$ 15,725	$ 1,805	$ 9,500	$ 9,870

The company previously disclosed in its consolidated financial statements for the year ended December 31, 2004 that it expects to contribute up to $5 million and up to $10 million, respectively, to its U.S. and foreign pension plans during 2005. At September 30, 2005, $3.0 million and $6.8 million of contributions have been made to the U.S. and foreign pension plans, respectively.

Nonpension Postretirement Benefit Plans

The components of net periodic benefit cost for nonpension postretirement benefit plans for the three and nine months ended September 30, 2005 and 2004 are as follows:

(Dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
Service cost..................................	$ 790	$ 546	$ 2,460	$ 2,610
Interest cost.................................	3,202	2,948	10,713	13,296
Amortization of prior service cost............	(478)	(1,304)	(1,489)	(5,819)
Amortization of net loss......................	304	905	1,816	4,367
Net periodic benefit cost.....................	$ 3,818	$ 3,095	$ 13,500	$ 14,454

The company previously disclosed in its consolidated financial statements for the year ended December 31, 2004 that it expects to contribute $36 million, which represents its expected benefit payments, to its nonpension postretirement benefit plans during 2005. At September 30, 2005, $30.9 million of benefit payments have been made.

Note 13: Guarantees

In connection with its Capital Services programs, the company has sold net finance receivables and in selective cases entered into guarantee contracts with varying amounts of recourse in privately placed transactions with unrelated third-party investors. The uncollected principal balances of receivables sold and guarantee contracts totaled $78 million and $99 million at September 30, 2005 and December 31, 2004, respectively. In accordance with GAAP, the company does not record these amounts as liabilities in its Consolidated Balance Sheets. The company's maximum risk of loss on these net financing receivables and guarantee contracts arises from the possible non-performance of lessees to meet the terms of their contracts and from changes in the value of the underlying equipment. These contracts are secured by the underlying equipment value and supported by the creditworthiness of its customers. At September 30, 2005 and December 31, 2004, the underlying equipment value exceeded the sum of the uncollected principal balance of receivables sold and the guarantee contracts. As part of the company's review of its risk exposure, the company believes it has made adequate provision for sold receivables and guarantee contracts that may not be collectible.

The company provides product warranties in conjunction with certain product sales, generally for a period of 90 days from the date of installation. The company's product warranty liability reflects management's best estimate of probable liability under its product warranties based on historical claims experience, which has not been significant, and other currently available evidence. Accordingly, the company's product warranty liability at September 30, 2005 and December 31, 2004, respectively, was not material.

Note 14: Income Taxes

In December 2003, the company received accepted closing agreements with the Internal Revenue Service (IRS) showing income tax adjustments for the 1992 to 1994 tax years. The total additional tax for these years is approximately $5 million. Additional tax due for 1995 and future tax years in connection with these closing agreements will not materially affect the company's future results of operations, financial position or cash flows.

In addition to the accepted income tax adjustments discussed above, a proposed adjustment related to the 1994 tax year remains in dispute, which could result in additional tax of approximately $4 million for that year. The IRS also is proposing similar adjustments for the 1995 and future tax years relating to this deficiency. These adjustments could result in additional tax expense in the range of $0 to $40 million. The company believes that it has meritorious defenses to these proposed adjustments. The IRS may propose penalties on the company with respect to all periods that have been examined.

The IRS is in the process of completing its examination of the company's tax returns for the 1995 to 2000 tax years and has issued notices of proposed adjustments. The IRS will likely propose similar adjustments for years subsequent to 2000 in future audits with respect to these matters. The IRS may propose penalties on the company with respect to all periods that have been examined.

In addition, in 2005, the Canada Revenue Agency (CRA) issued an adjustment for the 1996 to 1999 tax years, relating to intercompany loan transactions. The company paid approximately $24 million in the first quarter of 2005 and plans to protest the adjustment.

The company vigorously disagrees with the proposed adjustments noted above and intends to aggressively contest these matters through applicable IRS, CRA and judicial procedures, as appropriate. The company has provided for its best estimate of the probable tax liability for these matters and believes that its accruals for tax liabilities are adequate for all open years. However, if the taxing authority prevails, an unfavorable resolution of these matters could have a material effect on the company's results of operations.

In April 2005, the company posted a $200 million tax bond with the IRS to mitigate IRS interest rate risk.

At any time, the company's provision for taxes could be affected by changes in tax law and interpretations by governments or courts.

Note 15: Capital Services Spin-off

In December 2004, the company's Board of Directors approved a plan to pursue a sponsored spin-off of its Capital Services external financing business. The new entity will be an independent publicly traded company consisting of most of the assets in the Capital Services segment. On March 31, 2005, Pitney Bowes Credit Corporation, a wholly-owned subsidiary of the company, entered into a Subscription Agreement with Cerberus Capital Management, L.P. through its investment vehicle, JCC Management LLC (Investor). Under the terms of the Subscription Agreement, the Investor is expected to invest in excess of $100 million for common and preferred stock representing up to 19.9% of the voting interest and up to 48% economic interest in the spun-off entity. The Subscription Agreement anticipates that Pitney Bowes stockholders will receive 80.1% of the common stock of the new public company in a tax-free distribution. At the time of the spin-off, most of the assets in the Capital Services segment will become a separate entity (Spinco) from the company and become a publicly traded company.

In July 2005, the company received notice of termination of its agreement to provide future lease financing to Imagistics International, Inc. This agreement was replaced with two successive thirty-day lease financing agreements effective for October and November 2005.

The spin-off is not subject to a vote of Pitney Bowes shareholders. The transaction is subject to a favorable ruling from the IRS that the transaction will be tax-free, regulatory review and other customary conditions. The preparation of the regulatory filings with respect to the new company has taken longer than anticipated. Consequently, the company now expects the spin-off to occur mid-year 2006.

The company estimates that it will incur after-tax transaction costs of about $20 million to $35 million in connection with the spin-off. The majority of these costs will be incurred at the time of the spin-off. These costs are composed primarily of professional fees, taxes on asset transfers and lease contract termination fees.

In addition, in accordance with current accounting guidelines, at the time of the spin-off the company will be required to compare the book and fair market values of the assets and liabilities spun-off and record any resulting deficit as a charge in discontinued operations. The company currently estimates this potential non-cash after-tax charge to be in the range of $150 million to $250 million. The ultimate amount of this charge, if any, will be determined by the fair market value of Spinco at the time of the spin-off and the resolution of related tax liabilities.

The Subscription Agreement was filed as Exhibit 10 to the Quarterly Report on Form 10-Q for the three months ended March 31, 2005.

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

Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) contains statements that are forward-looking. These statements are based on current expectations and assumptions that are subject to risks and uncertainties. Actual results could differ materially because of factors discussed in Forward-Looking Statements and elsewhere in this report.

Overview

We again achieved positive results in the third quarter of 2005. We are realizing the benefits of our actions to strengthen revenue growth, expand into new market spaces and enhance our operating efficiency.

Revenue grew 11% in the third quarter of 2005 to $1.36 billion compared with the third quarter of 2004 driven by our broad based growth in equipment, software, supplies, financing and services. Revenue was also positively impacted by our acquisitions, which contributed approximately 6%.

Net income increased 6% in the third quarter of 2005 to $144 million compared with the third quarter of 2004. Diluted earnings per share increased to 62 cents in the third quarter of 2005 from 58 cents in the third quarter of 2004. Net income for the third quarter of 2005 and 2004 was reduced by after-tax restructuring charges of $8 million or 4 cents per diluted share and $10 million or 4 cents per diluted share, respectively.

We were able to grow our earnings per share despite an increase in interest expense, a higher tax rate and a reduced earnings contribution from Capital Services compared with the third quarter of the prior year.

See Results of Operations - third quarter of 2005 vs. third quarter of 2004 for a more detailed discussion of our quarterly results of operations.

Outlook

We anticipate that we will experience continued strength in our financial results in the fourth quarter of 2005. We expect that revenue growth will be driven by small business, mail services, international, supplies, payments solutions and software offerings. In addition, we expect to continue our market expansion and derive further operating synergies from our recent acquisitions. We expect to experience a continuation in the ongoing changing mix of our product line, where a greater percentage of revenue is coming from diversified revenue streams associated with fully featured smaller systems and less from larger system sales.

As we have previously stated, we expect to record additional restructuring charges during the fourth quarter in connection with the continued realignment and streamlining of our worldwide infrastructure. We remain focused on disciplined expense control initiatives and will continue to allocate capital to optimize our returns.

We expect our effective tax rate to be in line with the first nine months of 2005, and while it is always difficult to predict future economic and interest trends, we expect interest and pension costs will continue to increase. We also will continue to be constrained by the year-over-year decline in earnings from our Capital Services business in anticipation of our previously announced plans to spin-off the majority of the assets in this segment.

Results of Operations - third quarter of 2005 vs. third quarter of 2004

Business segment results

In light of our recent organizational realignment, effective January 1, 2005, we revised our segments to reflect our product-based businesses separately from our service-based businesses. The following table shows revenue and earnings before interest and taxes (EBIT) by segment for the three months ended September 30, 2005 and 2004:

(Dollars in millions)	Revenue			EBIT		
	Three months ended September 30,			Three months ended September 30,		
	2005	2004	% change	2005	2004	% change
Inside the U.S. -Mailing	$ 560	$ 538	4%	$ 226	$ 215	5%
-DMT	115	91	26%	19	7	152%
Outside the United States	274	242	13%	41	41	-%
Global Mailstream Solutions	949	871	9%	286	263	9%
Global Management Services	261	267	(2%)	18	13	36%
Mail Services	115	50	129%	8	3	213%
Global Business Services	376	317	19%	26	16	66%
Capital Services	31	30	3%	16	22	(26%)
Total	$ 1,356	$ 1,218	11%	$ 328	$ 301	9%

During the third quarter of 2005, Global Mailstream Solutions revenue and EBIT increased 9%. Inside the U.S., the quarter's revenue growth was favorably impacted by placements of networked digital mailing systems, especially for small and mid-sized systems, mail creation equipment, and supplies. The quarter's results also included higher revenue from DMT that was driven by growth from Group 1 Software, Inc. (Group 1), which was acquired in July 2004 and placements of the industry leading Advanced Productivity Systems and Flexible Productivity Systems. Outside of the U.S., revenue grew at 13 percent. These results include increased placements of mailing equipment with small businesses and increased sales of supplies in Europe. In addition, revenue growth benefited from the acquisitions of Groupe MAG and Danka Canada Inc. as well as favorable foreign currency translation. Revenue growth in the quarter was adversely impacted by the timing of production mail placements in Europe.

During the third quarter of 2005, Global Business Services revenue increased 19% and EBIT increased 66%. Our management services operation reported a 2% decline in revenue and an EBIT margin improvement to 7 percent. This reflects our focus on enhancing profitability for this business. Mail Services revenue grew 129% versus the prior year as a result of continued expansion of our network, growth in our customer base and the acquisition of Imagitas during the second quarter of 2005. EBIT margins were seven percent, which was an improvement versus the prior year even as we continued to invest in the expansion of our presort and international mail network and integrate recently acquired sites. Imagitas expanded its marketing services for the motor vehicle registration process to a fifth state and launched a catalog request form as an expanded offering in its move update kit.

During the third quarter of 2005, Capital Services revenue increased 3% and EBIT decreased 26% primarily as a result of the costs associated with the planned spin-off of this business. During the first quarter of 2005 we signed a definitive agreement with a third party investor for a sponsored spin-off of most of the assets in our Capital Services segment. These assets contributed approximately 3 cents per diluted share in the third quarter of 2005, about 1 cent per diluted share less than the prior year.

Revenue by source

The following table shows revenue by source for the three months ended September 30, 2005 and 2004:

(Dollars in thousands)	Three Months Ended September 30,		
	2005	2004	% change
Sales	$ 394,754	$ 346,397	14%
Rentals	198,894	199,768	-%
Financing	159,582	147,599	8%
Support services	196,162	177,480	11%
Business services	376,409	316,462	19%
Capital Services	30,633	29,816	3%
Total revenue	$ 1,356,434	$ 1,217,522	11%

Sales revenue increased 14% due to strong growth in worldwide sales of digital mailing equipment, supplies, mail creation equipment and production mail equipment in the U.S.; the acquisitions of Group 1, Groupe MAG and Danka, which contributed 5%; and the favorable impact of foreign currency, which contributed 1%.

Rentals revenue remained flat compared with the prior year.

Financing revenue increased 8% due primarily to growth in our worldwide equipment leasing volumes, higher revenue from payment solutions and the favorable impact of foreign currency, which contributed 1%.

Support services revenue increased 11% due primarily to the acquisitions of Group 1, Groupe MAG and Danka, which contributed 7%; the favorable impact of foreign currency, which contributed 1%; a larger population of international and DMT equipment maintenance agreements; and revenue from the hardware equipment services contracts of Standard Register Inc.

Business services revenue increased 19% due primarily to strong growth at our existing mail services sites; and the acquisitions of Ancora Capital & Management Group LLC (Ancora), Compulit, Inc. (Compulit) and Imagitas, which contributed 13%.

Capital Services revenue increased 3% due primarily to asset sales during the third quarter of 2005.

Costs and expenses

Cost of sales decreased to 42.6% of related revenue in the third of 2005 compared with 44.0% in the third quarter of 2004 primarily due to the increase in mix of higher margin software and supplies revenue and benefits from our transition to outsourcing of parts for digital equipment.

Cost of rentals was 19.6% of related revenue in the third quarter of 2005 and 2004.

Cost of support services increased to 52.6% of related revenue in the third quarter of 2005 compared with 50.7% in the third quarter of 2004 primarily due to the increase in mix of lower margin international support services revenue, partially offset by higher margin software support services revenue at Group 1.

Cost of business services decreased to 79.6% of related revenue in the third quarter of 2005 compared with 83.1% in the third quarter of 2004 primarily due to our ongoing focus on cost containment and efficiency in our management services operations.

Selling, general and administrative expenses increased to 31.0% of revenue in the third quarter of 2005 compared with 30.5% of revenue in the third quarter of 2004. This increase was due to the impact of acquisitions and our planned spin-off of Capital Services, which more than offset our continued focus on controlling operating expenses and benefits from our transformation programs.

Research and development expenses decreased 6.1% to $40.0 million in the third quarter of 2005 compared with $42.6 million in the third quarter of 2004. The decrease reflects the recent launches of our new mail creation and mail finishing products. Our investment in research and development reflects our continued investment in developing new technologies and enhancing features for all our products.

Net interest expense increased to $54.1 million in the third quarter of 2005 from $43.4 million in the third quarter of 2004. The increase was due to higher average interest rates and higher borrowings during the third quarter of 2005 compared with the third quarter of 2004.

The effective tax rate for the third quarter of 2005 was 33.9% compared with 32.0% in the third quarter of 2004. The effective tax rates for the third quarter of 2005 and 2004 included tax benefits of .1% and .3%, respectively, from restructuring initiatives. The increase in the 2005 effective tax rate reflects the impact of our strategy to cease originating large-ticket, structured, third party financing of non-core assets.

Results of Operations - nine months of 2005 vs. nine months of 2004

For the first nine months of 2005 compared with the same period of 2004, revenue increased 12% to $4.0 billion, and net income increased 11% to $432.9 million. Net income for the first nine months of 2005 and 2004 was reduced by after-tax restructuring charges of $14.8 million (6 cents per diluted share) and $30.0 million (13 cents per diluted share), respectively. The factors that affected our results of operations for the nine months ended September 30, 2005 compared with the same period of 2004 included those cited for the third quarter of 2005 versus 2004.

Charitable Contribution

During the first quarter of 2005, we contributed $10 million ($6 million after-tax) to the Pitney Bowes Literacy and Education Fund and the Pitney Bowes Involvement Fund.

Restructuring

In connection with our previously announced restructuring initiatives, we recorded pre-tax restructuring charges of $12.9 million and $15.6 million for the three months ended September 30, 2005 and 2004, respectively. For the nine months ended September 30, 2005 and 2004, pre-tax restructuring charges were $23.5 million and $46.9 million, respectively. We expect these restructuring initiatives to be substantially completed by the end of 2005 and currently estimate 2005 pre-tax restructuring charges to be in the range of $30 million to $50 million, net of the $30 million gain on the sale of our main plant manufacturing facility. As we continue to finalize our restructuring plans, the ultimate amount and timing of the restructuring charges may differ from our current estimates. The charges related to these restructuring initiatives will be recorded as the various initiatives take effect.

The cash outflows related to restructuring charges will be funded primarily by cash from operating activities. The restructuring initiatives are expected to continue to increase our operating efficiency and effectiveness in 2005 and beyond while enhancing growth, primarily as a result of reduced personnel related expenses. See Note 9 to the consolidated financial statements for our accounting policy related to restructuring charges.

The pre-tax restructuring charges are composed of:

(Dollars in millions)	Three Months Ended September 30, 2005	Three Months Ended September 30, 2004	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2004
Severance and benefit costs	$ 10.0	$ 12.4	$ 47.8	$ 30.5
Asset impairments	1.8	1.6	2.7	11.0
Other exit costs	1.1	1.6	3.2	5.4
Gain on sale of main plant	-	-	(30.2)	-
Total	$ 12.9	$ 15.6	$ 23.5	$ 46.9

All restructuring charges, except for asset impairments, will result in cash outflows. The severance and benefit costs relate to a reduction in workforce of approximately 3,100 employees worldwide from the inception of this plan through September 30, 2005 and expected future workforce reductions of approximately 500 employees. The workforce reductions relate to actions across several of our businesses resulting from infrastructure and process improvements and our continuing efforts to streamline operations, and include managerial, professional, clerical and technical roles. Approximately 61% of the workforce reductions are in the U.S. The majority of the international workforce reductions are in Europe and Canada. Asset impairments relate primarily to the write-down of property, plant and equipment resulting from the closure or streamlining of certain facilities and systems. Other exit costs relate primarily to lease termination costs, non-cancelable lease payments, consolidation of excess facilities and other costs associated with exiting business activities. During the three months ended March 31, 2005, we recorded a pre-tax gain of $30.2 million related to the sale of our main plant manufacturing facility in Connecticut.

Accrued restructuring charges at September 30, 2005 are composed of the following:

(Dollars in millions)	Balance at January 1, 2005	Restructuring charges (gain)	Cash (payments) receipts	Non-cash charges	Ending balance at September 30, 2005
Severance and benefit costs	$ 48.4	$ 47.8	$ (45.4)	$ -	$ 50.8
Asset impairments	-	2.8	-	(2.8)	-
Other exit costs	3.1	3.1	(3.5)	-	2.7
Gain on sale of main plant	-	(30.2)	30.2	-	-
	$ 51.5	$ 23.5	$ (18.7)	$ (2.8)	$ 53.5

Acquisitions

On September 1, 2005, the company signed a definitive agreement to acquire all of the remaining outstanding shares of Firstlogic, Inc. (Firstlogic) for approximately $50 million in cash. The company currently has a 10% equity ownership of this privately held company. Firstlogic develops and markets software and services that improve operations in data quality, mailing efficiency and postal automation. This acquisition is subject to regulatory approval. On October 31, 2005 we received a request for additional information (commonly known as a Second Request) from the Federal Trade Commission. As a result, the acquisition of Firstlogic may not be completed until thirty days following substantial compliance with the Second Request. This agreement may be terminated by either party without any further liability or obligation after November 15, 2005.

On June 30, 2005, we acquired Danka, a subsidiary of Danka Business Systems PLC, for a net purchase price of $14 million in cash. Danka is a leading provider of office systems services, supplies and equipment in Canada. This acquisition strengthens our Canadian operations by enhancing our geographic coverage and extending our offerings.

On May 26, 2005, we acquired Imagitas for a net purchase price of $230 million in cash, net of unrestricted cash. Imagitas is a marketing services company that specializes in using mail to help companies connect with hard to reach consumers. This acquisition expands our presence in the mailstream and adds to the array of valuable services that we currently deliver to our customers.

On March 24, 2005, we acquired Compulit for a net purchase price of $25 million in cash. Compulit is a leading provider of litigation support services to law firms and corporate clients. This acquisition expands our ability to provide a broader range of high value services for our legal vertical.

In December 2004, we acquired Groupe MAG for a net purchase price of $43 million in cash. Groupe MAG is a distributor of production mail equipment, software and services in France, Belgium and Luxembourg. This acquisition extended our distribution capabilities internationally.

In November 2004, we acquired a substantial portion of the assets of Ancora for a net purchase price of $37 million in cash. Ancora is a provider of first class, standard letter and international mail processing and presort services with five operations in southern California, Pennsylvania and Maryland. This acquisition expanded our mail services operations.

In July 2004, we acquired Group 1 for a net purchase price of $329 million in cash. Group 1 is an industry leader in software that enhances mailing efficiency, data quality and customer communications.

In May 2004, we acquired substantially all of the assets of IMEX for a net purchase price of $30 million in cash. IMEX consolidates letters and flat-sized mail headed to international addresses to reduce postage costs and expedite delivery. This acquisition expanded our mail services operations.

The operating results of these acquisitions have been included in our consolidated financial statements since the date of acquisition. These acquisitions did not materially impact net income for the three and nine months ended September 30, 2005 or 2004, respectively.

During 2005 and 2004, we also completed several smaller acquisitions, including additional sites for our mail services operations and some of our international dealerships. We also acquired the equipment services business of Standard Register Inc. at the end of 2004. The cost of these acquisitions was in the aggregate less than $75 million in each year. These acquisitions did not have a material impact on our financial results either individually or on an aggregate basis.

Liquidity and Capital Resources

Our ratio of current assets to current liabilities increased to .93 to 1 at September 30, 2005 compared with .82 to 1 at December 31, 2004. The increase in this ratio was due primarily to the decrease in notes payable and current portion of long-term debt during the nine months ended September 30, 2005.

The ratio of total debt to total debt and stockholders' equity was 75.8% at September 30, 2005 compared with 75.5% at December 31, 2004. Including the preferred stockholders' equity in a subsidiary company as debt, the ratio of total debt to total debt and stockholders' equity was 77.0% at September 30, 2005 compared with 76.9% at December 31, 2004. The increase in these ratios was driven primarily by an increase in debt, stock repurchases and the payment of dividends, offset by net income.

Cash Flows for the Nine Months Ended September 30, 2005

Net cash provided by operating activities was $433 million and consisted primarily of net income adjusted for non-cash items, changes in operating assets and liabilities, and the $200 million tax bond posted with the IRS in April 2005 (see Other Regulatory Matters). The increase in our deferred taxes on income and income taxes payable balances contributed $125 million to cash from operations, resulting primarily from continued tax benefits from our internal financing and the run-off of Capital Services leasing activities. Other operating assets and liabilities reduced our cash from operations by $137 million due primarily to higher accounts receivable and finance receivable balances resulting from strong growth in our businesses.

Net cash used in investing activities was $407 million and consisted primarily of acquisitions and capital expenditures, partially offset by cash generated from Capital Services asset sales and net proceeds from the sale of the main plant.

Net cash used in financing activities was $45 million and consisted primarily of dividends paid to stockholders and stock repurchases, partially offset by proceeds from the issuance of debt and stock.

Cash Flows for the Nine Months Ended September 30, 2004

Net cash provided by operating activities was $728 million and consisted primarily of net income adjusted for non-cash items and changes in operating assets and liabilities. The increase in our deferred taxes on income and income taxes payable balances contributed $158 million to cash from operations, resulting from continued tax benefits from our internal financing and Capital Services leasing activities. Other operating assets and liabilities reduced our cash from operations by $39 million primarily due to the timing of accounts payable and accrued liabilities payments.

Net cash used in investing activities was $540 million and consisted primarily of acquisitions and capital expenditures, partially offset by cash generated from Capital Services asset sales.

Net cash used in financing activities was $176 million and consisted primarily of dividends paid to stockholders and stock repurchases, partially offset by proceeds from issuance of debt and stock.

Financings and Capitalization

On October 11, 2005, Pitney Bowes Nova Scotia II ULC, a wholly owned subsidiary of the company, issued $150 million floating rate notes maturing in October 2010. These notes bear interest at an annual rate of LIBOR plus 15 basis points and pay interest quarterly beginning December 2005. The proceeds from these notes will be used for general corporate purposes, including the repayment of commercial paper, the financing of acquisitions and the repurchase of company stock.

At September 30, 2005, $1.6 billion remained available under the shelf registration statement filed in February 2005 with the Securities and Exchange Commission (SEC), permitting issuances of up to $2.5 billion in debt securities, preferred stock, preference stock, common stock, purchase contracts, depositary shares, warrants and units.

In July 2005, we issued $500 million of unsecured fixed rate notes maturing in January 2016. These notes bear interest at an annual rate of 4.75% and pay interest semi-annually beginning January 2006. The proceeds from these notes were used for general corporate purposes, including the repayment of commercial paper, the financing of acquisitions and the repurchase of company stock.

In March 2005, we issued $400 million of unsecured fixed rate notes maturing in March 2015. These notes bear interest at an annual rate of 5.0% and pay interest semi-annually beginning September 2005. The proceeds from these notes were used for general corporate purposes, including the repayment of commercial paper, financing of acquisitions and the repurchase of company stock.

We believe our financing needs in the short and long-term can be met with cash generated internally, money from existing credit agreements, debt issued under new and existing shelf registration statements and our existing commercial paper programs. In addition, we maintain a back-up credit facility for our commercial paper program.

Capital Expenditures

During the first nine months of 2005, capital expenditures included $104.9 million in net additions to property, plant and equipment and $110.5 million in net additions to rental equipment and related inventories compared with $136.5 million and $89.7 million, respectively, in the same period in 2004. The addition of rental equipment relates primarily to postage meters and increased over the prior year due to higher placements of our digital meters during the nine months ended September 30, 2005.

We expect capital expenditures for the remainder of 2005 to be approximately the same as the prior year.

Capital Services

Capital Services strategy

In December 2004, our Board of Directors approved a plan to pursue a sponsored spin-off of our Capital Services external financing business. The new entity will be an independent publicly traded company consisting of most of the assets in our Capital Services segment. On March 31, 2005, Pitney Bowes Credit Corporation, a wholly-owned subsidiary of the company, entered into a Subscription Agreement with Cerberus Capital Management, L.P. through its investment vehicle, JCC Management LLC (Investor). Under the terms of the Subscription Agreement, the Investor is expected to invest in excess of $100 million for common and preferred stock representing up to 19.9% of the voting interest and up to 48% economic interest in the spun-off entity. The Subscription Agreement anticipates that Pitney Bowes stockholders will receive 80.1% of the common stock of the new public company in a tax-free distribution. At the time of the spin-off, most of the assets in our Capital Services segment will become a separate entity (Spinco) from the company and become a publicly traded company.

In July 2005, we received notice of termination of our agreement to provide future lease financing to Imagistics International, Inc. This agreement was replaced with two successive thirty-day lease financing agreements effective for October and November 2005.

The spin-off is not subject to a vote of Pitney Bowes shareholders. The transaction is subject to a favorable ruling from the Internal Revenue Service (IRS) that the transaction will be tax-free, regulatory review and other customary conditions. The preparation of the regulatory filings with respect to the new company has taken longer than anticipated. Consequently, we now expect the spin-off to occur mid-year 2006.

We estimate that we will incur after-tax transaction costs of about $20 million to $35 million in connection with the spin-off. The majority of these costs will be incurred at the time of the spin-off. These costs are composed primarily of professional fees, taxes on asset transfers and lease contract termination fees.

In addition, in accordance with current accounting guidelines, at the time of the spin-off we will be required to compare the book and fair market values of the assets and liabilities spun-off and record any resulting deficit as a charge in discontinued operations. We currently estimate this potential non-cash after-tax charge to be in the range of $150 million to $250 million. The ultimate amount of this charge, if any, will be determined by the fair market value of Spinco at the time of the spin-off and the resolution of related tax liabilities.

The Subscription Agreement was filed as Exhibit 10 to the Quarterly Report on Form 10-Q for the three months ended March 31, 2005.

Capital Services portfolio

Our investment in Capital Services lease related assets included in our Consolidated Balance Sheets is composed of the following:

(Dollars in millions)	September 30, 2005	December 31, 2004
Leveraged leases......................	$ 1,575	$ 1,585
Finance receivables...................	551	633
Rental equipment......................	48	54
Total.................................	$ 2,174	$ 2,272

The investment in leveraged leases included in our Consolidated Balance Sheets is diversified across the following types of assets:

(Dollars in millions)	September 30, 2005	December 31, 2004
Locomotives and rail cars..............	$ 391	$ 382
Postal equipment......................	363	356
Commercial real estate................	251	242
Commercial aircraft...................	237	275
Telecommunications....................	141	141
Rail and bus..........................	133	133
Shipping and handling.................	59	56
Total leveraged leases................	$ 1,575	$ 1,585

At September 30, 2005 and December 31, 2004, our leveraged lease investment in commercial real estate facilities included approximately $94 million and $92 million, respectively, related to leases of corporate facilities to four U.S. telecommunication entities, of which $78 million and $76 million, respectively, is with lessees that are highly rated. Additionally, our leveraged lease investment in telecommunications equipment represents leases to three highly rated international telecommunication entities. At September 30, 2005, substantially all of this portfolio is further secured by equity defeasance accounts or other third party credit arrangements.

At September 30, 2005, approximately 54% of our total leveraged lease portfolio is further secured by equity defeasance accounts or other third party credit arrangements. In addition, at September 30, 2005, approximately 18% of the remaining leveraged lease portfolio represents leases to highly rated government related organizations that have guarantees or supplemental credit enhancements upon the occurrence of certain events.

Finance receivables are composed of the following:

(Dollars in millions)	September 30, 2005	December 31, 2004
Large ticket single investor leases....	$ 283	$ 350
Imagistics lease portfolio............	268	283
Total.................................	$ 551	$ 633

Investment in commercial passenger and cargo aircraft leasing transactions

At September 30, 2005 and December 31, 2004, our net investment in commercial passenger and cargo aircraft leasing transactions, net of related debt and minority interest, was $237 million and $276 million, respectively, which is composed of transactions with U.S. airlines of $24 million, for both periods, and foreign airlines of $213 million and $252 million, respectively. Our net investment in commercial passenger and cargo aircraft leasing portfolio is composed of investments in leveraged lease transactions, direct financing lease transactions and a portion of our investment in PBG Capital Partners LLC (PBG). Risk of loss under these transactions is primarily related to: (1) the inability of the airline to make underlying lease payments; (2) our inability to generate sufficient cash flows either through the sale of the aircraft or secondary lease transactions to recover our net investment; and/or (3) in the case of the leveraged lease portfolio, the default of an equity defeasance or other third party credit arrangements. At September 30, 2005, approximately 43% of our remaining net investment in commercial passenger and cargo aircraft leasing investments was further secured by approximately $104 million of equity defeasance accounts or third party credit arrangements.

During the first quarter of 2005, Japan Airlines exercised its early buy-out option. We received approximately $47 million from this transaction, reflecting the net investment at that time.

During the second quarter of 2005, we sold the aircraft associated with our remaining leases with United Air Lines. We received approximately $14 million and recorded a net pre-tax gain of approximately $7 million from this transaction.

As a result of continued payments from our lessees, we resumed recognition of financing income on certain aircraft leases beginning January 1, 2005.

New Accounting Pronouncements

In January 2003, the Financial Accounting Standards Board (FASB) issued FASB Interpretation (FIN) No. 46, "Consolidation of Variable Interest Entities." FIN No. 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or is entitled to receive a majority of the entity's residual returns or both. Our ownership of the equity of PBG qualifies as a variable interest entity under FIN No. 46. PBG was formed with GATX Corporation in 1997 for the purpose of financing and managing certain leasing related assets. We adopted the provisions of FIN No. 46 effective March 31, 2004 and consolidated the assets and liabilities of PBG on March 31, 2004. Prior to March 31, 2004, we accounted for PBG under the equity method of accounting. PBG's minority interest of $43 million and $41 million, respectively, is included in other noncurrent liabilities in the Consolidated Balance Sheets at September 30, 2005 and December 31, 2004. The consolidation of PBG did not have a material impact on our results of operations or cash flows.

In May 2004, the FASB issued FASB Staff Position (FSP) No. 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003." The FSP provides accounting guidance for the effects of the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act") to a sponsor of a postretirement health care plan that has concluded that prescription drug benefits available under the plan are actuarially equivalent and thus qualify for the subsidy under the Act. We concluded that the prescription drug benefits provided under our nonpension postretirement benefit plans are actuarially equivalent to the prescription drug benefits offered under Medicare Part D. The provisions of FSP No. 106-2 were adopted on a prospective basis on July 1, 2004. The adoption of FSP No. 106-2 reduced our nonpension postretirement accumulated benefit obligation by approximately $60 million, which has been recognized as a reduction in our unrecognized actuarial loss.

In November 2004, Statement of Financial Accounting Standards (FAS) No. 151, "Inventory Costs," was issued. FAS No. 151 amends and clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material (spoilage). The provisions of FAS No. 151 are effective for fiscal years beginning after June 15, 2005. We are currently evaluating the provisions of FAS No. 151 and do not expect the adoption of this provision to have a material impact on our financial position, results of operations or cash flows.

In December 2004, the FASB issued FSP No. 109-2, "Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004." The FSP provides guidance under FAS No. 109, "Accounting for Income Taxes," with respect to recording the potential impact of the repatriation provisions of the American Jobs Creation Act of 2004 (the "Jobs Act") on enterprises' income tax expense and deferred tax liability. The Jobs Act was enacted on October 22, 2004. FSP No. 109-2 states that companies are allowed time beyond the financial reporting period of enactment to evaluate the effect of the Jobs Act on their plan for reinvestment or repatriation of foreign earnings for purposes of applying FAS No. 109. We are currently evaluating the effects of the repatriation provision and do not expect the adoption of this provision to have a material impact on our financial position, results of operations or cash flows.

In April 2005, the SEC approved a new rule delaying the effective date of FAS No. 123 (revised 2004), "Share-Based Payment," to January 1, 2006. In light of this delay, we will adopt the provisions of FAS No. 123R when it becomes effective. FAS No. 123R supercedes Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees." The revised statement addresses the accounting for share-based payment transactions with employees and other third parties, eliminates the ability to account for share-based transactions using APB No. 25 and requires that the compensation costs relating to such transactions be recognized in the consolidated financial statements. FAS No. 123R requires compensation cost to be recognized immediately for awards granted to retirement eligible employees or over the period from the grant date to the date retirement eligibility is achieved, if that is expected to occur during the nominal vesting period. We currently use the nominal vesting period approach to determine the pro forma stock based compensation expense for all awards. FAS No. 123R requires additional disclosures relating to the income tax and cash flow effects resulting from share-based payments. We are currently evaluating the impact of adopting FAS No. 123R, which was issued in December 2004. See Note 2 to the consolidated financial statements.

In June 2005, the FASB issued FASB Staff Position (FSP) No. FAS 143-1, "Accounting for Electronic Equipment Waste Obligations," that provides guidance on how commercial users and producers of electronic equipment should recognize and measure asset retirement obligations associated with the European Directive 2002/96/EC on Waste Electrical and Electronic Equipment (the "Directive"). The adoption of this FSP did not have a material effect on our financial position, results of operations or cash flows for those European Union (EU) countries that enacted the Directive into country-specific laws. We are currently evaluating the impact of applying this FSP in the remaining countries in future periods and do not expect the adoption of this provision to have a material effect on our financial position, results of operations or cash flows.

Regulatory Matters

There have been no significant changes to the regulatory matters disclosed in our 2004 Annual Report on Form 10-K.

Other Regulatory Matters

In December 2003, we received accepted closing agreements with the IRS showing income tax adjustments for the 1992 to 1994 tax years. The total additional tax for these years is approximately $5 million. Additional tax due for 1995 and future tax years in connection with these closing agreements will not materially affect our future results of operations, financial position or cash flows.

In addition to the accepted income tax adjustments discussed above, a proposed adjustment related to the 1994 tax year remains in dispute, which could result in additional tax of approximately $4 million for that year. The IRS also is proposing similar adjustments for the 1995 and future tax years relating to this deficiency. These adjustments could result in additional tax expense in the range of $0 to $40 million. We believe that we have meritorious defenses to these proposed adjustments. The IRS may propose penalties on us with respect to all periods that have been examined.

The IRS is in the process of completing its examination of our tax returns for the 1995 to 2000 tax years and has issued notices of proposed adjustments. The IRS will likely propose similar adjustments for years subsequent to 2000 in future audits with respect to these matters. The IRS may propose penalties on us with respect to all periods that have been examined.

In addition, in 2005, the Canada Revenue Agency (CRA) issued an adjustment for the 1996 to 1999 tax years, relating to intercompany loan transactions. We paid approximately $24 million in the first quarter of 2005 and plan to protest the adjustment.

We vigorously disagree with the proposed adjustments and intend to aggressively contest these matters through applicable IRS, CRA and judicial procedures, as appropriate. We have provided for our best estimate of the probable tax liability for these matters and believe that our accruals for tax liabilities are adequate for all open years. However, if the taxing authority prevails, an unfavorable resolution of these matters could have a material effect on our results of operations.

In April 2005, we posted a $200 million tax bond with the IRS to mitigate IRS interest rate risk.

At any time, our provision for taxes could be affected by changes in tax law and interpretations by governments or courts.

Forward-Looking Statements

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 in this Form 10-Q, other reports or press releases or made by our management involve risks and uncertainties which may change based on various important factors. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. These forward-looking statements are those which talk about the company's or management's current expectations as to the future and include, but are not limited to, statements about the amounts, timing and results of possible restructuring charges and future earnings. Words such as "estimate," "project," "plan," "believe," "expect," "anticipate," "intend," and similar expressions may identify such forward-looking statements. Some of the factors which could cause future financial performance to differ materially from the expectations as expressed in any forward-looking statement made by us or on our behalf include:

- changes in international or national political conditions, including any terrorist attacks
- negative developments in economic conditions, including adverse impacts on customer demand
- changes in postal regulations
- timely development and acceptance of new products
- success in gaining product approval in new markets where regulatory approval is required
- successful entry into new markets
- mailers' utilization of alternative means of communication or competitors' products
- the company's success at managing customer credit risk, including risks associated with commercial passenger and cargo aircraft leasing transactions
- the company's success at managing costs associated with its strategy of outsourcing functions and operations not central to its business
- changes in interest rates
- foreign currency fluctuations
- cost, timing and execution of the restructuring plan, including any potential asset impairments
- regulatory approvals and satisfaction of other conditions to consummation of any acquisitions and integration of recent acquisitions
- impact on mail volume resulting from current concerns over the use of the mail for transmitting harmful biological agents
- third-party suppliers' ability to provide product components
- negative income tax adjustments for prior audit years and changes in tax laws or regulations
- terms and timing of actions to reduce exposures and disposal of assets in our Capital Services segment, including the anticipated plan to spin-off the majority of the assets in this segment
- continuing developments in the U.S. and foreign airline industry

o changes in pension and retiree medical costs
o acts of nature.

Item 3: Quantitative and Qualitative Disclosures about Market Risk

There were no material changes to the disclosures made in the Annual Report on Form 10-K for the year ended December 31, 2004 regarding this matter.

Item 4: Controls and Procedures

Disclosure controls and procedures are designed to reasonably assure that information required to be disclosed in reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures are also designed to reasonably assure that such information is accumulated and communicated to our 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, we evaluated our disclosure controls and procedures and internal control over financial reporting. The CEO and CFO concluded that our disclosure controls and procedures were effective as of September 30, 2005. In addition, no change in internal control over financial reporting occurred during the quarter ended September 30, 2005, that has materially affected, or is 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 disclosure controls and procedures are designed to provide reasonable assurance of achieving their stated objectives, and the CEO and CFO have concluded that the disclosure controls and procedures are effective at that reasonable assurance level.

Part II - Other Information

Item 1: Legal Proceedings

There were no material changes to the legal proceedings disclosures made in our 2004 Annual Report on Form 10-K, dated March 8, 2005, as updated by our Quarterly Reports on Form 10-Q for the first and second quarter of 2005, dated May 6, 2005 and August 8, 2005, respectively.

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

Share Repurchases

We repurchase shares of our common stock under a systematic program to manage the dilution created by shares issued under employee stock plans and for other purposes. This program authorizes repurchases in the open market.

In May 2004, the Board of Directors of Pitney Bowes authorized $300 million for repurchases of outstanding shares of our common stock in the open market during the subsequent 12 to 24 months. We repurchased 2.3 million shares in 2004 under this program for a total price of $100 million, leaving $200 million remaining for future repurchases under this program. We repurchased 4.3 million shares during the nine months ended September 30, 2005 under this program for a total price of $190 million leaving $10 million remaining for future repurchases under this program.

In September 2005, the Board of Directors of Pitney Bowes authorized $300 million for repurchases of outstanding shares of our common stock in the open market during the subsequent 12 to 24 months. We now have $310 million of remaining authorization for future share repurchases.

Company Purchases of Equity Securities

The following table summarizes our share repurchase activity:

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of a publicly announced plan	Approximate dollar value of shares that may yet be purchased under the plan (in thousands)
May 2004 Program				
January 2005..............	-	-	-	$200,002
February 2005.............	663,400	$46.50	663,400	$169,153
March 2005................	718,800	$45.74	718,800	$136,277
April 2005................	-	-	-	$136,277
May 2005..................	504,250	$45.05	504,250	$113,559
June 2005.................	1,447,500	$43.11	1,447,500	$ 51,154
July 2005.................	34,100	$44.71	34,100	$ 49,630
August 2005...............	383,081	$43.76	383,081	$ 32,865
September 2005............	539,732	$42.27	539,732	$ 10,050
	4,290,863		4,290,863	

Item 6: Exhibits

Reg. S-K Exhibits	Description
(3)(a)	Restated Certificate of Incorporation, as amended. Incorporated by reference to Exhibit (3a) to Form 10-K as filed with the Commission on March 30, 1993.
(3)(a.1)	Certificate of Amendment to the Restated Certificate of Incorporation (as amended May 29, 1996). Incorporated by reference to Exhibit (a.1) to Form 10-K as filed with the Commission on March 27, 1998.
(3)(b)	By-laws, as amended. Incorporated by reference to Exhibit (3b) to Form 10-K as filed with the Commission on April 1, 1996.
(3)(c)	By-laws, as amended. Incorporated by reference to Exhibit (3)(ii) to Form 10-Q as filed with the Commission on November 16, 1998.
(12)	Computation of ratio of earnings to fixed charges
(31.1)	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
(31.2)	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
(32.1)	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350
(32.2)	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350

Signatures

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

PITNEY BOWES INC.

November 8, 2005

/s/ B. P. Nolop

B. P. Nolop
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

/s/ S. J. Green

S. J. Green
Vice President - Finance and
Chief Accounting Officer
(Principal Accounting Officer)

Exhibit Index

Reg. S-K Exhibits	Description
(3)(a)	Restated Certificate of Incorporation, as amended. Incorporated by reference to Exhibit (3a) to Form 10-K as filed with the Commission on March 30, 1993.
(3)(a.1)	Certificate of Amendment to the Restated Certificate of Incorporation (as amended May 29, 1996). Incorporated by reference to Exhibit (a.1) to Form 10-K as filed with the Commission on March 27, 1998.
(3)(b)	By-laws, as amended. Incorporated by reference to Exhibit (3b) to Form 10-K as filed with the Commission on April 1, 1996.
(3)(c)	By-laws, as amended. Incorporated by reference to Exhibit (3)(ii) to Form 10-Q as filed with the Commission on November 16, 1998.
(12)	Computation of ratio of earnings to fixed charges
(31.1)	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
(31.2)	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
(32.1)	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350
(32.2)	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350

Exhibit (12)

Pitney Bowes Inc.

Computation of Ratio of Earnings to Fixed Charges (1)

(Dollars in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
Income before income taxes....................	$ 218,242	$ 200,638	$ 655,863	$ 584,607
Add:				
Interest expense............................	53,209	43,046	149,010	126,670
Portion of rents representative of the interest factor....................	13,382	12,881	37,928	38,224
Amortization of capitalized interest..................................	367	369	1,103	1,105
Minority interest in the income of subsidiary with fixed charges.............	2,389	1,361	6,441	3,194
Income as adjusted............................	$ 287,589	$ 258,295	$ 850,345	$ 753,800
Fixed charges:				
Interest expense............................	$ 53,209	$ 43,046	$ 149,010	$ 126,670
Portion of rents representative of the interest factor....................	13,382	12,881	37,928	38,224
Minority interest, excluding taxes, in the income of subsidiary with fixed charges....	3,613	2,000	9,758	4,694
Total fixed charges...........................	$ 70,204	$ 57,927	$ 196,696	$ 169,588
Ratio of earnings to fixed charges............	4.10	4.46	4.32	4.44

<FN>
(1) The computation of the ratio of earnings to fixed charges has been computed by dividing income before income taxes as adjusted by fixed charges. Included in fixed charges is one-third of rental expense as the representative portion of interest.
</FN>

Exhibit (31.1)

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael J. Critelli, certify that:

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

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officer 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 quarterly 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 quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly 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 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 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: November 8, 2005

/s/ Michael J. Critelli

Michael J. Critelli
Chief Executive Officer

Exhibit (31.2)

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Bruce P. Nolop, certify that:

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

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officer 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 quarterly 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 quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly 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 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 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: November 8, 2005

/s/ Bruce P. Nolop

Bruce P. Nolop
Chief Financial Officer

Exhibit (32.1)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350

The certification set forth below is being submitted in connection with the Quarterly Report of Pitney Bowes Inc. (the "company") on Form 10-Q for the period ended September 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code.

I, Michael J. Critelli, Chief Executive Officer of the company, certify that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; 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/ Michael J. Critelli

Michael J. Critelli
Chief Executive Officer

November 8, 2005

Exhibit (32.2)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350

The certification set forth below is being submitted in connection with the Quarterly Report of Pitney Bowes Inc. (the "company") on Form 10-Q for the period ended September 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code.

I, Bruce P. Nolop, Chief Financial Officer of the company, certify that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; 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/ Bruce P. Nolop

Bruce P. Nolop
Chief Financial Officer
November 8, 2005