UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549-1004
FORM 10-K

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

For the year ended December 31, 2000

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: Delaware
IRS Employer Identification No.: 06-0495050

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock ($1 par value)	New York Stock Exchange
$2.12 Convertible Cumulative Preference Stock (no par value)	New York Stock Exchange
Preference Share Purchase Rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

4% Convertible Cumulative Preferred Stock ($50 par value)

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, and (2) has been subject to such filing requirements for the past 90 days.
Yes X No ____

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [_]

The aggregate market value of voting stock (common stock and $2.12 preference stock) held by non-affiliates of the Registrant as of March 16, 2001 is $8,502,157,743.

Number of shares of common stock, $1 par value, outstanding as of March 16, 2001 is 247,562,695.

DOCUMENTS INCORPORATED BY REFERENCE:

1. Only the following portions of the Pitney Bowes Inc. 2000 Annual Report to Stockholders are incorporated by reference into Parts I, II and IV of this Form 10-K Annual Report:

   (a) Financial Statements, pages 44 to 65.
   (b) Management's Discussion and Analysis of Financial Condition and Results of Operations and Summary of Selected Financial Data on pages 33 to 43, excluding the information on page 42 relating to Dividend Policy.
   (c) Stock Exchanges and Stock Information, on page 66.

2. Pitney Bowes Inc. Notice of the 2001 Annual Meeting and Proxy Statement dated March 23, 2001, pages 7 to 8, 11 to 15 and 20 and portions of pages 4, 5, 9, 10, 16, 19 and 21 are incorporated by reference into Part III of this Form 10-K Annual Report.

PART I

Item 1. Business

Pitney Bowes Inc. and its subsidiaries (the company) operate in three reportable segments: Global Mailing, Enterprise Solutions and Capital Services. The company operates in the United States and outside the U.S. Financial information concerning revenue, operating profit and identifiable assets by reportable segment and geographic area appears on pages 61 to 63 of the Pitney Bowes Inc. 2000 Annual Report to Stockholders and is incorporated herein by reference.

Global Mailing. Global Mailing includes worldwide revenues from the rental of postage meters and the sale, rental and financing of mailing equipment, including mail finishing and software-based mail creation equipment, software-based shipping, transportation and logistics systems, and related supplies and services. Products are sold, rented or financed by the company, while supplies and services are sold. Some of the company's products are sold through dealers outside the U.S.

Products include postage meters, mailing machines, address hygiene software, manifest systems, letter and parcel scales, mail openers, mailroom furniture, folders, paper handling, shipping equipment and software-based shipping and logistics systems.

Enterprise Solutions. Enterprise Solutions includes Pitney Bowes Management Services and Document Messaging Technologies. Pitney Bowes Management Services includes revenues from facilities management contracts for advanced mailing, reprographic, document management and other high-value services. Document Messaging Technologies includes revenues from the sale, service and financing of high speed, software-enabled production mail systems, sortation equipment, incoming mail systems, electronic statement, billing and payment solutions, and mailing software. Products are sold, rented or financed by the company, while supplies and services are sold.

Facilities management services are provided by the company's Pitney Bowes Management Services, Inc. subsidiary (P.B.M.S.). P.B.M.S. provides customers with a variety of business support services to manage copy, reprographic and mail centers, facsimile, electronic printing and imaging services, and records management. P.B.M.S. is a major provider of on- and off-site services which help customers manage the creation, processing, storage, retrieval, distribution and tracking of documents and messages in both paper and digital form.

The financial services operations provide lease financing for the company's products (for both the Global Mailing and Enterprise Solutions segments) in the

U.S., Canada, the United Kingdom, Germany, France, Norway, Ireland, Australia, Austria, Spain, Italy, Switzerland and Sweden. Consolidated financial services operations financed 37 percent of consolidated sales in 2000, 37 percent in 1999, and 39 percent in 1998. Consolidated financial services operations financed approximately 76 percent, 73 percent and 76 percent of leasable sales in 2000, 1999, and 1998, respectively.

Capital Services. Capital Services provides large-ticket financing and fee-based programs covering a broad range of products and other financial services.

Products financed include both commercial and non-commercial aircraft, over-the-road trucks and trailers, locomotives, railcars, rail and bus facilities, office equipment and high-technology equipment such as data processing and communications equipment. The finance operations have also participated, on a select basis, in certain other types of financial transactions including: sales of lease transactions, senior secured loans in connection with acquisitions, leveraged buyout and recapitalization financings and certain project financings.

Discontinued Operations. On December 11, 2000, the company announced that its Board of Directors approved a formal plan to spin off the company's Office Systems business to stockholders as an independent, publicly-traded company. The transaction is expected to be completed by the end of the third quarter 2001. Operating results of Office Systems have been segregated and reported as discontinued operations in the Consolidated Statements of Income. Prior year results have been reclassified to conform to the current year presentation.

On January 14, 2000, the company sold its mortgage servicing business, Atlantic Mortgage & Investment Corporation (AMIC), a wholly-owned subsidiary of the company, to ABN AMRO North America. The company received approximately $484 million in cash at closing. Accordingly, operating results of AMIC have been segregated and reported as discontinued operations in the Consolidated Statements of Income. Prior year results have been reclassified to conform to the current year presentation. In connection with the sale, the company recorded a loss of approximately $27.6 million (net of taxes of $18.4 million) for the year ended December 31, 1999. The transaction is subject to post-closing adjustments.

As part of the company's strategy to reduce the capital committed to asset-based financing, while increasing fee-based income, in 1998 the company sold its broker-oriented small-ticket leasing business to General Electric Capital Corporation (GECC), a subsidiary of General Electric Company. As part of the sale, the operations, employees and substantially all the assets of Colonial Pacific Leasing Corporation (CPLC) were transferred to GECC. The company received approximately $790 million at closing, which approximates the book value of the net assets sold or otherwise disposed of and related transaction costs. Accordingly, operating results of CPLC have been segregated and reported as discontinued operations in the Consolidated Statements of Income. In connection with this transaction, the company recorded a gain of approximately $3.7 million (net of taxes of $2.0 million) for the year ended December 31, 1999. This gain resulted from the settlement of post-closing adjustments in 1999 related to the sale, offset by the cost of settlement with regard to a dispute with GECC over certain assets that were included in the sale.

Support Services. The company maintains extensive field service organizations in the U.S. and certain other countries to provide support services to customers who have rented, leased or purchased equipment. Such support services, provided primarily on the basis of annual maintenance contracts, accounted for approximately 13 percent of revenue in 2000, and 12 percent in 1999 and 1998.

Marketing. The company's products and services are marketed through an extensive network of offices in the U.S. and through a number of subsidiaries

and independent distributors and dealers in many countries throughout the world as well as through direct marketing, outbound telemarketing, and the Internet. The company sells to a variety of business, governmental, institutional and other organizations. It has a broad base of customers, and is not dependent upon any one customer or type of customer for a significant part of its business. The company does not have significant backlog or seasonality relating to its businesses.

Operations Outside the United States. The company's manufacturing operations outside the U.S. are in the United Kingdom.

Competition. The company has historically been a leading supplier of certain products and services in its business segments, particularly postage meters and mailing machines. However, all of its segments have strong competition from a number of companies. In particular, the company is facing competition in many countries for new placements from several postage meter and mailing machine suppliers, and its mailing systems products face competition from products and services offered as alternative means of message communications. P.B.M.S., a major provider of business support services to the corporate, financial services, and professional services markets, competes against national, regional and local firms specializing in facilities management. The company believes that its long experience and reputation for product quality, and its sales and support service organizations are important factors in influencing customer choices with respect to its products and services.

The financing business is highly competitive with aggressive rate competition. Leasing companies, commercial finance companies, commercial banks and other financial institutions compete, in varying degrees, in the several markets in which the finance operations do business and range from very large, diversified financial institutions to many small, specialized firms. In view of the market fragmentation and absence of any dominant competitors which result from such competition, it is not possible to provide a meaningful description of the finance operations' competitive position in these markets.

Research and Development/Patents. The company has research and development programs that are directed towards developing new products and service methods. Expenditures on research and development totaled $120.5 million, $108.9 million, and $100.8 million in 2000, 1999, and 1998, respectively.

As a result of its research and development efforts, the company has been awarded a number of patents with respect to several of its existing and planned products. However, the company believes its businesses are not materially dependent on any one patent or any group of related patents. The company also believes its businesses are not materially dependent on any one license or any group of related licenses.

Material Supplies. The company believes it has adequate sources for most parts and materials for the products it manufactures. However, products manufactured by the company rely to an increasing extent on microelectronic components, and temporary shortages of these components have occurred from time to time due to the demands by many users of such components.

Environmental Regulation. The company is subject to federal, state and local laws and regulations relating to the environment and is currently named as a member of various groups of potentially responsible parties in administrative or court proceedings. As we previously announced, in 1996 the Environmental Protection Agency (EPA) issued an administrative order directing the company to be part of a soil cleanup program at the Sarney Farm site in Amenia, New York. The site was operated as a landfill between the years 1968 and 1970 by parties unrelated to the company, and wastes from a number of industrial sources were

disposed there. The company does not concede liability for the condition of the site, but is working with the EPA and other potentially responsible parties to evaluate remediation options and negotiate allocation of past and future remediation costs. Based on the facts presently known, we estimate the total cost of our remediation effort to be approximately $5 million. This amount has been recorded as a liability in the Consolidated Balance Sheet at December 31, 2000.

The administrative and court proceedings referred to above are in different states. It is difficult to estimate with any certainty the total cost of remediating, the timing or extent of remedial actions which may be required by governmental authorities. However, the company believes that the outcome of any current proceeding will not have a material adverse effect on its financial condition or results of operations.

Regulatory Matters. In 2000, the U.S. Postal Service (U.S.P.S.) issued a proposed schedule for the phaseout of manually reset electronic meters in the U.S. as follows:

- As of February 1, 2000, new placements of manually reset electronic meters are no longer permitted.
- Current users of manually reset electronic meters can continue to use these meters for the term of their current rental and lease agreements. Leases or rentals due to expire in the year 2000 can be extended to December 31, 2001.

In August 2000, the U.S.P.S. also issued a proposal to cease placements of non-digital, or letterpress, meters as follows:

- New placements of non-digital meters with a "timeout" feature that enables the meters to be automatically disabled, if not reset within a specified time period, are no longer permitted after December 2003.
- New placements of non-digital meters without the "timeout" feature are no longer permitted after June 2001.

The company has submitted comments to the U.S.P.S.'s proposed schedules described above. Based on the proposed schedules, the company believes that the phaseout of manually reset electronic meters will not cause a material adverse financial impact on the company. The company is working with the U.S.P.S. to meet the non-digital meter phaseout schedule and is currently evaluating the potential financial impact on the company.

As a result of the company's aggressive efforts to meet the U.S.P.S's mechanical meter migration phaseout schedule combined with the company's ongoing and continuing investment in advanced postage evidencing technologies, mechanical meters represented less than 1% of the company's installed U.S. meter base at December 31, 2000 and 1999. The company continues to work in close cooperation with the U.S.P.S., to convert those mechanical meter customers who have not migrated to digital or electronic meters.

In May 1995, the U.S.P.S. publicly announced its concept of its Information Based Indicia Program (IBIP) for future postage evidencing devices. As initially stated by the U.S.P.S., the purpose of the program was to develop a new standard for future digital postage evidencing devices which would significantly enhance postal revenue security and support expanded U.S.P.S. value-added services to mailers. The program would consist of the development of four separate specifications:

- the Indicium specification - the technical specifications for the indicium to be printed
- a Postal Security Device specification - the technical specification for the device that would contain the accounting and security features of the system
- a Host specification

.   a Vendor Infrastructure specification

During the period from May 1995 through December 31, 2000, the company has submitted extensive comments to a series of proposed IBIP specifications issued by the U.S.P.S. In March 2000, the U.S.P.S. issued the latest set of proposed specifications, entitled "Performance Criteria for Information-Based Indicia and Security Architecture for Open IBI Postage Evidencing Systems" (the IBI Performance Criteria). The company has submitted comments to the IBI Performance Criteria. In September and October 2000, the U.S.P.S. issued further proposed regulations regarding postage evidencing systems using Information Based Indicia, titled "Refunds and Exchanges" and "Production, Distribution and Use of Postal Security Devices and Information-Based Indicia." The company has submitted comments regarding those proposed regulations.

In March 2000, the company received approval from the U.S.P.S. for the commercial launch of the Internet version of a product which satisfies the proposed IBI Performance Criteria, ClickStamp(TM) Online.

In June 1999, the company was served with a Civil Investigative Demand (CID) from the Justice Department's Antitrust Division. A CID is a tool used by the Antitrust Division for gathering information and documents. The company believes that the Justice Department may be reviewing the company's efforts to protect its intellectual property rights. The company believes it has complied fully with the antitrust laws and is cooperating fully with the department's investigation.

<u>Employee Relations.</u> At December 31, 2000, 23,335 persons were employed by the company in the U.S. and 5,207 outside the U.S. Employee relations are considered to be satisfactory. The majority of employees are not represented by any labor union. Management follows the policy of keeping employees informed of its decisions, and encourages and implements employee suggestions whenever practicable.

Item 2. Properties

The company's World Headquarters and certain other office and manufacturing facilities are located in Stamford, Connecticut. Additional office facilities are located in Shelton, Connecticut. The company maintains research and development operations at a corporate engineering and technology center in Shelton, Connecticut. A sales and service training center is located near Atlanta, Georgia. The company believes that its current manufacturing, administrative and sales office properties are adequate for the needs of all of its operations.

<u>Global Mailing.</u> Global Mailing products are manufactured in a number of plants principally in Connecticut, as well as in Harlow, England. Most of these facilities are owned by the company. At December 31, 2000, there were 134 sales, support services, and finance offices, substantially all of which are leased, located throughout the U.S. and in a number of other countries.

<u>Enterprise Solutions.</u> The company's Document Messaging Technologies (DMT) business is headquartered in Danbury, Connecticut. DMT leases 5 facilities located throughout the U.S. The company's management services subsidiary is headquartered in Stamford, Connecticut and leases 36 facilities located throughout the U.S., and a facility in Toronto, Ontario, Canada, and London, England.

Executive and administrative offices of the financing operations (for both the Global Mailing and Enterprise Solutions segments) within the U.S. are located in Shelton, Connecticut. Offices of the financing operations outside the U.S. are maintained in Mississauga, Ontario, Canada; London, England; Heppenheim,

Germany; Paris, France; Oslo, Norway; Dublin, Ireland; French's Forest, Australia; Vienna, Austria; Effretikon, Switzerland; Milan, Italy; Barcelona, Spain; and Stockholm, Sweden.

Capital Services. Pitney Bowes Credit Corporation (PBCC) leases an executive and administrative office in Shelton, Connecticut, which is owned by Pitney Bowes Inc. There are nine leased regional and district sales offices located throughout the U.S.

Item 3. Legal Proceedings

In the course of normal business, the company is occasionally party to lawsuits. These may involve litigation by or against the company relating to, among other things:

- contractual rights under vendor, insurance or other contracts
- intellectual property or patent rights
- equipment, service or payment disputes with customers
- disputes with employees

The company is currently a plaintiff or a defendant in a number of lawsuits, none of which should have, in the opinion of management and legal counsel, a material adverse effect on the company's financial position or results of operations.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Executive Officers of the Registrant

Name	Age	Title	Executive Officer Since
Michael J. Critelli	52	Chairman and Chief Executive Officer	1988
Marc C. Breslawsky	58	President and Chief Operating Officer	1985
Brian Baxendale	58	Executive Vice President and President, Pitney Bowes Document Messaging Technologies	2000
Gregory E. Buoncontri	53	Vice President and Chief Information Officer	2000
Amy C. Corn	47	Vice President and Corporate Secretary	1996
Meredith B. Fischer	48	Vice President, Corporate Marketing and Chief Communications Officer	1996
Karen M. Garrison	52	Executive Vice President and President, Pitney Bowes Business Services	1999
Suzanne N. Grey	50	Vice President, Strategy Planning and New Business Development	1999
Arlen F. Henock	44	Vice President - Finance	1996
Luis A. Jimenez	56	Vice President, Global Growth and Futures Strategy	1999
Matthew S. Kissner	46	Executive Vice President and Group President, Pitney Bowes Small Business and Financial Services	1997
Murray D. Martin	53	Executive Vice President and Group	1998

		President, Global Mailing Systems	
John N. D. Moody	56	Executive Vice President - Office of the Chairman	1997
Sara E. Moss	54	Vice President and General Counsel	1996
Bruce P. Nolop	50	Executive Vice President and Chief Financial Officer	2000
Fred M. Purdue	54	Vice President and General Manager, Business Reengineering	1999
Murray L. Reichenstein	63	Vice President, E-Business and Chief Development Officer	1996
Kathleen E. Synnott	47	Vice President and General Manager, Customer Relationship Management	1999
Johnna G. Torsone	50	Vice President and Chief Human Resources Officer	1993
Joseph E. Wall	49	Vice President and Chief Technology Officer	1996

There is no family relationship among the above officers, all of which have served in various corporate, division or subsidiary positions with the company for at least the past five years except G.E. Buoncontri, L.A. Jimenez, S.E. Moss, B.P. Nolop, M.L. Reichenstein and J.E. Wall.

Mr. Buoncontri was formerly the Vice President, Information Technology and Chief Information Officer of Novartis Pharmaceuticals Corp. (merger of Sandoz and Ciba Geigy). Prior to the merger, he also served as the Vice President, Information Systems and Chief Information Officer for Sandoz Pharmaceuticals Company. Mr. Buoncontri also served as Vice President, Information Management Services and Chief Information Officer of Asea Brown Boveri, Inc.

Mr. Jimenez joined the company from Arthur D. Little, an international management consulting company, with over 25 years of experience. Mr. Jimenez was appointed worldwide practice leader for postal organizations in 1990, Corporate Vice President in 1991, and served most recently on the firm's global board for telecommunications and media and as Manager of the Latin American practice.

Ms. Moss joined the company from the New York law firm of Howard, Darby & Levin, where she had been a Senior Partner since 1985. Before joining Howard, Darby & Levin, Ms. Moss was an Assistant United States Attorney in the Southern District of New York. Ms. Moss served as a law clerk for the Honorable Constance Baker Motley, United States District Judge, Southern District of New York.

Mr. Nolop joined the company from Wasserstein Perella & Co., an investment bank and one of Pitney Bowes' financial advisors, where he had served as managing director since 1993. Prior to joining Wasserstein Perella & Co., Mr. Nolop held senior positions with Goldman Sachs & Co., Kimberly-Clark Corporation and Morgan Stanley & Co.

Mr. Reichenstein, who was previously Vice President and Chief Financial Officer of Pitney Bowes Inc. since 1996, joined the company with over 31 years of experience with Ford Motor Company. During his time with Ford, Mr. Reichenstein held a variety of positions of increasing responsibility in the U.S. and Europe, including Director of Manufacturing Services, Vice President, Car Product Planning, and Chief Financial Officer, Ford Europe; Vice President & Controller of Ford Automotive Operations Worldwide; and Vice President & Controller of Ford Motor Company.

Dr. Wall was most recently Vice President - Technology of Emerson Electric, which he joined in 1986 as Director of Research and Development for its since-divested Rosemount Aerospace Division. Prior to joining Emerson, Dr. Wall held

positions of increasing responsibility at Honeywell, including Section Chief and Senior Principal Research Engineer.

PART II

Item 5. Market for the Registrant's Common Stock and Related Stockholders' Matters

The sections entitled "Stock Exchanges" and "Stock Information" on page 66 of the Pitney Bowes Inc. 2000 Annual Report to Stockholders are incorporated herein by reference. At December 31, 2000, the company had 32,231 common stockholders of record.

Item 6. Selected Financial Data

The section entitled "Summary of Selected Financial Data" on page 43 of the Pitney Bowes Inc. 2000 Annual Report to Stockholders is incorporated herein by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 33 to 42 of the Pitney Bowes Inc. 2000 Annual Report to Stockholders is incorporated herein by reference, except for the section on page 42 relating to "Dividend Policy".

The section under "Legal, Environmental and Regulatory Matters" titled "Regulation" on pages 40 and 41 of the "Management's Discussion and Analysis of Financial Condition and Results of Operations" incorporated herein by reference as mentioned above should be read in conjunction with the discussion under "Regulatory Matters" in Part I, Item 1 on page 5 of this Annual Report on Form 10-K.

The company wants to caution readers that any forward-looking statements with the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 (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 possible restructuring charges and future guidance) in this Form 10-K, other reports or press releases or made by the company's management involve risks and uncertainties which may change based on various important factors. 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 or on behalf of the company include:

- 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
- our success at managing customer credit risk
- changes in interest rates
- foreign currency fluctuations

. terms and timing of the spin-off of Office Systems

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

The section entitled "Market Risk" on page 40 of the "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the Pitney Bowes Inc. 2000 Annual Report to Stockholders is incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data

The financial statements, together with the report thereon of PricewaterhouseCoopers LLP dated January 22, 2001, appearing on pages 44 to 65 of the Pitney Bowes Inc. 2000 Annual Report to Stockholders are incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

Except for information regarding the company's executive officers (see "Executive Officers of the Registrant" on page 7 of this Form 10-K), the information called for by this Item is incorporated herein by reference to the sections entitled "Election of Directors", "How much stock is owned by directors, nominees and executive officers?" and "Security Ownership" on pages 7 to 9 and 4 to 5 of the Pitney Bowes Inc. Notice of the 2001 Annual Meeting and Proxy Statement.

Item 11. Executive Compensation

The sections entitled "Directors' Compensation", "Executive Officer Compensation", "Severance and Change of Control Arrangements" and "Pension Benefits" on pages 10 to 16, and 19 to 21 of the Pitney Bowes Inc. Notice of the 2001 Annual Meeting and Proxy Statement are incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The section entitled "How much stock is owned by directors, nominees and executive officers?" and "Security Ownership" on pages 4 to 5 of the Pitney Bowes Inc. Notice of the 2001 Annual Meeting and Proxy Statement is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

None.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) 1. Financial statements - see Item 8 on page 9 and "Index to Financial Schedules" on page 18.

2. Financial statement schedules - see "Index to Financial Schedules" on page 18.

3. Exhibits (numbered in accordance with Item 601 of Regulation S-K).

Reg. S-K Exhibits	Description	Status or Incorporation by Reference
(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. (Commission file number 1-3579)
(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. (Commission file number 1-3579)
(b)	By-laws, as amended	Incorporated by reference to Exhibit (3b) to Form 10-K as filed with the Commission on April 1, 1996. (Commission file number 1-3579)
(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. (Commission file number 1-3579)
(4)(a)	Form of Indenture dated as of November 15, 1987 between the company and Chemical Bank, as Trustee	Incorporated by reference to Exhibit (4a) to Form 10-K as filed with the Commission on March 24, 1988. (Commission file number 1-3579)
(b)	Form of Debt Securities	Incorporated by reference to Exhibit (4b) to Form 10-K as filed with the Commission on March 24, 1988. (Commission file number 1-3579)
(c)	Form of First Supplemental Indenture dated as of June 1, 1989 between the company and Chemical Bank, as Trustee	Incorporated by reference to Exhibit (1) to Form 8-K as filed with the Commission on June 16, 1989. (Commission file number 1-3579)
(d)	Form of Indenture dated as of April 15, 1990 between the company and Chemical Bank, as successor to Manufacturers Hanover Trust Company, as Trustee	Incorporated by reference to Exhibit (4.1) to Registration Statement on Form S-3 (No. 33-33948) as filed with the Commission on March 28, 1990.
(e)	Forms of Debt Securities	Incorporated by reference to Exhibit (4) to Form 10-Q as filed with the Commission on May 14, 1990. (Commission file number 1-3579)

(f)	Form of Indenture dated as of May 1, 1985 between Pitney Bowes Credit Corporation and Bankers Trust Company, as Trustee	Incorporated by reference to Exhibit (4a) to Registration Statement on Form S-3 (No. 2-97411) as filed with the Commission on May 1, 1985.
(g)	Letter Agreement between Pitney Bowes Inc. and Bankers Trust Company, as Trustee	Incorporated by reference to Exhibit (4b) to Registration Statement on Form S-3 (No. 2-97411) as filed with the Commission on May 1, 1985.
(h)	Form of First Supplemental Indenture dated as of December	Incorporated by reference to Exhibit (4b) to Registration Statement on Form S-3 (No.

	1, 1986 between Pitney Bowes Credit Corporation and Bankers Trust Company, as Trustee	33-10766) as filed with the Commission on December 12, 1986.
(i)	Form of Second Supplemental Indenture dated as of February 15, 1989 between Pitney Bowes Credit Corporation and Bankers Trust Company, as Trustee	Incorporated by reference to Exhibit (4c) to Registration Statement on Form S-3 (No. 33-27244) as filed with the Commission on February 24, 1989.
(j)	Form of Third Supplemental Indenture dated as of May 1, 1989 between Pitney Bowes Credit Corporation and Bankers Trust Company, as Trustee	Incorporated by reference to Exhibit (1) to Form 8-K as filed with the Commission on May 16, 1989. (Commission file number 1-3579)
(k)	Indenture dated as of November 1, 1995 between the company and Chemical Bank, as Trustee	Incorporated by reference to Exhibit (4a) to Amendment No. 1 to Registration Statement on Form S-3 (No. 33-62485) as filed with the Commission on November 2, 1995.
(l)	Preference Share Purchase Rights Agreement dated December 11, 1995 between the company and Chemical Mellon Shareholder Services, LLC., as Rights Agent, as amended	Incorporated by reference to Exhibit (4) to Form 8-K as filed with the Commission on March 13, 1996. (Commission file number 1-3579)

The company has outstanding certain other long-term indebtedness. Such long-term indebtedness does not exceed 10% of the total assets of the company; therefore, copies of instruments defining the rights of holders of such indebtedness are not included as exhibits. The company agrees to furnish copies of such instruments to the Securities and Exchange Commission upon request.

Executive Compensation Plans:
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(10) (a)	Retirement Plan for Directors of Pitney Bowes Inc.	Incorporated by reference to Exhibit (10a) to Form 10-K as filed with the Commission on March 30, 1993. (Commission file number 1-3579)
(b)	Pitney Bowes Inc. Directors' Stock Plan (as amended and restated 1997)	Incorporated by reference to Exhibit (i) to Form 10-K as filed with the Commission on March 31, 1997. (Commission file number 1-3579)
(b.1)	Pitney Bowes Inc. Directors' Stock Plan (as amended and restated 1999)	Incorporated by reference to Exhibit (i) to Form 10-K as filed with the Commission on March 30, 2000. (Commission file number 1-3579)
(c)	Pitney Bowes 1991 Stock Plan	Incorporated by reference to Exhibit (10b) to Form 10-K as filed with the Commission on March 25, 1992. (Commission file number 1-3579)
(c.1)	First Amendment to Pitney Bowes 1991 Stock Plan	Incorporated by reference to Exhibit (ii) to Form 10-K as filed with the Commission on March 31, 1997. (Commission file 1-3579)
(c.2)	Second Amendment to Pitney Bowes 1991 Stock Plan	Incorporated by reference to Exhibit (i) to Form 10-Q as filed with the Commission on November 13, 1997. (Commission file number 1-3579)
(c.3)	Pitney Bowes 1991 Stock Plan (as amended and restated)	Incorporated by reference to Exhibit (10) to Form 10-Q as filed with the Commission on May 14, 1998. (Commission file number 1-3579)
(c.4)	Pitney Bowes 1998 Stock Plan (as amended and restated)	Incorporated by reference to Exhibit (ii) to Form 10-K as filed with the Commission on March 30, 2000. (Commission file number 1-3579)
(d)	Pitney Bowes Inc. Key Employees' Incentive Plan (as amended and	Incorporated by reference to Exhibit (10c) to Form 10-K as filed with the Commission on March

	restated)	25, 1992. (Commission file number 1-3579)
(d.1)	First Amendment to Pitney Bowes Inc. Key Employees' Incentive Plan (as amended and restated June 10, 1991)	Incorporated by reference to Exhibit (iii) to Form 10-K as filed with the Commission on March 31, 1997. (Commission file number 1-3579)
(d.2)	Second Amendment to Pitney Bowes Inc. Key Employees' Incentive Plan (as amended and restated)	Exhibit (i)
(e)	1979 Pitney Bowes Stock Option Plan (as amended and restated)	Incorporated by reference to Exhibit (10d) to Form 10-K as filed with the Commission on March 25, 1992. (Commission file number 1-3579)

(f)	Pitney Bowes Severance Plan, as amended, dated December 12, 1988	Incorporated by reference to Exhibit (10) to Form 10-K as filed with the Commission on March 23, 1989. (Commission file number 1-3579)
(g)	Pitney Bowes Executive Severance Policy, adopted December 11, 1995	Incorporated by reference to Exhibit (10h) to Form 10-K as filed with the Commission on April 1, 1996. (Commission file number 1-3579)
(h)	Pitney Bowes Inc. Deferred Incentive Savings Plan for the Board of Directors	Incorporated by reference to Exhibit (i) to Form 10-Q as filed with the Commission on May 15, 1997. (Commission file number 1-3579)
(h.1)	Pitney Bowes Inc. Deferred Incentive Savings Plan for the Board of Directors (as amended and restated 1999)	Incorporated by reference to Exhibit (iii) to Form 10-K as filed with the Commission on March 30, 2000. (Commission file number 1-3579)
(i)	Pitney Bowes Inc. Deferred Incentive Savings Plan	Incorporated by reference to Exhibit (v) to Form 10-K as filed with the Commission on March 31, 1997. (Commission file number 1-3579)
(j)	Pitney Bowes U.K. Stock Option Plan (as amended and restated 1999)	Incorporated by reference to Exhibit (iv) to Form 10-K as filed with the Commission on March 30, 2000. (Commission file number 1-3579)
(k)	Pitney Bowes Letter of Agreement with Marc C. Breslawsky dated October 27, 2000	Exhibit (vi)
(l)	Pitney Bowes Separation Agreement with Marc C. Breslawsky dated October 27, 2000	Exhibit (vii)
(m)	Pitney Bowes Separation Agreement with Marc C. Breslawsky dated October 27, 2000	Exhibit (viii)
(12)	Computation of ratio of earnings to fixed charges	Exhibit (ii)
(13)	Portions of annual report to security holders	Exhibit (iii)
(21)	Subsidiaries of the registrant	Exhibit (iv)
(23)	Consent of experts and counsel	Exhibit (v)

(b) Reports on Form 8-K

On December 11, 2000, the company filed a current report on Form 8-K pursuant to Item 5 thereof, reporting the Press Release dated December 11, 2000, regarding its announcement to spin off the company's Office System business to stockholders.

On October 19, 2000, the company filed a current report on Form 8-K pursuant to Item 5 thereof, reporting the Press Release dated October 17, 2000, regarding its financial results for the period ended September 30, 2000.

On October 5, 2000, the company filed a current report on Form 8-K pursuant to Item 5 thereof, reporting the Press Release dated October 4, 2000 for the revised financial outlook for the periods ended September 30, 2000 and December 31, 2000.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

By /s/ Michael J. Critelli
(Michael J. Critelli)
Chairman and Chief
Executive Officer

Date March 26, 2001

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Michael J. Critelli Michael J. Critelli	Chairman and Chief Executive Officer - Director	March 26, 2001
/s/ Marc C. Breslawsky Marc C. Breslawsky	President and Chief Operating Officer - Director	March 26, 2001
/s/ Bruce P. Nolop Bruce P. Nolop	Executive Vice President and Chief Financial Officer (principal financial officer)	March 26, 2001
/s/ Arlen F. Henock Arlen F. Henock	Vice President - Finance (principal accounting officer)	March 26, 2001
/s/ Linda G. Alvarado	Director	March 26, 2001

Linda G. Alvarado

/s/ William E. Butler William E. Butler	Director	March 26, 2001
/s/ Colin G. Campbell Colin G. Campbell	Director	March 26, 2001
/s/ Jessica P. Einhorn Jessica P. Einhorn	Director	March 26, 2001
/s/ Ernie Green Ernie Green	Director	March 26, 2001
/s/ Herbert L. Henkel Herbert L. Henkel	Director	March 26, 2001
/s/ James H. Keyes James H. Keyes	Director	March 26, 2001
/s/ John S. McFarlane John S. McFarlane	Director	March 26, 2001
/s/ Michael I. Roth Michael I. Roth	Director	March 26, 2001
/s/ Phyllis S. Sewell Phyllis S. Sewell	Director	March 26, 2001

INDEX TO FINANCIAL SCHEDULES

The financial schedules should be read in conjunction with the financial statements in the Pitney Bowes Inc. 2000 Annual Report to Stockholders. Schedules not included herein have been omitted because they are not applicable or the required information is shown in the financial statements or notes thereto. Also, separate financial statements of less than 100 percent owned companies, which are accounted for by the equity method, have been omitted because they do not constitute significant subsidiaries.

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REPORT OF INDEPENDENT ACCOUNTANTS ON
FINANCIAL STATEMENT SCHEDULE

To the Board of Directors
of Pitney Bowes Inc.:

Our audits of the consolidated financial statements referred to in our report dated January 22, 2001 appearing on page 65 of the Pitney Bowes Inc. 2000 Annual Report to Stockholders (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the financial statement schedule listed in Item 14(a)2 of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Stamford, Connecticut
January 22, 2001

PITNEY BOWES INC.

SCHEDULE II - VALUATION AND QUALIFYING
ACCOUNTS AND RESERVES

FOR THE YEARS ENDED DECEMBER 31, 1998 TO 2000

(Dollars in thousands)

Description	Balance at Beginning of year	Additions charged to costs and expenses	Deductions	Balance at end of year
Allowance for doubtful accounts				
2000	$ 28,716	$ 9,337	$11,585 (2)	$ 26,468
1999	$ 24,665	$ 8,668	$ 4,617 (2)	$ 28,716
1998	$ 21,129	$ 9,872	$ 6,336 (2)	$ 24,665
Allowance for credit losses on finance receivables				
2000	$104,721	$58,421	$65,791 (2)	$ 97,351
1999	$130,775	$67,257	$93,311 (2) (3)	$104,721
1998	$132,308	$73,142	$74,675 (2) (3)	$130,775
Valuation allowance for deferred tax asset (1)				
2000	$ 35,443	$ 372	$10,866	$ 24,949
1999	$ 39,872	$ 586	$ 5,015	$ 35,443
1998	$ 41,301	$ 2,189	$ 3,618	$ 39,872

(1) Included in balance sheet as a liability.
(2) Principally uncollectible accounts written off.
(3) Amounts include the write-off of finance receivables retained in connection with the disposal of our small-ticket external leasing business against previously established allowance for credit losses recorded at the time of

disposal of this business in 1998.

EXHIBIT (i)

PITNEY BOWES INC.

KEY EMPLOYEES' INCENTIVE PLAN

(As Amended and Restated: February 12, 2001)

1. The Pitney Bowes Inc. Key Employees Incentive Plan (the "Plan") is designed to provide additional incentives for key employees of Pitney Bowes Inc. (the "Company") and its subsidiaries and affiliates by the making of awards of supplemental compensation. It is intended that such awards will be given in a way designed to retain or attract, and to provide additional incentive to, key employees, having regard for their individual potential, location, contributions to the Company and other appropriate considerations.

2. (A) The Plan shall be administered by a committee (the "Committee") which shall consist of directors then constituting the Board of Directors of the Company, excluding any director who is not a "disinterested person" within the meaning of Rule 16b-3 ("Rule 16b-3") promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and an "outside director" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, and regulations promulgated thereunder (directors meeting both such requirements being hereinafter referred to as "Qualified Directors"), or any such other committee designated by the Board of Directors of the Company to administer the Plan, which committee shall be composed of not less than the minimum number of directors from time to time required by Rule 16b-3 or Section 162(m), each of whom is a Qualified Director. The Committee shall have full authority to establish rules for the administration of the Plan and to make administrative decisions regarding the Plan or awards hereunder. The Committee may delegate its functions hereunder to the extent consistent with applicable law.

(B) Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations, and other decisions under or with respect to the Plan, any award, or any award agreement or certificate shall be with and in the sole discretion of the Committee, may be made at any time, and shall be final, conclusive, and binding upon all persons, including the Company, any affiliate, any participant, any holder or beneficiary of any award, and any employee of the Company or of any affiliate.

3. (A) Awards of supplemental compensation may be made in respect of each calendar year up to the aggregate amount of the "Incentive Fund" for such year. The amount of the Incentive Fund for each year shall be determined by the Committee prior to the end of the following year, provided that the amount so determined shall not exceed an amount equal to (a) 4-1/2% of the consolidated net income of the Company and its consolidated subsidiaries before provision for income taxes, as certified by the Company's independent public accountants, plus (b) an additional amount equal to- any excess of the aggregate amount of the Incentive Funds for the five preceding years over the aggregate amount of awards made for such years.

(B) (i) The Committee shall fix the extent, within the limits of the Incentive Fund, to which awards shall be made by the Company, shall decide who shall receive awards for the year, and shall determine the amount of each award. Such awards may be made in cash, shares of the Company; units (as defined in subparagraph ii), or such other kind or form of compensation (other than options to acquire shares of the Company) or any combination of them as may, in the judgment of the Committee, be best calculated to further the purposes of the Plan.

(ii) A "unit" shall be an award which entitles the recipient to receive cash, shares or other compensation in an amount which depends upon the business

performance of the Company or any of its divisions, subsidiaries, or affiliates during a stated period. Performance of this purpose may be measured by the growth in book or market value of capital stock, the increase in the earnings in total or per share, or any other indicator specified by the Committee. The Committee shall also fix the period during which such performance is to be measured, the time at which the value of the units is to be paid, and the form of the payment to be made in respect of the units.

(iii) All awards under the Plan shall be made on such terms and subject to such conditions as the Committee may determine.

(C) Awards other than awards of units shall be deemed, for the purpose only of determining the amount to be charged against the Incentive Fund, to have the value of the cash, shares, or other kind or form of compensation awarded, as determined by the Committee, as of the time the award is made. Awards of units shall be deemed for such purpose to have a value, which represents 50% of the estimated maximum liability of the Company to make payments with regard to such units as determined by the Committee. Such units may be revalued by the Committee from time to-time during the stated period referred to in Section 3(B)(ii) above, and any excess over the value originally assigned shall be charged to the Incentive Fund for such year or years as the Committee shall determine.

4. Nothing in the Plan shall prevent a participant from being included in any other employee benefit or stock option or purchase plan of the Company or its subsidiaries or affiliates, or from receiving any compensation provided by them. Neither the Plan nor any action taken thereunder shall be understood as giving any person any right to be retained in the employ of the Company or any subsidiary or affiliate, nor shall any person (including persons participating for a prior year) be entitled as of right to be selected as a participant in the Plan for any years.

5. The Committee may amend, suspend, or terminate the Plan in whole or in part at any time provided, however, that if in the judgment of the Committee such amendment or other action would have a material effect on the Plan, such amendment or other action must be taken by the Board of Directors of the Company. No amendment which would materially increase the cost of the Plan shall be made effective unless approved by the shareholders of the Company; provided, however, that this Plan may not be amended, suspended or terminated from and after the date of a Change of Control (as hereinafter defined) or in anticipation of a Change of Control so as to reduce or otherwise adversely affect the benefits to which participants in the Plan are entitled upon a Change of Control.

6. Notwithstanding anything in the Plan to the contrary:

(A) In the event of a Change of Control (as defined below) awards under the Plan, other than units payable in cash governed by Section 6(B), or shares or units entitling the recipient to receive shares which shall be governed by Section 6(G), shall be paid in cash to all executives of the Company and its subsidiaries and affiliates who, as of the date of such Change of Control, had previously been notified by the Company that they were eligible to receive annual supplemental compensation as provided under the Plan. (Such annual supplemental compensation is to be known as Performance Based Compensation or "PBC", and any individual as so notified is to be known as a "PBC Participant").

(i) With respect to a PBC Participant's award, the amount of which has been determined pursuant to the provisions of the Plan as provided above but not yet paid as of the date of a Change of Control, the PBC Participant shall have a vested right thereto as of the day of the Change of Control, which amount shall be paid as provided below.

(ii) With respect to a PBC Participant's award, the amount of which has not been determined as of the date of a Change of Control and which pertains to services for a year which has been completed prior to the date of a Change of Control, the award shall be determined pursuant to the provisions of the Plan as

provided above, and the amount thereby determined shall be a vested right of each PBC Participant as of the day of the Change of Control and shall be paid as provided below.

(iii) With respect to a PBC award, regarding services for a year in which the Change of Control occurs and the amount of such award has not been determined (a "Determinable PBC"), such award shall be paid as provided below.

(a) If a rating system to determine the amount of PBC awards had been in effect in any of the three (3) years preceding the year in which the Change of Control occurs, whereunder (1) each PBC Participant had been assigned a rating (expressed as a number) corresponding to the evaluation of his or her individual performance with respect to a fiscal year (the "Personal Rating"), and (2) each PBC Participant had been assigned a rating (also expressed as a number) corresponding to evaluation of the performance with respect to such fiscal year for the Company and/or the division or divisions or unit or units to which such PBC Participant had been assigned during such fiscal year, each PBC Participant shall be assigned ratings for (1) his or her personal level of performance, (2) the Company's performance and/or (3) his or her division(s)' or unit(s)' performance (a "Determinable Rating") for purposes of determining his or her Determinable PBC, each of which Determinable Ratings shall be equal to the respective aggregate average rating for a period which shall be composed of such of the three fiscal years (prior to the year that the Change of Control occurs) during which such rating system was in effect and such Participant was eligible to receive PBC with respect to the individual's performance, the Company's performance and/or the appropriate division(s)' or unit(s)' performance. If a Change of Control occurs in the first year in which a PBC Participant is eligible to receive PBC, his or her Personal Rating shall be equal to the mid-level rating then in effect, and such rating shall be used as the Determinable Rating regarding his or her personal performance for

purposes of this Section, provided that the Determinable Rating regarding the Company and/or the relevant business unit or division shall be determined as provided above. The Determinable Ratings with respect to each PBC Participant shall be applied in accordance with the appropriate bonus grid (or such similar device then in effect) for which such PBC Participant is eligible at the time of Change of Control to determine the appropriate percentages, the aggregate of which shall then be multiplied by the salary range midpoint (or the computation basis used to compute the value of PBC) then in effect for each respective PBC Participant, and the amount thereby derived shall be the Determinable PBC and shall be a vested right of each PBC Participant as of the day of the Change of Control, payable as provided below.

(b) If a rating system has not been in effect in any of the three years immediately preceding the year in which the Change of Control occurs, payment of an award in respect of the year in which the Change of Control occurs shall be determined by the Committee in its sole discretion, provided, however, that each PBC Participant shall be entitled to receive and shall receive a minimum amount of no less than the amount received in respect to the past fiscal year and, in the event of a PBC Participant's first year of participation, no less than the average award made in the preceding year to PBC Participants of the same job level.

(c) The foregoing is intended to set forth the minimum amount of PBC payments that shall be made in the circumstances as above provided but are not intended to limit any additional payments that the Committee may desire to make as in its discretion it deems appropriate.

(B) In the event of a Change of Control (as defined below) the Committee shall determine the value of all units payable in cash (or any other form of compensation value other than shares) ("KEIP Units") maturing upon the end of any stated period (the "Cycle") as authorized under Subsection 3(B)(ii) above, which had been awarded and not yet paid to all executives of the Company and its subsidiaries and affiliates who had received notice of such award ("KEIP Participants") as follows:

(ii) The Company shall make payments from the Determinable Fund in the amounts as described below according to the following priorities as applicable:

(a) First, if applicable, 100% of the amounts for each PBC Participant as determined under Subsection 6(A)(i) or Subsection 6(A)(ii), as the case may be.

(b) Second, if applicable, 100% of the amount as computed under Subsection 6(B)(i) above.

(c) Third, an amount for each PBC Participant (the "PBC Payment") equal to the Determinable PBC computed under Section 6(A)(iii) for each PBC Participant, discounted by such amount so that the PBC Payment, when compounded at an interest rate equal to the Prime Rate as established by Chase Manhattan Bank, N. A., as of the day of the Change of Control (the "Prime Rate") for the period from the day of the Change of Control until the following February 10, will equal the Determinable PBC.

(d) Fourth, an amount (the "First KEIP Payment") equal to the amount as computed under Subsection 6(B)(ii) with respect to each KEIP payment thereunder, discounted by such amount so that the First KEIP Payment, when compounded at an interest rate equal to the Prime Rate for the period from the day of the Change of Control until the following February 10, will equal such amount as computed under Subsection 6(B)(ii).

(e) Fifth, an amount (the "Second KEIP Payment") equal to the amount as computed under Subsection 6(B)(iii) with respect to the cycle which shall be completed during or at the end of the first complete fiscal year after the Change of Control occurs, discounted by such amount so that the Second KEIP Payment, when compounded at an interest rate equal to the Prime Rate for the period from the day of the Change of Control until the second February 10 thereafter occurring, will equal such amount as computed under Subsection 6(B)(iii).

(f) Sixth, if applicable, an amount (the "Additional KEIP Payment") equal to the amount or amounts as computed under Subsection 6(B)(iii) with respect to any cycle which shall be completed during or at the end of the second or subsequent complete fiscal year after the Change of Control occurs, discounted by an amount so that the additional KEIP Payment, when compounded at an interest rate equal to the Prime Rate for the period from the day of the Change of Control until the appropriate February 10 will, in each instance, equal such amount or amounts computed under Subsection 6(B)(iii).

(iii) Any payments as provided above in accordance with the priorities ascertained above, which are to be made at or about the same time, shall be reduced proportionately in the event a full payment thereof shall reduce the Determinable Fund to less than zero.

(D) All payments and actions required pursuant to this Section shall be made as expeditiously as possible after the action of the Committee as herein provided has been taken, but in no event later than five days after a Change of Control. Payments, as provided above, to PBC Participants or KEIP Participants who reside outside the United States shall be made in such currencies and such exchange rates that are consistent with the patterns and practices under this Plan.

(E) For purposes of this Plan, a "Change of Control" shall be deemed to have occurred if:

(i) There is an acquisition, in any one transaction or a series of transactions (other than from the Company), by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange

Act of 1934, as amended (the "Exchange Act")) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either the then outstanding shares of common stock of the Company or the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors, but excluding, for this purpose, any such acquisition by the Company or any of its subsidiaries, or any employee benefit plan (or related trust) of the Company or its subsidiaries, or any corporation with respect to which, following such acquisition,

more than 50 percent of the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by the individuals and entities who were the beneficial owners, respectively, of the common stock and voting securities of the Company immediately prior to such acquisition in substantially the same proportion as their ownership, immediately prior to such acquisition, of the then outstanding shares of common stock of the Company or the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors, as the case may be; or

(ii) Individuals who, as of February 12, 2001, constitute the Board of Directors (as of such date, the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any individual becoming a director subsequent to February 12, 2001 whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the Directors of the Company (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act); or

(iii) There is (x) an approval by the shareholders of the Company of a reorganization, merger or consolidation, in each case, with respect to which the common stock and voting securities of the Company immediately prior to such reorganization, merger or consolidation do not, following such reorganization, merger or consolidation, represent, either by remaining outstanding or being converted into securities of the resulting corporation, directly or indirectly, more than 50 percent of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such reorganization, merger or consolidation, or (y) an approval by the shareholders of the Company of a complete liquidation or dissolution of the Company or of the sale or other disposition of all or substantially all of the assets of the Company.

(F) Any right to a payment as provided in this Section shall be a contract right of the executives as herein described, enforceable against the Company, its assigns and successors. Upon and following the occurrence of a Change of Control, any decision rendered pursuant to this Section 6 may be contested by any claimant, and the Company agrees to pay, to the full extent permitted by law, all legal fees and expenses which a claimant may reasonably incur as a result of any contest, provided the claimant substantially prevails in the outcome thereof.

(G) Notwithstanding any contrary provision in this Section 6, in the event of a Change of Control (as defined) awards under the Plan of shares or units entitling the recipient to receive shares shall be fully vested with all performance conditions deemed fully earned and any and all restrictions and conditions shall be deemed satisfied.

7. To the extent required, and only to such extent, in order to render the grant of an award, or the sale of equity securities corresponding to an award, an exempt transaction under Section 16(b) of the Exchange Act, if no other

exemption applies, any equity security granted under the Plan to any participant designated by the Company as having Section 16 reporting obligations must be held by such participant for at least six months from the date of grant before disposition, or in the case of a derivative security granted pursuant to the Plan to a participant, at least six months must elapse from the date of acquisition of the derivative security to the date of disposition of the derivative security (other than upon a conversion) or its underlying equity security. Terms used in the preceding sentence shall, for the purposes of such sentence only, have the meanings, if any, assigned or attributed to them under Rule 16b-3.

8. Except for any award with respect to which all applicable restrictions have expired, lapsed, or been waived, (a "Released Award"), no award, and no right under any award shall be assignable, alienable, saleable, or transferable by a participant other than by will or by the laws of descent and distribution or pursuant to a qualified domestic relations order as defined in the Internal Revenue Code of 1986, as amended, or Title I of the Employee Retirement Income Security Act of 1974, as amended, or the rules thereunder (or, in the case of any award of restricted stock, to the Company); provided however, that if so determined by the Committee, a participant may in the manner established by the Committee, designate a beneficiary or beneficiaries to exercise the rights of the rights of the participant, and to receive any property distributable, with respect to any award upon the death of the participant. Each award, and each right under any award, shall be issuable or payable only to the participant, or, if permissible under applicable law, to the participant's guardian or legal representative or to a transferee receiving such award pursuant to a qualified domestic relations order referred to above. No award (other than a Released Award), and no right under any such award, may be pledged, alienated, attached, or otherwise encumbered and any purported pledge, alienation, attachment, or encumbrance thereof shall be void and unenforceable against the Company or any affiliate.

9. The Plan, as amended and restated herein, shall become effective on February 12, 2001.

10. (A) The provisions of this Section 10 shall be applicable to awards under the Plan to "Covered Employees" if the Committee so provides at the time of grant (such awards being referred to as "Covered Awards"). For purposes of this Section 10, "Covered Employees" means participants in the Plan who are designated by the Committee prior to the grant of an award hereunder who are, or are expected to be at the time taxable income will realized with respect to the award, "covered employees" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended, or any successor thereto, and the Treasury Regulations thereunder ("Section 162(m)").

(B) Covered Awards shall be made subject to the achievement of one or more preestablished Performance Goals (as defined below), in accordance with procedures to be established by the Committee from time to time. Notwithstanding any provision of the Plan to the contrary, the Committee shall not have discretion to waive or amend such Performance Goals or to increase the amount payable pursuant to Covered Awards after the Performance Goals have

been established, provided, however, that the Committee may, in its sole discretion, reduce the amount which would otherwise be payable with respect to any Covered Award, and provided, further, that the provisions of Section 6 shall override any contrary provision of this Section 10.

(C) "Performance Goals" means one or more objective performance goals, established by the Committee at the time an award is granted, and based upon the attainment of targets for one or any combination of the following criteria: operating income, revenues, return on operating assets, earnings per share, return on stockholder equity, stock price, free cash flow, or achievement of cost control, of the Company or such subsidiary, division or department of the Company for or within which the participant is primarily employed. Performance Goals also may be based upon attaining specified levels of Company performance based upon one or more of the criteria described above relative to prior periods or the performance of other corporations. Performance Goals shall be set by the

Committee within the time period prescribed by Section 162(m).

(D) No payment shall be made pursuant to a Covered Award unless and until the Committee shall have certified in writing that the applicable Performance Goals have been attained. The maximum amount payable pursuant to Covered Awards to a particular Covered employee for any fiscal year of the Company shall be $5,000,000.

(E) The Committee may from time to time establish procedures pursuant to which Covered Employees will be permitted or required to defer receipt of awards under the Plan.

(F) Notwithstanding any other provision of the Plan, for all purposes involving Covered Awards, the Committee shall consist of at least two members of the Board of Directors, each of whom is an "outside director" within the meaning of Section 162(m).

EXHIBIT (ii)

PITNEY BOWES INC.

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES(1)

(Dollars in thousands)

	Years Ended December 31,				
	2000(2)	1999(2)	1998(2)	1997(2)	1996(2)
Income from continuing operations before income taxes	$ 802,848	$ 823,942	$ 658,662	$605,788	$520,785
Add:					
Interest expense	200,957	175,699	156,284	157,322	161,222
Portion of rents representative of the interest factor	34,512	33,042	36,403	38,284	39,634
Amortization of capitalized interest	973	973	973	914	914
Minority interest in the income of subsidiary with fixed charges	14,237	12,033	12,425	11,322	8,121
Income as adjusted	$1,053,527	$1,045,689	$ 864,747	$813,630	$730,676
Fixed charges:					
Interest expense	$ 200,957	$ 175,699	$ 156,284	$157,322	$161,222
Capitalized interest	2,383	1,316	-	-	1,201
Portion of rents representative of the interest factor	34,512	33,042	36,403	38,284	39,634
Minority interest, excluding taxes, in the income of subsidiary with fixed charges	20,298	17,610	18,468	16,856	11,391
	$ 258,150	$ 227,667	$ 211,155	$212,462	$213,448
Ratio of earnings to fixed charges	4.08	4.59	4.10	3.83	3.42
Ratio of earnings to fixed charges excluding minority interest	4.37	4.92	4.42	4.10	3.58

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

(2) Amounts reclassified to reflect Office Systems, CPLC and AMIC as discontinued operations. Interest expense and the portion of rents representative of the interest factor of these discontinued operations have been excluded from fixed charges in the computation.

Including these amounts in fixed charges, the ratio of earnings to fixed charges would be 3.95, 4.37, 3.56, 3.75 and 3.39 for the years ended December 31, 2000, 1999, 1998, 1997, and 1996, respectively. The ratio of earnings to fixed charges excluding minority interest would be 4.21, 4.66, 3.78, 4.00 and 3.54 for the years ended December 31, 2000, 1999, 1998, 1997, and 1996, respectively.

Exhibit (iii)

Management's Discussion and Analysis of Financial Condition and Results of Operations

Year ended December 31, 2000

Overview

Pitney Bowes Inc. (the company) continues to build on the core activities that support its strong competitive position in integrated mail and document management.

The company operates in three reportable segments: Global Mailing, Enterprise Solutions and Capital Services.

Global Mailing includes worldwide revenues from the rental of postage meters and the sale, rental and financing of mailing equipment, including mail finishing and software-based mail creation equipment, software-based shipping, transportation and logistics systems, and related supplies and services. Enterprise Solutions includes Pitney Bowes Management Services and Document Messaging Technologies. Pitney Bowes Management Services includes revenues from facilities management contracts for advanced mailing, reprographic, document management and other high-value services to enterprises. Document Messaging Technologies includes revenues from the sale, service and financing of high speed, software-enabled production mail systems, sortation equipment, incoming mail systems, electronic statement, billing and payment solutions, and mailing software. Capital Services primarily provides large-ticket financing and fee-based programs covering a broad range of products and other financial services.

On December 11, 2000, the company announced that its Board of Directors approved a formal plan to spin off the company's Office Systems business to stockholders as an independent, publicly-traded company. The transaction is expected to be completed by the end of the third quarter 2001. Operating results of Office Systems have been segregated and reported as discontinued operations in the Consolidated Statements of Income. Prior year results have been reclassified to conform to the current year presentation. See Note 12 to the consolidated financial statements.

On January 14, 2000, the company sold its mortgage servicing business, Atlantic Mortgage & Investment Corporation (AMIC), a wholly-owned subsidiary of the company, to ABN AMRO North America. The Company received approximately $484 million in cash at closing. Accordingly, operating results of AMIC have been segregated and reported as discontinued operations in the Consolidated Statements of Income. Prior year results have been reclassified to conform to the current year presentation. In connection with the sale, the company recorded a loss of approximately $27.6 million (net of taxes of $18.4 million) for the year ended December 31, 1999. The transaction is subject to post-closing adjustments. See Note 12 to the consolidated financial statements.

As part of the company's strategy to reduce the capital committed to asset-based financing, while increasing fee-based income, in 1998 the company sold its broker-oriented small-ticket leasing business to General Electric Capital Corporation (GECC), a subsidiary of General Electric Company. As part of the sale, the operations, employees and substantially all the assets of Colonial Pacific Leasing Corporation (CPLC) were transferred to GECC. The company received approximately $790 million at closing, which approximates the book value of net assets sold or otherwise disposed of and related transaction costs. Accordingly, operating results of CPLC have been segregated and reported as discontinued operations in the Consolidated Statements of Income. In connection with this transaction, the company recorded a gain of approximately $3.7 million (net of taxes of $2.0 million) for the year ended December 31, 1999. This gain

resulted from the settlement of post-closing adjustments in 1999 related to the sale, offset by the cost of settlement with regard to a dispute with GECC over certain assets that were included in the sale. See Note 12 to the consolidated financial statements.

Results of Continuing Operations 2000 Compared to 1999

In 2000, revenue increased 2%, operating profit grew 8%, income from continuing operations was flat and diluted earnings per share from continuing operations increased 5% to $2.18 compared with $2.07 for 1999.

In 2000, the company recorded an after-tax charge of approximately $11.2 million related to the consolidation of information technology staff and infrastructure, and a $12 million tax benefit related to state tax law changes. In 1999, the company received a one-time net after-tax settlement of $29.5 million from the U.S. Postal Service (USPS) (see Other Matters). Excluding the impact of these one-time items from both periods, income from continuing operations grew 5% and diluted earnings per share from continuing operations increased 11% to $2.17 compared with $1.96 for 1999.

Diluted Earnings Per Share from Continuing Operations
Dollars

[GRAPHIC]

98	99	00
1.58	1.96*	2.17*

*Excluding one-time items

Revenue

(Dollars in millions)	2000	1999	% change
Global Mailing	$2,836	$2,799	1%
Enterprise Solutions	862	803	7%
Total Messaging Solutions	3,698	3,602	3%
Capital Services	183	210	(13%)
	$3,881	$3,812	2%

Total Messaging Solutions revenue grew 3% over the prior year. The revenue increase came from growth in the Global Mailing and Enterprise Solutions segments of 1% and 7%, respectively, over 1999. Global Mailing revenue growth was negatively impacted by lower sales of mail creation and shipping logistics products in the second half of 2000. Global Mailing revenue was also negatively impacted by the weakening of foreign currencies, principally the British pound and Euro currencies. Volume increases at Pitney Bowes Management Services and Document Messaging Technologies were the principal reasons for the revenue growth in the Enterprise Solutions segment. Capital Services revenue decreased 13% due to the company's previously stated strategy to concentrate on fee-based income opportunities. The impact of price changes was minimal.

Approximately 74% of our total revenue in 2000 is recurring revenue, which we believe is a continuing good indicator of potential repeat business.

Operating profit

(Dollars in millions)	2000	1999	% change
Global Mailing	$ 847	$790	7%
Enterprise Solutions	73	52	42%
Total Messaging Solutions	920	842	9%
Capital Services	62	65	(5%)
	$ 982	$907	8%

Operating profit grew 8% over the prior year, continuing to reflect our emphasis on reducing costs and controlling operating expenses. The company's successful Enterprise-Wide Resource Planning (ERP) initiative also helped to enhance our operating capabilities. Another measure of our success in controlling costs and expenses in 2000 and 1999 was that growth in operating profit continued to outpace revenue growth. Operating profit grew 7% in the Global Mailing segment and 42% in the Enterprise Solutions segment. Total Messaging Solutions operating profit grew 9% over the prior year. Operating profit decreased 5% in the Capital Services segment due primarily to the decrease in revenue.

The operating profit growth in the Global Mailing segment came from improved profit margins at Pitney Bowes Office Direct, which focuses on small business solutions, and International Mailing, as well as margin improvements at U.S. Mailing Systems and related financing. The operating profit growth in our Enterprise Solutions segment came from double-digit operating profit growth at Pitney Bowes Management Services and Document Messaging Technologies.

Sales revenue increased 1% in 2000 due mainly to high single-digit growth in our International Mailing, Document Messaging Technologies and Management Services businesses. The negative impact of foreign currency reduced sales growth by slightly more than one percent. Increases in value-added services to both new and existing customers, as part of the company's strategy of pursuing profitable growth, stimulated revenue growth in our Management Services business. Document Messaging Technologies' sales growth was driven by strong demand for sophisticated, high speed production mail equipment to process complex, unique marketing and billing statements. U.S. Mailing Systems' sales decreased due to softness in the high-end shipping and mail creation product lines as the slowing economy and slower customer decision-making process for the higher-value, more complex products adversely impacted growth. In total, Financial Services financed 37% of all sales in 2000 and 1999.

Revenue
Dollars in millions

	Sales	Rentals & Financing	Support Services
98	1,692	1,382	425
99	1,863	1,486	463
00	1,883	1,505	493

Rentals and financing revenue increased 1% in 2000. Rentals revenue grew 2% driven by growth in the U.S. and international mailing markets due to the continuing shift to electronic and digital meters, including increased placements of the digital desktop Personal PostTM meter, available through various distribution channels such as telemarketing, the Internet and selected retail outlets specializing in business supplies. At December 31, 2000, electronic meters represented approximately 56% of our U.S. meter base and digital meters represented approximately 44% of our U.S. meter base, up from 40% in 1999. The company no longer places mechanical meters, which is in line with

USPS guidelines.

Financing revenue was flat due to our strategy to reduce our asset-based financing, through asset sales in 2000 and prior years. Excluding Capital Services, financing revenue grew 7% driven by increased volume of leases of the company's products and by product offerings such as Purchase Power(R), Postal Privilege(R) and Reserve Account.

Support services revenue increased 6% in 2000. Despite competitive pricing pressures, U.S. and International Mailing had increased support services revenue due to a larger population of extended maintenance contracts and higher chargeable service calls and billed labor hours in 2000. Document Messaging Technologies had double-digit growth in support services revenue due to increased service contract base and on-site contracts.

Cost of sales

(Dollars in millions)	2000	1999	% change
	$1,074	$1,072	--
Percentage of sales revenue	57.1%	57.5%	

Cost of sales, as a percentage of sales revenue, improved for the fourth consecutive year. The improvement in this ratio was achieved principally due to lower product costs, significant productivity improvements in our manufacturing processes, increased sales of higher margin supplies in our mailing business and the impact of strategic sourcing initiatives in the U.S. and Europe. The improvement in this ratio was moderated by the increasing mix of lower margin Management Services sales revenue.

Cost of rentals and financing

(Dollars in millions)	2000	1999	% change
	$373	$396	(6%)
Percentage of rentals and financing revenue	24.8%	26.6%	

Cost of rentals and financing, as a percentage of rentals and financing revenue, improved 1.8 percentage points. The cost of rentals ratio improvement was due to lower costs at U.S. Mailing in 2000. The cost of financing ratio decreased due to lower operating costs, partially offset by increased costs associated with new business initiatives.

Selling, Service and Administrative Rate

	1998	1999	2000
Percentage of revenue	35.2%	33.8%	33.5%*

* Excluding one-time items

Selling, service and administrative expenses were 34.0% of total revenue in 2000 compared with 33.8% in 1999. Excluding the one-time charge related to the consolidation of information technology staff and infrastructure, this ratio would have been 33.5%. The improvement in this ratio resulted from continued emphasis on controlling expense growth. This was the sixth consecutive year of improvement in our selling, service and administrative expenses to revenue ratio, excluding one-time charges. The improvement in this ratio was moderated by the company's continued investment in the Internet, ERP and other new business initiatives.

Research and development expenses

(Dollars in millions)	2000	1999	% change
	$120	$109	11%

Research and development expenses increased 11% in 2000 to $120 million reflecting continued investment in developing new technologies and enhancing features for all our products. The 2000 increase represents expenditures for Internet-based bill presentment and metering, digital document delivery systems, new digital meters, personal computer metering technology, advanced inserting equipment, and new and advanced features for production mail equipment and high volume incoming mail sorting equipment.

Net interest expense

(Dollars in millions)	2000	1999	% change
	$192	$171	13%

Net interest expense increased due to higher interest rates during 2000 compared to 1999 associated with borrowings to fund the company's investment in leasing and rental products, and the stock repurchase program. Our variable and fixed debt rate mix, after adjusting for the effect of interest rate swaps, was 48% and 52%, respectively, at December 31, 2000.

Effective tax rate

2000	1999
29.9%	31.7%

Excluding the one-time tax benefit related primarily to recent state tax law changes, the effective tax rate was 31.4% in 2000, reflecting continued tax benefits from leasing and financing activities, lower state and local taxes, and lower taxes attributable to international sourced income.

Continuing Operations Margin

Percentage of revenue	1998	1999	2000
	12.7%	14.0%*	14.5%*

* (Excluding) one-time items

Income from continuing operations was flat and diluted earnings per share from continuing operations increased 5% in 2000. Excluding one-time items from both periods, income from continuing operations and diluted earnings per share from continuing operations increased 5% and 11%, respectively, in 2000. The increase in diluted earnings per share outpaced the increase in income from continuing operations due to the company's share

repurchase program, under which 17.2 million shares, approximately 6% of the average common and potential common shares outstanding at the end of 1999, were repurchased in 2000. Excluding one-time items from both periods, income from continuing operations as a percentage of revenue increased to 14.5% in 2000 from 14.0% in 1999, the seventh consecutive year of improvement in this ratio.

Income from Continuing Operations

Dollars in millions	1998	1999	2000

443	533*	562*

* Excluding one-time items

Results of Continuing Operations
1999 Compared to 1998

In 1999, revenue increased 9%, operating profit grew 18%, income from continuing operations grew 27% and diluted earnings per share from continuing operations increased 31% to $2.07 compared with $1.58 for 1998.

Excluding the one-time net after-tax settlement of $29.5 million from the USPS in 1999, income from continuing operations grew 20% and diluted earnings per share from continuing operations increased 24% to $1.96 compared with $1.58 for 1998.

Revenue

(Dollars in millions)	1999	1998	% change
Global Mailing	$2,799	$2,557	9%
Enterprise Solutions	803	742	8%
Total Messaging Solutions	3,602	3,299	9%
Capital Services	210	200	5%
	$3,812	$3,499	9%

Total Messaging Solutions revenue grew 9% over the prior year. The revenue increase came from growth in the Global Mailing, Enterprise Solutions and Capital Services segments of 9%, 8% and 5%, respectively, over 1998. Volume increases in our U.S. Mailing Systems, International Mailing, Document Messaging Technologies and Management Services businesses were the principal reasons for the revenue growth. The impact of price changes and exchange rates was minimal.

Approximately 73% of our total revenue in 1999 is recurring revenue, which we believe is a continuing good indicator of potential repeat business.

Operating profit

(Dollars in millions)	1999	1998	% change
Global Mailing	$790	$653	21%
Enterprise Solutions	52	47	9%
Total Messaging Solutions	842	700	20%
Capital Services	65	66	(1%)
	$907	$766	18%

Operating profit grew 18% over the prior year, continuing to reflect our strong emphasis on reducing costs and controlling operating expenses. Another measure of our success in controlling costs and expenses in 1999 and 1998 was that growth in operating profit continued to significantly outpace revenue growth. Operating profit grew 21% in the Global Mailing segment and 9% in the Enterprise Solutions segment. Total Messaging Solutions operating profit grew 20% over the prior year. Operating profit decreased 1% in the Capital Services segment.

The operating profit growth in the Global Mailing segment came from strong

performances by U.S. Mailing Systems, International Mailing and related financing. The operating profit growth in our Enterprise Solutions segment came from strong performances by Document Messaging Technologies and Management Services.

Sales revenue increased 10% in 1999 due mainly to double-digit growth in our U.S. Mailing Systems, International Mailing and Document Messaging Technologies businesses and single-digit growth in our Management Services business. The increase at U.S. Mailing Systems was due to the continuing shift to advanced technologies and feature-rich products in large, medium and entry-level mailing machines, weighing scales and shipping and integrated logistics software and related equipment. The strong growth in the company's mailing and shipping businesses was also helped by increased business-to-business and business-to-consumer activity generated by e-commerce. Sales of consumable supplies used in our digital products also had strong growth. Increases in value-added services to the existing contract base, new services such as business recovery services, which had its second full year of operation, and international growth stimulated growth in our Management Services business. In total, Financial Services financed 37% and 39% of all sales in 1999 and 1998, respectively.

Rentals and financing revenue increased 7% in 1999. Rentals revenue grew 5% driven by growth in the U.S. mailing market due to the continuing shift to electronic and digital meters, including increased placements of the digital

desktop Personal Post(TM) meter, available through various distribution channels such as telemarketing, the Internet and selected retail outlets specializing in business supplies. At December 31, 1999, electronic and digital meters represented over 99% of our U.S. meter base, up from 90% at December 31, 1998, with digital meters representing approximately 40% of all meters in service in the U.S., up from 35% in 1998. The company no longer places mechanical meters, which is in line with USPS guidelines.

Financing revenue grew 11%. Revenue increases came from increased volume of leases of the company's products and from product offerings such as Purchase Power(R), Business Rewards(SM) Postal Privilege(R), and Reserve Account. Financing revenue continued to be impacted by our strategy to reduce our asset-based financing, through asset sales in 1999 and prior years.

Support services revenue increased 9% in 1999. Despite competitive pricing pressures, U.S. Mailing had increased support services revenue due to a larger population of extended maintenance contracts and higher chargeable service calls and billed labor hours in 1999. Document Messaging Technologies had double-digit growth in support services revenue due to increased service contract base and on-site contracts.

Cost of sales

(Dollars in millions)	1999	1998	% change
	$1,072	$1,006	6%
Percentage of sales revenue	57.5%	59.5%	

Cost of sales, as a percentage of sales revenue, improved for the third consecutive year. The improvement in this ratio was achieved principally due to lower product costs, significant productivity improvements in our manufacturing processes, increased sales of higher margin software-based logistics and mail creation products, higher margin supplies in our mailing business and the impact

of strategic sourcing initiatives in the U.S. and Europe.

Cost of rentals and financing

(Dollars in millions)	1999	1998	% change
	$396	$350	13%
Percentage of rentals and financing revenue	26.6%	25.3%	

Cost of rentals and financing, as a percentage of rentals and financing revenue, increased 1.3 percentage points. The cost of rentals ratio was slightly lower due to lower costs at U.S. Mailing Systems in 1999. The cost of financing ratio increased due to the impact of Capital Services segment transactions, reflecting the company's continued focus to reposition this business, and increased costs associated with new business initiatives, including the launch of the PitneyWorksSM suite of products.

Selling, service and administrative expenses were 33.8% of total revenue in 1999 compared with 35.2% in 1998. Continued emphasis on controlling expense growth while growing revenues resulted in an improvement in this ratio. This was the fifth consecutive year of improvement in our selling, service and administrative expenses to revenue ratio, excluding one-time items. The company continued its investment in an enterprise-wide resource planning initiative and incurred expenses to comply with Year 2000 systems issues, which partially offset the improvement in this ratio.

Research and development expenses

(Dollars in millions)	1999	1998	% change
	$109	$101	8%

Research and development expenses increased 8% in 1999 to $109 million reflecting continued investment in developing new technologies and enhancing features for all our products. The 1999 increase represents expenditures for Internet-based bill presentment and metering, digital document delivery systems, new digital meters, personal computer metering technology, advanced inserting equipment and new and advanced features for production mail equipment and high volume mail sorting equipment.

Net interest expense

(Dollars in millions)	1999	1998	% change
	$171	$151	13%

Net interest expense increased due to higher average borrowings during 1999

compared to 1998 to fund the company's investment in products and new business initiatives and the continuing stock repurchase program. Our variable and fixed debt rate mix, after adjusting for the effect of interest rate swaps, was 50% and 50%, respectively, at December 31, 1999.

Effective tax rate

1999	1998
31.7%	32.7%

The effective tax rate of 31.7% in 1999 reflects continued tax benefits from leasing and financing activities, lower state and local taxes, and lower taxes attributable to international sourced income.

Income from continuing operations and diluted earnings per share from continuing operations increased 27% and 31%, respectively, in 1999. Excluding the one-time net after-tax gain of $29.5 million from the USPS Settlement, income from continuing operations and diluted earnings per share from continuing operations increased 20% and 24%, respectively, in 1999. The increase in diluted earnings per share outpaced the increase in income from continuing operations due to the company's share repurchase program, under which 7.4 million shares, approximately 3% of the average common and potential common shares outstanding at the end of 1998, were repurchased in 1999. Income from continuing operations as a percentage of revenue increased to 14.0% in 1999, excluding the USPS Settlement, from 12.7% in 1998, the sixth consecutive year of improvement in this ratio.

Other Matters

In January 2001, the company announced that it would issue the details of a restructuring plan in the first quarter of 2001. This plan is expected to result in a one-time pretax charge of approximately $100 million of which 20 to 30 percent will likely be charged to discontinued operations. The one-time charge relates to the implementation of a common, streamlined business infrastructure across the corporation as a result of our decisions to spin off Office Systems and align our mailing business on a global basis, cost saving opportunities due to strategic acquisitions and partnerships, and additional benefits attained from the consolidation of our IT organization and ERP initiatives. This restructuring plan is expected to increase our operating efficiency and effectiveness in 2002 and beyond while enhancing growth.

In September 2000, the company recorded a one-time pretax charge of approximately $19 million (approximately $11 million after-tax), related to the consolidation of information technology staff and infrastructure. This initiative is focused on creating an efficient global organization and technology platform to leverage the benefits of our current ERP and e-business initiatives. This charge is included in selling, service and administrative expenses in the Consolidated Statement of Income for the year ended December 31, 2000. The current year also includes a one-time tax benefit of $12 million related primarily to recent state tax law changes.

In August 1999, the USPS and the company announced that they had reached an agreement (USPS Settlement) resolving a lawsuit filed by the company in 1997. The lawsuit arose out of a dispute over a 1978 Statement of Understanding authorizing the company to offer Postage by Phone(R), its proprietary version of the Computerized Meter Resetting System. Under the terms of the agreement, the company received $51.8 million, representing a portion of the financial benefit that the USPS obtained as a result of the revised regulations. This payment, net

of related legal expenses of $2.2 million, was recorded as other income in the Consolidated Statement of Income for the year ended December 31, 1999.

Accounting Changes

In 1998, the company adopted Statement of Financial Accounting Standards (FAS) No. 130, "Reporting Comprehensive Income." The company has disclosed all non-owner changes in equity in the Consolidated Statements of Stockholders' Equity.

In 1998, the company adopted FAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." Under FAS No. 131, the company has three reportable segments: Global Mailing, Enterprise Solutions and Capital Services. See Note 16 to the consolidated financial statements.

In 1998, the company adopted FAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits." FAS No. 132 revises the company's disclosures about pension and other postretirement benefit plans. See Note 11 to the consolidated financial statements.

In 1998, FAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," amended in 2000 by FAS No. 138, was issued. FAS No. 133 requires that an entity recognize all derivative instruments as either assets or liabilities in the statement of financial position and measure those instruments at fair value. Changes in the fair value of those instruments will be reflected as gains or losses. The accounting for the gains and losses depends on the intended use of the derivative and the resulting designation. FAS No. 133, as amended, is effective January 1, 2001 for the company. Adoption of these accounting standards is expected to result in a one-time cumulative after-tax reduction in other comprehensive income of approximately $10 million in the first quarter of 2001 and will also impact assets and liabilities recorded on the Consolidated Balance Sheet. Adoption of these standards is not expected to materially impact net income in 2001.

In 1999, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition in Financial Statements," summarizing certain guidance in applying generally accepted accounting principles to revenue recognition in financial statements. The company adopted the provisions of SAB No. 101 in the fourth quarter of 2000, retroactive to January 1, 2000. The adoption of SAB No. 101 resulted in a one-time cumulative after-tax reduction in net income of $4.7 million (net of taxes of approximately $3.1 million). The reduction to net income is primarily attributable to the deferral of sales recognition of software-enabled mail creation equipment and shipping products prior to installation. See Note 1 to the consolidated financial statements.

In 2000, FAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" was issued, amending FAS No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." FAS No. 140 revises the standards for accounting for securitizations and other transfers of financial assets and collateral, as well as requiring certain additional disclosures. However, it carries over most of the provisions contained in FAS No. 125. FAS No. 140 is effective for transfers and servicing of financial assets and extinguishment of liabilities occurring after March 31, 2001. However, it is effective for the recognition and reclassification of collateral and for disclosures relating to those transactions for the year ended December 31, 2000. The company believes it is in compliance with these standards in all material respects.

Liquidity and Capital Resources

The current ratio reflects the company's practice of utilizing a balanced mix of debt maturities to fund finance assets. Our ratio of current assets to current liabilities declined to .91 to 1 at December 31, 2000 compared to 1.16 to 1 at December 31, 1999. The decrease in this ratio was primarily due to a decline in cash and cash equivalents in 2000, which were used to repay debt, and to the classification of AMIC's net assets to be disposed of as current assets in the Consolidated Balance Sheet at December 31, 1999. AMIC's net assets were sold in January 2000.

To manage interest rate risk, we use a balanced mix of debt maturities, variable and fixed rate debt and interest rate swap agreements. In 2000, we entered into interest rate swap agreements, primarily through our financial services business.

[GRAPH]

Current Ratio

98	.92
99	1.16
00	.91

The ratio of total debt to total debt and stockholders' equity was 73.0% at December 31, 2000, versus 69.1% at December 31, 1999, including the preferred stockholders' equity in a subsidiary company as debt. Excluding the preferred stockholders' equity in a subsidiary company from debt, the ratio of total debt to total debt and stockholders' equity was 71.1% at December 31, 2000, versus 67.2% at December 31, 1999. The increase in this ratio is driven primarily by the $664 million repurchase of 17.2 million shares of common stock in 2000. The company's generation of $604 million of free cash flow (defined as cash from operations less capital expenditures) partially offset the increase in this ratio.

As part of a strategic alliance with U.S. Bank, a division of U.S. Bancorp, on June 30, 2000 the company, through Pitney Bowes Credit Corporation (PBCC), its wholly-owned subsidiary, sold its PitneyWorks(SM) Business Rewards(SM) Visa(R) and Business Visa(R) card operations, including credit card receivables of approximately $322 million. The company expects to earn fees in connection with the strategic alliance with U.S. Bank. However, the company will no longer originate credit card receivables and as a result will not earn finance income on those balances. This alliance expands the company's capabilities to capture a greater share of the growing small business market. The new alliance will allow PitneyWorks.com, a division of the company which focuses on small business solutions, to continue to market the credit card to small business owners, while providing cardholders with full access to U.S. Bank's respected network of financial resources. The transaction is subject to post-closing adjustments.

As part of the company's non-financial services shelf registrations, the company has a medium-term note facility permitting issuance of up to $500 million in debt securities with a minimum maturity of nine months, of which $300 million remained available at December 31, 2000.

In December 1999, Pitney Bowes Nova Scotia ULC, a wholly-owned subsidiary of the company, issued $150 million of floating rate notes maturing December 2004, guaranteed by the company. These notes bear interest, at a floating rate of LIBOR plus 32 basis points, set as of the quarterly interest payment dates. The net proceeds from these notes were used for general corporate purposes, including the repayment of commercial paper.

In April 1999, the company issued $200 million of medium-term notes from its shelf registration filed with the SEC in April 1998. These unsecured notes bear annual interest at 5.5% and mature in April 2004. The net proceeds from these notes were used for general corporate purposes, including the repayment of commercial paper.

PBCC has $425 million of unissued debt securities available at December 31, 2000

from a shelf registration statement filed with the SEC in July 1998. As part of this shelf registration statement, in August 1999, PBCC established a medium-term note program for the issuance from time to time of up to $500 million aggregate principal amount of Medium-Term-Notes, Series D, of which $175 million remained available at December 31, 2000.

In December 2000, PBCC issued $100 million of unsecured floating rate notes maturing in April 2002 and $100 million of unsecured floating rate notes maturing in June 2004, available under the medium-term note program. These notes bear interest at floating rates of LIBOR plus 5 basis points and 25 basis points, respectively, set as of the quarterly interest payment dates. The proceeds from these notes were used for general corporate purposes, including the repayment of commercial paper.

In March 2000, PBCC issued $43.3 million of 7.515% Senior Notes maturing 2002 through 2012. The proceeds from these notes were used to pay down commercial paper.

In September 1999, PBCC issued $125 million of 5.95% unsecured notes available under the medium-term note program. The proceeds from the notes were used for general corporate purposes, including the repayment of short-term debt. The notes matured in September 2000, with interest paid in March 2000 and at maturity.

In April 2000, certain partnerships controlled by affiliates of PBCC issued a total of $134 million of Series A and Series B Secured Floating Rate Senior Notes. The notes are due in 2003 and bear interest at 7.443%. The proceeds from the notes were used to purchase subordinated debt obligations from the company (PBI Obligations). The PBI Obligations have a principal amount of $134 million and bear interest at 8.073% for the first three years and reset in May 2003 and each third anniversary of the first reset date. The proceeds from the PBI Obligations were used for general corporate purposes, including the repayment of short-term debt.

To help us better manage our international cash and investments, in June 1995 and April 1997, Pitney Bowes International Holdings, Inc., a subsidiary of the company, issued $200 million and $100 million, respectively, of variable term, voting preferred stock (par value $.01) representing 25% of the combined voting power of all classes of its outstanding capital stock, to outside institutional investors in a private placement. The remaining 75% of the voting power is held directly or indirectly by Pitney Bowes Inc. The preferred stock is recorded on the Consolidated Balance Sheets as preferred stockholders' equity in a subsidiary company. We used the proceeds of these transactions to pay down short-term debt. We have an obligation to pay cumulative dividends on this preferred stock at rates that are set at auction. The auction periods are generally 49 days, although they may increase in the future. The weighted average dividend rate in 2000 and 1999 was 4.7%

and 4.0%, respectively. Preferred dividends are reflected in the Consolidated Statements of Income in selling, service and administrative expenses. In December 1998, the company sold 9.11% Cumulative Preferred Stock, mandatorily redeemable in 20 years, in a subsidiary company to an institutional investor for approximately $10 million.

At December 31, 2000, the company, together with its financial services businesses, had unused lines of credit and revolving credit facilities of $1.5 billion in the U.S. and $30.6 million outside the U.S., largely supporting commercial paper debt. We believe our financing needs for the next 12 months can be met with cash generated internally, money from existing credit agreements, debt issued under new shelf registration statements and existing commercial and medium-term note programs. Information on debt maturities is presented in Note 5 to the consolidated financial statements.

Total financial services assets increased to $6.2 billion at December 31, 2000, up 11.9% from $5.5 billion in 1999. To fund finance assets, borrowings were $3.3

billion in 2000 and $3.0 billion in 1999. Approximately $480 million and $237 million in cash was generated from the sale of finance assets in 2000 and 1999, respectively. We used the money to pay down debt, repurchase shares and fund new business development.

Market Risk

The company is exposed to the impact of interest rate changes and foreign currency fluctuations due to its investing and funding activities and its operations in different foreign currencies.

The company's objective in managing its exposure to interest rate changes is to limit the impact of interest rate changes on earnings and cash flows and to lower its overall borrowing costs. To achieve its objectives, the company uses a balanced mix of debt maturities and variable and fixed rate debt together with interest rate swaps.

The company's objective in managing its exposure to foreign currency fluctuations is to reduce the volatility in earnings and cash flows associated with the effect of foreign exchange rate changes on transactions that are denominated in foreign currencies. Accordingly, the company enters into various contracts, which change in value as foreign exchange rates change, to protect the value of external and intercompany transactions. The principal currencies hedged are the British pound, Canadian dollar and Euro currencies.

The company employs established policies and procedures governing the use of financial instruments to manage its exposure to such risks. The company does not enter into foreign currency or interest rate transactions for speculative purposes. The gains and losses on these contracts offset changes in the value of the related exposures.

The company utilizes a "Value-at-Risk" (VaR) model to determine the maximum potential loss in fair value from changes in market conditions. The VaR model utilizes a "variance/co-variance" approach and assumes normal market conditions, a 95% confidence level and a one-day holding period. The model includes all of the company's debt and all interest rate and foreign exchange derivative contracts. Anticipated transactions, firm commitments, and receivables and accounts payable denominated in foreign currencies, which certain of these instruments are intended to hedge, were excluded from the model.

The VaR model is a risk analysis tool and does not purport to represent actual losses in fair value that will be incurred by the company, nor does it consider the potential effect of favorable changes in market factors.

At December 31, 2000, the company's maximum potential one-day loss in fair value of the company's exposure to foreign exchange rates and interest rates, using the variance/co-variance technique described above, was not material.

Capital Investment

During 2000, net investments in fixed assets included net additions of $122 million to property, plant and equipment and $147 million to rental equipment and related inventories, compared with $114 million and $191 million, respectively, in 1999. These additions included expenditures for normal plant and manufacturing equipment. In the case of rental equipment, the additions included the production of postage meters, and the purchase of facsimile and copier equipment related to the discontinued operations of Office Systems.

At December 31, 2000, commitments for the acquisition of property, plant and equipment reflected plant and manufacturing equipment improvements as well as rental equipment for new and replacement programs.

Legal, Environmental and Regulatory Matters

Legal

In the course of normal business, the company is occasionally party to lawsuits. These may involve litigation by or against the company relating to, among other

things:

- . contractual rights under vendor, insurance or other contracts
- . intellectual property or patent rights
- . equipment, service or payment disputes with customers
- . disputes with employees

We are currently a plaintiff or a defendant in a number of lawsuits, none of which should have, in the opinion of management and legal counsel, a material adverse effect on the company's financial position or results of operations.

Environmental

The company is subject to federal, state and local laws and regulations relating to the environment and is currently named as a member of various groups of potentially responsible parties in administrative or court proceedings. As we previously announced, in 1996 the Environmental Protection Agency (EPA) issued an administrative order directing us to be part of a soil cleanup program at the Sarney Farm site in Amenia, New York. The site was operated as a landfill between the years 1968 and 1970 by parties unrelated to the company, and wastes from a number of industrial sources were disposed there. We do not concede liability for the condition

of the site, but are working with the EPA and other potentially responsible parties to evaluate remediation options and negotiate allocation of past and future remediation costs. Based on the facts presently known, we estimate the total cost of our remediation effort to be approximately $5 million. This amount has been recorded as a liability in the Consolidated Balance Sheet at December 31, 2000.

The administrative and court proceedings referred to above are in different states. It is difficult to estimate with any certainty the total cost of remediating, the timing or extent of remedial actions which may be required by governmental authorities. However, we believe that the outcome of any current proceeding will not have a material adverse effect on our financial condition or results of operations.

Regulation

In 2000, the USPS issued a proposed schedule for the phaseout of manually reset electronic meters in the U.S. as follows:

- . As of February 1, 2000, new placements of manually reset electronic meters are no longer permitted.

- . Current users of manually reset electronic meters can continue to use these meters for the term of their current rental and lease agreements. Leases or rentals due to expire in 2000 can be extended to December 31, 2001.

In August 2000, the USPS also issued a proposal to cease placements of non-digital, or letterpress, meters as follows:

- . New placements of non-digital meters with a "timeout" feature that enables the meters to be automatically disabled, if not reset within a specified time period, are no longer permitted after December 2003.

- . New placements of non-digital meters without the "timeout" feature are no longer permitted after June 2001.

The company has submitted comments to the USPS's proposed schedules described above. Based on the proposed schedules, the company believes that the phaseout of manually reset electronic meters will not cause a material adverse financial impact on the company. The company is working with the USPS to meet the non-digital meter phaseout schedule and is currently evaluating the potential financial impact on the company.

As a result of the company's aggressive efforts to meet the USPS's mechanical meter migration phaseout schedule combined with the company's ongoing and continuing investment in advanced postage evidencing technologies, mechanical meters represented less than 1% of the company's installed U.S. meter base at December 31, 2000 and 1999. The company continues to work, in close cooperation with the USPS, to convert those mechanical meter customers who have not migrated to digital or electronic meters.

In May 1995, the USPS publicly announced its concept of its Information Based Indicia Program (IBIP) for future postage evidencing devices. As initially stated by the USPS, the purpose of the program was to develop a new standard for future digital postage evidencing devices which would significantly enhance postal revenue security and support expanded USPS value-added services to mailers. The program would consist of the development of four separate specifications:

- the Indicium specification--the technical specifications for the indicium to be printed
- a Postal Security Device specification--the technical specification for the device that would contain the accounting and security features of the system
- a Host specification
- a Vendor Infrastructure specification

During the period from May 1995 through December 31, 2000, the company has submitted extensive comments to a series of proposed IBIP specifications issued by the USPS. In March 2000, the USPS issued the latest set of proposed specifications, entitled "Performance Criteria for Information-Based Indicia and Security Architecture for Open IBI Postage Evidencing Systems" (the IBI Performance Criteria). The company has submitted comments to the IBI Performance Criteria. In September and October 2000, the USPS issued further proposed regulations regarding postage evidencing systems using Information Based Indicia, titled "Refunds and Exchanges" and "Production, Distribution and Use of Postal Security Devices and Information-Based Indicia." The company has submitted comments regarding those proposed regulations.

In March 2000, the company received approval from the USPS for the commercial launch of the Internet version of a product which satisfies the proposed IBI Performance Criteria, ClickStamp(TM) Online.

In June 1999, the company was served with a Civil Investigative Demand (CID) from the Justice Department's Antitrust division. A CID is a tool used by the Antitrust Division for gathering information and documents. The company believes that the Justice Department may be reviewing the company's efforts to protect its intellectual property rights. The company believes it has complied fully with the antitrust laws and is cooperating fully with the department's investigation.

Effects of Inflation and Foreign Exchange

Inflation, although moderate in recent years, continues to affect worldwide economies and the way companies operate. It increases labor costs and operating expenses, and raises costs associated with replacement of fixed assets such as rental equipment. Despite these growing costs and the USPS meter migration initiatives, the company has generally been able to maintain profit margins through productivity and efficiency improvements, continual review of both manufacturing capacity and operating expense levels, and, to an extent, price increases.

Although not affecting income, deferred translation losses amounted to $46 million, $5 million and $25 million in 2000, 1999 and 1998, respectively. These translation losses resulted principally from the weakening Canadian dollar and British pound.

The results of the company's international operations are subject to currency

fluctuations. We enter into foreign exchange contracts primarily to minimize our risk of loss from such fluctuations. Exchange rates can impact settlement of our intercompany receivables and payables that result from transfers of

finished goods inventories between our affiliates in different countries, and intercompany loans.

At December 31, 2000, the company had approximately $331 million of foreign exchange contracts outstanding, most of which mature in 2001, to buy or sell various currencies. Risks arise from the possible non-performance by counterparties in meeting the terms of their contracts and from movements in securities values, interest and/or exchange rates. However, the company does not anticipate non-performance by the counterparties as they are composed of a number of major international financial institutions. Maximum risk of loss on these contracts is limited to the amount of the difference between the spot rate at the date of the contract delivery and the contracted rate.

Dividend Policy

The company's Board of Directors has a policy to pay a cash dividend on common stock each quarter when feasible. In setting dividend payments, the board considers the dividend rate in relation to the company's recent and projected earnings and its capital investment opportunities and requirements. The company has paid a dividend each year since 1934.

Forward-Looking Statements

The company wants to caution readers that any forward-looking statements with the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 (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 possible restructuring charges and future guidance) in this Annual Report, other reports or press releases or made by the company's management involve risks and uncertainties which may change based on various important factors. 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 or on behalf of the company include:

- 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
- our success at managing customer credit risk
- changes in interest rates
- foreign currency fluctuations
- terms and timing of the spin-off of Office Systems

Summary of Selected Financial Data
(Dollars in thousands, except per share data)

	Years ended December 31				
	2000	1999	1998	1997	1996
Total revenue	$ 3,880,868	$ 3,811,576	$ 3,499,483	$ 3,304,457	$ 3,146,224
Costs and expenses	3,078,020	2,987,634	2,840,821	2,698,669	2,625,439
Income from continuing operations before income taxes	802,848	823,942	658,662	605,788	520,785
Provision for income taxes	239,723	260,952	215,513	198,877	149,535
Income from continuing operations	563,125	562,990	443,149	406,911	371,250
Discontinued operations	64,104	73,222	133,245	119,116	98,163
Cumulative effect of accounting change	(4,683)	--	--	--	--
Net income	$ 622,546	$ 636,212	$ 576,394	$ 526,027	$ 469,413
Basic earnings per share:					
Continuing operations	$ 2.20	$ 2.11	$ 1.61	$ 1.41	$ 1.24
Discontinued operations	.25	.27	.49	.41	.33
Cumulative effect of accounting change	(.02)	--	--	--	--
Net income	$ 2.43	$ 2.38	$ 2.10	$ 1.82	$ 1.57
Diluted earnings per share:					
Continuing operations	$ 2.18	$ 2.07	$ 1.58	$ 1.39	$ 1.23
Discontinued operations	.25	.27	.48	.41	.33
Cumulative effect of accounting change	(.02)	--	--	--	--
Net income	$ 2.41	$ 2.34	$ 2.06	$ 1.80	$ 1.56
Total dividends on common, preference and preferred stock	$ 292,736	$ 272,866	$ 247,484	$ 231,392	$ 206,115
Dividends per share of common stock	$ 1.14	$ 1.02	$ .90	$ .80	$ .69
Average common and potential common shares outstanding	258,602,218	272,006,143	279,656,603	292,517,116	301,303,356
Free cash flow	$ 603,667	$ 676,188	$ 473,613	$ 466,508	$ 415,201
Balance Sheet at December 31					
Total assets	$ 7,901,266	$ 8,222,672	$ 7,661,039	$ 7,893,389	$ 8,155,722
Long-term debt	$ 1,881,947	$ 1,997,856	$ 1,712,937	$ 1,068,395	$ 1,300,434
Capital lease obligations	$ 4,660	$ 6,372	$ 8,384	$ 10,142	$ 12,631
Stockholders' equity	$ 1,284,975	$ 1,625,610	$ 1,648,002	$ 1,872,577	$ 2,239,046
Book value per common share	$ 5.16	$ 6.13	$ 6.09	$ 6.69	$ 7.56
Ratios					
Profit margin--continuing operations:					
Pretax earnings	20.7%	21.6%	18.8%	18.3%	16.6%
After-tax earnings	14.5%	14.8%	12.7%	12.3%	11.8%
Return on stockholders' equity-- before accounting changes	48.8%	39.1%	35.0%	28.1%	21.0%
Debt to total capital	73.0%	69.1%	66.6%	64.2%	60.5%
EBIT to interest	5.2x	5.8x	5.4x	4.9x	4.3x
Other					
Common stockholders of record	32,231	32,754	32,210	31,092	32,258
Total employees	28,542	27,267	27,700	26,385	25,220

Consolidated Statements of Income
(Dollars in thousands, except per share data)

	Years ended December 31		
	2000	1999	1998
Revenue from:			
Sales	$1,882,501	$1,862,753	$1,692,375
Rentals and financing	1,505,101	1,485,599	1,382,341
Support services	493,266	463,224	424,767
Total revenue	3,880,868	3,811,576	3,499,483
Costs and expenses:			
Cost of sales	1,074,177	1,071,782	1,006,429
Cost of rentals and financing	373,232	395,667	350,304
Selling, service and administrative	1,317,748	1,290,180	1,232,164
Research and development	120,486	108,900	100,806
Other income	--	(49,574)	--
Interest expense	200,957	175,699	156,284
Interest income	(8,580)	(5,020)	(5,166)
Total costs and expenses	3,078,020	2,987,634	2,840,821

Income from continuing operations before income taxes	802,848	823,942	658,662
Provision for income taxes	239,723	260,952	215,513
Income from continuing operations	563,125	562,990	443,149
Income from discontinued operations, net of income tax	64,104	97,140	133,245
Loss on sale of discontinued operations, net of income tax	--	(23,918)	--
Cumulative effect of accounting change	(4,683)	--	--
Net income	$ 622,546	$ 636,212	$ 576,394
Basic earnings per share:			
Income from continuing operations	$2.20	$2.11	$1.61
Discontinued operations	.25	.27	.49
Cumulative effect of accounting change	(.02)	--	--
Net income	$2.43	$2.38	$2.10
Diluted earnings per share:			
Income from continuing operations	$2.18	$2.07	$1.58
Discontinued operations	.25	.27	.48
Cumulative effect of accounting change	(.02)	--	--
Net income	$2.41	$2.34	$2.06

See notes, pages 48 through 64

Consolidated Balance Sheets
[Dollars in thousands except share data]

	December 31	
	2000	1999
Assets		
Current assets:		
Cash and cash equivalents	$ 198,255	$ 254,270
Short-term investments, at cost which approximates market	15,250	2,414
Accounts receivable, less allowances: 2000, $26,468; 1999, $28,716	313,510	432,224
Finance receivables, less allowances: 2000, $44,129; 1999, $48,056	1,592,920	1,779,696
Inventories	167,969	257,452
Other current assets and prepayments	145,786	128,662
Net current assets of discontinued operations	193,018	487,856
Total current assets	2,626,708	3,342,574
Property, plant and equipment, net	491,312	484,181
Rental equipment and related inventories, net	620,841	810,788
Property leased under capital leases, net	2,303	11,140
Long-term finance receivables, less allowances: 2000, $53,222; 1999, $56,665	1,980,876	1,907,431
Investment in leveraged leases	1,150,656	969,589
Goodwill, net of amortization: 2000, $58,658; 1999, $54,848	203,447	226,764
Other assets	612,760	470,205
Net long-term assets of discontinued operations	212,363	--
Total assets	$ 7,901,266	$ 8,222,672
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 995,283	$ 915,826
Income taxes payable	262,125	255,201
Notes payable and current portion of long-term obligations	1,277,941	1,320,332
Advance billings	346,228	381,405
Total current liabilities	2,881,577	2,872,764
Deferred taxes on income	1,226,597	1,082,019
Long-term debt	1,881,947	1,997,856
Other noncurrent liabilities	316,170	334,423
Total liabilities	6,306,291	6,287,062
Preferred stockholders' equity in a subsidiary company	310,000	310,000
Stockholders' equity:		
Cumulative preferred stock, $50 par value, 4% convertible	29	29
Cumulative preference stock, no par value, $2.12 convertible	1,737	1,841
Common stock, $1 par value (480,000,000 shares authorized; 323,337,912 shares issued)	323,338	323,338
Capital in excess of par value	10,298	17,382
Retained earnings	3,766,995	3,437,185
Accumulated other comprehensive income	(139,434)	(93,015)
Treasury stock, at cost (74,537,860 shares)	(2,677,988)	(2,061,150)
Total stockholders' equity	1,284,975	1,625,610
Total liabilities and stockholders' equity	$ 7,901,266	$ 8,222,672

See notes, pages 48 through 64

Consolidated Statements of Cash Flows
(Dollars in thousands)

	Years ended December 31		
	2000	1999	1998
Cash flows from operating activities:			
Net income	$ 622,546	$ 636,212	$ 576,394
Loss on disposal of discontinued operations	--	23,918	--
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	321,157	412,104	361,333
Increase in deferred taxes on income	135,208	158,803	64,805
Pension plan investment	--	(67,000)	--
Change in assets and liabilities:			
Accounts receivable	(8,531)	(47,737)	(32,658)
Net investment in internal finance receivables	(149,701)	(178,898)	(219,141)
Inventories	(71,184)	11,341	(11,522)
Other current assets and prepayments	(20,667)	(29,383)	(33,731)
Accounts payable and accrued liabilities	57,580	6,174	52,364
Income taxes payable	9,272	76,069	46,909
Advance billings	(1,117)	10,667	8,489
Other, net	(22,319)	(31,184)	(41,214)
Net cash provided by operating activities	872,244	981,086	772,028
Cash flows from investing activities:			
Short-term investments	(12,934)	659	(1,655)
Net investment in fixed assets	(268,577)	(304,898)	(298,415)
Net investment in finance receivables	(67,850)	(184,182)	(81,663)
Net investment in capital and mortgage services	(22,177)	148,670	(2,324)
Investment in leveraged leases	(189,859)	(138,527)	(109,217)
Investment in mortgage servicing rights	--	(28,738)	(211,374)
Proceeds and cash receipts from the sale of discontinued operations	512,780	--	789,936
Net proceeds from the sale of credit card portfolio	321,746	--	--
Net investment in insurance contracts	(129,964)	(58,825)	(6,859)
Other investing activities	1,155	28,339	(1,145)
Net cash provided by (used in) investing activities	144,320	(537,502)	77,284
Cash flows from financing activities:			
(Decrease) increase in notes payable, net	(327,227)	77,230	(696,157)
Proceeds from long-term obligations	383,232	358,232	837,847
Principal payments on long-term obligations	(205,026)	(94,687)	(234,182)
Proceeds from issuance of stock	39,961	56,368	49,521
Stock repurchases	(663,987)	(438,229)	(578,464)
Proceeds from preferred stock issued by a subsidiary	--	--	10,097
Dividends paid	(292,736)	(272,866)	(247,484)
Net cash used in financing activities	(1,065,783)	(313,952)	(858,822)
Effect of exchange rate changes on cash	(6,796)	(1,046)	(1,879)
(Decrease) increase in cash and cash equivalents	(56,015)	128,586	(11,389)
Cash and cash equivalents at beginning of year	254,270	125,684	137,073
Cash and cash equivalents at end of year	$ 198,255	$ 254,270	$ 125,684
Interest paid	$ 247,749	$ 218,931	$ 187,339
Income taxes paid, net	$ 122,880	$ 67,647	$ 172,638

See notes, pages 48 through 64

Consolidated Statements of Stockholder's Equity
(Dollars in thousands except per share data)

	Preferred stock	Preference stock	Common stock	Capital in excess of par value	Comprehensive income	Retained earnings	Accumulated other comprehensive income	Treasury stock, at cost
Balance, January 1, 1998	$39	$2,220	$323,338	$ 28,028		$2,744,929	$ (63,348)	$(1,162,629)
Net income					$576,394	576,394		
Other comprehensive income:								
Translation adjustments					(24,869)		(24,869)	
Comprehensive income					$551,525			
Cash dividends:								
Preferred ($2.00 per share)						(1)		
Preference ($2.12 per share)						(164)		
Common ($.90 per share)						(247,319)		
Issuances of common stock				(21,051)				58,597
Conversions to common stock	(5)	(189)		(3,106)				3,300

Repurchase of common stock								(578,464)
Tax credits relating to stock options				12,302				
Balance, December 31, 1998	34	2,031	323,338	16,173		3,073,839	(88,217)	(1,679,196)
Net income					$636,212	636,212		
Other comprehensive income:								
Translation adjustments					(4,798)		(4,798)	
Comprehensive income					$631,414			
Cash dividends:								
Preferred ($2.00 per share)						(1)		
Preference ($2.12 per share)						(150)		
Common ($1.02 per share)						(272,715)		
Issuances of common stock				(5,431)				52,403
Conversions to common stock	(5)	(190)		(3,679)				3,872
Repurchase of common stock								(438,229)
Tax credits relating to stock options				10,319				
Balance, December 31, 1999	29	1,841	323,338	17,382		3,437,185	(93,015)	(2,061,150)
Net income					$622,546	622,546		
Other comprehensive income:								
Translation adjustments					(46,419)		(46,419)	
Comprehensive income					$576,127			
Cash dividends:								
Preferred ($2.00 per share)						(1)		
Preference ($2.12 per share)						(139)		
Common ($1.14 per share)						(292,596)		
Issuances of common stock				(11,563)				44,940
Conversions to common stock		(104)		(2,106)				2,209
Repurchase of common stock								(663,987)
Tax credits relating to stock options				6,585				
Balance, December 31, 2000	$29	$1,737	$323,338	$ 10,298		$3,766,995	$(139,434)	$(2,677,988)

See notes pages 48 though 64

Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data or as otherwise indicated)

1 Summary of significant accounting policies

Consolidation

The consolidated financial statements include the accounts of Pitney Bowes Inc. and all of its subsidiaries (the company). All significant intercompany transactions have been eliminated.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash equivalents, short-term investments and accounts receivable

Cash equivalents include short-term, highly liquid investments with a maturity of three months or less from the date of acquisition. The company places its temporary cash and short-term investments with financial institutions and limits the amount of credit exposure with any one financial institution. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of customers and relatively small account balances within the majority of the company's customer base, and their dispersion across different businesses and geographic areas.

Inventory valuation

Inventories are valued at the lower of cost or market. Cost is determined on the

last-in, first-out (LIFO) basis for most U.S. inventories, and on the first-in, first-out (FIFO) basis for most non-U.S. inventories.

Fixed assets and depreciation

Property, plant and equipment are stated at cost and depreciated principally using the straight-line method over estimated useful lives: machinery and equipment principally three to 15 years and buildings up to 50 years. Major improvements which add to productive capacity or extend the life of an asset are capitalized while repairs and maintenance are charged to expense as incurred. Rental equipment is depreciated on the straight-line method over appropriate periods, principally three to ten years. Other depreciable assets are depreciated using either the straight-line method or accelerated methods. Properties leased under capital leases are amortized on a straight-line basis over the primary lease terms.

Capitalized computer software costs

The company capitalizes certain costs of internally developed software. Capitalized costs include purchased materials and services, payroll and payroll related costs and interest costs. The cost of internally developed software is amortized on a straight-line basis over appropriate periods, principally three to seven years.

Rental arrangements and advance billings

The company rents equipment to its customers, primarily postage meters, mailing equipment and shipping systems under short-term rental agreements, generally for periods of three months to three years. Charges for equipment rental and maintenance contracts are billed in advance; the related revenue is included in advance billings and taken into income as earned.

Financing transactions

At the time a finance transaction is consummated, the company's finance operations record the gross finance receivable, unearned income and the estimated residual value of leased equipment. Unearned income represents the excess of the gross finance receivable plus the estimated residual value over the cost of equipment or contract acquired. Unearned income is recognized as financing income using the interest method over the term of the transaction and is included in rentals and financing revenue in the Consolidated Statements of Income. Initial direct costs incurred in consummating a transaction are accounted for as part of the investment in a lease and amortized to income using the interest method over the term of the lease.

In establishing the provision for credit losses, the company has successfully utilized an asset-based percentage. This percentage varies depending on the nature of the asset, recent historical experience, vendor recourse, management judgment and the credit rating of the respective customer. The company evaluates the collectibility of its net investment in finance receivables based upon its loss experience and assessment of prospective risk, and does so through ongoing reviews of its exposures to net asset impairment. The carrying value of its net investment in finance receivables is adjusted to the estimated collectible amount through adjustments to the allowance for credit losses. Finance receivables are charged to the allowance for credit losses after collection efforts are exhausted and the account is deemed uncollectible.

The company's general policy is to discontinue income recognition for finance receivables contractually past due for over 90 to 120 days depending on the nature of the transaction. Resumption of income recognition occurs when payments reduce the account to 60 days or less past due. However, large-ticket external transactions are reviewed on an individual basis. Income recognition is normally discontinued as soon as it is apparent that the obligor will not be making payments in accordance with lease terms and resumed after the company has sufficient experience on resumption of payments to be satisfied that such payments will continue in accordance with the original or restructured contract terms.

The company has, from time to time, sold selected finance assets. The company follows Statement of Financial Accounting Standards (FAS) No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," when accounting for its sale of finance assets. All assets obtained or liabilities incurred in consideration are recognized as proceeds of the sale and any gain or loss on the sale is recognized in earnings.

The company's investment in leveraged leases consists of rentals receivable net of principal and interest on the related nonrecourse debt, estimated residual value of the leased property and unearned income. The unearned income is recognized as leveraged lease revenue in income from investments over the lease term.

Goodwill

Goodwill represents the excess of cost over the value of net tangible assets acquired in business combinations and is amortized using the straight-line method over appropriate periods, principally 40 years. Goodwill and other long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. If such a change in circumstances occurs, the related estimated future undiscounted cash flows expected to result from the use of the asset and its eventual disposition, are compared to the carrying amount. If the sum of the expected cash flows is less than the carrying amount, the company records an impairment loss. The impairment loss is measured as the amount by which the carrying amount exceeds the fair value of the asset.

Revenue

In December 1999, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition in Financial Statements," summarizing certain guidance in applying generally accepted accounting principles to revenue recognition in financial statements. The company adopted the provisions of SAB No. 101 in the fourth quarter of 2000, retroactive to January 1, 2000. The adoption of SAB No. 101 resulted in a one-time cumulative after-tax reduction in net income of $4.7 million (net of taxes of approximately $3.1 million). The reduction to net income is primarily attributable to the deferral of sales recognition of software-enabled mail creation equipment and shipping products prior to installation. The change in accounting had no material impact on quarterly results, and as a result, quarterly information is not restated. The pro forma effect of retroactive application of this new method of accounting would not materially affect the results of operations for the years ended December 31, 1999 and 1998.

Revenue is recognized when earned. Sales revenue is recognized when the risks of ownership have been transferred to the buyer, which is generally when shipped. Sales revenue from customized equipment and software, including software-enabled mail creation equipment and shipping products, is generally recognized when installed. Sales revenue from sales type leases is generally recognized at the inception of the lease. Support services revenue is primarily recognized over the term of the service contract or as services are rendered.

Costs and expenses

Operating expenses of field sales and service offices are included in selling, service and administrative expenses because no meaningful allocation of such expenses to cost of sales, rentals and financing or support services is practicable.

Income taxes

The deferred tax provision is determined under the liability method. Deferred tax assets and liabilities are recognized based on differences between the book and tax bases of assets and liabilities using currently enacted tax rates. The provision for income taxes is the sum of the amount of income tax paid or

payable for the year as determined by applying the provisions of enacted tax laws to the taxable income for that year and the net change during the year in the company's deferred tax assets and liabilities.

Deferred taxes on income result principally from expenses not currently recognized for tax purposes, the excess of tax over book depreciation, recognition of lease income and gross profits on sales to finance subsidiaries.

For tax purposes, income from leases is recognized under the operating method and represents the difference between gross rentals billed and depreciation expense.

It has not been necessary to provide for income taxes on $310 million of cumulative undistributed earnings of subsidiaries outside the U.S. These earnings will be either indefinitely reinvested or remitted substantially free of additional tax. Determination of the liability that would result in the event all of these earnings were remitted to the U.S. is not practicable. It is estimated, however, that withholding taxes on such remittances would approximate $9 million.

Nonpension postretirement benefits and postemployment benefits

It is the company's practice to fund amounts for nonpension postretirement and postemployment benefits as incurred. See Note 11 to the consolidated financial statements.

Earnings per share

Basic earnings per share is based on the weighted average number of common shares outstanding during the year, whereas diluted earnings per share also gives effect to all dilutive potential common shares that were outstanding during the period. Dilutive potential common shares include preference stock, preferred stock and stock option and purchase plan shares.

Foreign exchange

Assets and liabilities of subsidiaries operating outside the U.S. are translated at rates in effect at the end of the period, and revenues and expenses are translated at average rates during the period. Net deferred translation gains and losses are included in accumulated other comprehensive income in stockholders' equity.

The company enters into foreign exchange contracts for purposes other than trading primarily to minimize its risk of loss from exchange rate fluctuations on the settlement of intercompany receivables and payables arising in connection with transfers of finished goods, inventories between affiliates and certain intercompany loans. Gains and losses on foreign exchange contracts entered into as hedges are deferred and recognized as part of the cost of the underlying transaction. At December 31, 2000, the company had approximately $331 million of foreign exchange contracts outstanding, most of which mature in 2001, to buy or sell various currencies. Risks arise from the possible non-performance by counterparties in meeting the terms of their contracts and from movements in securities values, interest and/or exchange rates. However, the company does not anticipate non-performance by the counterparties as they are composed of a number of major international financial institutions. Maximum risk of loss on these contracts is limited to the amount of the difference between the spot rate at the date of the contract delivery and the contracted rate.

Reclassification

Certain prior year amounts in the consolidated financial statements have been reclassified to conform with the current year presentation. See Note 12 to the consolidated financial statements.

2 Inventories

Inventories consist of the following:

December 31	2000	1999
Raw materials and work in process	$ 67,990	$ 41,149
Supplies and service parts	38,708	122,726
Finished products	61,271	93,577
Total	$ 167,969	$257,452

If all inventories valued at LIFO had been stated at current costs, inventories would have been $14.2 million and $22.4 million higher than reported at December 31, 2000 and 1999, respectively.

3 Fixed assets

December 31	2000	1999
Land	$ 34,289	$ 34,697
Buildings	298,496	305,111
Machinery and equipment	862,534	847,390
	1,195,319	1,187,198
Accumulated depreciation	(704,007)	(703,017)
Property, plant and equipment, net	$ 491,312	$ 484,181
Rental equipment and related inventories	$ 1,218,251	$ 1,706,306
Accumulated depreciation	(597,410)	(895,518)
Rental equipment and related inventories, net	$ 620,841	$ 810,788
Property leased under capital leases	$ 19,059	$ 27,217
Accumulated amortization	(16,756)	(16,077)
Property leased under capital leases, net	$ 2,303	$ 11,140

4 Current liabilities

Accounts payable and accrued liabilities and notes payable and current portion of long-term obligations are comprised as follows:

December 31	2000	1999
Accounts payable--trade	$ 254,425	$ 233,947
Accrued salaries, wages and commissions	121,497	138,132
Accrued pension benefits	26,353	29,086
Accrued nonpension postretirement benefits	15,500	15,500
Accrued postemployment benefits	6,900	6,900
Miscellaneous accounts payable and accrued liabilities	570,608	492,261
Accounts payable and accrued liabilities	$ 995,283	$ 915,826

Notes payable and overdrafts	$ 798,963	$1,128,332
Current portion of long-term debt	477,267	190,391
Current portion of capital lease obligations	1,711	1,609
Notes payable and current portion of long-term obligations	$1,277,941	$1,320,332

In countries outside the U.S., banks generally lend to non-finance subsidiaries of the company on an overdraft or term-loan basis. These overdraft arrangements and term-loans, for the most part, are extended on an uncommitted basis by banks and do not require compensating balances or commitment fees.

Notes payable were issued as commercial paper, loans against bank lines of credit, or to trust departments of banks and others at below prevailing prime rates. Fees paid to maintain lines of credit were $.8 million in 2000, $1.0 million in 1999, and $.9 million in 1998.

At December 31, 2000, U.S. notes payable totaled $799.0 million. Unused credit facilities outside the U.S. totaled $30.6 million at December 31, 2000, of which $20.1 million were for finance operations. In the U.S., the company, together with its financial service businesses, had unused credit facilities of $1.5 billion at December 31, 2000, largely in support of commercial paper borrowings. The weighted average interest rates were 6.5% and 3.6% on notes payable and overdrafts outstanding at December 31, 2000 and 1999, respectively.

The company periodically enters into interest rate swap agreements as a means of managing interest rate risk on both its U.S. and non-U.S. debt. The interest differential to be paid or received is recognized over the life of the agreements as an adjustment to interest expense. The company is exposed to credit losses in the event of non-performance by swap counterparties to the extent of the difference between the fixed and variable rates; such risk is considered minimal.

The company enters into interest rate swap agreements primarily through Pitney Bowes Credit Corporation (PBCC), a wholly-owned subsidiary of the company. It has been the policy and objective of the company to use a balanced mix of debt maturities, variable and fixed rate debt and interest rate swap agreements to manage interest rate risk. The company's variable and fixed rate

debt mix, after adjusting for the effect of interest rate swap agreements, was 48% and 52%, respectively, at December 31, 2000. The company utilizes interest rate swap agreements when it considers the economic benefits to be favorable. At December 31, 2000, the company had outstanding interest rate swap agreements with notional principal amounts of $599.8 million and terms expiring at various dates from 2002 to 2009. The company exchanged $249.8 million notional principal amounts of variable commercial paper rates on an equal notional amount of notes payable and overdrafts for fixed rates ranging from 5.5% to 8.9%. In addition, the company exchanged $350.0 million notional principal amounts of fixed rate debt on an equal notional amount of variable rate debt. The variable rates for the swaps are based on six month LIBOR plus a spread, equal to the difference between the fixed rate of the debt and the fixed rate currently available for similar debt.

Current liabilities of Office Systems have been classified in net assets of discontinued operations at December 31, 2000 (See Note 12).

5 Long-term debt

December 31	2000	1999
Non-financial services debt:		
5.50% notes due 2004	$ 200,000	$200,000
6.46% to 6.84% notes due 2004	150,000	150,000

5.95% notes due 2005	300,000	300,000
Other	--	7,748
Financial services debt:		
Senior notes:		
6.78% to 6.80% notes due 2001	--	200,000
6.77% or 7.23% notes due 2001	--	282,000
6.63% notes due 2002	100,000	100,000
6.73% notes due 2002	100,000	--
5.65% notes due 2003	250,000	250,000
7.44% notes due 2003	134,000	--
8.80% notes due 2003	150,000	150,000
6.93% notes due 2004	100,000	--
8.63% notes due 2008	100,000	100,000
9.25% notes due 2008	100,000	100,000
8.55% notes due 2009	150,000	150,000
7.51% notes due 2002 thru 2012	40,819	--
Other	7,128	8,108
Total long-term debt	$1,881,947	$1,997,856

The company has a medium-term note facility, which was established as a part of the company's shelf registrations, permitting issuance of up to $500 million in debt securities with a minimum maturity of nine months, of which $300 million remained available at December 31, 2000.

PBCC has $425 million of unissued debt securities available from a shelf registration statement filed with the SEC in July 1998. As part of this shelf registration statement, in August 1999, PBCC established a medium-term note program for the issuance from time to time of up to $500 million aggregate principal amount of Medium-Term Notes, Series D, of which $175 million remained available at December 31, 2000.

The annual maturities of the outstanding debt during each of the next five years are as follows: 2001, $477.3 million; 2002, $201.8 million; 2003, $536.4 million; 2004, $452.6 million; 2005, $302.8 million; and $388.3 million thereafter.

Under terms of their senior and subordinated loan agreements, certain of the finance operations are required to maintain earnings before taxes and interest charges at prescribed levels. With respect to such loan agreements, the company will endeavor to have these finance operations maintain compliance with such terms and, under certain loan agreements, is obligated, if necessary, to pay to these finance operations amounts sufficient to maintain a prescribed ratio of earnings available for fixed charges. The company has not been required to make any such payments to maintain earnings available for fixed charges coverage.

6 Preferred stockholders' equity in a subsidiary company

Preferred stockholders' equity in a subsidiary company represents 3,000,000 shares of variable term voting preferred stock issued by Pitney Bowes International Holdings, Inc., a subsidiary of the company, which are owned by certain outside institutional investors. These preferred shares are entitled to 25% of the combined voting power of all classes of capital stock. All outstanding common stock of Pitney Bowes International Holdings, Inc., representing the remaining 75% of the combined voting power of all classes of capital stock, is owned directly or indirectly by Pitney Bowes Inc. The preferred stock, $.01 par value, is entitled to cumulative dividends at rates set at auction. The weighted average dividend rate in 2000 and 1999 was 4.7% and 4.0%, respectively. Preferred dividends are reflected in the Consolidated Statements of Income in selling, service and administrative expenses. The preferred stock is subject to mandatory redemption based on certain events, at a redemption price not less than $100 per share, plus the amount of any dividends accrued or in arrears. No dividends were in arrears at December 31, 2000 or 1999.

In 1998, the company sold 100 shares of 9.11% Cumulative Preferred Stock, mandatorily redeemable in 20 years, in a subsidiary company to an institutional

investor for approximately $10 million.

7 Capital stock and capital in excess of par value

At December 31, 2000, 480,000,000 shares of common stock, 600,000 shares of cumulative preferred stock, and 5,000,000 shares of preference stock were authorized, and 248,800,052 shares of common stock (net of 74,537,860 shares of treasury stock), 588 shares of 4% Convertible Cumulative Preferred Stock (4% preferred stock) and 64,135 shares of $2.12 Convertible Preference Stock ($2.12 preference stock) were issued and outstanding. In the future, the Board of Directors can issue the balance of unreserved and unissued preferred stock (599,412 shares) and preference stock (4,935,865 shares). This will determine the dividend rate, terms of redemption, terms of conversion (if any) and other pertinent features. At December 31, 2000, unreserved and unissued common stock (exclusive of treasury stock) amounted to 116,285,844 shares.

The 4% preferred stock outstanding, entitled to cumulative dividends at the rate of $2 per year, can be redeemed at the company's option, in whole or in part at any time, at the price of $50 per share, plus dividends accrued to the

redemption date. Each share of the 4% preferred stock can be converted into 24.24 shares of common stock, subject to adjustment in certain events.

The $2.12 preference stock is entitled to cumulative dividends at the rate of $2.12 per year and can be redeemed at the company's option at the rate of $28 per share. Each share of the $2.12 preference stock can be converted into 16 shares of common stock, subject to adjustment in certain events.

At December 31, 2000, a total of 1,040,413 shares of common stock were reserved for issuance upon conversion of the 4% preferred stock (14,253 shares) and $2.12 preference stock (1,026,160 shares). In addition, 1,972,740 shares of common stock were reserved for issuance under the company's dividend reinvestment and other corporate plans.

Each share of common stock outstanding has attached one preference share purchase right. Each right entitles each holder to purchase 1/200th of a share of Series A Junior Participating Preference Stock for $97.50 and will expire in February 2006. Following a merger or certain other transactions, the rights will entitle the holder to purchase common stock of the company or the acquirers at a 50% discount.

8 Stock plans

The company has the following stock plans which are described below: the U.S. and U.K. Stock Option Plans (ESP), the U.S. and U.K. Employee Stock Purchase Plans (ESPP), and the Directors' Stock Plan.

The company adopted FAS No. 123, "Accounting for Stock-Based Compensation," on January 1, 1996. Under FAS No. 123, companies can, but are not required to, elect to recognize compensation expense for all stock-based awards using a fair value methodology. The company has adopted the disclosure-only provisions, as permitted by FAS No. 123. The company applies Accounting Principles Board Opinion No. 25 and related interpretations in accounting for its stock-based plans. Accordingly, no compensation expense has been recognized for the ESP or the ESPP, except for the compensation expense recorded for its performance-based awards under the ESP and the Directors' Stock Plan as discussed herein. 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 years ended 2000, 1999 and 1998 would have been reduced to the following pro forma amounts:

	2000	1999	1998
Net Income			

As reported	$ 622,546	$ 636,212	$ 576,394
Pro forma	$ 597,799	$ 619,625	$ 567,907
Basic earnings per share			
As reported	$ 2.43	$ 2.38	$ 2.10
Pro forma	$ 2.33	$ 2.32	$ 2.07
Diluted earnings per share			
As reported	$ 2.41	$ 2.34	$ 2.06
Pro forma	$ 2.31	$ 2.28	$ 2.03

In accordance with FAS No. 123, the fair value method of accounting has not been applied to awards granted prior to January 1, 1995. Therefore, the resulting pro forma impact may not be representative of that to be expected in future years.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	2000	1999	1998
Expected dividend yield	2.9%	2.0%	1.5%
Expected stock price volatility	27%	21%	18%
Risk-free interest rate	6%	6%	5%
Expected life (years)	5	5	5

Stock Option Plans

Under the company's stock option plans, certain officers and employees of the U.S. and the company's participating subsidiaries are granted options at prices equal to the market value of the company's common shares at the date of grant. Options generally become exercisable in three equal installments during the first three years following their grant and expire after ten years. In 1999, the plans were amended to allow options granted on or after January 1, 1999 to be fully vested to optionees (or their beneficiaries) in certain events. In addition, the U.S. stock option plan was amended to permit optionees to gift vested options to family members, trusts or partnerships. At December 31, 2000, there were 9,635,373 options available for future grants under these plans. The per share weighted average fair value of options granted was $9 in 2000, $15 in 1999 and $11 in 1998.

The following table summarizes information about stock option transactions:

	Shares	Per share weighted average exercise price
Options outstanding at January 1, 1998	5,373,124	$23
Granted	3,039,344	$47
Exercised	(884,512)	$17
Canceled	(142,953)	$40
Options outstanding at December 31, 1998	7,385,003	$33
Granted	3,288,716	$65
Exercised	(967,657)	$21
Canceled	(208,065)	$52
Options outstanding at December 31, 1999	9,497,997	$45
Granted	9,372,320	$35
Exercised	(812,122)	$21
Canceled	(670,477)	$55
Options outstanding		

at December 31, 2000	17,387,718	$40
Options exercisable at December 31, 1998	2,966,399	$21
Options exercisable at December 31, 1999	3,790,291	$29
Options exercisable at December 31, 2000	5,420,101	$39

The following table summarizes information about stock options outstanding and exercisable at December 31, 2000:

Options Outstanding

Range of per share exercise prices	Number	Weighted average remaining contractual life	Per share weighted average exercise price
$12-$18	503,206	3.6 years	$16
$19-$28	6,662,619	9.4 years	$27
$29-$43	1,996,113	7.9 years	$33
$44-$66	8,225,780	9.0 years	$53
	17,387,718	8.9 years	

Options Exercisable

Range of per share exercise prices	Number	Per share weighted average exercise price
$12-$18	503,206	$16
$19-$28	852,794	$23
$29-$43	1,394,381	$31
$44-$66	2,669,720	$54
	5,420,101	

Beginning in 1997, certain employees eligible for performance-based compensation may defer up to 100% of their annual awards, subject to the terms and conditions of the Pitney Bowes Deferred Incentive Savings Plan. Participants may allocate deferred compensation among specified investment choices, including stock options under the U.S. stock option plan. Stock options acquired under this plan are generally exercisable three years following their grant and expire after a period not to exceed ten years. There were 285,289, 220,647 and 156,158 options outstanding under this plan at December 31, 2000, 1999 and 1998, respectively, which are included in outstanding options under the company's U.S. stock option plan. The per share weighted average fair value of options granted was $12 in 2000, $16 in 1999 and $10 in 1998.

The U.S. stock option plan permits the issuance of restricted stock. Restricted stock awards are subject to both tenure and financial performance over three years. The restrictions on the shares are released, in total or in part, only if

the executive is still employed by the company at the end of the performance period and if the performance objectives are achieved. The compensation expense for each award is recognized over the performance period. There were no shares awarded in 2000, 1999 and 1998. Compensation expense recorded by the company related to these awards was $1.7 million in 1998.

Employee Stock Purchase Plans

The U.S. ESPP enables substantially all employees to purchase shares of the company's common stock at a discounted offering price. In 2000, the offering price was 90% of the average closing price of the company's common stock on the New York Stock Exchange for the 30 day period preceding the offering date. At no time will the exercise price be less than the lowest price permitted under Section 423 of the Internal Revenue Code. The U.K. ESPP enables eligible employees of the company's participating U.K. subsidiaries to purchase shares of the company's stock at a discounted offering price. In 2000, the offering price was 90% of the average closing price of the company's common stock on the New York Stock Exchange for the three business days preceding the offering date. The company may grant rights to purchase up to 8,935,733 common shares to its regular employees under these plans. The company granted rights to purchase 758,741 shares in 2000, 1,016,480 shares in 1999, and 593,256 shares in 1998. The per share fair value of rights granted was $9 in 2000, $11 in 1999 and $7 in 1998 for the U.S. ESPP and $10 in 2000, $17 in 1999 and $14 in 1998 for the U.K. ESPP.

Directors' Stock Plan

Under this plan, each non-employee director is granted 1,400 shares of restricted common stock annually as part of their compensation. Shares granted at no cost to the directors were 13,475 in 2000, 12,600 in 1999 and 11,600 in 1998. Compensation expense recorded by the company was $320,000, $873,000 and $560,000 for 2000, 1999 and 1998, respectively. The shares carry full voting and dividend rights but, except as provided herein, may not be transferred or alienated until the later of (1) termination of service as a director, or, if earlier, the date of a change of control, or (2) the expiration of the six month period following the grant of such shares. In 1999, the Directors' Stock Plan was amended to permit certain dispositions of restricted common stock to family members, trusts or partnerships, as well as donations to charity after the expiration of the six month holding period, provided the director retain restricted common stock with a minimum market value of $350,000. The per share weighted average fair value of shares granted was $30 in 2000, $57 in 1999 and $42 in 1998.

Beginning in 1997, non-employee directors may defer up to 100% of their eligible compensation, subject to the terms and conditions of the Pitney Bowes Deferred Incentive Savings Plan for directors. Participants may allocate deferred compensation among specified investment choices, including stock options under the Directors' Stock Plan. Stock options acquired under this plan are generally exercisable three years following their grant and expire after a period not to exceed ten years. There were 18,136, 8,823 and 4,822 options outstanding under this plan at December 31, 2000, 1999 and 1998, respectively. The per share weighted average fair value of options granted was $10 in 2000, $14 in 1999 and $12 in 1998.

9 Earnings per share

A reconciliation of the basic and diluted earnings per share computations for income from continuing operations for the years ended December 31, 2000, 1999 and 1998 is as follows:

	2000		
	Income	Shares	Per Share

	Income	Shares	Per Share
Income from continuing operations	$ 563,125		
Less:			
Preferred stock dividends	(1)		
Preference stock dividends	(139)		
Basic earnings per share	562,985	256,549,114	$ 2.20
Effect of dilutive securities:			
Preferred stock	1	14,253	
Preference stock	139	1,058,897	
Stock options		869,322	
Other		110,632	
Diluted earnings per share	$ 563,125	258,602,218	$ 2.18

	1999		
	Income	Shares	Per Share
Income from continuing operations	$ 562,990		
Less:			
Preferred stock dividends	(1)		
Preference stock dividends	(150)		
Basic earnings per share	562,839	267,504,030	$ 2.11
Effect of dilutive securities:			
Preferred stock	1	15,185	
Preference stock	150	1,143,691	
Stock options		3,008,359	
Other		334,878	
Diluted earnings per share	$ 562,990	272,006,143	$ 2.07

	1998		
	Income	Shares	Per Share
Income from continuing operations	$ 443,149		
Less:			
Preferred stock dividends	(1)		
Preference stock dividends	(164)		
Basic earnings per share	442,984	274,977,135	$ 1.61
Effect of dilutive securities:			
Preferred stock	1	16,863	
Preference stock	164	1,250,592	
Stock options		2,892,149	
Other		519,864	
Diluted earnings per share	$ 443,149	279,656,603	$ 1.58

10 Taxes on income

Income from continuing operations before income taxes and the provision for income taxes consist of the following:

	Years ended December 31		
	2000	1999	1998
Income from continuing operations before income taxes:			
U.S	$ 679,734	$ 713,863	$ 573,125
Outside the U.S.	123,114	110,079	85,537
Total	$ 802,848	$ 823,942	$ 658,662
Provision for income taxes:			
U.S. federal:			
Current	$ 31,609	$ 114,066	$ 36,361
Deferred	172,639	72,927	130,480
	204,248	186,993	166,841
U.S. state and local:			
Current	5,029	30,557	7,552
Deferred	(4,632)	7,997	23,566
	397	38,554	31,118
Outside the U.S.:			
Current	18,748	29,592	27,798
Deferred	16,330	5,813	(10,244)
	35,078	35,405	17,554
Total current	55,386	174,215	71,711
Total deferred	184,337	86,737	143,802
Total	$ 239,723	$ 260,952	$ 215,513

Including discontinued operations, the provision for income taxes consists of the following:

	Years ended December 31		
	2000	1999	1998
U.S. federal	$236,872	$ 223,699	$ 236,031
U.S. state and local	8,173	47,460	45,767
Outside the U.S.	37,065	38,049	19,675
Total	$282,110	$ 309,208	$ 301,473

A reconciliation of the U.S. federal statutory rate to the company's effective tax rate for continuing operations follows:

	2000	1999	1998

U.S. federal statutory rate	35.0%	35.0%	35.0%
State and local income taxes	0.1	3.0	3.1
Foreign tax differential	(1.0)	(0.4)	(1.9)
Partnership leasing transactions	(3.2)	(3.2)	(1.6)
Other	(1.0)	(2.7)	(1.9)
Effective income tax rate	29.9%	31.7%	32.7%

The effective tax rate for discontinued operations in 2000, 1999 and 1998 differs from the statutory rate due primarily to state and local income taxes.

Deferred tax liabilities and (assets)

December 31	2000	1999
Deferred tax liabilities:		
Depreciation	$ 118,036	$ 117,657
Deferred profit (for tax purposes) on sales to finance subsidiaries	449,306	429,955
Lease revenue and related depreciation	995,698	855,000
Loss on the sale of preferred stock	99,781	99,781
Other	159,025	150,276
Deferred tax liabilities	1,821,846	1,652,669
Deferred tax assets:		
Nonpension postretirement benefits	(101,750)	(122,064)
Inventory and equipment capitalization	(34,900)	(38,348)
Net operating loss carryforwards	(27,309)	(38,175)
Other	(204,649)	(218,797)
Valuation allowance	24,949	35,443
Deferred tax assets	(343,659)	(381,941)
Net deferred taxes	1,478,187	1,270,728
Less: Current net deferred taxes/(a)/	251,590	188,709
Deferred taxes on income	$1,226,597	$1,082,019

/(a)/ The table of deferred tax liabilities and (assets) above includes $251.6 million and $188.7 million for 2000 and 1999, respectively, of current net deferred taxes, which are included in income taxes payable in the Consolidated Balance Sheets.

The decrease in the deferred tax asset for net operating loss carryforwards and related valuation allowance was mainly due to the utilization of foreign tax loss carryforwards in Germany, Australia and France. At December 31, 2000 and 1999 approximately $69.1 million and $82.9 million, respectively, of net operating loss carryforwards were available to the company. Most of these losses can be carried forward indefinitely.

11 Retirement plans and nonpension postretirement benefits

The company has several defined benefit and defined contribution pension plans covering substantially all employees worldwide. Benefits are primarily based on employees' compensation and years of service. Company contributions are determined based on the funding requirements of U.S. federal and other governmental laws and regulations.

The company contributed $21.0 million, $19.7 million and $32.0 million to its defined contribution plans in 2000, 1999 and 1998, respectively.

The change in benefit obligations and plan assets and the funded status for defined benefit pension plans is as follows:

	Pension Benefits			
	United States		Foreign	
December 31	2000	1999	2000	1999
Change in benefit obligation:				
Benefit obligations at beginning of year	$ 996,572	$ 1,030,379	$ 210,412	$ 204,510
Service cost	24,937	24,863	5,668	5,770
Interest cost	76,064	73,340	11,967	12,171
Amendments	--	--	1,711	2,619
Plan participants contribution	--	--	3,231	--
Actuarial loss (gain)	40,204	(58,808)	26,399	(2,969)
Foreign currency changes	--	--	(15,213)	(1,102)
Benefits paid	(90,810)	(73,202)	(10,257)	(10,587)
Benefit obligations at end of year	$ 1,046,967	$ 996,572	$ 233,918	$ 210,412
Change in plan assets:				
Fair value of plan assets at beginning of year	$ 1,339,387	$ 1,023,417	$ 230,975	$ 202,579
Actual return on plan assets	(71,256)	320,251	30,623	30,672
Company contribution	2,052	68,921	6,135	7,782
Plan participants contributions	--	--	3,231	--
Foreign currency changes	--	--	(15,847)	299
Benefits paid	(90,810)	(73,202)	(10,257)	(10,357)
Fair value of plan assets at end of year	$ 1,179,373	$ 1,339,387	$ 244,860	$ 230,975
Funded status	$ 132,406	$ 342,815	$ 10,941	$ 20,561
Unrecognized actuarial (gain) loss	(107,262)	(315,968)	4,994	(7,975)
Unrecognized prior service cost	(38,752)	(42,535)	4,195	4,756
Unrecognized transition cost	80	(3,099)	(4,018)	(5,987)
(Accrued) prepaid benefit cost	$ (13,528)	$ (18,787)	$ 16,112	$ 11,355
Amounts recognized in the Consolidated Balance Sheets consist of:				
Prepaid benefit cost	$ 22,390	$ 12,887	$ 22,365	$ 19,683
Accrued benefit liability	(35,918)	(31,674)	(6,253)	(8,328)
Additional minimum liability	(3,186)	--	(604)	(728)
Intangible asset	3,186	--	604	728
(Accrued) prepaid benefit cost	$ (13,528)	$ (18,787)	$ 16,112	$ 11,355
Weighted average assumptions:				
Discount rate	7.50%	7.75%	3.0%-7.0%	3.0%-7.0%
Expected return on plan assets	9.55%	9.30%	4.0%-8.3%	4.0%-8.3%
Rate of compensation increase	4.75%	4.25%	2.0%-4.5%	2.0%-4.5%

At December 31, 2000, no shares of the company's common stock were included in the plan assets of the company's pension plan.

The company provides certain health care and life insurance benefits to eligible retirees and their dependents. The cost of these benefits are recognized over the period the employee provides credited service to the company. Substantially all of the company's U.S. and Canadian employees become eligible for retiree health care benefits after reaching age 55 and with the completion of the required service period. Postemployment benefits include primarily company-provided medical benefits to disabled employees and company-provided life insurance as well as other disability and death-related benefits to former or inactive employees, their beneficiaries and covered dependents.

During 1999, the company amended its retiree medical program to increase participants' contributions for current and future retirees and to eliminate retiree life insurance for future retirees.

The change in benefit obligations and plan assets and the funded status for nonpension postretirement benefit plans is as follows:

Nonpension Postretirement Benefits

December 31	2000	1999
Change in benefit obligation:		
Benefit obligations at beginning of year	$ 264,770	$ 314,699
Service cost	6,952	9,003
Interest cost	17,948	15,733
Plan participants' contributions	1,969	1,575
Actuarial loss (gain)	15,624	(13,002)
Foreign currency changes	(212)	343
Benefits paid	(26,933)	(23,781)
Plan amendments	(902)	(39,800)
Benefit obligations at end of year	$ 279,216	$ 264,770

	Nonpension Postretirement Benefits	
December 31	2000	1999
Change in plan assets:		
Fair value of plan assets at beginning of year	$ --	$ --
Company contribution	24,964	22,206
Plan participants' contributions	1,969	1,575
Benefits paid	(26,933)	(23,781)
Fair value of plan assets at end of year	$ --	$ --
Funded status	$(279,216)	$(264,770)
Unrecognized actuarial loss (gain)	433	(15,093)
Unrecognized prior service cost	(28,378)	(34,679)
Accrued benefit cost	$(307,161)	$(314,542)

The assumed weighted average discount rate used in determining the accumulated postretirement benefit obligations was 7.50% in 2000 and 7.75% in 1999.

The components of the net periodic benefit cost for defined pension plans and nonpension postretirement benefit plans are as follows:

	Pension Benefits					
	United States			Foreign		
	2000	1999	1998	2000	1999	1998
Service cost	$ 24,937	$ 24,863	$ 22,754	$ 5,668	$ 5,770	$ 5,641
Interest cost	76,064	73,340	70,341	11,967	12,171	12,293
Expected return on plan assets	(97,577)	(87,845)	(78,100)	(16,410)	(15,936)	(14,779)
Amortization of transition cost	(3,179)	(3,179)	(3,179)	(1,482)	(1,555)	(1,604)
Amortization of prior service costs	(3,784)	(3,784)	(3,784)	1,359	1,601	1,595
Recognized net actuarial loss	331	854	559	578	1,716	--
Net periodic benefit cost	$ (3,208)	$ 4,249	$ 8,591	$ 1,680	$ 3,767	$ 3,146

	Nonpension Postretirement Benefits		
	2000	1999	1998
Service cost	$ 6,952	$ 9,003	$ 9,423
Interest cost	17,948	15,733	18,952

Amortization of prior service costs	(7,192)	(12,972)	(15,873)
Recognized net actuarial loss	73	41	58
Net periodic benefit cost	$ 17,781	$ 11,805	$ 12,560

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligations was 7.00% in 2001 and 7.75% in 2000. This was assumed to gradually decline to 5.00% by the year 2003 and remain at that level thereafter.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects (in millions):

	1-Percentage-Point Increase	1-Percentage-Point Decrease
Effect on total of service and interest cost components	$ 1,016	$ 976
Effect on postretirement benefit obligation	$11,412	$10,910

12 Discontinued Operations

On December 11, 2000, the company announced that its Board of Directors approved a formal plan to spin-off the company's Office Systems business to stockholders as an independent, publicly traded company. The company expects the spin-off to be tax free as provided for under the Internal Revenue Code. The transaction is expected to be completed by the end of the third quarter 2001. Revenue of Office Systems was $641.3 million, $621.0 million and $591.4 million for the years ended December 31, 2000, 1999 and 1998, respectively. Net interest expense allocated to Office Systems' discontinued operations was $11.3 million, $8.7 million and $5.8 million for the years ended December 31, 2000, 1999 and 1998, respectively. Interest has been allocated based on the net assets of Office Systems charged at the company's weighted

average borrowing rate. Income from Office Systems' discontinued operations after the measurement date (December 11, 2000) was approximately $3.2 million (net of taxes of $2.2 million), offset by costs and expenses directly associated with the spin-off. The company expects that income from Office Systems' discontinued operations between the measurement date and the spin-off date will exceed the total amount of costs and expenses directly associated with the spin-off. The assets of Office Systems' discontinued operations have been separately classified in the Consolidated Balance Sheet at December 31, 2000. Assets and liabilities of Office Systems' discontinued operations at December 31, 2000 and 1999, respectively, are as follows:

	2000	1999
Accounts receivable	$ 128,289	$ 108,214
Inventories	153,247	126,751
Net current liabilities	(88,518)	(69,065)
Net current assets	$ 193,018	$ 165,900
Rental equipment and related inventories, net	$ 141,308	$ 134,102
Goodwill, net of amortization	53,053	46,563
Net other assets	18,002	13,937

Net long-term assets	$ 212,363	$ 194,602

On January 14, 2000, the company sold Atlantic Mortgage & Investment Corporation (AMIC), a wholly-owned subsidiary of the company, to ABN AMRO North America. The company received approximately $484 million in cash at closing. In connection with the sale, the company recorded a loss of approximately $27.6 million (net of taxes of $18.4 million) for the year ended December 31, 1999. The transaction is subject to post-closing adjustments. Revenue of AMIC was $114.9 million and $129.6 million for the years ended December 31, 1999 and 1998, respectively. Net interest expense allocated to AMIC's discontinued operations was $5.6 million and $4.9 million for the years ended December 31, 1999 and 1998, respectively. Interest has been allocated based on AMIC's net intercompany borrowing levels with PBCC, charged at PBCC's weighted average borrowing rate, offset by the interest savings PBCC realizes due to borrowings against AMIC's escrow deposits as opposed to regular commercial paper borrowings.

On October 30, 1998, Colonial Pacific Leasing Corporation (CPLC), a wholly-owned subsidiary of the company, transferred the operations, employees and substantially all assets related to its broker-oriented external financing business to General Electric Capital Corporation (GECC), a subsidiary of the General Electric Company. The company received approximately $790 million at closing. In connection with this transaction, the company recorded a gain of approximately $3.7 million (net of taxes of $2.0 million) for the year ended December 31, 1999. This gain resulted from the settlement of post-closing adjustments in 1999 related to the sale, offset by the cost of settlement with regard to a dispute with GECC over certain assets that were included in the sale.

Revenue of CPLC was $113.8 million for the year ended December 31, 1998. Income from discontinued operations includes allocated interest expense of $33.9 million for the year ended December 31, 1998. Interest expense has been allocated based on CPLC's intercompany borrowing levels with PBCC, charged at PBCC's weighted average borrowing rate.

Operating results of Office Systems, AMIC and CPLC have been segregated and reported as discontinued operations in the Consolidated Statements of Income. Prior year results have been reclassified to conform to the current year presentation. Net assets of Office Systems' and AMIC's discontinued operations have been separately classified in the Consolidated Balance Sheets at December 31, 2000 and 1999, respectively. Cash flow impacts of discontinued operations have not been segregated in the Consolidated Statements of Cash Flows. Details of income from discontinued operations, net of income tax, are as follows:

	2000	1999	1998
Office Systems	$64,104	$96,169	$ 99,363
AMIC	--	971	25,429
CPLC	--	--	8,453
	$64,104	$97,140	$133,245

13 Commitments, contingencies and regulatory matters

The company's finance subsidiaries had no unfunded commitments to extend credit to customers at December 31, 2000. The company evaluates each customer's creditworthiness on a case-by-case basis. Upon extension of credit, the amount and type of collateral obtained, if deemed necessary by the company, is based on management's credit assessment of the customer. Fees received under the agreements are recognized over the commitment period. The maximum risk of loss arises from the possible non-performance of the customer to meet the terms of the credit agreement. As part of the company's review of its exposure to risk, adequate provisions are made for finance assets, which may be uncollectible.

From time to time, the company is a party to lawsuits that arise in the ordinary course of its business. These lawsuits may involve litigation by or against the company to enforce contractual rights under vendor, insurance, or other

contracts; lawsuits relating to intellectual property or patent rights; equipment, service or payment disputes with customers; disputes with employees; or other matters. The company is currently a plaintiff or a defendant in a number of lawsuits, none of which should have, in the opinion of management and legal counsel, a material adverse effect on the company's financial position or results of operations.

The company is subject to federal, state and local laws and regulations relating to the environment and is currently named as a member of various groups of potentially responsible parties in administrative or court proceedings. As previously announced by the company, in 1996 the Environmental Protection Agency (EPA) issued an administrative order directing the company to be part of a soil cleanup program at the Sarney Farm site in Amenia, New York. The site was operated as a landfill between the years 1968 and 1970 by parties unrelated to the company, and wastes from a number of industrial sources were disposed there. The company does not concede liability for the condition of the site, but is working with the EPA and other potentially responsible parties to evaluate remediation options and to negotiate allocation of past and future remediation costs. Based on the facts presently known, the company estimates the total cost of our remediation effort to be approximately $5 million. This amount has been recorded as a liability in the Consolidated Balance Sheet at December 31, 2000. All of these proceedings are at various stages of activity, and it is difficult to estimate with any certainty the total cost of remediating, the timing and extent of remedial actions which may be required by

governmental authorities. However, the company does not believe that the outcome of these proceedings will have a material adverse effect on its financial condition or results of operations.

In 2000, the U.S. Postal Service (USPS) issued a proposed schedule for the phaseout of manually reset electronic meters in the U.S. As of February 1, 2000, new placements of manually reset electronic meters are no longer permitted. Current users of manually reset electronic meters can continue to use these meters for the term of their current rental and lease agreements. Leases or rentals due to expire in 2000 can be extended to December 31, 2001.

In August 2000, the USPS also issued a proposal to cease placements of non-digital, or letterpress, meters. New placements of non-digital meters with a "timeout" feature that enables the meters to be automatically disabled, if not reset within a specified time period are no longer permitted after December 2003. New placements of non-digital meters without the "timeout" feature are no longer permitted after June 2001.

The company has submitted comments to the USPS's proposed schedules described above. Based on the proposed schedule, the company believes that the phaseout of manually reset electronic meters will not cause a material adverse financial impact on the company. The company is working with the USPS to meet the non-digital meter phaseout schedule and is currently evaluating the potential financial impact on the company.

As a result of the company's aggressive efforts to meet the USPS's mechanical meter migration phaseout schedule combined with the company's ongoing and continuing investment in advanced postage evidencing technologies, mechanical meters represented less than 1% of the company's installed U.S. meter base at December 31, 2000 and 1999, respectively. The company continues to work in close cooperation with the USPS to convert those mechanical meter customers who have not migrated to digital or electronic meters.

In May 1995, the USPS publicly announced its concept of its Information Based Indicia Program (IBIP) for future postage evidencing devices. As initially stated by the USPS, the purpose of the program was to develop a new standard for future digital postage evidencing devices which would significantly enhance postal revenue security and support expanded USPS value-added services to mailers. The program would consist of the development of four separate specifications: (i) the Indicium specification--the technical specifications for

the indicium to be printed; (ii) a Postal Security Device specification--the technical specification for the device that would contain the accounting and security features of the system; (iii) a Host specification; and (iv) a Vendor Infrastructure specification.

During the period from May 1995 through December 31, 2000, the company has submitted extensive comments to a series of proposed IBIP specifications issued by the USPS. In March 2000, the USPS issued the latest set of proposed specifications, entitled "Performance Criteria for Information Based Indicia and Security Architecture for Open IBI Postage Evidencing Systems" (the IBI Performance Criteria). The company has submitted comments to the IBI Performance Criteria. In September and October 2000, the USPS issued further proposed regulations regarding postage evidencing systems using Information Based Indicia, titled "Refunds and Exchanges" and "Production, Distribution and Use of Postal Security Devices and Information-Based Indicia." The company has submitted comments regarding those proposed regulations.

In March 2000, the company received approval from the USPS for the commercial launch of the Internet version of a product which satisfies the proposed IBI Performance Criteria, ClickStamp/TM/ Online.

In June 1999, the company was served with a Civil Investigative Demand (CID) from the Justice Department's Antitrust Division. A CID is a tool used by the Antitrust Division for gathering information and documents. The company believes that the Justice Department may be reviewing the company's efforts to protect its intellectual property rights. The company believes it has complied fully with the antitrust laws and is cooperating fully with the department's investigation.

In August 1999, the USPS and the company announced that they had reached an agreement (USPS Settlement) resolving a lawsuit filed by the company in 1997. The lawsuit arose out of a dispute over a 1978 Statement of Understanding authorizing the company to offer Postage by Phone(R), its proprietary version of the Computerized Meter Resetting System. Under the terms of the agreement, the company received $51.8 million, representing a portion of the financial benefit that the USPS obtained as a result of the revised regulations. This payment, net of related legal expenses of $2.2 million, was recorded as other income in the Consolidated Statement of Income for the year ended December 31, 1999.

14 Leases

In addition to factory and office facilities owned, the company leases similar properties, as well as sales and service offices, equipment and other properties, generally under long-term lease agreements extending from three to 25 years. Certain of these leases have been capitalized at the present value of the net minimum lease payments at inception. Amounts included under liabilities represent the present value of remaining lease payments.

Future minimum lease payments under both capital and operating leases at December 31, 2000 are as follows:

Years ending December 31	Capital leases	Operating leases
2001	$2,620	$ 51,369
2002	2,216	41,347
2003	1,858	28,438
2004	1,354	17,751
2005	424	11,266
Thereafter	113	34,087
Total minimum lease payments	$8,585	$184,258
Less: Amount representing interest	2,214	
Present value of net minimum lease payments	$6,371	

Rental expense was $103.5 million, $99.1 million and $109.2 million in 2000, 1999 and 1998, respectively.

15 Financial services

The company has several consolidated finance operations which are engaged in lease financing of the company's products in the U.S., Canada, the U.K., Germany, France, Norway, Ireland, Australia, Austria, Spain, Switzerland, Sweden and Italy, as well as other financial services to the commercial and industrial markets in the U.S.

As discussed in Note 12, CPLC transferred the operations, employees and substantially all assets related to its broker-oriented external financing business to GECC in 1998.

Condensed financial data for the consolidated finance operations follows:

Condensed summary of operations

Years ended December 31	2000	1999	1998
Revenue	$671,529	$667,757	$600,693
Costs and expenses	220,479	244,019	184,213
Interest, net	126,728	132,913	139,845
Total expenses	347,207	376,932	324,058
Income before income taxes	324,322	290,825	276,635
Provision for income taxes	73,532	71,312	71,952
Income from continuing operations	250,790	219,513	204,683
Income from discontinued operations, net of income tax	--	--	8,453
Gain on sale of discontinued operations, net of income tax	--	3,682	--
Net income	$250,790	$223,195	$213,136

Condensed balance sheet

December 31	2000	1999
Cash and cash equivalents	$ 88,051	$ 142,782
Finance receivables, net	1,592,920	1,779,696
Accounts receivable	27,454	49,413
Other current assets and prepayments	106,309	98,292

Total current assets	1,814,734	2,070,183
Long-term finance receivables, net	1,980,876	1,907,431
Investment in leveraged leases	1,150,656	969,589
Other assets	1,248,246	588,678
Total assets	$6,194,512	$5,535,881
Accounts payable and accrued liabilities	$ 563,639	$ 491,036
Income taxes payable	203,549	179,948
Notes payable and current portion of long-term obligations	1,404,412	933,823
Total current liabilities	2,171,600	1,604,807
Deferred taxes on income	423,662	379,141
Long-term debt	1,914,989	2,030,551
Other noncurrent liabilities	777	777
Total liabilities	4,511,028	4,015,276
Equity	1,683,484	1,520,605
Total liabilities and equity	$6,194,512	$5,535,881

Finance receivables are generally due in monthly, quarterly or semiannual installments over periods ranging from three to 15 years. In addition, 4% of the company's net finance assets represent secured commercial and private jet aircraft transactions with lease terms ranging from six to 24 years. The company considers its credit risk for these leases to be minimal since all aircraft lessees are making payments in accordance with lease agreements. The company believes any potential exposure in aircraft investment is mitigated by the value of the collateral as the company retains a security interest in the leased aircraft.

Maturities of gross finance receivables and notes payable for the finance operations are as follows:

Years ending December 31	Gross finance receivables	Notes payable, current and long-term debt
2001	$1,891,942	$1,404,412
2002	896,779	201,825
2003	592,393	536,394
2004	310,872	102,621
2005	118,196	2,825
Thereafter	223,206	1,071,324
Total	$4,033,388	$3,319,401

Finance operations' net purchases of Pitney Bowes equipment amounted to $698.7 million, $694.8 million and $653.0 million in 2000, 1999 and 1998, respectively.

The components of net finance receivables were as follows:

December 31	2000	1999
Gross finance receivables	$4,033,388	$4,091,816
Residual valuation	447,271	498,386
Initial direct cost deferred	53,243	53,439
Allowance for credit losses	(97,351)	(104,721)
Unearned income	(862,755)	(851,793)
Net finance receivables	$3,573,796	$3,687,127

The company's net investment in leveraged leases is composed of the following elements:

December 31	2000	1999
Net rents receivable	$1,277,024	$1,169,114
Unguaranteed residual valuation	748,994	623,003
Unearned income	(875,362)	(822,528)
Investment in leveraged leases	1,150,656	969,589
Deferred taxes arising from leveraged leases	(702,194)	(611,717)
Net investment in leveraged leases	$ 448,462	$ 357,872

Following is a summary of the components of income from leveraged leases:

Years ended December 31	2000	1999	1998
Pretax leveraged lease income	$39,806	$35,954	$20,671
Income tax effect	(3,019)	5,761	9,990
Income from leveraged leases	$36,787	$41,715	$30,661

Leveraged lease assets acquired by the company are financed primarily through nonrecourse loans from third-party debt participants. These loans are secured by the lessee's rental obligations and the leased property. Net rents receivable represent gross rents less the principal and interest on the nonrecourse debt

obligations. Unguaranteed residual values are principally based on independent appraisals of the values of leased assets remaining at the expiration of the lease.

Leveraged lease investments include $316.4 million related to commercial real estate facilities, with original lease terms ranging from 17 to 25 years, $302.4 million for ten aircraft transactions with major commercial airlines, with original lease terms ranging from 22 to 25 years and $228.8 million for rail and bus facilities with original lease terms ranging from 32 to 44 years. Also included are transactions involving locomotives, railcars and postal and telecommunications equipment, with a total investment of $303.0 million and original lease terms ranging from 15 to 38 years.

The company has sold net finance receivables with varying amounts of recourse in privately placed transactions with third-party investors. The uncollected principal balance of receivables sold and guarantee contracts totaled $458.5 million and $571.8 million at December 31, 2000 and 1999, respectively. The maximum risk of loss 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. Conversely, these contracts are supported by the underlying equipment value and creditworthiness of customers. As part of the review of its exposure to risk, the company believes adequate provisions have been made for sold receivables, which may be uncollectible.

The company has invested in various types of equipment under operating leases; the net investment at December 31, 2000 and 1999 was not significant.

16 | Business segment information

For a description of the company's reportable segments and the types of products and services from which each reportable segment derives its revenue, see "Overview" on page 33. That information is incorporated herein by reference. The information set forth below should be read in conjunction with such information. The accounting policies of the segments are the same as those described in the summary of significant accounting policies, with the exception of the items outlined below.

Operating profit of each segment is determined by deducting from revenue the related costs and operating expenses directly attributable to the segment. Segment operating profit excludes general corporate expenses, income taxes and net interest attributable to corporate debt. Interest from financial services businesses includes intercompany interest. Identifiable assets are those used in the company's operations and exclude cash and cash equivalents, short-term investments and general corporate assets. Long-lived assets exclude finance receivables, investment in leveraged leases and mortgage servicing rights.

Revenue and operating profit by business segment and geographic area for the years ended 1998 to 2000 were as follows:

	Revenue		
(Dollars in millions)	2000	1999	1998
Business segments:			
Global Mailing	$2,836	$2,799	$2,557
Enterprise Solutions	862	803	742
Total Messaging Solutions	3,698	3,602	3,299
Capital Services	183	210	200
Total	$3,881	$3,812	$3,499

Geographic areas:

United States	$3,234	$3,201	$2,937
Outside the United States	647	611	562
Total	$3,881	$3,812	$3,499

(Dollars in millions)	Operating Profit 2000	1999	1998
Business segments:			
Global Mailing	$847	$790	$653
Enterprise Solutions	73	52	47
Total Messaging Solutions	920	842	700
Capital Services	62	65	66
Total	$982	$907	$766
Geographic areas:			
United States	$862	$803	$687
Outside the United States	120	104	79
	$982	$907	$766

Additional segment information is as follows:

(Dollars in millions)	Years ended December 31 2000	1999	1998
Depreciation and amortization:			
Global Mailing	$ 187	$ 180	$ 179
Enterprise Solutions	30	31	26
Total Messaging Solutions	217	211	205
Capital Services	17	33	17
Total	$ 234	$ 244	$ 222
Net interest expense:			
Global Mailing	$ 54	$ 72	$ 62
Enterprise Solutions	1	1	1
Total Messaging Solutions	55	73	63
Capital Services	71	60	77
Total	$ 126	$ 133	$ 140
Net additions to long-lived assets:			
Global Mailing	$ 171	$ 166	$ 178

Enterprise Solutions	45	28	23
Total Messaging Solutions	216	194	201
Capital Services	(23)	7	17
Total	$ 193	$ 201	$ 218

	December 31	
(Dollars in millions)	2000	1999
Identifiable assets:		
Global Mailing	$3,299	$4,277
Enterprise Solutions	439	364
Total Messaging Solutions	3,738	4,641
Capital Services	3,066	2,188
Total	$6,804	$6,829
Identifiable long-lived assets by geographic areas:		
United States	$1,372	$1,389
Outside the United States	179	215
Total	$1,551	$1,604

Reconciliation of segment amounts to consolidated totals:

	Years ended December 31		
(Dollars in millions)	2000	1999	1998
Operating profit:			
Total operating profit for reportable segments	$ 982	$ 907	$ 766
Unallocated amounts:			
Net interest (corporate interest expense, net of intercompany transactions)	(66)	(38)	(11)
Corporate expense	(94)	(95)	(96)
IT reorganization charge	(19)	--	--
USPS Settlement	--	50	--
Income from continuing operations before income taxes	$ 803	$ 824	$ 659
Net interest expense:			
Total interest expense for reportable segments	$ 126	$ 133	$ 140
Net interest (corporate interest expense, net of intercompany transactions)	66	38	11

Consolidated net interest expense	$ 192	$ 171	$ 151
Depreciation and amortization:			
Total depreciation and amortization for reportable segments	$ 234	$ 244	$ 222
Corporate depreciation	13	13	14
Discontinued operations	74	155	125
Consolidated depreciation and amortization	$ 321	$ 412	$ 361
Net additions to long-lived assets:			
Total additions for reportable segments	$ 193	$ 201	$ 218
Unallocated amounts	24	10	6
Discontinued operations	89	105	101
Consolidated additions to long-lived assets	$ 306	$ 316	$ 325

	December 31	
(Dollars in millions)	2000	1999
Total assets:		
Total identifiable assets by reportable segments	$6,804	$6,829
Cash and cash equivalents and short-term investments	214	257
General corporate assets	478	217
Discontinued operations	405	920
Consolidated assets	$7,901	$8,223

17 Fair value of financial instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash, cash equivalents, short-term investments, accounts receivable, accounts payable and notes payable

The carrying amounts approximate fair value because of the short maturity of these instruments.

Investment securities

The fair value of investment securities is estimated based on quoted market prices, dealer quotes and other estimates.

Loans receivable

The fair value of loans receivable is estimated based on quoted market prices, dealer quotes or by discounting the future cash flows using current interest

rates at which similar loans would be made to borrowers with similar credit ratings and similar remaining maturities.

Long-term debt

The fair value of long-term debt is estimated based on quoted dealer prices for the same or similar issues.

Interest rate swap agreements and foreign currency exchange contracts

The fair values of interest rate swaps and foreign currency exchange contracts are obtained from dealer quotes. These values represent the estimated amount the company would receive or pay to terminate agreements taking into consideration current interest rates, the creditworthiness of the counterparties and current foreign currency exchange rates.

Residual, conditional commitment and financial guarantee contracts

The fair values of residual and conditional commitment guarantee contracts are based on the projected fair market value of the collateral as compared to the guaranteed amount plus a commitment fee generally required by the counterparty assuming the guarantee. The fair value of financial guarantee contracts represents the estimate of expected future losses.

Transfer of receivables with recourse

The fair value of the recourse liability represents the estimate of expected future losses. The company periodically evaluates the adequacy of reserves and estimates of expected losses; if the resulting evaluation of expected losses differs from the actual reserve, adjustments are made to the reserve.

The estimated fair value of the company's financial instruments at December 31, 2000 is as follows:

	Carrying value/(a)/	Fair value
Investment securities	$ 18,356	$ 18,921
Loans receivable	$ 394,241	$ 405,288
Long-term debt	$(2,395,995)	$(2,416,755)
Interest rate swaps	$ (632)	$ 9,687
Foreign currency exchange contracts	$ 270	$ (3,717)
Transfer of receivables with recourse	$ (33,129)	$ (33,129)

/(a)/ Carrying value includes accrued interest and deferred fee income, where applicable.

The estimated fair value of the company's financial instruments at December 31, 1999 is as follows:

	Carrying value/(a)/	Fair value
Investment securities	$ 14,748	$ 16,380
Loans receivable	$ 614,712	$ 625,582
Long-term debt	$ (2,225,165)	$ (2,223,452)
Interest rate swaps	$ (272)	$ (13,740)
Foreign currency exchange contracts	$ 1,240	$ (489)
Residual, conditional commitment and financial guarantee contracts	--	$ (5,800)
Transfer of receivables with		

recourse	$ (64,662)	$ (64,662)

/(a)/ Carrying value includes accrued interest and deferred fee income, where applicable.

18 Quarterly financial data (unaudited)

Summarized quarterly financial data (dollars in millions, except for per share data) for 2000 and 1999 follows:

2000	Three Months Ended March 31	June 30	Sept. 30	Dec. 31
Total revenue	$ 945	$ 998	$ 960	$ 978
Cost of sales and rentals and financing	$ 358	$ 376	$ 351	$ 363
Income from continuing operations	$ 134	$ 146	$ 145	$ 138
Discontinued operations	18	20	16	10
Cumulative effect of accounting change	(5)	--	--	--
Net income	$ 147	$ 166	$ 161	$ 148
Basic earnings per share:				
Continuing operations	$ .51	$ .57	$ .57	$ .55
Discontinued operations	.07	.07	.06	.04
Cumulative effect of accounting change	(.02)	--	--	--
Net income	$ .56	$ .64	$ .63	$ .59
Diluted earnings per share:				
Continuing operations	$ .50	$ .56	$ .57	$ .55
Discontinued operations	.07	.08	.06	.04
Cumulative effect of accounting change	(.02)	--	--	--
Net income	$ .55	$ .64	$ .63	$ .59

1999	Three Months Ended March 31	June 30	Sept. 30	Dec. 31
Total revenue	$ 897	$ 951	$ 937	$ 1,026
Cost of sales and rentals and financing	$ 354	$ 371	$ 363	$ 380
Income from continuing operations	$ 114	$ 133	$ 163	$ 153
Discontinued operations	28	(3)	23	25
Net income	$ 142	$ 130	$ 186	$ 178
Basic earnings per share:				
Continuing operations	$ .42	$ .49	$ .61	$ .58
Discontinued operations	.11	(.01)	.09	.09
Net income	$ .53	$ .48	$ .70	$ .67
Diluted earnings per share:				
Continuing operations	$ .42	$ .49	$ .60	$ .57
Discontinued operations	.10	(.01)	.09	.09
Net income	$ .52	$ .48	$ .69	$ .66

The sum of the quarters of 2000 and 1999 may not equal the annual amount due to rounding.

Report of Independent Accountants

To the Stockholders and Board of Directors of Pitney Bowes Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Pitney Bowes Inc. and its subsidiaries at December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Stamford, Connecticut
January 22, 2001

Stockholder Information

World Headquarters
Pitney Bowes Inc.
1 Elmcroft Rd.
Stamford, CT 06926-0700
(203) 356-5000
www.pitneybowes.com

Annual Meeting

Stockholders are cordially invited to attend the 2001 Annual Meeting at 9:00 a.m., Monday, May 14, 2001, at Pitney Bowes World Headquarters in Stamford, Connecticut. Notice of the meeting and proxy information will be mailed to stockholders of record as of March 16, 2001.

10-K Report

The Form 10-K report, to be filed by Pitney Bowes with the Securities and Exchange Commission, will provide certain additional information. Stockholders may obtain copies of this report without charge by writing to:

MSC 6140
Investor Relations
Pitney Bowes Inc.
1 Elmcroft Rd.
Stamford, CT 06926-0700

Stock Exchanges

Pitney Bowes common stock is traded under the symbol "PBI." The principal market it is listed on is the New York Stock Exchange. The stock is also traded on the Chicago, Philadelphia, Boston, Pacific and Cincinnati stock exchanges.

Comments concerning the Annual Report should be sent to:

MSC 6309
Director Corporate Marketing and Advertising
Pitney Bowes Inc.
1 Elmcroft Rd.
Stamford, CT 06926-0700

Investor Inquiries

All investor inquiries about Pitney Bowes should be addressed to:

MSC 6140
Investor Relations
Pitney Bowes Inc.
1 Elmcroft Rd.
Stamford, CT 06926-0700

Transfer Agent and Registrar:

First Chicago Trust Company of New York,
a division of EquiServe LP
PO Box 2500
Jersey City, NJ 07303-2500

Stockholders may call EquiServe at (800) 648-8170.
www.equiserve.com

Stockholder Inquiries

Communications concerning transfer requirements, lost certificates, dividends, change of address or other stockholder inquiries may be made by calling (800) 648-8170, TDD phone service for the hearing impaired (201) 222-4955, for foreign holders (201) 324-1225, or by writing to the address above.

Dividend Reinvestment Plan

Owners of Pitney Bowes Inc. common stock may purchase common stock, $1 par value, with their dividends through the Dividend Reinvestment Plan. A prospectus and enrollment card may be obtained by calling (800) 648-8170 or by writing to the agent at the address above.

Direct Deposit of Dividends

For information about direct deposit of dividends, please call (800) 648-8170 or write to the agent at the address above.

Duplicate Mailings

If you receive duplicate mailings because you have more than one account listing, you may wish to save your company money by consolidating your accounts. Please call (800) 648-8170 or write to the agent at the address above.

Stock Information
Dividends per common share

Quarter	2000	1999

First	$ .285	$ .255
Second	.285	.255
Third	.285	.255
Fourth	.285	.255
Total	$ 1.140	$ 1.020

Quarterly price ranges of common stock

Quarter	2000 High	2000 Low
First	54 1/8	41
Second	47	35 5/8
Third	40 7/16	33 3/4
Fourth	39 3/8	24

Quarter	1999 High	1999 Low
First	71 3/16	60 1/16
Second	73 5/16	61 9/16
Third	72 1/2	55 3/4
Fourth	63 13/16	40 7/8

Trademarks
ClickStamp, Paragon, and Postage By Phone are all registered trademarks of Pitney Bowes Inc.

4 Series, 5 Series, AddressRight, Conquest, D3, DM200, DM300, Insite, IntelliLink, PBShip, PB Supplies Online, and SmartMailer are all trademarks or service marks of Pitney Bowes Inc.

Business Rewards, Postal Privilege and Purchase Power are registered trademarks or service marks of Pitney Bowes Financial Services. PitneyWorks is a service mark of Pitney Bowes Financial Services.

All other trademarks or service marks are owned by their respective companies.

PITNEY BOWES INC.
SUBSIDIARIES OF THE REGISTRANT

The Registrant, Pitney Bowes Inc., a Delaware Corporation, has no parent.

The following are subsidiaries of the Registrant
(as of December 31, 2000)

Company name	Country or state of incorporation
Adrema Leasing Corporation	Delaware
Adrema Maschinen - und - Auto Leasing GmbH	Germany
Adrema Maschinenbau Inc.	Delaware
Andeen Enterprises, Inc.	Panama
Artec International Corporation	California
AS Frankering	Norway
B. Williams Holdings Corp.	Delaware
B. Williams Funding Corp.	Delaware
Canadian Office Services (Toronto) Limited	Canada
Cascade Microfilm Systems, Inc.	California
Chas. P. Young Health Fitness & Management, Inc.	New York
CPLC Inc.	Delaware
Datarite Systems Ltd.	England
ECL Finance Company, NV	Netherlands
Elmcroft Road Realty Corporation	Connecticut
FSL Holdings Inc.	Connecticut
FSL Risk Managers Inc.	New York
Harlow Aircraft Inc.	Delaware
Informatech Inc.	California
La Agricultora Ecuatoriana S.A.	Ecuador
Lease Continental GmbH	Germany
Norlin Australia Investments Pty. Ltd.	Australia
Norlin Industries Ltd.	Canada
Norlin Music (U.K.) Ltd.	England
Oy Adrema Helsinki	Finland
PB Air Inc.	Nevada
PB Australia Funding Pty. Ltd.	Australia
PB Canada Funding Ltd.	Canada
PB Equipment Management Inc.	Delaware
PB Forms, Inc.	Nebraska
PB Funding Corporation	Delaware
PB Global Holdings Inc.	Connecticut
PB Global Holdings II Inc.	Connecticut
PB Global Holdings III Inc.	Connecticut
PB Global Holdings IV Inc.	Connecticut
PB Lease Holdings Inc.	Nevada
PB Leasing Corporation	Delaware
PB Leasing June Ltd.	England
PB Leasing March Ltd.	England
PB Leasing September Ltd.	England
PB Leasing Services Inc.	Nevada

SUBSIDIARIES OF THE REGISTRANT (continued)

Company name	Country or state of incorporation
PB Miles Inc.	Delaware
PB Municipal Funding Inc.	Nevada
PB/PREFCO Real Estate Holdings Inc.	Delaware
PB Production International Corporation	Delaware
PB Professional Services Inc.	Delaware
PB Public Finance Inc.	Delaware
PBA Foreign Sales Corporation	Barbados
PB World Trade Corporation	Delaware
PB CFSC I Inc.	Virgin Islands
PB Nikko FSC Ltd.	Bermuda
PB Nihon FSC Ltd.	Bermuda
PBG Holdings Inc.	Delaware
Pitney Bowes Australia Pty.	Australia
Pitney Bowes Australia FAS Pty. Limited	Australia
Pitney Bowes Austria Ges.m.b.H	Austria
Pitney Bowes of Canada Ltd.	Canada
Pitney Bowes Canada Holdings Limited	Canada
Pitney Bowes China Inc.	Delaware
Pitney Bowes Credit Australia Limited	Australia
Pitney Bowes Credit Corporation	Delaware
Pitney Bowes Data Systems, Ltd.	Delaware
Pitney Bowes de Mexico, S.A. de C.V.	Mexico
Pitney Bowes Deutschland GmbH	Germany
Pitney Bowes Espana, S.A.	Spain
Pitney Bowes Finance S.A.	France
Pitney Bowes Finans Norge AS	Norway
Pitney Bowes Finance PLC (formerly PB Leasing Ltd.)	England
Pitney Bowes Finance Ireland Limited	Ireland
Pitney Bowes France S.A.	France
Pitney Bowes Global Limited	England
Pitney Bowes Holdings Ltd.	England
Pitney Bowes Hong Kong Inc.	Delaware
Pitney Bowes Hong Kong Ltd.	Hong Kong
Pitney Bowes India Inc.	Delaware
Pitney Bowes Insurance Agency, Inc.	Connecticut
Pitney Bowes International	Ireland
Pitney Bowes International Funding	Ireland
Pitney Bowes International Holdings, Inc.	Delaware
Pitney Bowes Italia S.r.l.	Italy
Pitney Bowes Japan KK	Japan
Pitney Bowes (Ireland) Limited	Ireland
Pitney Bowes (Macau) Limited	Macau
Pitney Bowes Mail and Messaging Systems (Shanghai) Co Ltd.	Shanghai
Pitney Bowes Management Services, Inc.	Delaware
Pitney Bowes Management Services Canada, Inc.	Canada
Pitney Bowes Management Services Limited	England
Pitney Bowes New Zealand Limited	New Zealand
Pitney Bowes Nova Scotia ULC	Canada
Pitney Bowes Oy	Finland

SUBSIDIARIES OF THE REGISTRANT (continued)

Company name	Country or state of incorporation

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Pitney Bowes Limited	England
Pitney Bowes Properties Inc.	Connecticut
Pitney Bowes Real Estate Financing Corporation	Delaware
Pitney Bowes SA (Pty) Ltd.	South Africa
Pitney Bowes Servicios, S.A. de C.V.	Mexico
Pitney Bowes Shelton Realty Inc.	Connecticut
Pitney Bowes Svenska Aktiebolag	Sweden
Pitney Bowes (Switzerland) AG	Switzerland
Pitney Bowes (Thailand) Limited	Thailand
Pitney Bowes World Trade Corporation	Virgin Islands
Pitney Structured Funding I Inc.	Delaware
Pitney B2B Capital.com Inc.	Delaware
PitneyWorks.com Inc.	Delaware
PitneyWorks.com L.L.C.	Delaware
PitneyWorks.com Connecticut Inc.	Connecticut
PREFCO I LP Inc.	Delaware
PREFCO II SPE Inc.	Delaware
PREFCO II Inc.	Delaware
PREFCO III LP Inc.	Delaware
PREFCO IV LP Inc.	Delaware
PREFCO V LP Inc.	Delaware
PREFCO VI Inc.	Delaware
PREFCO VI LP Inc.	Delaware
PREFCO VII Inc.	Delaware
PREFCO VII LP Inc.	Delaware
PREFCO VIII LP Inc.	Delaware
PREFCO IX LP Inc.	Delaware
PREFCO XI LP Inc.	Delaware
PREFCO XII LP Inc.	Delaware
PREFCO XIII Inc.	Delaware
PREFCO XIII LP Inc.	Delaware
PREFCO XIV LP Inc.	Delaware
PREFCO XV LP Inc.	Delaware
PREFCO XVI Inc.	Delaware
PREFCO XVI LP Inc.	Delaware
PREFCO XVII Inc.	Delaware
PREFCO XVII LP Inc.	Delaware
PREFCO XVIII LP Inc.	Delaware
PREFCO XIX LP Inc.	Delaware
PREFCO XXI Inc.	Delaware

SUBSIDIARIES OF THE REGISTRANT (continued)

Company name ------------	Country or state of incorporation -------------
PREFCO XXI LP Inc.	Delaware
PREFCO XXII Inc.	Delaware
PREFCO XXII LP Inc.	Delaware
PREFCO XXIV Inc.	Delaware
PREFCO - Dayton Community Urban Redevelopment Corporation	Ohio
PREFCO Twelve Holdings Inc.	Delaware
Remington Customer Finance Pty. Limited	Australia
ROM Holding Pty. Limited	Australia
ROM Securities Pty. Limited	Australia
Sales & Service Training Center Inc.	Georgia
SIG - GP, L.L.C.	Delaware
Techno Mail Service K.K.	Japan
The Pitney Bowes Bank, Inc.	Utah
Time-Sensitive Delivery Guide Inc.	Delaware

Tower FSC, Ltd.	Bermuda
Universal Postal Frankers Ltd.	England
Waterview Resolution Trust Corporation	Massachusetts
Wheeler Insurance, Ltd.	Vermont
1136 Corporation	Delaware
75 V Corp.	Delaware

EXHIBIT (v)

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Prospectus constituting part of the Registration Statements on:

Form	Reference
Form S-8	No. 33-5291
Form S-8	No. 33-4549
Form S-8	No. 33-22238
Form S-8	No. 33-5765
Form S-8	No. 33-41182
Form S-8	No. 333-66735
Form S-3	No. 33-5289
Form S-3	No. 33-5290
Form S-3	No. 33-18280
Form S-3	No. 33-25730
Form S-3	No. 33-21723
Form S-3	No. 33-27244
Form S-3	No. 33-33948
Form S-3	No. 333-51281

of Pitney Bowes Inc. of our report dated January 22, 2001 appearing on page 65 of the Pitney Bowes Inc. 2000 Annual Report to Stockholders which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference in the aforementioned Registration Statements of our report on the financial statement schedule, which appears on page 19 of this Form 10-K.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Stamford, Connecticut
March 26, 2001

Exhibit (vi)

October 27, 2000

Marc C. Breslawsky

RE: Letter of Agreement

Dear Marc:

This letter agreement is intended to set forth the commitments Pitney Bowes (the "Company") intends to undertake if the Company both establishes a new legal entity to operate the majority of the Company's existing Office Systems Division business (the "Business") and spins off the Business in a separate transaction to be determined in the future. For purposes of this Agreement, the spin-off Business shall be referred to as "Spinco."

The Company shall offer you the position of Chief Executive Officer of Spinco. During your employment with the Company, you agree to perform the duties of Chief Executive Officer of Spinco in addition to your duties of Chief Operating Officer of the Company without any additional compensation. Immediately prior to the spin off of the Business in a separate transaction, you will assume the duties of the Chief Executive Officer of Spinco on a full-time basis and your compensation, benefits and incentive package as the full-time Chief Executive Officer of Spinco shall be as follows:

1. Salary. Your annual salary shall be $825,000.

2. Annual Incentive. You will be eligible to participate in Spinco's annual incentive compensation program. For the first full fiscal year of your employment, you shall be entitled to a minimum incentive award of $577,500, the equivalent of 70% of your salary, and a maximum award of $1,072,500, the equivalent of 130% of your salary, depending upon the achievement of performance targets established by Spinco's Board of Directors.

3. Long-Term Incentive. You shall be eligible to participate in Spinco's Long-Term Incentive Plan. You shall be eligible for a minimum award of $625,000 and a maximum of award $1,250,000, depending upon Spinco's achievement of performance goals established by the Board of Directors of Spinco for multi-year cycles.

   The payment shall be made at the end of each performance cycle in accordance with the terms of the plan.

4. Equity. You may be granted stock options in Spinco at the discretion of Spinco's Board of Directors.

5. Benefits. During the period of your employment, you shall be eligible to participate in Spinco's benefits programs which are made available to Spinco employees of equal status.

6. Welfare Benefits. During your employment, you and your eligible dependents shall be eligible to participate in Spinco's group medical and dental plans which are made available to Spinco employees of equal status.

You understand and agree that immediately prior to the spin-off, the terms and conditions of your employment with Spinco may be reflected in a formal written document, which would contain the compensation terms herein and would be subject to the approval of the Spinco Board following the spin-off. In the event the Business is not spun-off, this agreement imposes no further independent obligations upon the Company with respect to your employment or termination of

employment by the Company.

This agreement shall be effective as of the date you sign the agreement and shall continue in effect until you are notified in writing by me that the agreement ceases to be effective as of a date I shall specify in the notice.

Sincerely,

Michael J. Critelli
Chairman and
Chief Executive Officer

Agreed to and Accepted by:

____
Marc C. Breslawsky

____
DATE

Exhibit (vii)

October 27, 2000

Marc C. Breslawsky

RE: Separation Agreement

Dear Marc:

This letter is intended to provide you with the Company's understanding of how the Separation Agreement between you and the Company dated October 27, 2000 (the "Separation Agreement") will affect certain employee and executive benefit and incentive plans and programs in which you participate if you incur a termination of employment pursuant to the Separation Agreement. This letter will also serve as the Company's commitment to administer these plans and programs in the manner set forth below. The defined terms in this letter have the meanings that are contained in the Separation Agreement unless a term is more specifically defined in this Agreement.

Stock Options

As of the Resignation Date, all outstanding stock options granted to you prior to October 20, 2000 pursuant to the Company's 1991 Stock Plan or any successor plan shall remain exercisable in accordance with their existing terms. Such options shall expire on their stated expiration date; provided, however, options granted prior to 1999 will expire on the earlier of (i) the fourth anniversary of your termination from the Company or any company that is a spin-off of the Company, as defined in the 1991 Stock Plan (a "Spin Off"), whichever occurs later, and (ii) their original term.

The special option granted on October 20, 2000 ("Accelerated Option Grant") shall vest and be exercisable in accordance with the terms and conditions set forth in your award agreement. Such terms shall include a provision requiring the forfeiture of the entire Accelerated Option Grant if you retire or voluntarily resign from the Company or the Spin Off, prior to February 1, 2002. If you retire or voluntarily resign from the Company or the Spin-off on or after February 1, 2002, the Accelerated Option Grant shall become immediately 100% vested and exercisable as of such retirement or voluntary resignation.

If you are terminated pursuant to Section 3 of the Separation Agreement prior to February 1, 2002, the entire Accelerated Option Grant shall be immediately 100% vested and exercisable as of the date of such termination. For purposes of the 1991 Stock Plan and options granted to you thereunder, your termination of employment from the Company as a result of your employment with the Spin Off shall not be treated as a retirement or other termination of employment from the Company. The 1991 Stock Plan will be amended to reflect the terms and conditions of the Accelerated Option Grant and other commitments described herein, including the retirement, termination of employment, vesting and exercise treatment with respect to the Spin Off.

The treatment of your stock options following the execution of the Separation Agreement do not differ from that of any similarly situated executive of the Company.

Deferred Incentive Savings Plan

The Company will pay you as soon as practicable following the Resignation Date a lump sum amount in cash equal to the balance of your accounts under the Deferred Incentive Savings Plan pursuant to the payment provisions of the plan.

Retirement Plans

The Company will treat your retirement plan benefits in the following manner:

(a) 401(k) Plan

As of the Resignation Date, your participation in and contributions to the Pitney Bowes 401(k) Plan ("401(k) Plan") will cease. Your rights to a distribution, rollover, forms of payment and deferral regarding your account balance will be determined in accordance with the terms of the 401(k) Plan.

(b) Pension Plan

You will be credited during your Severance Period with service through March 31, 2004 in lieu of actual years of service with the Company for all purposes under the Pitney Bowes Pension Plan, including determining your basic pension benefit and any transition credits to which you may be entitled under the Pension Plan. Your severance payment under Section 3 of the Separation Agreement and any PBC incentive award under Section 4(a) of the Separation Agreement will be credited as pensionable earnings. Any CIU payment made under Section 4(b) of the Separation Agreement will not be credited as pensionable earnings in accordance with the plan's existing provisions. If, after providing the service credit and determining pensionable earnings as described in the preceding sentences, your pension benefit under the Pension Plan exceeds the limits imposed by the plan and applicable law, the excess amounts will be paid from the Pitney Bowes Supplemental Pension Plan ("SERP"). If your employment with the Company continues beyond March 31, 2004, you will continue to accrue pension benefits in accordance with the terms and conditions of the Pension Plan and SERP.

The determination and payment of your pension benefits under the Pension Plan and the SERP remain in all respects subject to the terms and conditions of the respective plans.

Sincerely,

Michael J. Critelli
Chief Executive Officer

AGREED TO AND ACCEPTED BY

____
Marc C. Breslawsky

____
Date

Exhibit (viii)

SEPARATION AGREEMENT

AGREEMENT dated as of October 27, 2000 between Pitney Bowes Inc., a Delaware corporation (the "Company"), and Marc C. Breslawsky ("the Executive").

WHEREAS, Marc C. Breslawsky is a valued executive of the Company;

WHEREAS, the Company considers it essential to the best interests of its shareholders to provide the Company and the Executive with the protections of this Agreement; and

WHEREAS, the parties desire to enter into this Agreement;

NOW, THEREFORE, in consideration of the premises and mutual covenants herein and for other good and valuable consideration, the parties agree as follows:

SECTION 1 Definitions

For purposes of this Agreement, the following terms shall have the meanings indicated.

"Board" means the Board of Directors of the Company.

"Cause" means (i) the Executive's conviction or plea of guilty or nolo contendere to a felony or crime involving moral turpitude, dishonesty, breach of trust or unethical business conduct or any crime involving the business of the Company; (ii) the Executive, in the performance of his duties for the Company, to the material and demonstrable detriment of the Company, engaging in (A) willful misconduct, (B) willful or gross neglect, (C) fraud, (D) misappropriation, (E) embezzlement or (F) theft; (iii) the Executive's willfully disobeying the directions of the Board to adhere to the policies and practices of the Company or to devote substantially all of his business time and effort to the Company; (iv) the breach of this Agreement in any material respect, if such breach remains uncured (if curable) for a period of thirty (30) days following written notice by the Company of such breach; or (v) the Executive's acknowledgment in writing in any agreement or stipulation to, or the adjudication in, any civil suit, of the commission of any theft, embezzlement, fraud, or other intentional act of dishonesty involving any other person. No act or failure to act on the Executive's part shall be deemed willful unless done or omitted to be done by the Executive not in good faith and without reasonable belief that the Executive's action or omission was in the best interest of the Company.

"Resignation Date" means the date that the Executive terminates employment with the Company at the Company's request in its sole discretion and resigns from all positions and directorships within the Company, including, but not limited to, a termination of employment with the Company as a result of employment with a division or subsidiary that

has been divested, spun-off, split-off, or sold by the Company ("the Divested Entity").

SECTION 2 Term of Agreement

This Agreement shall be in effect from the date hereof.

SECTION 3 Severance

(a) If the Executive's employment with the Company is terminated by the

Company at its request in its sole discretion without Cause (other than by reason of disability or death), the Company shall pay the Executive cash compensation in the amount of $2,805,000, which is equal to the sum of two (2) times his current base salary plus 140% of his base salary. If the Executive's employment is terminated hereunder prior to April 1, 2002, the payment shall be made in equal monthly installments over the period from the Resignation Date through March 31, 2004. If the Executive's employment is terminated hereunder on or after April 1, 2002, the payment shall be made in equal monthly installments over a two year period beginning on the Resignation Date. The period during which the payment hereunder is made shall be referred to in this Agreement as the (the "Severance Period").

(b) The severance payments to be made under this Section 3 shall be in lieu of any severance pay to which the Executive may otherwise be entitled under the Company's severance plans and practices; provided, however, that in the event of a change of control of the Company the Executive may be entitled to certain rights that exist under the Company's Senior Executive Severance Policy, which rights would be offset by the severance payments made to the Executive under Section 3 hereof.

SECTION 4 Other Incentives

(a) The Executive shall be eligible for a pro-rated PBC incentive award pursuant to the Company's Key Employee Incentive Plan ("the KEIP") based on the number of whole months of service completed with the Company by the Executive during the year in which the Resignation Date occurs. The payment shall be made at the time such incentive awards are paid to actively employed senior executives in accordance with the terms of the KEIP. It is understood that the Executive has no entitlement to the PBC incentive award described hereunder and that the determination to pay the Executive such PBC incentive award is made at the sole discretion of the Board with the Executive's individual performance rating being based on the Company's overall performance rating.

(b) The Company shall pay the Executive a payout of outstanding Cash Incentive Units ("CIUs") pursuant to the KEIP at the close of each respective cycle in accordance with the terms of the KEIP; provided, however, that such payout of CIUs shall be based on the Executive's total number of completed months of active service with the Company during each 36 month CIU cycle and on the achievement of performance-based targets associated with the CIUs. For purposes of this prorated calculation, the targeted payout shall be

multiplied by a fraction, the numerator of which is the Executive's total number of completed months of active service with the Company during the particular CIU cycle and the denominator of which is 36.

(c) Any payments made under this Section 4 shall be in lieu of any incentive pay to which the Executive may otherwise be entitled under the KEIP and any practice or policy of the Company for the year in which occurs the Resignation Date with respect to short and long term incentives.

SECTION 5 Medical and Dental

(a) As of the Resignation Date, the Executive and his eligible dependents may at his option elect to continue to participate in the Company's group medical and dental plans (or any successor medical or dental plans adopted by the Company) (collectively, "Medical Plans") during the period commencing on the Resignation Date and ending on the last day of the Severance Period on the same terms applicable from time to time to active employees. The Executive may at his option elect to terminate participation in the active employee plans and commence participation in the retiree medical and dental plans following the Resignation Date. The Executive understands that although he and his eligible dependents may continue to participate in the Company's Medical Plans, the Company reserves the right to change carriers, modify plan designs and pricing and make such other changes to the Medical Plans and policies as may be appropriate from a business standpoint or as otherwise be required by law.

(b) Upon the Executive's retirement, the Executive and his eligible dependents shall be eligible for coverage under the Company's retiree group medical and dental plans, in accordance with the terms of such plans as of that date. The Company reserves the right to amend future plan design and active employee contribution rates, as warranted under the circumstances.

(c) As of the Resignation Date, the Executive's coverage under the Company's disability plans, including long and short-term disability insurance and Accidental Death & Dismemberment insurance, shall cease.

SECTION 6 Perquisites

(a) As of the Resignation Date, the Executive shall be entitled to retain the automobile he leases pursuant to his Lease Agreement. Upon the termination of the Lease Agreement, the Executive may exercise the option to purchase the automobile.

(b) The Executive shall be provided at the Company's sole expense with professional financial counseling services for a period of 12 months following the Resignation Date, subject to reasonable limitations as to dollar amounts established by the Company on a uniform basis for similarly situated executives.

(c) Any payments made under this Section 6 shall be in lieu of any other perquisites to which the Executive may otherwise be entitled under the programs, plans, practices or policies of the Company following the Resignation Date with respect to automobile leasing and financial counseling services.

SECTION 7 Covenants

(a) Confidentiality. The Executive will at all times (whether during or after his employment with the Company) hold all Confidential Information in strictest confidence and not use or disclose directly or indirectly any Confidential Information to any individual, partnership, corporation, limited liability company, trust or other entity (each, a "Person"), without prior written authorization of the Board. "Confidential Information" means any Company proprietary information, technical data, trade secrets and know-how, including but not limited to research, product plans, products, services, customer lists and customers (including but not limited to customers of the Company on whom the Executive called or with whom the Executive became acquainted during his employment), markets, software, developments, inventions, processes, formulas, technology, designs, drawings, engineering, hardware configuration information, marketing, finances and other business information disclosed to the Executive by the Company either directly or indirectly in writing, orally or by drawings or observation or generated by the Executive during his employment with the Company. The Executive further understands that Confidential Information does not include any of the foregoing items which has become publicly known and made generally available through no wrongful act of his or of others who were under confidentiality obligations as to the item or items involved.

The definition of Confidential Information will be modified at the sole discretion of the Company in the event of any decision by the Company to exit a business by divestiture or otherwise or to enter or expand into a new area of business between the effective date of this Agreement and the Resignation Date, and shall be subject to any transition agreements executed by the Company pursuant to the divestiture or other transaction.

(b) Non-Competition. At all times during his employment and for two years following the termination of such employment either pursuant to Section 3 hereof or for Cause, the Executive will not, without the prior approval of the Company:

(i) become engaged or become interested, directly or indirectly, as a director, officer, employee or 10% or more stockholder of, partner in, or

consultant to, any business which is engaged in the development, manufacture, or distribution of copier equipment, facsimile equipment, desktop or network printers, mail finishing or sorting equipment, including production mail or postage meters, shipping and logistics equipment, or software and services or supplies which are used in mailing and shipping functions and which are competitive with categories of equipment, firmware, software, or supplies manufactured or distributed by the Company or any of

its subsidiaries for the functions described above, or identified for introduction into the marketplace up through the strategy most recently approved by senior management which incorporates Mailing Systems, PitneyWorks (including internet postage and personal computer based applications and the other products and services offered within PitneyWorks' suite of products and services), Small Office Division, Office Systems or Production Mail capabilities. For Mailing Systems and Production Mail purposes, these systems include both in-bound and out-bound mail and physical and hybrid mail; or

(ii) become engaged in or become interested directly or indirectly, own or control more than 10% ownership, interest in, manage, operate, be employed by or participate in the ownership, management, operation or control of or be connected in any manner as a consultant or otherwise with any business which provides sales-aid leasing for any competitor of the Company; or

(iii) become engaged in or become interested directly or indirectly, own or control more than 10% ownership, interest in, manage, operate, be employed by or participate in the ownership, management, operation or control of or be connected in any manner as a consultant or otherwise with any business which provides facilities management services, document services, incoming mail services, EDP to mail service, mail management services, copying or reprographic services, or any combination of the same, which are in competition with Pitney Bowes Business Services, or any type of services the Company is currently providing or identified for introduction through any of its latest strategic plans.

The definition of what is competitive with the Company's businesses will be modified at the sole discretion of the Company in the event of any decision by the Company to exit a business by divestiture or otherwise or to enter or expand into a new area of business between the effective date of this Agreement and the Resignation Date, and shall be subject to any transition agreements executed by the Company pursuant to the divestiture or other transaction. Further, the Executive may request the Company's approval to become engaged in or become interested in a competitor that is deemed insignificant by the Company and the decision to deny or approve such request shall be made by the Company in its sole discretion.

Notwithstanding anything to the contrary in this Section 7(b), the definition of what is competitive with the Company's business shall not include any business in which Office Systems is engaged, specifically the development, manufacture, or distribution of copier equipment (but excluding copying or reprographic services other than those services necessary to support the distribution, installation and servicing of copy machines), facsimile equipment or desktop or network printers, if the Company spins off or otherwise divests such businesses. For purposes of the preceding sentence, distribution shall include sales, leasing and rental of such machines. This definition shall be subject to

any transition agreements executed in connection with the divestiture. In any event, the definition and exclusion of what is competitive shall exclude Capital Services.

If the Executive is an officer or director or 10% or more stockholder of a Divested Entity and if the Divested Entity continues to receive products or services marketed by the Company for an agreed-upon period of time pursuant to transition agreements executed pursuant to the divestiture, the Executive may obtain comparable products and services from one or more competitors of the Company after the termination of any agreements with the Company relating to said products and services, provided that the agreements have not been terminated by the Company as a result of a breach of said agreements by the Divested Entity. However, if during the term of any transition agreements with the Company, the Executive is unable to obtain such products and services from the Company because the Company is unwilling pursuant to the transition agreements to provide such products and services, the Executive may procure such products and services from sources other than the Company prior to termination of the transition agreements.

(c) Non-Solicitation of Key Employees. At all times during his employment and for two years following the termination of such employment for any reason, whether with or without Cause, the Executive shall not directly or indirectly solicit, entice, or encourage any Key Employee, as identified or described in Exhibit A to this Agreement, to terminate his or her relationship with the Company, and work for an organization as an employee, partner, or consultant or 10% or more shareholder with which the Executive is affiliated as a director, employee, consultant, partner or 10% shareholder. Nothing contained in the foregoing shall preclude the Executive during the Severance Period from hiring any Key Employee as an employee, partner, or consultant or 10% or more shareholder not earlier than 180 days after the termination of the Key Employee's employment with the Company, provided such person terminated his or her employment without any solicitation, enticement or encouragement directly or indirectly from the Executive to terminate any employment with the Company and without violation by the Executive of his obligations contained in the preceding sentence. Notwithstanding the above, the Executive may solicit Key Employees with the Company's written consent.

(d) Non-Solicitation of Customers. At all times during his employment and for two years following the termination of such employment for any reason, whether with or without Cause, the Executive will not directly or indirectly solicit, divert or take away, or attempt to divert or to take away, the business or patronage of any of the customers or accounts, or prospective customers or accounts, of the Company. The definition of "customers" or "prospective customers" herein will be modified at the sole discretion of the Company in the event of any decision by the Company to exit a business by divestiture or otherwise or to enter or expand into a new area of business between the effective date

of this Agreement and the Resignation Date, and shall be subject to any transition agreements executed by the Company pursuant to the divestiture or other transaction.

(e) Non-Disparagement. At all times during his employment with the Company and thereafter, the Executive and, to the extent set forth in the next sentence, the Company agree that each party will not knowingly make any statement, written or oral, which disparages or is derogatory to the other party in any communications with any customer or client or in any communications made in a public manner. The Company's obligations under the preceding sentence shall be limited to communications by its senior corporate executives.

(f) Cooperation. At any time on or after the Resignation Date, the Executive agrees to cooperate fully with the Company and to provide such information as the Company may reasonably request with respect to any Company-related transaction, investment or other matter in which the Executive was involved in any way while employed by the Company.

SECTION 8 Remedies

(a) The Executive acknowledges and agrees that the Company's remedies at

law for a breach or threatened breach of any of the provisions of Section 7 hereof would be inadequate and, in recognition of this fact, the Executive agrees that, in the event of such a breach or threatened breach, in addition to any remedies at law, the Company, without posting any bond, shall be entitled to seek equitable relief in the form of specific performance, temporary restraining order, temporary or permanent injunction or any other equitable remedy which may then be available.

(b) Notwithstanding any provision of this Agreement to the contrary, from and after any breach by the Executive of the provisions of Section 7 hereof, the Company shall provide written notice to the Executive of such breach. If the Executive fails to correct his violation within 90 days, the Company shall cease to have any obligations to make payments or provide benefits to the Executive under this Agreement. The Executive also agrees to return to the Company the full value of any compensation and benefits provided to the Executive while he was in violation of any of the provisions in Section 7 hereof, and to compensate the Company for any actual economic damages suffered by the Company as a result of a breach of any of the provisions of Section 7 hereof.

(c) It is expressly understood and agreed that the Executive and the Company consider the restrictions contained in Section 7 hereof to be reasonable. If a final judicial determination is made by a court of competent jurisdiction that the time or territory or any other restriction contained in this Agreement is an unenforceable restriction against the Executive, the provisions of this Agreement shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such maximum extent as such court may judicially determine or indicate to be enforceable.

Alternatively, if the final decision of any tribunal of competent jurisdiction determines that a particular restriction contained herein is unenforceable, and such restriction cannot be amended so as to make it enforceable, such finding shall not affect the enforceability of any of the other restrictions contained herein.

SECTION 9 Release and Waiver of Claims

(a) It is understood and agreed that as a condition to the Executive's becoming entitled to any payments or benefits under this Agreement, the Executive agrees to execute on his Resignation Date a written release and waiver of claims in which he releases and discharges the Company from

(i) any and all charges, claims and causes of action arising, directly or indirectly, out of his employment or the termination or his employment with the Company, including but not limited to any claims involving tortious course of conduct, breach of contract, defamation and public policy, claims for wages and benefits, monetary and equitable release, punitive or compensatory damages, outrage, outrageous conduct, fraud, promissory estoppel, negligence, intentional or negligent infliction of mental or emotional distress, breach of promise, and breach of the covenant of good faith and fair dealing; and

(ii) any and all charges, claims and causes or action he may have under Title VII of the Civil Rights Act of 1964, as amended; the Age Discrimination in Employment Act of 1967, as amended; the National Labor Relations Act, as amended; the Civil Rights Act of 1991, as amended; 42 U. S. C. 1981, as amended; the Americans with Disability Act of 1990; the Family and Medical Leave Act; the Connecticut Fair Employment Practices Act, as amended; the Employee Retirement Income Security Act of 1974, as amended; and various state and local human rights laws of contract and tort, otherwise relating to his employment at the Company

(b) The release and waiver referred to herein shall not apply to the Executive's rights under the Company's benefit plans and Workers' Compensation laws, rights under the provisions of this Agreement and the rights more fully described in the attached letter agreement between the Company and the Executive

setting forth the mutual understanding of how the Company will administer certain employee benefit and incentive plans and programs as to the Executive. The release and waiver shall be effective with respect to the Company, its subsidiaries, affiliates and divisions and their respective successors and assigns ("Affiliates"), the directors, officers, representatives, shareholders, agents, employees of the Company and the Affiliates, and their respective heirs and personal representatives. It is agreed and understood that following the Executive's termination of employment pursuant to Section 3 hereof, the payments and benefits described under this Agreement shall not be required to be paid until the Executive has delivered an executed release and waiver of claims to the Company as set forth above.

(c) It is understood and agreed that the Company shall provide to the Executive on the Resignation Date a written release and waiver of claims in which the Company releases and discharges the Executive from any and all charges, claims and causes of action arising, directly or indirectly, out of the Executive's employment with the Company prior to the Resignation Date; provided, however, that the Company shall not release the Executive or waive any charges, claims and causes of action based on events and activities of the Executive arising from or in consequence of events or activities of the Executive which would constitute Cause, as defined in Section 2 hereof. The Executive shall represent and warrant to the Company that he knows of no such charges, claims or causes of action as of the Resignation Date.

SECTION 10 Death of Executive after Entitlement to Payment

If the Executive dies at any time after having become entitled to payments under Sections 3 and 4 of this Agreement and prior to having received all amounts owed thereunder, any of the amounts otherwise payable under Sections 3 and 4 of this Agreement remaining unpaid at his death shall be paid to the Executive's designated beneficiary or, if none is designated, to his estate.

SECTION 11 Miscellaneous

(a) Governing Law/Jurisdiction. This Agreement shall be governed by and construed in accordance with the laws of Connecticut, without reference to principles of conflict of laws.

(b) Arbitration. With respect to any dispute between the parties hereto arising from or relating to the terms of this Agreement, the parties agree to submit such dispute to arbitration in Connecticut under the auspices of and the employment rules of the American Arbitration Association. The determination of the arbitrator(s) shall be conclusive and binding on the Company and the Executive and judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. The Company and the Executive will each pay one-half of the costs and expenses of such arbitration, and each party will separately pay for their counsel fees and expenses.

(c) Entire Agreement/Amendments. This Agreement contains the entire understanding of the parties with respect to the severance payable to the Executive in the event of a termination of employment during the term of this Agreement. There are no restrictions, agreements, promises, warranties, covenants or undertakings between the parties with respect to the subject matter herein other than those expressly set forth herein, except rights more fully described in the attached letter agreement between the Company and the Executive setting forth the mutual understanding of how the Company will administer certain employee benefit and incentive plans and programs as to the Executive. This Agreement may not be altered, modified, or amended except by written instrument signed by the parties hereto.

(d) No Waiver. The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver of such party's rights

or deprive such party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement.

(e) Severability. In the event that any one or more of the provisions of this Agreement shall be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be affected thereby. It is understood that this Agreement does not constitute an admission by the Company of violation of any statute, law or regulation.

(f) Assignment. This Agreement shall not be assignable by the Executive and shall be assignable by the Company only with the consent of the Executive, which shall not be unreasonably withheld; provided, however, that the Company shall require any successor to substantially all of the stock, assets or business of the Company to assume this Agreement.

(g) Successors; Binding Agreement. This Agreement shall inure to the benefit of and be binding upon the personal or legal representatives, executors, administrators, successors, including successors to all or substantially all of the stock, business and/or assets of the Company, heirs, distributees, devisees and legatees of the parties.

(h) Notice. For the purpose of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth on the execution page of this Agreement, provided that all notices to the Company shall be directed to the attention of the Board with a copy to the Secretary of the Company, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

(i) Withholding Taxes. The Company may withhold from any amounts payable under this Agreement such U.S. federal, state and local taxes as may be required to be withheld pursuant to any applicable law or regulation.

(j) Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

(k) Integration of Other Plans and Programs. The Executive shall continue to have such rights and privileges under the Company's executive and employee plans and programs as the terms and conditions of such plans and programs may provide taking into account the commitments of the Company under this Agreement; provided, however, that any severance pay benefit to which the Executive may be entitled from the Company other than any severance benefits under the Company's Senior Executive Severance Policy, as set forth in Section 3 hereof, shall be determined solely under this Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

PITNEY BOWES INC.

By:_________________________________
Michael J. Critelli
Chief Executive Officer

World Headquarters
One Elmcroft Road
Stamford, CT 06926-0700

By:________________________________
Marc C. Breslawsky

EXHIBIT A

(1) All LTI and PBC level employees of Pitney Bowes Inc. and related companies
(2) All sales and service management level employees of each business unit of Pitney Bowes Inc.
(3) All salespersons of Pitney Bowes Inc. and related companies who are in the top 25% of all salespersons as measured by gross sales revenue and who are high performers as measured by participation in Sales Leadership Conferences, as determined by the Company, and any other salesperson as identified in writing to the Executive

A written list of all individuals referred to in item (3) above shall be provided to the Executive within 30 days of the effective date of this Agreement and shall be supplemented as of the Executive's termination of employment with the Company.