UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549-1004

FORM 10-K

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

For the year ended December 31, 1995

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from   to

Commission file number 1-3579

PITNEY BOWES INC.

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

World Headquarters
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 ($2 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)

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. [X]

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

The aggregate market value of voting stock (common stock and $2.12 preference stock) held by non-affiliates of the Registrant as of March 15, 1996 is $7,317,695,742.

Number of shares of common stock, $2 par value, outstanding as of March 15, 1996 is 149,835,860.

DOCUMENTS INCORPORATED BY REFERENCE:

1. Only the following portions of the Pitney Bowes Inc. 1995 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 28 to 41.

   (b) Management's Discussion and Analysis and Summary of Selected Financial Data on pages 20 to 27 excluding the information on page 26 relating to Dividend Policy.

   (c) Stock Information and Stock Exchanges, on page 42.

2. Pitney Bowes Inc. Notice of the 1996 Annual Meeting and Proxy Statement dated March 29, 1996 pages 3, 4, 7, 8, 11-13, 20 and portions of pages 2, 5, 9, 10, 14 and 19 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 within three industry segments: business equipment, business services, and commercial and industrial financing. The company operates in two geographic areas: the United States and outside the U.S. Financial information concerning revenue, operating profit and identifiable assets by industry segment and geographic area appears on pages 20 and 40 of the Pitney Bowes Inc. 1995 Annual Report to Stockholders and is incorporated herein by reference.

Business Equipment. Business equipment consists of four products and service classes: mailing systems, copying systems, facsimile systems and related financing. These products and services are sold, rented or leased by the company. Some of the company's products are sold through dealers outside the U.S.

Mailing systems include postage meters, parcel registers, mailing machines, manifest systems, letter and parcel scales, mail openers, mailroom furniture, folders, and paper handling and shipping equipment.

Copying systems include a wide range of copying systems and supplies.

Facsimile systems include a wide range of facsimile systems and supplies.

The financial services operations provide lease financing for the company's products in the U.S., Canada, the United Kingdom, Germany, France, Norway, Ireland and Australia.

The company sold its Dictaphone Corporation (Dictaphone) and Monarch Marking Systems, Inc. (Monarch) subsidiaries in 1995 resulting in gains approximating $155 million net of approximately $130 million of income taxes. Dictaphone and Monarch have been classified in the Consolidated Statement of Income as discontinued operations; revenue and income from continuing operations exclude the results of Dictaphone and Monarch for all periods presented. (See Note 12, Acquisitions and discontinued operations, of the Notes to the Consolidated Financial Statements in the Pitney Bowes Inc. 1995 Annual Report to Stockholders which information is incorporated herein by reference).

Business Services. Business services consists of two classes of servicing the needs of third parties: facilities management and mortgage servicing.

Facilities management services are provided for a variety of business support functions, including correspondence mail and reprographics management, high volume automated mail center management and related activities such as facsimile, supplies distribution and records management provided by the company's Pitney Bowes Management Services, Inc. subsidiary (PBMS).

The business services segment also includes mortgage servicing. Mortgage servicing provides billing, collecting and processing services for major investors in residential first mortgages for a fee.

In October 1993, the company acquired all outstanding shares of Ameriscribe Corporation (Ameriscribe), a nationwide provider of on-site reprographics, mailroom and other office services. The company consolidated this unit with its facilities management business operated through its wholly-owned subsidiary, PBMS.

Commercial and Industrial Financing. The commercial and industrial financing segment provides equipment financing for non-Pitney Bowes equipment and other financial services to the commercial and industrial markets in the U.S. Products financed include both commercial and non-commercial aircraft, over-the-road trucks and trailers, railcars and locomotives and high-technology equipment such as data processing and communications equipment as well as commercial real estate properties. The finance operations have also participated, on a select basis, in certain other types of financial transactions including: sale of certain lease transactions, senior secured loans in connection with acquisitions, leveraged buyout and recapitalization financings and certain project financings.

Since the first quarter of 1993, the company has continued to phase out the business of financing non-Pitney Bowes equipment outside the U.S. In the U.S. the company continues to finance a broad range of other commercial and industrial products. Consolidated financial services operations financed 39 percent of consolidated sales from continuing operations in 1995, 41 percent in 1994 and 44 percent in 1993. The decreasing percentage financed is a direct result of the increasing significance of the facilities management business to the company's revenue. The facilities management business does not utilize traditional financing services used by the other businesses within the company.

Financial services' (which includes commercial and industrial, and internal financing) borrowing strategy is to use a balanced mix of debt maturities, variable- and fixed-rate debt and interest rate swap agreements to control its sensitivity to interest rate volatility. The company utilizes interest rate swap agreements when it considers the economic benefits to be favorable. Swap agreements have been principally utilized to fix interest rates on commercial paper and/or obtain a lower cost on debt than would otherwise be available absent the swap. The financial services businesses may borrow through the sale of commercial paper, under its confirmed bank lines of credit, and by private and public offerings of intermediate- or long-term debt securities. While the company's funding strategy may reduce sensitivity to interest rate changes over the long-term, effective interest costs have been and will continue to be impacted by interest rate changes. The company periodically adjusts prices on its new leasing and financing transactions to reflect changes in interest rates; however, the impact of these rate changes on revenue is usually less immediate than the impact on borrowing costs.

Nonrecurring Items, Net. During 1994, the company adopted a formal plan designed to address the impact of technology on work force requirements and to further refine its strategic focus on core businesses worldwide. Accordingly, in the third quarter of 1994 the company recorded a $93.2 million charge to income to cover the costs of such actions. The charge anticipated $61 million of severance and benefit costs for work force reductions, $22 million of asset write downs and $10 million of other exit costs. As of December 31, 1995, the company has made severance and benefit payments of approximately

$49 million, the majority of which was expended in 1995, to nearly 1,500 employees separated under these strategic focus initiatives.

The phase-out of older product lines, introduction of new, advanced products and increased need for higher employee skill levels to deliver and service these products will ultimately require a work force reduction of approximately 1,700 employees worldwide, and the future hiring of approximately 450 new employees with these requisite enhanced skills upon completion of these strategic focus initiatives. As of December 31, 1995, approximately 400 employees with the requisite skills have been hired to produce and service advanced product offerings. All costs associated with hiring of new employees were excluded from the charge and have been and will continue to be recognized appropriately in the period incurred.

Current and future advanced product offerings require a smaller, but more highly skilled engineering, manufacturing and service work force to take full advantage of design, production, diagnostic and service strategies. These disciplines anticipated a work force reduction of more than 850 employees with related severance and benefit costs of $27 million. As of December 31, 1995, the actions taken by the company relative to this portion of the initiative have resulted in cash expenditures of approximately $21 million and anticipated 1996 expenditures of approximately $6 million. Other anticipated strategic actions included reengineering and streamlining of order flow, logistics and other administrative processes in the U.S., Europe and the Asia Pacific region which anticipated an additional work force reduction of more than 800 employees with related severance and benefit costs of $22.7 million. As of December 31, 1995, the actions taken by the company relative to this portion of the initiative have resulted in cash expenditures of approximately $17 million, an additional accrual of approximately $5 million in separation and benefit costs and anticipated 1996 expenditures of approximately $10 million. The additional accrual has been recorded in selling, service and administrative expense in the Consolidated Statement of Income in the Pitney Bowes Inc. 1995 Annual Report to Stockholders which information is incorporated herein by reference. The decisions to phase out non-mailing products in Germany and the cessation of further development and marketing of shipping products which could not be cost-effectively upgraded to new technologies accounted for the remaining work force reductions and related severance and benefit costs. As of December 31, 1995, the actions taken by the company relative to this portion of the initiative have resulted in cash expenditures of approximately $9 million and anticipated 1996 expenditures of approximately $2 million.

As noted above, included in the plan to refine the strategic business focus of the company were anticipated asset write downs of $22 million and $10 million of other exit costs for certain additional actions. Consistent with a refinement of focus on core businesses, these actions include phasing-out non-mailing products in Germany. This decision anticipated the write down of inventories, lease and rental contracts and other assets to their net realizable value for which $7.4 million was provided. The decision to cease development and marketing of certain shipping products as noted above anticipated further inventory and other asset write-offs of $8.6 million. The company decided to transition a software-based business with its own product offerings to a limited product development and marketing support function. As a result, $6.3 million of goodwill related to the acquisition of this business was written-off. The $10 million of other exit costs are primarily due to the adoption of a centralized organizational structure in the European financial services businesses that anticipated the early termination of a facility lease. As of December 31, 1995, approximately $19 million in assets have been written off, $3 million of certain other exit costs have been incurred, approximately $2 million of the original anticipated write down associated with the phase-out of non-mailing products in Germany has been reclassified as other exit costs within the reserve and $5 million originally provided for the early termination of a facility lease has been reversed through selling, service and administration expense in the Consolidated Statement of Income in the Pitney Bowes Inc. 1995 Annual Report to Stockholders which information is incorporated herein by reference. Anticipated 1996 expenditures approximate $5 million, with the majority to be cash expenditures.

Benefits from the strategic focus initiatives (principally reduced employee expense) will be offset, in part, by increased hiring and training expenses to obtain employees with requisite skills.

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 12 percent, 13 percent and 14 percent of revenue in 1995, 1994 and 1993, respectively.

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 and outbound telemarketing. The company sells to a variety of business, governmental, institutional and other organizations (See Regulatory Matters below). 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 segments have strong competition from a number of companies. In particular, it is facing competition in many countries for new placements from several postage meter and mailing machine suppliers, and its mailing systems products face some competition from products and services offered as alternative means of message communications. PBMS, a market leader in providing mail and related 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 improving the economy and efficiency of its operations, including its production and service methods. Expenditures on research and development totaled $81.8 million, $78.6 million and $80.9 million in 1995, 1994 and 1993, 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 and Environmental Protection. 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.

The company purchases copiers, facsimile equipment, and scales, primarily from Japanese suppliers. The company believes that it has adequate sources available to it for the foreseeable future for such products.

The company is subject to federal, state and local laws and regulations concerning the environment, and is currently participating in administrative or court proceedings as a participant in various groups of potentially responsible parties. These proceedings are at various stages of activity, and it is impossible to estimate with any certainty the total cost of remediation, the timing and extent of remedial actions which may be required by governmental authorities, and the amount of the liability, if any, of the company. If and when it is possible to make a reasonable estimate of the company's liability, if any, with respect to such a matter, a provision would be made as appropriate. Based on facts presently known to it, the company does not believe that the outcome of these proceedings will have a material adverse effect on its financial condition.

Regulatory Matters. On June 9, 1995, the United States Postal Service (U.S.P.S.) issued final regulations addressing the manufacture, distribution and use of postage meters. The regulations cover four general categories: meter security, administrative controls, Computerized Meter Resetting Systems (C.M.R.S.) and other issues. In general, the regulations impose reporting and performance obligations on meter manufacturers, prescribe potential administrative sanctions for failure to meet these obligations and require a restructuring of the fund management system of C.M.R.S., such as the company's Postage by Phone(R) System, to give the U.S.P.S. more direct control over meter licensee deposits. The company is working with the U.S.P.S. to ensure that the implementation of these regulations provides mailing customers and the U.S.P.S. with the intended benefits, and that Pitney Bowes also benefits. The company believes that the financial impact to the company resulting from implementation of these regulations will not be material.

The company is also currently working with the U.S.P.S. to devise a multi-year migration schedule to phase out mechanical meters and replace them with electronic meters in a manner that is most beneficial and least disruptive to the operations of the company's customers. This is consistent with the company's strategy of introducing new technology into the market place to add value to customer operations and meet postal needs. This strategy and the company's long-term focus has resulted in an increase in the percentage of the electronic meter base in the U.S. from six percent of the overall base in 1986 to nearly 50 percent of the installed meter base in 1995. Until such time as a final meter migration plan is promulgated, the financial impact, if any, on the company cannot be determined; but, it is currently the belief of the company that the migration plan will not cause a material adverse financial impact.

Employee Relations. At December 31, 1995, 23,136 persons were employed by the company in the U.S. and 4,587 outside the U.S. Employee relations are considered to be very satisfactory. The great 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. 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 built a new facility in Shelton, Connecticut, which was completed in 1995. The company believes that its current and planned manufacturing, administrative and sales office properties are adequate for the needs of all of its business segments.

Business Equipment. Business equipment 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. There are 195 sales, support services, and finance offices, substantially all of which are leased, located throughout the U.S. and in a number of other countries. Executive and administrative offices of the financing operations within the U.S. are located in Norwalk, Connecticut. Offices outside the U.S. are maintained in London, England; Heppenheim, Germany; Paris, France; Mississauga, Ontario, Canada; North Ryde, Australia; Oslo, Norway; and Dublin, Ireland.

Business Services. The company's PBMS subsidiary is headquartered in Stamford, Connecticut and leases facilities in 29 cities located throughout the U.S. as well as leased facilities in Montreal, Quebec and Toronto, Ontario, Canada; and London, England. The Atlantic Mortgage and Investment Corporation operates in Jacksonville, Florida.

Commercial and Industrial Financing. Pitney Bowes Credit Corporation leases executive and administrative offices in Norwalk, Connecticut and Tualatin, Oregon. There are seven leased regional and district sales offices located throughout the U.S.

Item 3. Legal Proceedings

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 by or against the company 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 defendant in 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 has been advised that the Antitrust Division of the U.S. Department of Justice is conducting a civil investigation of its postage equipment business to determine whether there is, has been, or may be a violation of the surviving provisions of the 1959 consent decree between the company and the U.S. Department of Justice, and/or the antitrust laws. The company intends to cooperate with the Department's investigation.

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

None.

Executive Officers of the Registrant

			Executive
			Officer
Name	Age	Title	Since

George B. Harvey	64	Chairman, President and Chief Executive Officer	1967
Carmine F. Adimando	51	Vice President - Finance and Administration, and Treasurer	1982
Marc C. Breslawsky	53	Vice-Chairman	1985
Amy C. Corn	42	Corporate Secretary and Senior Associate General Counsel	1996
Michael J. Critelli	47	Vice-Chairman	1988
Meredith B. Fischer	43	Vice President - Communications, Marketing and Future Strategy	1996
Arlen F. Henock	39	Vice President - Controller and Chief Tax Counsel	1996
Douglas A. Riggs	51	Vice President - General Counsel	1988
Carole F. St. Mark	53	President and Chief Executive Officer - Pitney Bowes Business Services	1985
Johnna G. Torsone	45	Vice President - Personnel	1993

There is no family relationship among the above officers, all of whom have served in various corporate, division or subsidiary positions with the company for at least the past five years.

George B. Harvey, Chairman, President and Chief Executive Officer, will retire at the end of the year in accordance with the company's retirement age of 65. Michael J. Critelli was elected Vice Chairman and Chief Executive Officer and Marc C. Breslawsky was elected President and Chief Operating Officer, both effective at the company's annual meeting on May 13, 1996. Mr. Critelli was also elected Chairman of the Board and Chief Executive Officer, effective January 1, 1997. Mr. Harvey will continue to serve as Chairman until December 31, 1996.

PART II

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

The sections entitled "Stock Information" and "Stock Exchanges" on page 42 of the Pitney Bowes Inc. 1995 Annual Report to Stockholders are incorporated herein by reference. At December 31, 1995, the company had 32,859 common stockholders of record.

Item 6. Selected Financial Data

The section entitled "Summary of Selected Financial Data" on page 27 of the Pitney Bowes Inc. 1995 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" on pages 20 to 26 of the Pitney Bowes Inc. 1995 Annual Report to Stockholders is incorporated herein by reference, except for the section on page 26 relating to "Dividend Policy".

The company wishes to caution readers that any forward-looking statements contained in this Form 10-K or made by the management of the company involve risks and uncertainties, and are subject to change based on various important factors. The following factors, among others, could affect the company's financial results and could cause the company's financial performance to differ materially from the expectations expressed in any forward-looking statement made by or on behalf of the company -- the strength of worldwide economies; the effects of and changes in trade, monetary and fiscal policies and laws, and inflation and monetary fluctuations; the timely development of and acceptance of new Pitney Bowes products and the perceived overall value of these products by users including the features, pricing, and quality compared to competitors' products; the willingness of users to substitute competitors' products for Pitney Bowes products; the success of the company in gaining approval of its products in new markets where regulatory approval is required; the ability of the company to successfully enter new markets, including the ability to efficiently distribute and finance its products; the impact of changes in postal regulations around the world that directly regulate the manufacture, ownership and or distribution of postage meters, or that regulate postal rates and discounts; the willingness of mailers to utilize alternative means of communication; and the company's success at managing customer credit risk.

Item 8. Financial Statements and Supplementary Data

The financial statements, together with the report thereon of Price Waterhouse LLP dated January 29, 1996, appearing on pages 28 to 41 of the Pitney Bowes Inc. 1995 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 the information regarding the company's executive officers (see "Executive Officers of the Registrant" on page 8), the information called for by this Item is incorporated herein by reference to the sections entitled "Election of Directors" and "Security Ownership of Directors and Executive Officers" on pages 2 to 5 and 7 and 8 of the Pitney Bowes Inc. Notice of the 1996 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 8, 9, 10 to 14, and 19 to 20 of the Pitney Bowes Inc. Notice of the 1996 Annual Meeting and Proxy Statement are incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The section entitled "Security Ownership of Directors and Executive Officers" on pages 7 and 8 of the Pitney Bowes Inc. Notice of the 1996 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 Statements and Schedules" on page 17.

2. Financial statement schedules - see "Index to Financial Statements and Schedules" on page 17.

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)
(b)	By-laws, as amended	Exhibit (i)
(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 1, 1986 between Pitney Bowes Credit	Incorporated by reference to Exhibit (4b) to Registration Statement on Form S-3(No. 33-10766) as filed with the Commission on December 12, 1986.

	Corporation and Bankers Trust Company, as Trustee	
(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	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:

(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)	Deferred Compensation Plan for Directors	Incorporated by reference to Exhibit (10b) to Form 10-K as filed with the Commission on March 30, 1993. (Commission file number 1-3579)
(c)	Pitney Bowes Inc. Directors' Stock Plan	Incorporated by reference to Exhibit (10a) to Form 10-K as filed with the Commission on March 25, 1992. (Commission file number 1-3579)
(d)	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)

(e)	Pitney Bowes Inc. Key Employees' Incentive Plan (as amended and restated)	Incorporated by reference to Exhibit (10c) to Form 10-K as filed with the Commission on March 25, 1992. (Commission file number 1-3579)
(f)	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)
(g)	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)
(h)	Pitney Bowes Executive Severance Policy, adopted December 11, 1996.	Exhibit (ii)
(11)	Statement re computation of per share earnings	Exhibit (iii)
(12)	Computation of ratio of earnings to fixed charges	Exhibit (iv)
(13)	Portions of annual report to security holders	Exhibit (v)
(21)	Subsidiaries of the registrant	Exhibit (vi)
(23)	Consent of experts and counsel	Exhibit (vii)
(27)	Financial Data Schedule	Exhibit (viii)

(b) No reports on Form 8-K were filed for the three months ended December 31, 1995.

On March 13, 1996, the company filed a Form 8-K disclosing the Preference Share Purchase Rights Agreement dated December 11, 1995 between the company and Chemical Mellon Shareholder Services, L.L.C., as Rights Agent.

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/ George B. Harvey
(George B. Harvey)
Chairman, President and Chief
Executive Officer

Date April 1, 1996

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/ George B. Harvey George B. Harvey	Chairman, President and Chief Executive Officer - Director	April 1, 1996
/s/ Carmine F. Adimando Carmine F. Adimando	Vice President-Finance and Administration, and Treasurer (principal financial officer)	April 1, 1996
/s/ Arlen F. Henock Arlen F. Henock	Vice President-Controller and Chief Tax Counsel (principal accounting officer)	April 1, 1996
/s/ Linda G. Alvarado Linda G. Alvarado	Director	April 1, 1996
/s/ Marc C. Breslawsky Marc C. Breslawsky	Director	April 1, 1996
/s/ William E. Butler William E. Butler	Director	April 1, 1996
/s/ Colin G. Campbell Colin G. Campbell	Director	April 1, 1996
/s/ Michael J. Critelli Michael J. Critelli	Director	April 1, 1996
/s/ Charles E. Hugel Charles E. Hugel	Director	April 1, 1996
/s/ David T. Kimball David T. Kimball	Director	April 1, 1996

/s/ Leroy D. Nunery Leroy D. Nunery	Director	April 1, 1996
/s/ Michael I. Roth Michael I. Roth	Director	April 1, 1996
/s/ Phyllis S. Sewell Phyllis S. Sewell	Director	April 1, 1996
/s/ Arthur R. Taylor Arthur R. Taylor	Director	April 1, 1996

INDEX TO FINANCIAL STATEMENTS AND SCHEDULES

The additional financial data should be read in conjunction with the financial statements in the Pitney Bowes Inc. 1995 Annual Report to Stockholders. Schedules not included with this additional financial data 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.

ADDITIONAL FINANCIAL DATA

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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 29, 1996 appearing on page 41 of the Pitney Bowes Inc. 1995 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 by reference 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.

Price Waterhouse LLP

Stamford, Connecticut
January 29, 1996

PITNEY BOWES INC.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

FOR THE YEARS ENDED DECEMBER 31, 1993 TO 1995

(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				
1995	$16,909	$ 4,126(1)	$ 7,985(2)(3)	$ 13,050
1994	$16,691	$ 4,262	$ 4,044(3)	$ 16,909
1993	$16,578	$ 9,024(4)	$ 8,911(3)	$ 16,691
Allowance for credit losses on finance receivables				
1995	$113,091	$68,275	$67,860(3)	$113,506
1994	$116,512	$64,933	$68,354(3)	$113,091
1993	$ 96,975	$84,524	$64,987(3)	$116,512
Reserve for transition costs(5)				
1995	$64,893	$ 5,145	$47,052(6)	$ 22,986
1994	$ 344	$93,258	$28,709(6)	$ 64,893
1993	$ 1,627	$ -	$ 1,283(7)	$ 344
Valuation allowance for deferred tax asset(5)				
1995	$37,532	$12,076	$ 915	$ 48,693
1994	$25,975	$12,867	$ 1,310	$ 37,532
1993	$28,800	$ 2,059	$ 4,884	$ 25,975

<FN>

(1) Includes $382 of additions applicable to a business at acquisition.
(2) Includes $2,406 of deductions applicable to a business disposition.
(3) Principally uncollectible accounts written off.
(4) Includes $1,300 of additions applicable to a business at acquisition.
(5) Included in balance sheet as a liability.

(6) Includes amounts for asset write downs and amounts paid as well as reclassifications.

(7) Amounts paid.

Exhibit (i)

BY-LAWS

OF

PITNEY BOWES INC.

(As amended and revised February 12, 1996)

PITNEY BOWES INC.

BY-LAWS
ARTICLE I
MEETINGS OF STOCKHOLDERS

Section 1. Annual Meeting. The annual meeting of the stockholders for the election of directors and the trans action of such other business as may properly be brought before the meeting shall be held on such date, and at such place and time, as the Chairman of the Board or the Board of Directors shall designate.

Section 2. Special Meeting. Special meetings of the stockholders may be called by the Board of Directors, as provided in Article I, Section 7.

Section 3. Notice of Meetings. Subject to the provisions of the Restated Certificate of Incorporation and except as otherwise required by law, written notice of an annual or special meeting of stockholders shall be given not less than ten (10) nor more than sixty (60) days prior to the meeting to each stockholder entitled to vote at the meeting. In the case of a special meeting of stockholders, the purpose or purposes for which the meeting is called shall be set forth in the notice. If mailed, such notice shall be deemed to be given when deposited in the United States mail, postage prepaid, directed to the stockholder at his address as it appears on the records of the Corporation.

Section 4. List of Stockholders. The Secretary or the Treasurer shall prepare and make, or cause the Transfer Agent to prepare and make, at least ten (10) days before every meeting of stockholders, a complete list, as of the record date, of the stockholders entitled to vote at the meeting, arranged in alphabetical order and showing the address of, and the number of shares registered in the name of, each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof and may be inspected by any stockholder who is present. The stock ledger shall be the only evidence as to who are the stockholders entitled to examine the list of stockholders, or to vote in person or by proxy at any meeting of stockholders.

Section 5. Advance Notice Procedures. (a) General. The business to be conducted at any stockholder's meeting of the Corporation and nominations for the election of directors of the Corporation's Board of Directors shall be limited to such business and nominations as shall comply with the procedures set forth in this Article I and in Article II of these By-laws.

(b) Notification of Stockholder Business. At a special meeting of stockholders' only such business shall be conducted as shall have been set forth in the notice of special meeting. At an annual meeting of stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be (i) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (ii) otherwise properly brought before the meeting by or at the direction of the Board of Directors, or (iii) otherwise (a) properly requested to be brought before the meeting by a stockholder of record entitled to vote in the election of directors generally, and (b) constitute a proper subject to be brought before such meeting.

For business to be properly brought before an annual meeting by the stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation, not later than 90 days in advance of such meeting. A stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting (a) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (b) the name and address, as they appear on the Corporation's books, of the stockholder intending to propose such business, (c) the class and number of shares of capital stock of the Corporation which are beneficially owned by the stockholder, (d) a representation that the stockholder is a holder of record of capital stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to present such business, and (e) any material interest of the stockholder in such business. Nominations for elections of directors at either an annual or special meeting of stockholders shall be made, if at all, in accordance with Section 6 of Article II of these By-laws.

Notwithstanding anything in the By-laws to the contrary, no business shall be conducted at any annual meeting except in accordance with the procedures set forth in this Section 5. The chairman of the annual meeting may, if the facts warrant, determine and declare to the meeting that (i) the business proposed to be brought before the meeting was not a proper subject therefor and/or (ii) such business was not properly brought before the meeting and in accordance with the provisions of this Section 5, and, if he should so determine, he may so declare to the meeting and any such business not properly brought before the meeting or not a proper subject therefor shall not be transacted.

(c) Meeting Delay. For purposes of this Section 5, and Section 6 of Article II of these By-laws, reference to a requirement to deliver notice of information to the Corporation a set number of days in advance of an annual meeting shall mean that such notice must be delivered such number of days in advance of the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced by more than 30 days or delayed by more than 60 days from the first anniversary of the preceding year's annual meeting, notice by the stockholder to be timely must be so delivered not later than the close of business on the later of the 60th day prior to such annual meeting or the 10th day following the day on which notice of such meeting is first given to stockholders. For purposes of these By-laws, notice shall be deemed to be first given to stockholders when disclosure of such date is first made in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission Pursuant to Sections 13, 14 or 15(d) of the Securities Exchange Act of 1934.

Section 6. Adjournments. Subject to the provisions of Article I, Section 7 hereof, any meeting of stock holders, annual or special, may adjourn from time to time to reconvene at the same or some other place, and notice need not be given of such adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the Corporation may transact any business that might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 7. Quorum and Voting. At any meeting of stockholders the holders of a majority of the shares entitled to vote thereat shall constitute a quorum for the transaction of any business. Directors shall be elected by a plurality of the votes cast. Each other question properly presented to any meeting of stockholders shall be decided by a majority of the votes cast on the question entitled to vote thereon, except as otherwise required by law. Elections of directors shall be by ballot but the vote upon any other question need be by ballot only if so ordered by the person presiding at the meeting, or by a vote of a majority of the stockholders, present in person or by proxy, entitled to vote on the question. In the event of lack of a quorum, the chairman of the meeting or majority in interest of the stockholders present in person or by proxy may adjourn the meeting from time to time until a quorum shall be obtained.

Treasury shares as of the record date shall not be shares entitled to vote or to be counted in determining the total number of outstanding shares.

Any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of such holders and may not be effected by any consent in writing by such holders. Except as otherwise required by law and subject to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, special meetings of stockholders of the Corpora tion may be called only by the Board of Directors pursuant to a resolution approved by a majority of the entire Board of

Directors.

Section 8. Conduct of Meetings. The date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at such meeting by the person presiding over the meeting. The Board of Directors may (i) appoint a person to preside over meetings of stockholders (in the absence of the Chairman of the Board, the Chief Executive Officer and the President), and (ii) adopt by resolution such rules and regulations for the conduct of meetings of stock holders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board of Directors, the chairman of any meeting of stock holders shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the chairman of the meeting, may include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) rules and procedures for maintaining order at the meeting and the safety of those present; (iii) limitations on attendance at or participation in the meeting to stockholders of record of the Corporation, their duly authorized and constituted proxies or such other persons as the chairman shall permit; (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (v) limitations on the time allotted to questions or comments by participants. Unless and to the extent determined by the Board of Directors or the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with rules of parliamentary procedure.

Section 9. Inspectors of Election. The Corporation shall, in advance of any meeting of stockholders, appoint one or more inspectors of election, who may be employees of the Corporation, to act at the meeting or any adjournment thereof and to make a written report thereof. The Corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. In the event that no inspector so appointed or designated is able to act at a meeting of stockholders, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath to execute faithfully the duties of inspector with strict impartiality and according to the best of his ability.

The inspector or inspectors so appointed or designated shall (i) ascertain the number of shares of capital stock of the Corporation outstanding and the voting power of each such share, (ii) determine the shares of capital stock of the Corporation represented at the meeting and the validity of proxies and ballots, (iii) count all votes and ballots, (iv) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors, and (v) certify their determination of the number of shares of capital stock of the Corporation represented at the meeting and such inspectors' count of all votes and ballots. Such certification and report shall specify such other information as may be required by law. In determining the validity and counting of proxies and ballots cast at any meeting of stockholders of the Corporation, the inspectors may consider such information as is permitted by applicable law. No person who is a candidate for an office at an election may serve as an inspector at such election.

ARTICLE II
BOARD OF DIRECTORS

Section 1. Powers of Board. The business of the Corporation shall be managed by or under the direction of the Board of Directors.

Section 2. Number, Election and Terms. Except as otherwise fixed by or pursuant to the provisions of Article Fourth of the Restated Certificate of Incorporation relating to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect additional directors under specified circumstances, the number of the Directors of the Corporation shall be fixed from time to time by the Board of Directors but shall not be less than three. The Directors, other than those who may be elected by the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, shall be classified, with respect to the time for which they severally hold office, into three classes, as nearly equal in number as possible, as determined by the Board of Directors of the Corporation, one class to be originally elected for a term expiring at the annual meeting of stockholders to be held in 1985, another class to be originally elected for a term expiring at the annual meeting of stockholders to be held in 1986, and another class to be originally elected for a term expiring at the annual meeting of stockholders to be held in 1987, with each class to hold office until its successor is elected and qualified at each annual meeting of the stockholders of the Corporation, the successors of the class of Directors whose term expires at that meeting shall be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election.

Section 3. Stockholder nomination of director candidates. Advance notice of stockholder nominations for the election of Directors shall be given in the manner provided in Article II, Section 6 of these By-laws.

Section 4. Newly created directorships and vacancies. Except as otherwise provided for or fixed by or pursuant to the provisions of Article Fourth of the Restated Certificate of Incorporation relating to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect directors under specified circumstances, newly created directorships resulting from any increase in the number of Directors and any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other cause shall be filled by the affirmative vote of a majority of the remaining Directors then in office, even though less than a quorum of the Board of Directors. Any Director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the class of Directors in which the new directorship was created or the vacancy occurred and until such Director's successor shall have been elected and qualified. No decrease in the number of Directors constituting the Board of Directors shall shorten the term of any incumbent Director.

Section 5. Removal. Subject to the rights of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect Directors under specified circumstances, any Director may be removed from office, with or without cause and only by the affirmative vote of the holders of 80% of the combined voting power of the then outstanding shares of stock entitled to vote generally in the election of Directors, voting together as a single class.

Section 6. Notification of Nominations. Subject to the rights of holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, nominations for the election of directors may be made by the Board of Directors or a committee appointed by the Board of Directors by any stockholder entitled to vote in the election of directors generally. However, any stockholder entitled to vote in the election of directors generally may nominate one or more persons for election as directors at a meeting only if written notice of such stockholder's intent to make such nomination or nominations has been given, either by personal delivery or by United States mail, postage prepaid, to the Secretary of the Corporation not later than (i) with respect to an election to be held at an annual meeting of stockholders, 90 days in advance of such meeting, and (ii) with respect to an election to be held at a special meeting of stockholders for the election of directors, the close of business on the seventh day following the date on which notice of such meeting is first given to stockholders. Each such notice shall set forth: (a) the name and address of the stockholder who intends to make the nomination and of the person or persons to be nominated; (b) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (c) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder; (d) such other information regarding each nominee proposed by such stockholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission, had the nominee been nominated, or intended to be nominated, by the Board of Directors; and (e) the consent of each nominee to serve as a director of the Corporation if so elected. The chairman of the meeting may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure.

Section 7. Quorum; Vote Required for Action. At all meetings of the Board of Directors a majority of the whole Board shall constitute a quorum for the transaction of business; but if at any meeting of the Board there is less than a quorum present, a majority of those present may adjourn the meeting from time to time. Except in cases in which the Restated Certificate of Incorporation or these By-laws otherwise provide, the vote of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 8. First Meeting. As soon as practicable after each annual election of directors, the Board of Directors shall meet for the purpose of organization and the transaction of other business. Notice of such meeting need not be given. In the alternative, such first meeting may be held at any other time which shall be specified in a notice given as hereinafter provided, for special meetings of the Board of Directors.

Section 9. Regular Meetings. Regular meetings of the Board of Directors may be held, without notice, at such times and places as may be fixed by the Board.

Section 10. Special Meetings. Special meetings of the Board of Directors shall be held whenever called by the Chairman or by any two of the directors. Notice of each special meeting of the Board shall be given to each director either by mail not later than noon, New York time, on the third day prior to the meeting, or by electronic transmission, written message or orally to the director not later than noon, New York time, on the day prior to the meeting. Notices are deemed to have been given: by mail, when deposited in the United States mail; by electronic transmission, at the time of transmission; and by messenger, at the time of delivery. Notices by mail, electronic transmission or messenger shall be sent to each director at the address designated by him for that purpose, or, if none has been designated, at his last known residence or business address.

A notice of meeting of the Board of Directors need not specify the purpose of any meeting of the Board of Directors.

Section 11. Organization. The Chairman of the Board of Directors shall preside at meetings of the Board; in the Chairman's absence, a member of the Board selected by the members present shall preside at meetings of the Board. The Secretary of the Corporation shall act as Secretary, but in his absence the presiding officer may appoint a Secretary.

Section 12. Resignations. Any director of the Corporation may resign at any time by giving written notice to the Board of Directors or to the Chairman or to the Secretary of the Corporation. Such resignation shall take effect at the time specified therein, or if no time is specified, upon receipt thereof. Unless otherwise specified, the acceptance of such resignation shall not be necessary to make it effective. Any vacancy created by a resignation may be filled in the same manner as prescribed under Article II, Section 4, hereof.

Section 13. Compensation of Directors. The Board of Directors shall have authority to fix the compensation and provide for the reimbursement of expenses of directors in respect of their service in any capacity.

Section 14. Committees. The Board of Directors may, by resolution passed by a majority of the whole Board of Directors, designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of the committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in place of any such absent or disqualified member. Any such committee, to the extent permitted by law and to the extent provided in the resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it.

Section 15. Committee Rules. Unless the Board of Directors otherwise provides, each committee designated by the Board of Directors may make, alter and repeal rules for the conduct of its business. In the absence of such rules each committee shall conduct its business in the same manner as the Board of Directors conducts its business pursuant to these By-laws.

ARTICLE III
OFFICERS

Section 1. Election; Term of Office. The officers of the Corporation shall be elected by and shall serve at the pleasure of the Board of Directors. There may be a Chairman of the Board, a Chief Executive Officer, a President, one or more Vice Presidents, a Secretary, a Treasurer and such other officers as the Board of Directors may determine. Subject to the provisions of these By-laws, officers shall hold their offices until their successors are elected and qualified or until their earlier death, resignation or removal. Any number of offices may be held by the same person.

Section 2. Powers and Duties. The officers of the Corporation shall have such authority and perform such duties in the management of the Corporation as may be prescribed by the By-laws, or by the Board of Directors, and to the extent not so prescribed pursuant to the By-laws, they shall have such authority and perform such duties in the management of the Corporation, subject to the control of the Board, as generally pertain to their respective offices.

Section 3. Chairman of the Board. The Chairman of the Board shall preside at the meetings of the Board and of stockholders and shall see that all orders and resolutions of the Board are carried into effect.

Section 4. Chief Executive Officer. The Chief Executive Officer shall have general and active supervision and management of the business of the Corporation. In the absence of the Chairman, he shall preside at meetings of stockholders.

Section 5. President. The President shall be the chief operating officer of the Corporation. In the absence of the Chairman and the Chief Executive Officer, he shall preside at meetings of stockholders.

Section 6. Resignation, Removal and Vacancies. Any officer may resign at any time upon written notice to the Corporation. Any officer elected by the Board of Directors may be removed at any time, with or without cause, by the affirmative vote of a majority of a quorum of Directors. The Board of Directors may fill any vacancies resulting from death, resignation, or removal of an officer in the same manner as provided for the election or appointment of such person.

ARTICLE IV
OTHER MATTERS

Section 1. Corporate Seal. The corporate seal shall be in such form as the Board of Directors shall prescribe. Said seal may be used by causing it or a facsimile thereof to be impressed, affixed or otherwise used. The Secretary, any Assistant Secretary, the Treasurer or any Assistant Treasurer may affix the seal to any instrument signed by a duly authorized officer, or when specifically authorized by the Board of Directors, and may attest the same. Unless otherwise provided by the Board of Directors, the seal may also be attested by any officer of the Corporation except the officer signing the instrument on behalf of the Corporation.

Section 2. Waiver of Notice. Whenever any notice is required to be given under the Restated Certificate of Incorporation, the By-laws or otherwise by law, a waiver thereof in writing, signed by the person or persons entitled to the notice, whether before or after the time stated there in, shall be deemed equivalent thereto. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at nor the purpose of any regular or special meeting of the stockholders, directors, or members of a committee of directors need be specified in any written waiver of notice.

Section 3. Voting of Stocks Owned by the Corporation. The Chairman of the Board of Directors or such other person as the Board of Directors may designate shall be authorized to attend, vote and grant proxies to be used at any meeting of stockholders of any corporation in which the Corporation may hold stock.

Section 4. By-law Amendment. Subject to the provisions of the Restated Certificate of Incorporation, these By-laws may be altered, amended or repealed at any regular meeting of the stockholders (or at any special meeting thereof duly called for that purpose) by a majority of the votes cast on the question entitled to vote thereon; provided that in the notice of such special meeting notice of such purpose shall be given. Subject to the laws of the State of Delaware, the Restated Certificate of Incorporation and these By-laws, the Board of Directors may, by majority vote of those present at any meeting at which a quorum is present, amend these By-laws or enact such other By-laws as in their judgment may be advisable for the regulation of the conduct of the affairs of the Corporation.

Section 5. Construction. The masculine gender, where appearing in these By-laws, shall be deemed to include the feminine gender.

Exhibit (ii)

SENIOR EXECUTIVE SEVERANCE POLICY

I. Purpose

To provide a period of continued income to certain senior executive employees whose employment is terminated within two years after a Change of Control as defined herein.

II. Definitions

As used herein the following words and phrases shall have the following respective meanings unless the context clearly indicates otherwise.

1. Annual Incentive. The annual Performance Based Compensation Incentive that a Participant is eligible to earn pursuant to the Company's Key Employee Incentive Plan.

2. Annual Incentive Award. The highest amount a Participant received as an annual Performance Based Compensation Incentive award in any of the three years prior to a termination of employment entitling the Participant to a Separation Benefit.

3. Annual Salary. The Participant's regular annual base salary immediately prior to his or her termination of employment, including compensation converted to other benefits under a flexible pay arrangement maintained by the Company or deferred pursuant to a written plan or agreement with the Company, but excluding overtime pay, allowances, premium pay, compensation paid or payable under any Company long-term or short-term incentive plan or any similar payment.

4. Board. The Board of Directors of the Company.

5. Code. The Internal Revenue Code of 1986, as amended from time to time.

6. Date of the Change of Control. The date on which a Change of Control occurs.

7. Date of Termination. The date on which a Participant ceases to be an Employee.

8. Effective Date. The date specified in the resolution of the Board adopting this Plan.

9. Employee. Any full-time, regular-benefit, non-bargaining employee of the Company.

10. ERISA. The Employee Retirement Income Security Act of 1974, as amended, and the regulations thereunder.

11. Participant. An individual who is designated as such pursuant to Section III.

12. Plan. The Pitney Bowes Inc. Senior Executive Severance Policy.

13. Separation Period. The period beginning on a Participant's Date of Termination and ending upon the second anniversary thereof.

III. Participation

Each of the individuals named on Schedule 1 hereto shall be a Participant in the Plan. Schedule 1 may be amended by the Board from time to time to add or delete individuals as Participants.

IV. Separation Benefits

A. If any Participant is terminated as that term is defined in Section IV.F. within two years after a Change of Control occurs (whether or not such termination is as a result of such Change of Control), the Company shall pay such Participant, within ten days of the Date of Termination, a cash lump sum as set forth in Section IV.B. below and the continued benefits set forth in Section IV.C. below. For purposes of determining the benefits set forth in Sections IV.B. and IV.C., if the termination of the Participant's employment follows a reduction of the Participant's Annual Salary, opportunity to earn an Annual Incentive, or other compensation or employee benefits, such reduction shall be ignored.

B. The cash lump sum referred to in Section IV.A. is the aggregate of the following amounts:

(i) the sum of (1) the Participant's Annual Salary through the Date of Termination to the extent not theretofore paid, (2) the product of (x) the Annual Incentive Award and (y) a fraction, the numerator of which is the number of days in the such year through the Date of Termination, and the denominator of which is 365, and (3) any compensation previously deferred by the Participant (together with any accrued interest or earnings thereon) and any accrued vacation pay, in each case to the extent not theretofore paid and in full satisfaction of the rights of the Participant thereto;

(ii) an amount equal to the product of (1) two times (2) the sum of (x) the Participant's Annual Salary and (y) the Participant's Annual Incentive Award; and

(iii) an amount equal to the difference between (a) the actuarial equivalent of the benefit under the Company's qualified defined benefit retirement plan (the "Retirement Plan") and any excess or supplemental retirement plans in which the Participant participates (collectively, the "SERP") which the Participant would receive if his or her employment continued during the Separation Period, assuming that the Participant's compensation during the Separation Period would have been equal to his or her compensation as in effect immediately before the termination or, if higher, on the Effective Date, and (b) the actuarial equivalent of the Participant's actual benefit (paid or payable), if any, under the Retirement Plan and the SERP as of the Date of Termination. The actuarial assumptions used for purposes of determining actuarial equivalence shall be no less favorable to the Participant than the most favorable of those in effect under the Retirement Plan and the SERP on the Date of Termination and the Effective Date.

C. The continued benefits referred to above are as follows:

(i) during the Separation Period, the Participant and his or her family shall be provided with medical, dental and life insurance benefits as if the Participant's employment had not been terminated; provided, however, that if the Participant becomes reemployed with another employer and is eligible to receive medical or other welfare benefits under another employer-provided plan, the medical and other welfare benefits described herein shall be secondary to those provided under such other plan during such applicable period of eligibility. For purposes of determining eligibility (but not the time of commencement of benefits) of the Participant for retiree medical, dental and life insurance benefits under the Company's plans, practices, programs and policies, the Participant shall be considered to have remained employed during the Separation Period and to have retired on the last day of such period; and

(ii) The Company shall, at its sole expense as incurred, provide the Participant with outplacement services the scope and provider of which shall be selected by the Company, but at a cost to the Company of not more than 12% of base pay not to exceed fifty thousand dollars ($50,000.00).

To the extent any benefits described in this Section IV.C. cannot be provided pursuant to the appropriate plan or program maintained for Company employees, the Company shall provide such benefits outside such plan or program at no additional cost (including without limitation tax cost) to the Participant.

D. The cash lump sum and continuing benefits described in Sections IV.A., IV.B. and IV.C. above shall be payable in addition to, and not in lieu of, all other accrued or vested or earned but deferred rights, options or other benefits which may be owed to a Participant upon or following termination, including but not limited to accrued vacation or sick pay, amounts or benefits payable under any incentive (other than the Annual Incentive) or other compensation plans, stock option plan, stock ownership plan, stock purchase plan, life insurance plan, health plan, disability plan or similar or successor plan, but excluding any severance pay or pay in lieu of notice required to be paid to such Participant under applicable law.

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

1. 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% 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

2. Individuals who, as of December 11, 1995, 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 December 11, 1995, 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 or Regulation 14A promulgated under the Exchange Act); or

3. There occurs either (i) the consummation of a reorganization, merger or consolidation, in each case, with respect to which the individuals and entities who were the respective beneficial owners of 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, beneficially own, directly or indirectly, more than 50%

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 (ii) 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. For purposes of this Plan, a "termination" shall include not only any termination by the Company of a Participant for reasons other than (i) an act or acts of personal dishonesty by such Participant at the expense of the Company or its subsidiaries or (ii) the conviction of such Participant of a felony involving moral turpitude, but also shall include a termination of employment by the Participant for any reason during the 30-day period immediately following the first anniversary of the Date of the Change of Control or for any of the following reasons:

1. The assignment to a Participant of any duties inconsistent in any respect with the Participant's position, authority, duties and responsibilities as existed on the day immediately prior to the Change of Control, or any other action by the Company which results in a diminution in such position, authority, duties, or responsibilities, excluding for this purpose an isolated, insubstantial, and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Participant;

2. Any failure by the Company following a Change of Control to continue to provide the Participant with Annual Salary, opportunity to earn Annual Incentives, employee benefits, or other compensation equal to or greater than that to which such Participant was entitled immediately prior to the Date of the Change of Control, other than an isolated, insubstantial, and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Participant;

3. The Company's requiring the Participant to be based at any office or location more than 35 miles farther from the Participant's place of residence than the office or location at which the Participant is employed immediately prior to the Date of the Change of Control; or

4. Any failure by the Company to require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) who acquired all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform the Company's obligations under this Severance Plan in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place.

For purposes of subparagraphs 1 through 4 of this Section IV.F., any good faith determination made by a Participant shall be conclusive.

G. Any termination by the Company or by the Participant in accordance with Section IV.F. shall be communicated by a Notice of Termination to the other party. Any Notice of Termination shall be by written instrument which (i) indicates the specific termination provision in Section IV.F. above relied upon, (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Participant's employment under the provision so indicated, and (iii) if the Date of Termination is other than the date of receipt of such notice, specifies the Date of Termination (which date shall not be more than 15 days after the giving of such notice). The failure by any Participant to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of entitlement to terminate under subparagraphs 1 through 4 of Section IV.F. above shall not waive any right of such Participant or preclude such Participant from asserting such fact or circumstance in enforcing his rights.

H. In case of death, any unpaid allowance will be paid to the Participant's survivors or estate.

V. Plan Administration and Claims

A. The Plan Administrator shall be Pitney Bowes Inc., World Headquarters, Stamford, CT 06926- 0700. Claims with regard to eligibility or other matters covered in the Plan may be brought to the attention of the following individual:

Executive Director-Compensation.

B. If an Employee or former Employee makes a written request alleging a right to receive benefits under this Plan or alleging a right to receive an adjustment in benefits being paid under the Plan, the Company shall treat it as a claim for benefit. All claims for benefit under the Plan shall be sent to the Executive Director-Compensation of the Company and must be received within 90 days after termination of employment. If the Company determines that any individual who has claimed a right to receive benefits, or different benefits, under the Plan is not entitled to receive all or any part of the benefits claimed, it will inform the claimant in writing of its determination and the reasons therefor in terms calculated to be understood by the claimant. The notice will be sent within 90 days of the claim unless the Company determines additional time, not exceeding 90 days, is needed. The notice shall make specific reference to the pertinent Plan provisions on which the denial is based, and describe any additional material or information as necessary. Such notice shall, in addition, inform the claimant what procedure the claimant should follow to take advantage of the review procedures set forth below in the event the claimant desires to contest the denial of the claim. The claimant may within 90 days thereafter submit in writing to the Company a notice that the claimant contests the denial of his or her claim by the

Company and desires a further review. The Company shall within 60 days thereafter review the claim and authorize the claimant to appear personally and review pertinent documents and submit issues and comments relating to the claim to the persons responsible for making the determination on behalf of the Company. The Company will render its final decision with specific reasons therefor in writing and will transmit it to the claimant within 60 days of the written request for review, unless the Company determines additional time, not exceeding 60 days, is needed, and so notifies the Participant. If the Company fails to respond to a claim filed in accordance with the foregoing within 60 days or any such extended period, the Company shall be deemed to have denied the claim.

C. If a Participant institutes any legal action in seeking to obtain or enforce, or is required to defend in any legal action the validity or enforceability of, any right or benefit provided by this Plan, the Company will pay for all actual legal fees and expenses incurred (as

incurred) by such Participant, regardless of the outcome of such action and whether such action is between the Company and the Participant or between either of them and any third party.

VI. Miscellaneous

A. Amendment and Termination

1. This Plan is established by the Company on a voluntary basis and not on past consideration for services rendered, and the benefits herein are provided at the will of the Company. Neither the establishment of this Plan nor the payment of benefits by the Company shall be construed or interpreted as a condition of employment, nor shall this Plan modify or enlarge any rights of any person covered by it to be continued or to be retained in the employ of the Company.

2. Prior to the time a Change of Control has occurred, the Company may, in its sole discretion, without notice, amend or modify, in whole or in part, all of the terms and conditions of this Plan; provided, however, that this Plan may not be so amended or modified in connection with an actual, threatened, or proposed Change of Control in any manner which would result in a reduction of benefits to any Participant; and provided further that any amendment or modification occurring within one year prior to a Change of Control shall be deemed to be "in connection with" an actual, threatened, or proposed Change of Control and shall be void unless the amended or modified Plan provides equivalent or greater benefits to every eligible Participant. Such amendment or modification may be retroactive in application; provided, however, such retroactive application shall not require or provide for the return or repayment of any benefits paid prior to the date of the adoption of the amendment or modification.

3. Prior to the time a Change of Control has occurred, the Company shall have the sole and absolute right to terminate this Plan without notice at any time;

provided, however, that this Plan may not be so terminated in connection with an actual, threatened, or proposed Change of Control, unless a new severance plan is adopted which provides equivalent or greater benefits to every eligible Participant; and provided further that any termination occurring within one year prior to a Change of Control shall be deemed to be in connection with an actual, threatened, or proposed Change of Control, and shall be void unless a new severance plan is adopted which provides equivalent or greater benefits to every eligible Participant. Any valid termination shall be effective as of the date specified, by the Company and, if no date is specified, the date of the action of termination by the Company. Upon termination, the Company will continue to make payments according to the terms of any executed terminated pay agreements which have not been fully paid.

4. When a Change of Control, as defined herein, occurs, then all rights to severance payments contained herein shall vest in all covered Participants and shall be considered a contract right enforceable against the Company and any successors thereto.

B. Certain Additional Payments by the Company.

1. Anything in this Plan to the contrary notwithstanding and except as set forth below, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of any Participant (whether paid or payable or distributed or distributable pursuant to the terms of this Plan or otherwise, but determined without regard to any additional payments required under this Section VI.B.) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by the Participant with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Participant shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Participant of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Participant retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

2. Subject to the provisions of Section VI.B.3., all determinations required to be made under this Section VI.B., including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by such certified public

accounting firm as may be designated by the Company (the "Accounting Firm"), which shall provide detailed supporting calculations both to the Company and the Participant within 15 business days of the receipt of notice from the Participant that there has been a payment, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change of Control, the Company shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section VI.B. shall be paid by the Company to the Participant within five days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Company and the Participant. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross- Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section VI.B.3. and the Participant thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Participant.

3. The Participant shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Participant is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Participant shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Participant in writing prior to the expiration of such period that it desires to contest such claim, the Participant shall:

(i) give the Company any information reasonably requested by the Company relating to such claim,

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,

(iii) cooperate with the Company in good faith in order effectively to contest such claim, and

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Participant harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section VI.B.3., the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Participant to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Participant agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Participant to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Participant, on an interest-free basis and shall

indemnify and hold the Participant harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Participant with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Participant shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

4. If, after the receipt by the Participant of an amount advanced by the Company pursuant to Section VI.B.3., the Participant becomes entitled to receive any refund with respect to such claim, the Participant shall (subject to the Company's complying with the requirements of Section VI.B.3.) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Participant of an amount advanced by the Company pursuant to Section VI.B.3., a determination is made that the Participant shall not be entitled to any refund with respect to such claim and the Company does not notify the Participant in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the

amount of Gross-Up Payment required to be paid.

C. Non-Alienability

No benefit provided hereunder shall be subject to any forms of sale, assignment or transfer. Benefits provided by this Plan shall not be subject to attachment, garnishment or other legal or equitable proceedings by creditors or persons representing creditors. Such payments are, however, subject to all applicable taxes and appropriate withholdings.

D. Eligibility for Other Benefits

This Plan shall have no effect on the Participant's eligibility for other benefits customarily provided

after termination unless otherwise stated in a written agreement executed by an authorized representative of the Company. The payments of benefits under this Plan shall not be deemed to be a continuation of employment, pay, or credited service for purposes of determining the availability, nature, or extent of other benefits, including, but not limited to, benefits available in the Company's Retirement Plan, Major Medical Plan, or Dental Plan.

E. Unfunded Plan Status

This Plan is intended to be an unfunded plan maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees, within the meaning of Section 401 of ERISA. All payments pursuant to the Plan shall be made from the general funds of the Company and no special or separate fund shall be established or other segregation of assets made to assure payment. No Participant or other person shall have under any circumstances any interest in any particular property or assets of the Company as a result of participating in the Plan. Notwithstanding the foregoing, the Company may (but shall not be obligated to) create one or more grantor trusts, the assets of which are subject to the claims of the Company's creditors, to assist it in accumulating funds to pay its obligations under the Plan.

F. Validity and Severability

The invalidity or unenforceability of any provision of the Plan shall not affect the validity or enforceability of any other provision of the Plan, which shall remain in full force and effect, and any prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

G. Governing Law

The validity, interpretation, construction and performance of the Plan shall in all respects be governed by the laws of the State of Connecticut without reference to principles of conflict of law, except to the extent pre-empted by federal law.

H. Plan Records

The records for this Plan are kept on a plan year beginning on January 1 and ending on the following December 31.

I. Legal Service

The person designated to receive legal papers or summons in connection with this Plan is the Corporate Secretary, Pitney Bowes Inc., World Headquarters, Stamford CT 06926-0700.

J. Plan Identification Numbers

The following number(s) is(are) used for identification on certain forms which must be filed with various U.S. Government agencies:

Employer Identification Number: 06-0495050

SCHEDULE 1

EXECUTIVE SENIOR MANAGEMENT EMPLOYEES DESIGNATED AS PARTICIPANTS UNDER THE PITNEY BOWES INC. SENIOR EXECUTIVE SEVERANCE POLICY

Carmine F. Adimando
Marc C. Breslawsky
Michael J. Critelli
George B. Harvey
Douglas A. Riggs
Carole F. St. Mark
Johnna G. Torsone

PITNEY BOWES INC. EXHIBIT (iii)

STATEMENT RE COMPUTATION OF PER SHARE EARNINGS

(Dollars in thousands, except share data)	Years Ended December 31,				
	1995	1994	1993(1)	1992(1)	1991(1)
Primary					
Income from continuing operations(2)	$ 407,708	$ 348,428	$ 305,690	$ 260,736(3)	$ 242,649(3)
Discontinued operations	175,431	45,161	47,495	54,129	52,648
Effect of accounting changes	-	(119,532)	-	(214,631)	-
Net income	$ 583,139	$ 274,057	$ 353,185	$ 100,234	$ 295,297
Weighted average number of common shares outstanding	151,140,274	156,459,437	157,766,700	157,562,020	158,180,010
Preference stock, $2.12 cumulative convertible	785,355	847,430	905,231	1,085,684	1,386,566
Stock option and purchase plans	432,845	421,761	696,721	581,782	371,838
Convertible loan stock	-	-	-	5,926	16,266
Total common and common equivalent shares outstanding	152,358,474	157,728,628	159,368,652	159,235,412	159,954,680
Income per common and common equivalent share - primary:					
Continuing operations	$ 2.68	$ 2.21	$ 1.92	$ 1.64	$ 1.52
Discontinued operations	1.15	.29	.30	.34	.33
Effect of accounting changes	-	(.76)	-	(1.35)	-
Net income	$ 3.83	$ 1.74	$ 2.22	$ .63	$ 1.85
Fully Diluted					
Income from continuing operations	$ 407,709	$ 348,430	$ 305,694	$ 260,740(3)	$ 242,653(3)
Discontinued operations	175,431	45,161	47,495	54,129	52,648
Effect of accounting changes	-	(119,532)	-	(214,631)	-
Net income	$ 583,140	$ 274,059	$ 353,189	$ 100,238	$ 295,301
Weighted average number of common shares outstanding	151,140,274	156,459,437	157,766,700	157,562,020	158,180,010
Preference stock, $2.12 cumulative convertible	785,355	847,430	905,231	1,085,684	1,386,566
Stock option and purchase plans	460,348	439,756	706,981	606,915	410,102
Convertible loan stock	-	-	-	5,926	16,266
Preferred stock, 4% cumulative convertible	11,502	14,265	23,464	26,409	28,930
Total common and common equivalent shares outstanding	152,397,479	157,760,888	159,402,376	159,286,954	160,021,874
Income per common and common equivalent share - fully diluted:					
Continuing operations	$ 2.68	$ 2.21	$ 1.92	$ 1.64	$ 1.52
Discontinued operations	1.15	.29	.30	.34	.33
Effect of accounting changes	-	(.76)	-	(1.35)	-
Net income	$ 3.83	$ 1.74	$ 2.22	$ .63	$ 1.85

<FN>

(1) Reclassified to reflect discontinued operations.

(2) Income from continuing operations was adjusted for preferred dividends.

(3) Income from continuing operations was adjusted for interest on convertible debt.

PITNEY BOWES INC. EXHIBIT (iv)

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES (1)

(Dollars in thousands)

	Years Ended December 31,				
	1995	1994	1993(2)	1992(2)	1991(2)
Income from continuing operations before income taxes	$618,931	$566,507	$498,860	$411,954	$388,997
Add:					
Interest expense	226,110	194,115	189,292	230,764	257,595
Portion of rents representative of the interest factor	42,064	42,339	33,842	33,786	32,503
Amortization of capitalized interest	914	914	914	914	914
Income as adjusted	$888,019	$803,875	$722,908	$677,418	$680,009
Fixed charges:					
Interest expense	$226,110	$194,115	$189,292	$230,764	$257,595
Capitalized interest	2,178	733	-	-	-
Portion of rents representative of the interest factor	42,064	42,339	33,842	33,786	32,503
	$270,352	$237,187	$223,134	$264,550	$290,098
Ratio of earnings to fixed charges	3.28	3.39	3.24	2.56	2.34

<FN>

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

(2) Reclassified to reflect discontinued operations.

Exhibit (v)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Segments

Pitney Bowes operates within three industry segments: business equipment, business services and commercial and industrial financing. The company has refined its strategic focus to capitalize on its strengths and competitive position. The company is concentrating its energies and resources on products and services which facilitate the preparation, organization, movement, delivery, tracking, storage and retrieval of documents, packages, letters and other materials, in hard copy and digital form for its customers.

The business equipment segment includes: postage meters and mailing equipment, production mail systems, shipping and facsimile systems, copiers and copier supplies, and related financing. The business services segment includes: mailroom, reprographics and related facilities management services, and mortgage servicing. The commercial and industrial financing segment provides financial services for the commercial and industrial markets.

The company sold its Dictaphone Corporation (Dictaphone) and Monarch Marking Systems, Inc. (Monarch) subsidiaries in 1995 resulting in gains approximating $155 million net of approximately $130 million of income taxes. Dictaphone and Monarch have been classified in the Consolidated Statement of Income as discontinued operations; revenue and income from continuing operations exclude the results of Dictaphone and Monarch for all periods presented. See Note 12 to the consolidated financial statements.

Revenue and operating profit by business segment and geographic area for the years ended 1993 to 1995 were as follows:

	Revenue		
(in millions)	1995	1994	1993
Industry segments:			
Business equipment	$2,799	$2,592	$2,516
Business services	403	348	215
Commercial and industrial financing	353	331	269
Total	$3,555	$3,271	$3,000
Geographic areas:			
United States	$3,108	$2,851	$2,550
Outside the United States	573	524	554
Inter-area revenue	(126)	(104)	(104)
Total	$3,555	$3,271	$3,000

	Operating profit		
(in millions)	1995	1994*	1993
Industry segments:			
Business equipment	$ 586	$ 561	$ 511
Business services	30	31	11
Commercial and industrial financing	69	60	58
Total	$ 685	$ 652	$ 580
Geographic areas:			
United States	$ 643	$ 655	$ 524
Outside the United States	56	6	61

Inter-area profit	(14)	(9)	(5)
Total	$ 685	$ 652	$ 580

* As a result of the nonrecurring items in 1994, industry segments include a $21 million credit in Business equipment and a $6 million credit in Business services; geographic areas include a $61 million credit in the United States and a $34 million charge outside the United States (See Note 13).

Identifiable assets by business segment and geographic area for the years 1993 to 1995 were as follows:

	Identifiable assets		
(in millions)	1995	1994	1993
Industry segments:			
Business equipment	$3,612	$3,416	$3,163
Business services	374	330	313
Commercial and industrial financing	3,638	3,129	2,866
Total	$7,624	$6,875	$6,342
Geographic areas:			
United States	$6,928	$6,317	$5,743
Outside the United States	828	764	865
Total	$7,756	$7,081	$6,608

Certain prior year amounts have been reclassified to conform with the 1995 presentation.

Results of Continuing Operations
1995 Compared to 1994

Revenue increased nine percent in 1995 as a result of growth in the United States operations as well as strong growth in international operations. Income per share from continuing operations increased 21 percent to $2.68 per share in 1995 from $2.21 per share in 1994. The 1995 revenue increase was primarily a result of strong double-digit growth in the facilities management contract base, strong facsimile systems supplies sales in support of the growing plain paper facsimile base and international mailing growth led by the United Kingdom mailing business which had strong equipment sales throughout 1995. In addition, sales benefited from the first quarter United States Postal Service (U.S.P.S.) rate change and the mid-1995 acquisition of Pitney Bowes' former Japanese joint venture offset, in part, by slower performance in the low-end shipping market in the U.S. In 1995, both price increases and foreign currency fluctuation had less than a one percent favorable impact on sales growth.

Rentals and financing revenue increased nine percent in 1995. Rental revenue increased eight percent in 1995. This growth was fueled by the impressive gain in placements of electronic and digital meters including the introduction of the company's first digital meter, PostPerfect,(TM) a continued shift to more profitable electronic and digital meters utilizing the Postage By Phone(R) meter resetting system and strong volume growth in plain paper facsimile equipment placements. Financing revenue increased 10 percent in 1995. Excluding the impact of finance asset sales in both years, revenue growth would have been 16 percent. This growth was achieved by increased activity in the financing of the company's products and strong increases in creditworthy small ticket leases. Financing revenue also benefited from portfolio growth, fee-based income and increased leveraged lease revenue offset by the continued impact of the 1993 decision to phase out the business of financing non-Pitney Bowes equipment outside of the U.S.

Volume and price growth contributed to a five percent increase in revenue from support services included in the business equipment segment. Expansion of the service agreement

base in the facsimile and copier businesses offset the effect of a planned competitive pricing strategy. U.S. mailing and shipping and production mail systems had strong volume gains in the equipment service base; international mailing and production mail systems also contributed to the growth with pricing gains.

The ratio of cost of sales to sales in 1995 was 60.9 percent versus 58.4 percent in 1994. The facilities management business includes most of its costs and expenses in cost of sales. The growth in its revenue and its increasing significance to total revenue of the company continues to impact this ratio. The increase in 1995 was also the result of increased efficiencies associated with longer production runs in 1994 in U.S. mailing. Partially offsetting the increase in the cost of sales to sales ratio was the favorable gross margin realized from the 1995 U.S.P.S. rate change.

The ratio of cost of rentals and financing to related revenue improved to 29.4 percent in 1995 compared with 32.3 percent in 1994. The improvement was attributable to growth in fee income which has minimal associated costs, improved equipment rental margins in the U.S., a lower cost base supporting higher earning asset levels and fewer sales, in 1995, of lower-margin lease assets. Amortization of purchased mortgage rights served to partially offset the decrease in the ratio of costs to related rental and financing revenue.

As a part of the company's direction toward new technology in transitioning to all electronic postage meters and to meet postal needs, the estimated service lives of postage meters was revised effective January 1, 1995. The meter base has been segregated according to technological content. Mechanical meters which at December 31, 1995 constituted approximately 50 percent of the meter base had their depreciable lives shortened while electronic meters had their depreciable lives lengthened due to enhanced security, functionality and limited risk of technological obsolescence. These changes in depreciable lives were accounted for as a change in accounting estimate and were not material to 1995 results of operations.

Selling, service and administrative expense, as a percentage of revenue, was down to 34.6 percent compared to 35.7 percent in 1994. The improvement was primarily a result of more efficient operations and savings in the company's benefit plans, largely emanating from the strategic focus initiatives commenced in 1994. The improvement in this ratio was achieved despite the inclusion in 1994 of a patent royalty settlement and a special cash payment on an investment security.

Research and development expense increased four percent as a result of advanced product development with an emphasis on electronic technology and software and the required higher expenditure on new products as they approach the end of their development cycle. In 1995, a smaller portion of the engineering activities were in support of newly introduced products.

Net interest increased 16 percent as a result of higher interest rates coupled with higher average levels of borrowing primarily at the financial services businesses. The increased borrowing levels at the financial services businesses were used primarily to fund continued investments in finance assets. Borrowings at the corporate level related to common stock repurchases made in anticipation of the sale proceeds on Monarch and Dictaphone. Any future changes to the interest rate environment could effect the company's borrowing strategies. The company's practice is to manage the interest rate risk, most of which is in the financial services businesses, through the use of a balanced mix of debt maturities, variable and fixed-rate debt and interest rate swap agreements. The company's swap adjusted variable-rate versus fixed-rate debt mix was 57 percent and 43 percent, respectively, at December 31, 1995.

Through December 31, 1995 the company successfully implemented the plan adopted in the third quarter of 1994 which was designed to address the impact of technology on work force requirements and to further refine its strategic focus on core businesses. The plan resulted in a $93.2 million charge against earnings in 1994. The details of this plan are discussed below and in Note 13 to the consolidated financial statements. The company has made severance and benefit payments of approximately $49 million, the majority of which were paid in 1995, to nearly 1,500 employees separated under the strategic focus initiatives. It is anticipated that upon completion of the actions contemplated under the strategic initiatives, approximately 1,700 employees will have been separated from the company at a cost approximating $5 million in excess of that initially provided in 1994. This excess has been recorded in selling, service and administrative expense. Also, the company has written down assets and incurred certain other exit costs, as planned, by approximately $19 million and $3 million, respectively, the majority of which occurred in 1994. At this time, management believes that the remaining reserve of approximately $23 million, most of which is committed to severance and benefit payments to separated employees, is adequate to complete the actions identified in the plan. The majority of the remaining reserve will require cash outlays. Benefits from the strategic focus initiatives (primarily reduced employee expense) will be offset, in part, by increased hiring and training expenses to obtain employees with requisite skills.

Operating profit excluding the impact of nonrecurring items in 1994, increased nine percent with business equipment reflecting growth of eight percent, business services 21 percent and commercial and industrial financing 16 percent. The operating profit performance in the business equipment segment reflects strong performances by mailing and facsimile businesses in the U.S. and internationally as well as the copier business in the U.S. In the fourth quarter 1995, incremental installation and service costs approximating $9 million were reimbursed to non-U.S. operations by the related U.S. manufacturer to support certain new product introductions. All businesses contributed to the operating profit growth in the business services segment. Operating profit growth in the commercial and industrial financing segment was achieved despite increased interest expense and lower contributions from asset sales. Lower credit loss provisions together with a higher fee income contributed to the growth in operating profit.

Inclusive of the nonrecurring charges, the operating profit growth, overall, was five percent with business equipment and commercial and industrial financing segments growing their respective operating profit by four percent and 16 percent while the business services segment reflected a three percent decrease in operating profit.

The effective tax rate was 34.1 percent in 1995 compared to 38.5 percent in 1994. The 1994 effective tax rate includes the impact of approximately $28 million of strategic actions for which the company could not realize associated tax benefits. Excluding the impact of such nonrecurring items, the 1994 tax rate was 36.3 percent. In addition, the 1995 effective rate was favorably affected by tax benefits associated with a company owned life insurance investment, as well as a higher level of tax-exempt income and lower taxes on foreign operations.

Although not affecting income, deferred translation losses amounted to $1 million in 1995 versus gains of $6 million in 1994. In 1995 translation losses resulted primarily from the weakening of the pound sterling.

Results of Continuing Operations
1994 Compared to 1993

Revenue increased nine percent in 1994 primarily as a result of growth in the U.S. operations, especially in the facilities management, mailing, financial services and facsimile businesses as well as improved performance in the U.K. Favorable foreign currency impacts in the U.K. and Germany were mostly offset by a weakening Canadian dollar. Growth was slowed by unfavorable performances in

Germany and in the low-end shipping market in the U.S. Additionally, revenue growth in 1994 was slowed by the company's first-quarter 1993 decision to phase out the business of financing non-Pitney Bowes equipment outside of the U.S. Income per share from continuing operations increased 15 percent to $2.21 per share in 1994 from $1.92 per share in 1993. In 1994 income from continuing operations included the effect of a nonrecurring $25.4 million pretax credit. The credit was the result of a $118.6 million credit to income due to changes made in certain postemployment benefits offset, in part, by the establishment of a $93.2 million reserve covering strategic focus initiatives. This net credit added only $3.5 million, or two cents per share to income from continuing operations because some of the strategic actions were taken in countries where the company is unable to recognize associated tax benefits.

In 1993, income from continuing operations was impacted by the enactment of the Omnibus Budget Reconciliation Act of 1993 (the Tax Act), enacted August 10, 1993, which increased U.S. corporate income tax rates from 34 percent to 35 percent, retroactive to January 1, 1993. Consequently, the company recorded $22.0 million of additional taxes against 1993 income from continuing operations ($5.4 million on 1993 earnings and $16.6 million on deferred taxes). Excluding the effect of the nonrecurring net credit in 1994 and the impact of the Tax Act on deferred taxes in 1993, income per share from continuing operations would have been eight percent above the prior year.

Sales revenue increased 11 percent in 1994 driven by aggressive expansion of the facilities management contract base, including the late 1993 acquisition of Ameriscribe, strong growth in sales of facsimile supplies to support the growing plain-paper equipment base and copier and production mail systems product placements in the U.S., as well as strong mailing equipment sales in the U.K. These growth factors were partly offset by greater revenue in 1993 from PROM (memory chip) and scale chart sales resulting from parcel and postal rate changes in the U.S. and 1994 sales declines in Germany and the U.S. shipping business. The unfavorable comparison in the U.S. shipping business, particularly in the low-volume segment was due principally to enhanced 1993 revenue due to special marketing programs as well as increased competitive pressure from carrier automation initiatives in 1994. In Germany, 1993 record results included sales for equipment upgrades necessitated by consolidation of the East and West German postal zones. Additionally, the decision in the third quarter 1994 to phase out sales of non-mailing products as part of the company's formal plan of strategic focus refinement negatively impacted sales revenue. In 1994, both price increases and foreign currency impacts had less than a one percent favorable impact on sales growth.

Rentals and financing revenue increased ten percent in 1994. Rental revenue increased nine percent in 1994. This increase was due to mailing price increases, higher numbers of postage meters on rental, including a greater mix of higher-yielding Postage By Phone(R) and electronic meters, as well as a greater mix of plain paper facsimile equipment placements. Financing revenue increased 11 percent in 1994, reflecting a greater contribution from sales of finance assets than in 1993, and included the sale of operating lease assets which generated approximately $45 million in revenue. Financing revenue also benefited from portfolio growth, increased leveraged lease revenue and fee-based income partly offset by lower lease rates and the decision to phase out the business of financing non-Pitney Bowes equipment outside of the U.S.

Support services revenue decreased slightly in 1994. This decrease was due to a decline in the non-U.S. mailing equipment service base and a shift in mix of shipping service agreements to low-end products which were mostly offset by price increases on mailing contracts.

The cost of sales to sales revenue ratio increased to 58.4 percent in 1994 from 55.2 percent in 1993. The ratio increase was due to the growing significance of the company's facilities management business which includes most of its costs and expenses in cost of sales, particularly after the Ameriscribe acquisition. In 1994, increased engineering support of the company's many new products, reduced margins on certain of the company's mailing, shipping and facsimile products and unfavorable LIFO expense negatively impacted the comparison of these ratios. These factors were partly offset by improved margins at the company's facilities management and copier operations in both years.

Results in 1993 also benefited from high-margin PROM and scale chart sales as well as favorable LIFO effects.

The cost of rentals and financing to rentals and financing revenue ratio was 32.3 percent in 1994 compared with 31.7 percent in 1993. The increase in 1994 resulted from increased asset sale activity, including the sales of lower-margin operating lease assets with a cost of $42.6 million, offset, in part, by favorable mailing rental equipment margins in the U.S. The growing impact of amortization of purchased mortgage servicing rights associated with the company's mortgage servicing subsidiary also increased the cost ratio in 1994.

Selling, service and administrative expense as a percentage of revenue was 35.7 percent in 1994 compared to 37.3 percent in 1993. The ratio comparison benefited from lower

relative expenses related to the facilities management business after the Ameriscribe acquisition, effective management of overall U.S. benefit costs, and continued cost containment programs throughout the company. Also, 1994 benefited from a patent royalty settlement and a special cash payment on an investment security. Expense reductions resulted from the establishment of retiree medical coverage maximums.

Research and development expense declined three percent in 1994. This decline was caused by the completion of the primary development cycle for certain of the company's major new mailing products, with the most significant new products launched in 1992. These products currently use ongoing engineering support to improve functionality and increase manufacturing efficiencies, the cost of which is recorded in cost of sales.

Net interest expense increased six percent in 1994. In 1994 the increase was due to higher short-term interest rates and average borrowing levels. Increased borrowing levels were used primarily to fund common stock repurchases and investments in finance assets. The company's practice is to manage its interest rate risk, most of which is in the financial services businesses, through the use of a balanced mix of debt maturities, variable- and fixed-rate debt and interest rate swap agreements. The company's swap adjusted variable rate versus fixed-rate debt mix was 65 percent and 35 percent, respectively, at December 31, 1994.

In 1994, as noted above, a net nonrecurring credit of $25.4 million resulted from a $118.6 million credit to income for changes made to certain postemployment benefits and the decision to undertake certain strategic actions which resulted in the establishment of a $93.2 million reserve.

As part of the work-life initiatives undertaken by the company in 1994, it was concluded that employees prefer benefits more closely related to their changing work-life needs. As a result, in the third quarter of 1994, the company significantly reduced or eliminated certain postemployment benefits, specifically service-related company-subsidized life insurance, salary continuance and medical benefits, resulting in a pre-tax credit to income of $118.6 million ($70.9 million net of approximately $47.7 million of income taxes). Postemployment benefit expense for 1994 was not materially affected by these benefit changes and the net impact of the adoption of Statement of Financial Accounting Standards No. 112, "Employees' Accounting for Postemployment Benefits" (FAS 112) discussed below in Accounting Changes, nor is ongoing postemployment benefit expense expected to be materially affected. As a further outgrowth of the above study, the company also instituted, effective January 1, 1995, certain enhancements to its deferred investment plan, including an increase in the company's match of employee contributions.

During the third quarter of 1994, the company adopted a formal plan designed to address the impact of technology on work force requirements and to further refine its strategic focus on core businesses worldwide. The phase-out of older product lines, introduction of new, advanced products and increased need for higher employee skill levels to deliver and service these products required a work force reduction as described above. Severance and benefit related costs approximating $61 million were included in this reserve for work force reduction. All costs associated with hiring of new employees were excluded from the plan and have been recognized appropriately in the period incurred.

Current and future advanced product offerings require a smaller, but more highly skilled engineering, manufacturing and service work force to take full advantage of design, production, diagnostic and service strategies. These requirements accounted for a work force reduction of more than 850 employees. Other strategic actions included reengineering and streamlining of order flow, logistics and other administrative processes in the U.S., Europe and the Asia Pacific region. The decisions to phase out non-mailing products in Germany and the cessation of further development and marketing of shipping products which cannot be cost-effectively upgraded to new technologies accounted for the remaining work force reductions.

Included in the plan to refine the strategic business focus of the company were costs approximating $32 million for certain additional actions. Consistent with a refinement of focus on core businesses, the actions included phasing out non-mailing products in Germany. This decision required the write down of inventories, accounts receivable, rental contracts and other assets to their realizable value; such impacts were accrued with this reserve. In addition, anticipated lease buyback exposure and expected future losses during the phase-out of the non-mailing businesses were accrued. The decision to cease development and marketing of certain shipping products as noted above also resulted in inventory and other asset write-offs. As part of the administrative reengineering actions, the adoption of a centralized organizational structure in the European financial services businesses resulted in the planned early termination of a facility lease, the cost of which was included in the reserve. The company transitioned a software-based business with its own product offering to a product development support function. As a result, the remaining goodwill related to the acquisition of this business was written-off. As of December 31, 1994 the company had made severance and benefits payments of $3.4 million to more than 200 employees separated under the strategic focus initiatives. Benefits from the strategic focus initiatives (primarily reduced employee expense) were offset, in part, by increased hiring and training expenses to obtain employees with requisite skills.

Operating profit inclusive of the nonrecurring items in 1994, increased 12 percent with business equipment reflecting growth of 10 percent and commercial and industrial financing increasing three percent. Operating profit increased substantially at business services due to the fourth quarter 1993 acquisition of Ameriscribe, a nationwide provider of on-site reprographics, mailroom and other office services to industrial corporations and professional service firms on a contract basis.

The effective tax rate was 38.5 percent in 1994 compared to 38.7 percent in 1993. The 1994 effective tax rate includes the impact of approximately $28 million of strategic actions for which the company could not realize associated tax benefits offset, in part, by higher levels of tax exempt income and research and development tax credits. The 1993 effective tax rate reflects the impacts of the Tax Act discussed above. Excluding the impact of the tax legislation, the effective tax

rate for 1993 was 34.3 percent. Further affecting this rate was the tax impact of a partnership lease transaction and research and development tax credits.

Although not affecting income, deferred translation gains amounted to $6 million in 1994 versus losses of $20 million in 1993, respectively. In 1994 the gains resulted primarily from the strengthening of the pound sterling. In 1993 losses resulted primarily from the weakening of the pound sterling. The Canadian dollar, which weakened in 1993 and 1994, contributed to these impacts.

Discontinued Operations and Acquisitions

On June 29, 1995, the company sold Monarch for approximately $127 million in cash, subject to post-closing adjustments, to a new company jointly formed by Paxar Corporation and Odyssey Partners, L.P. On August 11, 1995, the company sold Dictaphone for approximately $450 million in cash, subject to post-closing adjustments, to an affiliate of Stonington Partners, Inc. The sales of Dictaphone and Monarch resulted in gains approximating $155 million, net of approximately $130 million of income taxes. Dictaphone and Monarch have been classified in the Consolidated Statement of Income as discontinued operations; revenue and income from continuing operations exclude the results of Dictaphone and Monarch for all periods presented.

With the fourth quarter 1993 acquisition of Ameriscribe, the company continued the expansion of its facilities management business. The transaction was accounted for by the purchase method.

See Note 12 to the consolidated financial statements.

Financial Services

The financial services operations provide lease financing for Pitney Bowes products in the U.S., Canada, the U.K., Germany, France, Norway, Ireland and Australia, the results of which are included in the business equipment segment. It also provides equipment financing for non-Pitney Bowes equipment and other financial services to the commercial and industrial markets in the U.S., the results of which are included in the commercial and industrial financing segment.

Condensed financial information of the company's consolidated financial services operations is disclosed in Note 16 to the consolidated financial statements. Consolidated financial services operations financed 39 percent of consolidated sales from continuing operations in 1995, 41 percent in 1994 and 44 percent in 1993. The decreasing percentage financed is a direct result of the increasing significance of the facilities management business to the company's revenue. The facilities management business does not require traditional financing services used by the other businesses within the company.

Total financial services revenue amounted to $714 million in 1995 up eight percent from 1994. Total financial services assets increased to $5.4 billion at year-end 1995, up 12 percent from $4.8 billion in 1994. To fund finance assets, borrowings were $3.7 billion in 1995 and $3.2 billion in 1994. Borrowing requirements for the funding of new business were reduced by the proceeds received from the sale of approximately $100 million and $190 million of finance assets during 1995 and 1994, respectively. In addition to the $250 million of borrowings available under shelf registration statements, the financial services businesses had approximately $1.7 billion of unused lines of credit outstanding as of year-end 1995, largely supporting commercial paper borrowings.

Accounting Changes

The company adopted FAS 112 as of January 1, 1994 which required that postemployment benefits be recognized on the accrual basis of accounting. 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.

The one-time effect of adopting FAS 112 was a non-cash, after-tax charge of $119.5 million (net of approximately $80.5 million of income taxes), or 76 cents per share. Additional information with respect to accounting for postemployment benefits is disclosed in Note 11 to the consolidated financial statements.

In addition to the adoption of FAS 112 as discussed above, the company also adopted in 1994 Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities," and Statement of Financial Accounting Standards No. 119, "Disclosure about Derivative Financial Instruments and Fair Value of Financial Instruments." In 1995, Statement of Financial Accounting Standards No. 114, "Accounting by Creditors for Impairment of a Loan," and Statement of Financial Accounting Standards No. 118, "Accounting by Creditors for Impairment of a Loan-Income Recognition and Disclosures" were also adopted. None of these statements significantly affected the company's reported results. In 1995, Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," Statement of Financial Accounting Standards No. 122, "Accounting for Mortgage Servicing Rights" and Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation" were issued. These statements must be adopted effective January 1, 1996. None of these pronouncements is expected to materially affect the company.

Liquidity and Capital Resources

The current ratio reflects the company's practice of utilizing a balanced mix of debt maturities to fund finance assets. The current ratio increased to .60 to 1 as of December 31, 1995 from .52 to 1 as of December 31, 1994 as a result of decreased short-term borrowings, which were reduced by the proceeds received from the sales of Monarch and Dictaphone, the issuance of long-term debt by Pitney Bowes Credit Corporation (PBCC), a wholly-owned subsidiary of the company, and the issuance in June 1995 of preferred stock in a subsidiary company. See Note 6 to the consolidated financial statements. The company also entered into interest rate swap agreements principally through its financial services businesses. It has been the practice and objective of the company to use a balanced mix of debt maturities, variable- and fixed-rate debt and interest rate swap agreements to control its sensitivity to interest rate volatility. The

company utilizes interest rate swap agreements when it considers the economic benefits to be favorable. Swap agreements, as noted above, have been principally utilized to fix interest rates on commercial paper and/or obtain a lower cost on debt than would otherwise be available absent the swap.

The ratio of total debt to the total of such debt and stockholders' equity was 62.2 percent as of December 31, 1995, compared to 66.3 percent as of December 31, 1994, including preferred stock in a subsidiary company in total debt. The ratio of total debt to the total of such debt and stockholders' equity was 60.7 percent as of December 31, 1995, compared to 66.3 percent as of December 31, 1994, excluding preferred stock in a subsidiary company. This ratio was favorably impacted by the company's sales of Dictaphone and Monarch, by the sale of certain finance assets, by the 1993 strategic decision to phase out the business of financing non-Pitney Bowes equipment outside of the U.S. as well as by the company's strong operating cash flow. These factors were partially offset in 1995 by the repurchase of approximately 2.3 million shares of common stock for $98 million and increased investment in finance assets.

Of the cash required to be paid under the company's strategic focus initiatives, severance and benefit related costs paid out were $45.1 million and $3.4 million in 1995 and 1994, respectively, with the remaining cash outlays of approximately $23 million expected on obligations committed to under the plan.

As part of the company's non-financial services shelf registrations, a medium-term note facility was established permitting issuance of up to $100 million in debt securities with maturities ranging from more than one year up to 30 years on which $32 million remain available as of December 31, 1995. The company also has an additional $300 million remaining on shelf registrations filed with the Securities and Exchange Commission (SEC).

PBCC has $125 million available from a $500 million shelf registration statement filed with the SEC. In September 1995, PBCC filed another registration statement for an additional $625 million of debt securities. In November 1995, PBCC commenced a $500 million medium-term note offering. The $500 million medium-term note offering and the remaining $250 million of unissued debt securities should meet PBCC's long-term financing needs for the next several years.

In May 1995, PBCC issued $100 million of 6.250 percent notes due in June, 1998 and $100 million of 6.625 percent notes due in June 2002. In June 1995, PBCC also issued $75 million of medium term notes due in June, 2000 with a weighted average coupon rate of 6.014 percent.

In June 1995, Pitney Bowes International Holdings, Inc., a subsidiary of the company, issued $200 million of variable term voting preferred stock to outside institutional investors in a private placement transaction. The stock issuance enables the company to better manage its international cash and investments. The proceeds of the issuance were used to pay down short-term borrowings. Preferred stockholders' equity in a subsidiary company on the Consolidated Balance Sheet represents the outstanding preferred stock (2,000,000 shares) of Pitney Bowes International Holdings, Inc. All of the outstanding common stock of Pitney Bowes International Holdings, Inc., representing 75% of the combined voting power of all classes of capital stock, is owned directly or indirectly by Pitney Bowes Inc. The balance of the capital stock, consisting of such preferred stock, is owned by certain outside institutional investors and accounts for the remaining 25% of the combined voting power. The preferred stock, $.01 par value, is entitled to cumulative dividends at rates set at auction. The auction intervals are for generally 49 days although longer periods may be set in the future. The weighted average dividend rate in 1995 was 4.3%. Dividends are reflected as a minority interest in the Consolidated Statement of Income in selling, service, and administrative expense.

As of year-end 1995, the company had unused lines of credit and revolving credit facilities totaling $2.0 billion in the U.S. and $106 million outside the U.S. largely supporting commercial paper borrowings. Amounts available under credit agreements, shelf registrations and commercial paper and medium-term note programs, in addition to cash generated internally and by the sales of Dictaphone and Monarch, are expected to be sufficient to provide for financing needs in the next two years. Information with respect to debt maturities is disclosed in Note 5 to the consolidated financial statements.

Capital Investment

During 1995, net investments in fixed assets included $100 million in net additions to property, plant and equipment and $225 million in net additions to rental equipment and related inventories compared with $126 million and $213 million, respectively, in 1994. These additions included expenditures for normal plant and manufacturing equipment as well as a new facility in Shelton, Connecticut. In the case of rental equipment, the additions included the production of postage meters and the purchase of facsimile and copier equipment for both new placements and upgrade programs.

As of December 31, 1995, 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.

The company's commercial and industrial financing segment has made senior secured loans and commitments in connection with acquisition, leveraged buyout and recapitalization financing. The company has not participated in unsecured or subordinated debt financing in any highly leveraged transactions.

Legal, Environmental and Regulatory Matters

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 by or against the company 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 defendant in 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 has been advised that the Antitrust Division of the U.S. Department of Justice is conducting a civil investigation of its postage equipment business to determine whether there is, has been, or may be a violation of the surviving provisions of the 1959 consent decree between the company and the U.S. Department of Justice, and/or the antitrust laws. The company intends to cooperate with the Department's investigation.

The company is subject to federal, state and local laws and regulations concerning the environment, and is currently participating in administrative or court proceedings as a participant in various groups of potentially responsible parties. These proceedings are at various stages of activity, and it is impossible to estimate with any certainty the total cost of remediation, the timing and extent of remedial actions which may be required by governmental authorities, and the amount of the liability, if any, of the company. If and when it is possible to make a reasonable estimate of the company's liability, if any, with respect to such a matter, a provision would be made as appropriate. Based on facts presently known to it, the company does not believe that the outcome of these proceedings will have a material adverse effect on its financial condition.

On June 9, 1995, the U.S.P.S. issued final regulations addressing the manufacture, distribution and use of postage meters. The regulations cover four general categories: meter security, administrative controls, Computerized Meter Resetting Systems (C.M.R.S.) and other issues. In general, the regulations impose reporting and performance obligations on meter manufacturers, prescribe potential administrative sanctions for failure to meet these obligations and require a restructuring of the fund management system of C.M.R.S., such as the company's Postage by Phone(R) System, to give the U.S.P.S. more direct control over meter licensee deposits. The company is working with the U.S.P.S. to ensure that the implementation of these regulations provides mailing customers and the U.S.P.S. with the intended benefits, and that Pitney Bowes also benefits. The company believes that the financial impact to the company resulting from implementation of these regulations will not be material.

The company is also currently working with the U.S.P.S. to devise a multi-year migration schedule to phase out mechanical meters and replace them with electronic meters in a manner that is most beneficial and least disruptive to the operations of the company's customers. This is consistent with the company's strategy of introducing new technology into the market place to add value to customer operations and meet postal needs. This strategy and the company's long-term focus has resulted in an increase in the percentage of the electronic meter base in the U.S. from six percent of the overall base in 1986 to nearly 50 percent of the installed meter base in 1995. Until such time as a final meter migration plan is promulgated, the financial impact, if any, on the company cannot be determined; but, it is currently the belief of the company that the migration plan will not cause a material adverse financial impact.

Effects of Inflation and Foreign Exchange

Inflation, even though moderate in recent years, continues to have an effect on worldwide economies and the way companies operate. In addition to increasing labor costs and operating expenses, the company would have higher costs associated with replacement of fixed assets especially rental equipment assets. In the face of increasing costs, 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.

The results of the company's international operations are subject to currency fluctuations. The company enters into foreign exchange contracts for purposes other than trading primarily to minimize its risk of loss from fluctuations in exchange rates on the settlement of firm and budgeted intercompany receivables and payables arising in connection with transfers of finished goods inventories between affiliates as well as certain intercompany loans.

As of December 31, 1995, the company had approximately $157.5 million of foreign exchange contracts outstanding, to buy or sell various currencies. These contracts mature through 1997. Risks arise from the possible non-performance by counterparties in meeting the terms of their contracts and from movements in securities values and interest and 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

It is policy of the Pitney Bowes board of directors 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. Pitney Bowes has paid a dividend each year since 1934.

The company wishes to caution readers that any forward-looking statements contained in this annual report or made by the management of the company involve risks and uncertainties, and are subject to change based on various important factors. The following factors, among others, could affect the company's financial results and could cause the company's financial performance to differ materially from the expectations expressed in any forward-looking statement made by or on behalf of the company -- the strength of worldwide economies; the effects of and changes in trade, monetary and fiscal policies and laws, and inflation and monetary fluctuations; the timely development of and acceptance of new Pitney Bowes products and the perceived overall value of these products by users including the features, pricing, and quality compared to competitors' products; the willingness of users to substitute competitors' products for Pitney Bowes products; the success of the company in gaining approval of its products in new markets where regulatory approval is required; the ability of the company to successfully enter new markets, including the ability to efficiently distribute and finance its products; the impact of changes in postal regulations around the world that directly regulate the manufacture, ownership and or distribution of postage meters, or that regulate postal rates and discounts; the willingness of mailers to utilize alternative means of communication; and the company's success at managing customer credit risk.

SUMMARY OF SELECTED FINANCIAL DATA

(Dollars in thousands, except per share data) Pitney Bowes, Inc.

Years ended December 31	1995	1994	1993	1992	1991
Total revenue	$3,554,754	$3,270,613	$3,000,386	$2,887,583	$2,803,160
Costs and expenses	2,935,823	2,729,472	2,501,526	2,475,629	2,414,163
Nonrecurring items, net	-	(25,366)	-	-	-
Income from continuing operations before income taxes	618,931	566,507	498,860	411,954	388,997
Provision for income taxes	211,222	218,077	193,166	151,215	146,346
Income from continuing operations	407,709	348,430	305,694	260,739	242,651
Discontinued operations	175,431	45,161	47,495	54,129	52,648
Effect of accounting changes	-	(119,532)	-	(214,631)	-
Net income	$ 583,140	$ 274,059	$ 353,189	$ 100,237	$ 295,299
Income per common and common equivalent share:					
Continuing operations	$2.68	$2.21	$1.92	$ 1.64	$1.52
Discontinued operations	1.15	.29	.30	.34	.33
Effect of accounting changes	-	(.76)	-	(1.35)	-
Net income	$3.83	$1.74	$2.22	$ .63	$1.85

Total dividends on common, preference and preferred stock	$181,657	$162,714	$142,142	$123,112	$107,948
Dividends per share of common stock	$1.20	$1.04	$.90	$.78	$.68
Average common and common equivalent shares outstanding	152,358,474	157,728,628	159,368,652	159,235,412	159,954,680
Balance sheet at December 31					
Total assets	$7,844,648	$7,399,720	$6,793,816	$6,498,752	$6,380,580
Long-term debt	$1,048,515	$779,217	$847,316	$1,015,401	$1,058,763
Capital lease obligations	$14,241	$23,147	$29,462	$32,161	$35,755
Stockholders' equity	$2,071,100	$1,745,069	$1,871,595	$1,652,881	$1,800,683
Book value per common share	$13.79	$11.52	$11.81	$10.50	$11.31
Ratios					
Profit margin-continuing operations:					
Pretax earnings	17.4%	17.3%	16.6%	14.3%	13.9%
After-tax earnings	11.5%	10.7%	10.2%	9.0%	8.7%
Return on stockholders' equity - before accounting changes	28.2%	22.6%	18.9%	19.0%	16.4%
Debt to total capital	62.2%	66.3%	61.3%	64.5%	62.8%
Other					
Common stockholders of record	32,859	31,226	31,189	30,828	29,588
Total employees	27,723	32,792	32,539	28,958	29,421
Postage meters in service, U.S., U.K. and Canada	1,517,806	1,480,692	1,445,689	1,413,448	1,393,774

See notes, pages 32 through 41

CONSOLIDATED STATEMENT OF INCOME

(Dollars in thousands, except per share data)

Pitney Bowes Inc.

Years ended December 31	1995	1994	1993
Revenue from:			
Sales	$1,546,393	$1,418,304	$1,278,859
Rentals and financing	1,575,094	1,441,183	1,309,361
Support services	433,267	411,126	412,166
Total revenue	3,554,754	3,270,613	3,000,386
Costs and expenses:			
Cost of sales	941,124	828,221	705,438
Cost of rentals and financing	463,601	466,070	415,521
Selling, service and administrative	1,230,671	1,167,422	1,120,607
Research and development	81,800	78,618	80,874
Interest expense	226,110	194,115	189,292
Interest income	(7,483)	(4,974)	(10,206)
Nonrecurring items, net	-	(25,366)	-
Total costs and expenses	2,935,823	2,704,106	2,501,526
Income from continuing operations before income taxes	618,931	566,507	498,860
Provision for income taxes	211,222	218,077	193,166
Income from continuing operations	407,709	348,430	305,694
Income, net of income tax, from discontinued operations prior to discontinuance	21,483	45,161	47,495
Net gains on sale of discontinued operations	153,948	-	-
Income before effect of a change in accounting for postemployment benefits	583,140	393,591	353,189
Effect of a change in accounting for postemployment benefits	-	(119,532)	-
Net income	$ 583,140	$ 274,059	$ 353,189
Income per common and common equivalent share:			
Income from continuing operations	$2.68	$2.21	$1.92
Discontinued operations	1.15	.29	.30
Effect of a change in accounting for postemployment benefits	-	(.76)	-
Net income	$3.83	$1.74	$2.22

See notes, pages 32 through 41

CONSOLIDATED BALANCE SHEET

(Dollars in thousands, except share data) Pitney Bowes Inc.

December 31	1995	1994
Assets		
Current assets:		
Cash and cash equivalents	$ 85,352	$ 75,106
Short-term investments, at cost which approximates market	3,201	639
Accounts receivable, less allowances: 1995, $13,050; 1994, $16,909	386,727	422,276
Finance receivables, less allowances: 1995, $37,699; 1994, $36,224	1,208,532	1,050,090
Inventories	311,271	430,641
Other current assets and prepayments	106,014	104,992
Total current assets	2,101,097	2,083,744
Property, plant and equipment, net	495,001	578,650
Rental equipment and related inventories, net	773,337	695,343
Property leased under capital leases, net	7,876	12,633
Long-term finance receivables, less allowances: 1995, $75,807; 1994, $76,867	3,390,597	3,086,401
Investment in leveraged leases	570,008	481,308
Goodwill, net of amortization: 1995, $30,504; 1994, $40,984	208,698	222,445
Other assets	298,034	239,196
Total assets	$7,844,648	$7,399,720
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 818,122	$ 828,396
Income taxes payable	232,794	194,427
Notes payable and current portion of long-term obligations	2,138,065	2,626,231
Advance billings	312,595	329,415
Total current liabilities	3,501,576	3,978,469
Deferred taxes on income	612,811	453,438
Long-term debt	1,048,515	779,217
Other noncurrent liabilities	410,646	443,527
Total liabilities	5,573,548	5,654,651
Preferred stockholders' equity in a subsidiary company	200,000	-
Stockholders' equity:		
Cumulative preferred stock, $50 par value, 4% convertible	47	48
Cumulative preference stock, no par value, $2.12 convertible	2,547	2,790
Common stock, $2 par value (240,000,000 shares authorized; 161,668,956 shares issued)	323,338	323,338
Capital in excess of par value	30,299	35,200
Retained earnings	2,186,996	1,785,513
Cumulative translation adjustments	(46,991)	(41,617)
Treasury stock, at cost (11,722,744 shares)	(425,136)	(360,203)
Total stockholders' equity	2,071,100	1,745,069
Total liabilities and stockholders' equity	$7,844,648	$7,399,720

See notes, pages 32 through 41

CONSOLIDATED STATEMENT OF CASH FLOWS

(Dollars in thousands) Pitney Bowes Inc.

Years ended December 31	1995	1994*	1993*
Cash flows from operating activities:			

Net income	$ 583,140	$ 274,059	$ 353,189
Net gains on sale of discontinued operations	(153,948)	-	-
Effect of a change in accounting for postemployment benefits	-	119,532	-
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	271,648	268,293	247,884
Nonrecurring items, net	-	(25,710)	(1,283)
Net change in the strategic focus initiative	(45,078)	(3,386)	-
Increase in deferred taxes on income	148,828	119,180	81,811
Change in assets and liabilities:			
Accounts receivable	(18,696)	(8,500)	(11,346)
Sales-type lease receivables	(146,010)	(173,691)	(136,667)
Inventories	9,788	(43,801)	(51,286)
Other current assets and prepayments	(7,519)	(22,762)	(17,012)
Accounts payable and accrued liabilities	28,517	14,658	48,451
Income taxes payable	(96,436)	(332)	(13,085)
Advance billings	22,637	12,826	3,102
Other, net	(88,339)	(40,827)	(47,828)
Net cash provided by operating activities	508,532	489,539	455,930
Cash flows from investing activities:			
Short-term investments	(2,553)	600	537
Net investment in fixed assets	(337,718)	(345,593)	(291,783)
Net investment in direct-finance lease receivables	(316,343)	(72,170)	108,991
Investment in leveraged leases	(141,898)	(125,775)	(24,117)
Proceeds from sales of subsidiaries	577,000	-	-
Net investment in company acquired	-	-	(8,428)
Net cash used in investing activities	(221,512)	(542,938)	(214,800)
Cash flows from financing activities:			
(Decrease) increase in notes payable	(432,418)	555,457	195,024
Proceeds from long-term obligations	275,000	200,000	-
Principal payments on long-term obligations	(66,734)	(275,333)	(244,503)
Proceeds from issuance of stock	26,999	22,702	22,544
Stock repurchases	(98,038)	(268,419)	(86,861)
Proceeds from preferred stock issued by a subsidiary	200,000	-	-
Dividends paid	(181,657)	(162,714)	(142,142)
Net cash (used in) provided by financing activities	(276,848)	71,693	(255,938)
Effect of exchange rate changes on cash	74	2,159	(1,555)
Increase (decrease) in cash and cash equivalents	10,246	20,453	(16,363)
Cash and cash equivalents at beginning of year	75,106	54,653	71,016
Cash and cash equivalents at end of year	$ 85,352	$ 75,106	$ 54,653
Interest paid	$ 228,460	$ 203,747	$ 199,176
Income taxes paid	$ 163,745	$ 99,379	$ 124,034

*Certain prior year amounts have been reclassified to conform with the 1995 presentation.

See notes, pages 32 through 41

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(Dollars in thousands, except per share data) Pitney Bowes Inc.

	Preferred stock	Preference stock	Common stock	Capital in excess of par value	Retained earnings	Cumulative translation adjustments	Treasury stock, at cost
Balance, January 1, 1993	$107	$3,161	$323,338	-	$1,463,121	$(27,211)	$(109,635)
Net income - 1993					353,189		
Cash dividends:							
Preferred ($2.00 per share)					(3)		
Preference ($2.12 per share)					(239)		
Common ($.90 per share)					(141,900)		
Issuances under dividend reinvestment and stock plans				5,987			20,071
Conversions to common stock	(39)	(192)		(1,539)			1,770
Issuance for company acquired				31,329			56,264
Repurchase of common stock							(86,861)
Translation adjustments						(20,108)	

Tax credits relating to stock options				985			
Balance, December 31, 1993	68	2,969	323,338	36,762	1,674,168	(47,319)	(118,391)
Net income - 1994					274,059		
Cash dividends:							
Preferred ($2.00 per share)					(2)		
Preference ($2.12 per share)					(223)		
Common ($1.04 per share)					(162,489)		
Issuances under dividend reinvestment and stock plans				(801)			23,635
Conversions to common stock	(20)	(179)		(1,813)			2,012
Issuance for company acquired				40			960
Repurchase of common stock							(268,419)
Translation adjustments						5,702	
Tax credits relating to stock options				1,012			
Balance, December 31, 1994	48	2,790	323,338	35,200	1,785,513	(41,617)	(360,203)
Net income - 1995					583,140		
Cash dividends:							
Preferred ($2.00 per share)					(1)		
Preference ($2.12 per share)					(261)		
Common ($1.20 per share)					(181,395)		
Issuances under dividend reinvestment and stock plans				(4,047)			30,594
Conversions to common stock	(1)	(243)		(2,267)			2,511
Repurchase of common stock							(98,038)
Translation adjustments						(5,374)	
Tax credits relating to stock options				1,413			
Balance, December 31, 1995	$ 47	$2,547	$323,338	$30,299	$2,186,996	$(46,991)	$(425,136)

See notes, pages 32 through 41

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousand, except per share data or as otherwise indicated)
Pitney Bowes Inc.

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 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 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 appropriate periods; 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.

Rental arrangements and advance billings. The company rents equipment to its customers, primarily postage meters and mailing, shipping, copier and facsimile 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 Statement 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 are reduced 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 No. 77, "Reporting by Transferors for Transfers of Receivables with Recourse," when accounting for its sale of finance assets. The difference between the sale price and the net receivable, exclusive of residuals, is recognized as a gain or loss.

The company's investment in leveraged leases consist 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. The recoverability of goodwill is assessed by determining whether the unamortized balance can be recovered from expected future cash flows from the applicable operation.

Revenue. Sales revenue is primarily recognized when a product is shipped.

Costs and expenses. Operating expenses of field sales and service offices are included in selling, service and administrative expense 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, deferral of lease revenue 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 operating expenses.

It has not been necessary to provide for income taxes on $414 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 $16 million.

Nonpension postretirement benefits and postemployment benefits. 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. It is the company's practice to fund amounts for these nonpension postretirement and postemployment benefits as incurred.

Income per share. Income per share is based on the weighted average number of common and common equivalent shares outstanding during the year. Common equivalent shares include preference stock and stock option and purchase plan shares.

Deposits in trust. The company's customers electing the use of the Pitney Bowes Postage By Phone(R) meter setting system, a computerized system developed by the company for the resetting of postage meters via telephone, are required to make deposits with a trustee to cover expected postage usage. Such funds, which are not available to the company, are transferred to the respective postal services upon resettings of meters for which the company receives fees. Deposits in trust are not included in the company's Consolidated Balance Sheet. Effective during 1996, customers in the U.S. will be required to make such deposits directly to the U.S. Postal Service. Resetting fees received by the company will not be negatively affected by this change.

Foreign currency translation. 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 were translated at average rates during the period. Net deferred translation gains and losses are accumulated in stockholders' equity.

The company enters into foreign exchange contracts for purposes other than trading primarily to minimize its risk of loss from fluctuations in exchange rates on the settlement of firm and budgeted intercompany receivables and payables arising in connection with transfers of finished goods inventories between affiliates as well as 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. Gains and losses related to changes in the value of speculative contracts are recognized in income currently. At December 31, 1995, the company had approximately $157.5 million of foreign exchange contracts outstanding, maturing through 1997, 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 and interest and 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.

Foreign currency transaction and translation gains and (losses) net of tax were $1.6 million, $0.1 million and $(1.1) million in 1995, 1994 and 1993, respectively.

2. Inventories

Inventories consist of the following:

December 31	1995	1994
Raw materials and work in process	$ 57,203	$ 111,051
Supplies and service parts	87,863	114,429
Finished products	166,205	205,161
Total	$ 311,271	$ 430,641

Had all inventories valued at LIFO been stated at current costs, inventories would have been $40.1 million and $45.1 million higher than reported at December 31, 1995 and 1994, respectively.

3. Fixed assets

December 31	1995	1994
Land	$ 34,860	$ 39,698
Buildings	303,559	337,417
Machinery and equipment	733,810	840,901
	1,072,229	1,218,016
Accumulated depreciation	(577,228)	(639,366)
Property, plant and equipment, net	$ 495,001	$ 578,650
Rental equipment and related inventories	$1,591,321	$1,484,698
Accumulated depreciation	(817,984)	(789,355)
Rental equipment and related inventories, net	$ 773,337	$ 695,343
Property leased under capital leases	$ 25,468	$ 38,644
Accumulated amortization	(17,592)	(26,011)
Property leased under capital leases, net	$ 7,876	$ 12,633

4. Current liabilities

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

December 31	1995	1994
Accounts payable-trade	$ 216,715	$ 242,090
Accrued salaries, wages and commissions	86,243	93,289
Accrued pension benefits	97,937	108,313
Accrued nonpension postretirement benefits	15,500	15,500
Accrued postemployment benefits	6,884	15,084
Miscellaneous accounts payable and accrued liabilities	394,843	354,120
Accounts payable and accrued liabilities	$ 818,122	$ 828,396
Notes payable and overdrafts	$2,124,044	$2,556,783
Current portion of long-term debt	12,296	66,987
Current portion of capital lease obligations	1,725	2,461
Notes payable and current portion of long-term obligations	$2,138,065	$2,626,231

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 $1.8 million, $2.6 million and $2.8 million in 1995, 1994 and 1993, respectively.

At December 31, 1995, notes payable and overdrafts outside the U.S. totaled $1.1 million and U.S. notes payable totaled $2.1 billion. Unused credit facilities outside the U.S. totaled $106.3 million at December 31, 1995 of which $74.1 million were for finance operations. In the U.S., the company had $2.0 billion of unused credit facilities in place at December 31, 1995 largely in support of commercial paper borrowings of which $1.7 billion were for the finance operations. The weighted average interest rates were 5.5% and 5.7% on notes payable and overdrafts outstanding at December 31, 1995 and 1994, respectively.

The company periodically enters into interest rate swap and swap option agreements as a means of managing interest rate exposure 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 the other parties to the interest rate swap agreements to the extent of the differential between the fixed- and variable-rates; such exposure is considered minimal.

The company enters into interest rate swap agreements primarily through its Pitney Bowes Credit Corporation (PBCC) subsidiary. 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 control its sensitivity to interest rate volatility. The company utilizes interest rate swap agreements when it considers the economic benefits to be favorable. Swap agreements, as noted above, have been principally utilized to fix interest rates on commercial paper and/or obtain a lower cost on debt than would otherwise be available absent the swap. At December 31, 1995, the company had outstanding interest rate swap agreements with notional principal amounts of $319.9 million and terms expiring at various dates from 1996 to 2004. The company exchanged variable commercial paper rates on an equal notional amount of notes payable and overdrafts for fixed rates ranging from 5.50% to 10.75%.

5. Long-term debt

December 31	1995	1994
Non-financial services debt:		
Due 1996-1997 (4.75% to 5.5%)	$ 688	$ 750
Financial services debt:		
Senior notes:		
7.39% to 7.48% notes due 1997	45,500	45,500
5.63% notes due 1997	200,000	200,000
5.84% to 6.25% notes due 1998	125,000	-
6.06% to 6.11% notes due 2000	50,000	-
6.63% notes due 2002	100,000	-
8.80% notes due 2003	150,000	150,000
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
Canadian dollar notes due 1996-2000 (11.05% to 12.50%)	25,371	29,856
Other, due 1996-1998 (9.92%)	1,956	3,111
Total long-term debt	$1,048,515	$ 779,217

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 $100 million in debt securities of which $32 million remain available. Securities issued under this medium-term note facility would have maturities ranging from more than one year up to 30 years. The company also has an additional $300 million remaining on shelf registrations filed with the Securities and Exchange Commission (SEC).

PBCC has $125 million of unissued debt securities available from a $500 million shelf registration statement filed with the SEC in October 1992. In September 1995, PBCC filed another registration statement for an additional $625 million of debt securities. In November 1995, PBCC commenced a $500 million medium-term note offering.

In May 1995, PBCC issued $100 million of 6.250 percent notes due in June, 1998 and $100 million of 6.625 percent notes due in June, 2002. In June 1995, PBCC also issued $75 million of medium term notes due in June, 1998 and June, 2000 with a weighted average coupon rate of 6.014 percent. In March 1994, PBCC issued $200 million of 5.63 percent notes due in February 1997. In April 1994, PBCC redeemed $100 million of 10.65 percent notes due in April 1999. PBCC had previously sold an option on a notional principal amount of $100 million to enable a counterparty to require PBCC to pay a fixed rate of 10.67 percent for five years starting April 1, 1994. The counterparty exercised that option. In September 1994, PBCC redeemed $100 million of 10.13 percent notes due in September 1997.

The annual maturities of the outstanding debt during each of the next five years are as follows: 1996, $12.3 million; 1997, $252.1 million; 1998, $130.5 million; 1999, $3.7 million and 2000, $62.2 million.

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 income available for fixed charges. The company has not been required to make any such payments to maintain income available for fixed charge coverage.

6. Preferred stockholders' equity in a subsidiary company

Preferred stockholders' equity in a subsidiary company represents the outstanding preferred stock (2,000,000 shares) of Pitney Bowes International Holdings, Inc., a subsidiary of the company. All of the outstanding common stock of Pitney Bowes International Holdings, Inc., representing 75% of the combined voting power of all classes of capital stock, is owned directly or indirectly by Pitney Bowes Inc. The balance of the capital stock, consisting of such preferred stock, is owned by certain outside institutional investors and accounted for the remaining 25% of the combined voting power. The preferred stock, $.01 par value, is entitled to cumulative dividends at rates set at auction. The weighted average dividend rate in 1995 was 4.3%. Dividends are reflected as a minority interest in the Consolidated Statement of Income in selling, service, and administrative expense. 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.

7. Capital stock and capital in excess of par value

At December 31, 1995, 240,000,000 shares of common stock, 600,000 shares of cumulative preferred stock, and 5,000,000 shares of preference stock were authorized, and 149,946,212 shares of common stock (net of 11,722,744 shares of treasury stock), 948 shares of 4% Convertible Cumulative Preferred Stock (4% preferred stock) and 94,060 shares of $2.12 Convertible Preference Stock ($2.12 preference stock) were issued and outstanding. The balance of unreserved and unissued preferred stock (599,052 shares) and preference stock (4,905,940 shares) may be issued in the future by the board of directors, which will determine the dividend rate, terms of redemption, terms of conversion (if any) and other pertinent features. Unreserved and unissued common stock (exclusive of treasury stock) at December 31, 1995 amounted to 67,946,929 shares.

In October 1993, the company acquired all outstanding shares and options of Ameriscribe Corporation in exchange for 2,257,792 shares of Pitney Bowes common stock. See Note 12 to the consolidated financial statements.

The 4% preferred stock outstanding, which is entitled to cumulative dividends at the rate of $2 per year, is redeemable at the option of the company, 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 is convertible into 12.12 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 is redeemable at the option of the company at the rate of $28 per share. Each share of the $2.12 preference stock is convertible into eight shares of common stock, subject to adjustment in certain events.

At December 31, 1995, an aggregate of 763,970 shares of common stock was reserved for issuance upon conversion of the 4% preferred stock (11,490 shares) and $2.12 preference stock (752,480 shares). In addition, 1,481,449 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. The rights, which are subject to certain anti-dilution adjustments, become exercisable in certain circumstances, after which they will entitle the holder to purchase 1/400 of a share of Series A Junior Participating Preference Stock. If, after the rights become exercisable, the company is involved in a merger or certain other transactions, the holder will be entitled to buy stock in the surviving company at a 50 percent discount. These rights expire on February 20, 1996, on which date one new preference share purchase right will be issued with respect to each share of common stock outstanding as of such date. Each new right will entitle each holder to purchase 1/100th of a share of Series A Junior Participating Preference Stock for $195 and will expire in February 2006. Following a merger or certain other transactions, the new rights will entitle the holder to purchase common stock of the company or the acquirers at a 50 percent discount.

8. Stock plans

Transactions under the company's stock plans are summarized below:

Common stock	Shares	Price per share
January 1, 1994, shares reserved	2,292,027	$ 7-$43
Shares offered 1994 (price approximates market value at date of grant)	1,009,102	$32-$40
Shares issued 1994	(519,765)	$ 7-$38
Shares canceled 1994	(152,398)	$30-$42
December 31, 1994, shares reserved	2,628,966	$10-$43
Shares offered 1995 (price approximates market value at date of grant)	939,091	$31-$41
Shares issued 1995	(730,199)	$10-$42
Shares canceled 1995	(124,229)	$30-$42
December 31, 1995, shares reserved	2,713,629	$15-$43

Of the common shares reserved at December 31, 1995, options for 1,411,526 are exercisable. At December 31, 1995, there remain 984,633 common shares for which rights to purchase may be granted under the stock purchase plans. In addition, stock-based awards representing up to 4,440,434 common shares may be granted under other stock plans.

9. Taxes on income

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

Years ended December 31	1995	1994	1993
Income from continuing operations before income taxes:			
U.S	$ 566,806	$ 565,375	$ 437,167
Outside the U.S.	52,125	1,132	61,693
Total	$ 618,931	$ 566,507	$ 498,860
Provision for income taxes:			
U.S. federal:			
Current	$ (17,024)	$ 37,644	$ 79,666
Deferred	168,297	123,037	53,497
	151,273	160,681	133,163
U.S. state and local:			
Current	13,691	12,856	20,065
Deferred	26,221	31,295	14,834
	39,912	44,151	34,899

Outside the U.S.:			
Current	28,233	19,342	40,311
Deferred	(8,196)	(6,097)	(15,207)
	20,037	13,245	25,104
Total current	24,900	69,842	140,042
Total deferred	186,322	148,235	53,124
Total	$ 211,222	$ 218,077	$ 193,166

Including discontinued operations, current provisions for 1995 federal, state and local and outside the U.S. would have been $87.6 million, $39.9 million and $41.9 million, respectively. Total tax provision would have been $355.7 million.

Deferred tax liabilities and (assets)

December 31	1995	1994
Deferred tax liabilities:		
Depreciation	$ 54,469	$ 58,441
Deferred profit (for tax purposes) on sales to finance subsidiaries	342,435	316,630
Lease revenue and related depreciation	707,484	578,916
Other	77,362	46,667
Deferred tax liabilities	1,181,750	1,000,654
Deferred tax assets:		
Nonpension postretirement benefits	(112,201)	(141,153)
Pension liability	(32,219)	(36,068)
Inventory and equipment capitalization	(32,775)	(30,095)
Net operating loss carryforwards	(52,639)	(43,528)
Alternative minimum tax (AMT) credit carryforwards	(57,194)	(65,485)
Strategic focus reserve	(4,212)	(27,007)
Postemployment benefits	(22,804)	(34,320)
Other	(108,503)	(87,753)
Valuation allowance	48,692	37,532
Deferred tax assets	(373,855)	(427,877)
Net deferred taxes	$ 807,895	$ 572,777

Net deferred taxes includes $195.1 million and $119.3 million for 1995 and 1994, respectively, of current deferred taxes which are included in income taxes payable in the Consolidated Balance Sheet.

The deferred tax asset for net operating losses and related valuation allowance changed due to losses incurred during 1995 by certain foreign subsidiaries. As of December 31, 1995 and 1994, approximately $113.2 million and $101.4 million, respectively, of net operating loss carryforwards were available to the company. Most of these losses, as well as the company's alternative minimum tax credit, can be carried forward indefinitely.

In 1995 and 1994, the company recognized a reduction in tax expense resulting from its investment in a life insurance program. In 1993, the company completed a transaction whereby it contributed certain commercial aircraft, subject to direct finance leases, to a partnership. The partnership transaction had the effect of reducing the company's obligation for previously accrued deferred taxes. The reduction in deferred taxes has been recognized as a reduction in 1993 income tax expense. Tax benefits from this transaction have also been recognized in 1995 and 1994. Also in 1993, the company recorded additional tax expense in the U.S. as a result of the Omnibus Budget Reconciliation Act of 1993.

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

Percent of pretax income	1995	1994	1993
U.S. federal statutory rate	35.0%	35.0%	35.0%
State and local income taxes	4.2	5.1	4.5
Rate adjustment for deferred taxes	-	-	3.2
Partnership tax benefits	(.4)	(.8)	(2.3)
Life insurance investment	(2.1)	(.6)	-
Other	(2.6)	(.2)	(1.7)
Effective income tax rates	34.1%	38.5%	38.7%

The effective tax rate for discontinued operations differs from the statutory rate due primarily to state and local income taxes and non-deductible goodwill.

10. Retirement plans

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.

Total ongoing pension expense amounted to $52.2 million in 1995, $50.2 million in 1994 and $46.4 million in 1993. Net pension expense for defined benefit plans for 1995, 1994 and 1993 included the following components:

	United States			Foreign		
	1995	1994	1993	1995	1994	1993
Service cost-benefits earned during period	$ 33,061	$ 35,908	$ 30,797	$ 5,952	$ 5,975	$ 5,971
Interest cost on projected benefit obligations	68,027	65,745	62,241	10,317	10,090	9,163
Actual return on assets	(124,866)	6,880	(85,971)	(17,594)	(10,681)	(31,494)
Net amortization and (deferral)	58,831	(67,094)	30,804	5,237	(1,502)	19,896
Ongoing net periodic defined benefit pension expense	35,053	41,439	37,871	3,912	3,882	3,536
Curtailment (gain) loss charge(a)	(13,974)	-	-	2,921	-	-
Total pension expense	$ 21,079	$ 41,439	$ 37,871	$ 6,833	$ 3,882	$ 3,536

(a) Pitney Bowes merged the pension plans of Monarch Marking Systems, Inc. and Dictaphone Corporation into the Pitney Bowes Retirement Plan. Benefits ceased to be accrued for active employees of Monarch and Dictaphone as of the date of the sales resulting in a net curtailment gain of approximately $14.0 million. There was a $2.9 million curtailment charge to the Pitney Bowes, Ltd. pension plan due primarily to actions taken by Pitney Bowes, Ltd.

The funded status at December 31, 1995 and 1994 for the company's defined benefit plans was:

	United States		Foreign	
	1995	1994	1995	1994

Actuarial present value of:				
Vested benefits	$722,282	$526,832	$103,296	$107,064
Accumulated benefit obligations	$802,299	$581,639	$103,459	$107,283
Projected benefit obligations	$946,420	$798,933	$130,590	$128,942
Plan assets at fair value, primarily stocks and bonds, adjusted by:	771,000	670,182	141,417	137,494
Unrecognized net loss (gain)	86,281	26,191	(12,034)	(6,997)
Unrecognized net asset	(15,815)	(19,906)	(13,828)	(17,877)
Unamortized prior service costs from plan amendments	22,246	27,686	7,605	9,928
	863,712	704,153	123,160	122,548
Net pension liability	$ 82,708	$ 94,780	$ 7,430	$ 6,394
Assumptions for defined benefit plans:(a)				
Discount rate	7.25%	8.75%	7.0%-8.5%	6.7%- 9.0%
Rate of increase in future compensation levels	4.25%	5.75%	3.0%-5.5%	3.5%- 6.5%
Expected long-term rate of return on plan assets	9.50%	9.50%	8.0%-9.5%	9.0%-10.0%

(a) Pension costs are determined using assumptions as of the beginning of the year while the funded status of the plans is determined using assumptions as of the end of the year.

11. Nonpension postretirement and postemployment benefits

Net nonpension postretirement benefit costs consisted of the following components:

Years ended December 31	1995	1994	1993
Service cost-benefits earned during the period	$ 8,688	$ 10,140	$ 9,249
Interest cost on accumulated postretirement benefit obligations	18,917	19,379	21,146
Net (deferral) and amortization	(17,920)	(19,143)	(18,647)
Net periodic postretirement benefit costs	$ 9,685	$ 10,376	$ 11,748

The company's nonpension postretirement benefit plans are not funded. The status of the plans was as follows:

December 31	1995	1994
Accumulated postretirement benefit obligations:		
Retirees and dependents	$ 186,324	$ 165,397
Fully eligible active plan participants	52,199	38,792
Other active plan participants	63,813	63,751
Unrecognized net (loss) gain	(4,392)	16,179
Unrecognized prior service cost	53,450	81,650
Accrued nonpension postretirement benefits	$ 351,394	$ 365,769

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligations was 9.25% and 11.75% in 1995 and 1994, respectively. This was assumed to gradually decline to 3.75% and 5.75% by the year 2000 and remaining at that level thereafter for 1995 and 1994, respectively. A one-percentage-point increase in the assumed health care cost trend rate would increase the year-end accumulated postretirement benefit obligations by approximately $15 million as of December 31, 1995 and the net periodic postretirement health care cost by $1.2 million in 1995.

The assumed weighted average discount rate used in determining the accumulated postretirement benefit obligations was 7.25% and 8.75% in 1995 and

1994, respectively.

The company adopted Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits" (FAS 112) as of January 1, 1994. FAS 112 required that postemployment benefits be recognized on the accrual basis of accounting. The effect of adopting FAS 112 was a one-time non-cash, after-tax charge of $119.5 million (net of approximately $80.5 million of income taxes), or $.76 per share.

In 1994, as part of the company's employee work-life initiatives, employee input was actively sought about benefits and it was concluded that employees prefer benefits more closely related to their changing work-life needs. As a result, the company significantly reduced or eliminated certain postemployment benefits, specifically service-related company-subsidized life insurance, salary continuance and medical benefits, resulting in an after-tax credit to income of $70.9 million (net of approximately $47.7 million of income taxes). As a further outgrowth of this study, the company also instituted, effective January 1, 1995, certain enhancements to its deferred investment plan, including an increase in the company's match of employee contributions.

12. Acquisitions and discontinued operations

The company has refined its strategic focus with the intent to capitalize on its strengths and competitive position. Based on an extensive review, the company decided to concentrate its energies and resources on products and services which facilitate the preparation, organization, movement, delivery, tracking, storage and retrieval of documents, packages, letters and other materials, in hard copy and digital form for its customers. Accordingly, the company announced in 1994 its intent to seek buyers for its Dictaphone Corporation (Dictaphone) and Monarch Marking Systems, Inc. (Monarch) subsidiaries.

On June 29, 1995, the company sold Monarch for approximately $127 million in cash, subject to post-closing adjustments, to a new company jointly formed by Paxar Corporation and Odyssey Partners, L.P. On August 11, 1995, the company sold Dictaphone for approximately $450 million in cash, subject to post-closing adjustments, to an affiliate of Stonington Partners, Inc. The sales resulted in gains approximating $155 million net of approximately $130 million of income taxes.

Dictaphone and Monarch have been classified in the Consolidated Statement of Income as discontinued operations. Summary results of the Dictaphone and Monarch operations prior to their sales, which have been classified separately, were as follows:

Years ended December 31	1995	1994	1993
Revenue	$306,462	$552,255	$542,495
Income before income taxes	$ 36,007	$ 74,843	$ 75,947
Provision for income taxes	14,524	29,682	28,452
Income from discontinued operations	$ 21,483	$ 45,161	$ 47,495

In October 1993, the company acquired all outstanding shares of Ameriscribe Corporation (Ameriscribe), a nationwide provider of on-site reprographics, mailroom and other office services, in exchange for approximately $83 million of Pitney Bowes common stock, plus approximately $5 million of additional shares for outstanding Ameriscribe options. The company consolidated this unit with its facilities management business operated through its wholly-owned subsidiary, Pitney Bowes Management Services, Inc. The transaction was accounted for by the purchase method and the proforma effect on the company's results was not significant.

13. Nonrecurring items, net

During 1994, the company adopted a formal plan designed to address the impact of technology on work force requirements and to further refine its strategic focus on core businesses worldwide. Accordingly, in the third quarter of 1994 the company recorded a $93.2 million charge to income to cover the costs of such actions. The charge anticipated $61 million of severance and benefit costs for work force reductions, $22 million of asset write downs and $10 million of other exit costs. As of December 31, 1995, the company has made severance and benefit payments of approximately $49 million, the majority of which was expended in 1995, to nearly 1,500 employees separated under these strategic focus initiatives.

The phase-out of older product lines, introduction of new, advanced products and increased need for higher employee skill levels to deliver and service these products will ultimately require a work force reduction of approximately 1,700 employees worldwide, and the future hiring of approximately 450 new employees with these requisite enhanced skills upon completion of these strategic focus initiatives. As of December 31, 1995, approximately 400 employees with the requisite skills have been hired to produce and service advanced product offerings. All costs associated with hiring of new employees were excluded from the charge and have been and will continue to be recognized appropriately in the period incurred.

Current and future advanced product offerings require a smaller, but more highly skilled engineering, manufacturing and service work force to take full advantage of design, production, diagnostic and service strategies. These disciplines anticipated a work force reduction of more than 850 employees with related severance and benefit costs of $27 million. As of December 31, 1995, the actions taken by the company relative to this

portion of the initiative have resulted in cash expenditures of approximately $21 million and anticipated 1996 expenditures of approximately $6 million. Other anticipated strategic actions included reengineering and streamlining of order flow, logistics and other administrative processes in the U.S., Europe and the Asia Pacific region which anticipated an additional work force reduction of more than 800 employees with related severance and benefit costs of $22.7 million. As of December 31, 1995, the actions taken by the company relative to this portion of the initiative have resulted in cash expenditures of approximately $17 million, an additional accrual of approximately $5 million in separation and benefit costs and anticipated 1996 expenditures of approximately $10 million. The additional accrual has been recorded in selling, service and administrative expense in the Consolidated Statement of Income. The decisions to phase out non-mailing products in Germany and the cessation of further development and marketing of shipping products which could not be cost-effectively upgraded to new technologies accounted for the remaining work force reductions and related severance and benefit costs. As of December 31, 1995, the actions taken by the company relative to this portion of the initiative have resulted in cash expenditures of approximately $9 million and anticipated 1996 expenditures of approximately $2 million.

As noted above, included in the plan to refine the strategic business focus of the company were anticipated asset write downs of $22 million and $10 million of other exit costs for certain additional actions. Consistent with a refinement of focus on core businesses, these actions include phasing-out non-mailing products in Germany. This decision anticipated the write down of inventories, lease and rental contracts and other assets to their net realizable value for which $7.4 million was provided. The decision to cease development and marketing of certain shipping products as noted above anticipated further inventory and other asset write-offs of $8.6 million. The company decided to transition a software-based business with its own product offerings to a limited product development and marketing support function. As a result, $6.3 million of goodwill related to the acquisition of this business was written-off. The $10 million of other exit costs are primarily due to the adoption of a centralized organizational structure in the European financial services businesses that anticipated the early termination of a facility lease. As of December 31, 1995, approximately $19 million in assets have been written off, $3 million of certain other exit costs have been incurred, approximately $2 million of the original anticipated write down associated with the phase-out of non-mailing products in Germany has been reclassified as other exit costs within the reserve and $5 million originally provided for the early termination of a facility lease has been reversed through selling, service and administration expense in the Consolidated Statement of Income. Anticipated 1996 expenditures approximate $5 million, with the majority to be cash expenditures.

Benefits from the strategic focus initiatives (principally reduced employee expense) will be offset, in part, by increased hiring and training expenses to obtain employees with requisite skills.

14. Commitments, contingencies and regulatory matters

At December 31, 1995, the company's finance subsidiaries had unfunded commitments of $1.1 million to extend credit to customers. The company evaluates each customer's credit worthiness 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.

The company is currently a defendant in a number of lawsuits arising in the ordinary course of business, 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 has been advised that the Antitrust Division of the U.S. Department of Justice is conducting a civil investigation of its postage equipment business to determine whether there is, has been, or may be a violation of the surviving provisions of the 1959 consent decree between the company and the U.S. Department of Justice, and/or the antitrust laws. The company intends to cooperate with the Department's investigation.

The company is subject to federal, state and local laws and regulations concerning the environment, and is currently participating in administrative or court proceedings, which are at various stages of activity, as a participant in various groups of potentially responsible parties. These proceedings are at various stages of activity, and it is impossible to estimate with any certainty the total cost of remediation, the timing and extent of remedial actions which may be required by governmental authorities, and the amount of the liability, if any, of the company. If and when it is possible to make a reasonable estimate of the company's liability, if any, with respect to such a matter, a provision would be made as appropriate. Based on facts presently known to it, the company does not believe that the outcome of these proceedings will have a material adverse effect on its financial condition.

On June 9, 1995, the United States Postal Service (U.S.P.S.) issued final regulations addressing the manufacture, distribution and use of postage meters. The regulations cover four general categories: meter security, administrative controls, Computerized Meter Resetting Systems (C.M.R.S.) and other issues. In general, the regulations impose reporting and performance obligations on meter manufacturers, prescribe potential administrative sanctions for failure to meet these obligations and require a restructuring of the fund management system of C.M.R.S., such as the company's Postage by Phone(R) System, to give the U.S.P.S. more direct control over meter licensee deposits. The company is working with the U.S.P.S. to ensure that the implementation of these regulations provides mailing customers and the U.S.P.S. with the intended benefits, and that Pitney Bowes also benefits. The company believes that the financial impact to the company resulting from implementation of these regulations will not be material.

Pitney Bowes is also currently working with the U.S.P.S. to devise a multi-year migration schedule to phase out mechanical meters and replace them with electronic meters in a manner that is most beneficial and least disruptive to the operations of the company's customers. This is consistent with the company's strategy of introducing new technology into the market place to add value to customer operations and meet postal needs. This strategy and the company's long-term focus has resulted in an increase in the percentage of the electronic meter base in the U.S. from six percent of the overall base in 1986 to nearly 50 percent of the installed meter base in 1995. Until such time as a final meter migration plan is promulgated, the financial impact, if any, on the company cannot be determined; but, it is currently the belief of the company that the migration plan will not cause a material adverse financial impact.

15. 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 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 as of December 31, 1995 are as follows:

Years ending December 31	Capital leases	Operating leases
1996	$ 3,948	$ 72,840
1997	3,636	49,616
1998	3,424	36,725
1999	3,415	25,129
2000	3,057	18,005
Later years	9,862	55,083
Total minimum lease payments	27,342	$257,398
Less amount representing interest	(11,376)	
Present value of net minimum lease payments	$ 15,966	

Rental expense was $129.3 million, $127.0 million and $101.6 million in 1995, 1994 and 1993, respectively.

16. 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 and Australia as well as other commercial and industrial transactions in the U.S. In 1993, the company decided to phase out the business of financing non-Pitney Bowes equipment outside of the U.S. Condensed financial data for the consolidated finance operations follows:

Condensed summary of operations

Years ended December 31	1995	1994*	1993*
Revenue	$ 713,909	$ 659,619	$ 597,624
Costs and expenses	238,457	256,638	219,148

Interest, net	217,499	175,987	173,115
Nonrecurring items, net	-	6,096	-
Total expenses	455,956	438,721	392,263
Income before income taxes	257,953	220,898	205,361
Provision for income taxes	81,422	70,398	73,688
Income before effect of a change in accounting for postemployment benefits	176,531	150,500	131,673
Effect of a change in accounting for postemployment benefits	-	(2,820)	-
Net income	$ 176,531	$ 147,680	$ 131,673

Condensed balance sheet at December 31	1995	1994*
Cash and cash equivalents	$ 11,486	$ 15,114
Finance receivables, net	1,208,532	1,050,090
Other current assets and prepayments	40,170	42,230
Total current assets	1,260,188	1,107,434
Long-term finance receivables, net	3,390,597	3,086,401
Investment in leveraged leases	570,008	481,308
Other assets	162,347	151,609
Total assets	$5,383,140	$4,826,752
Accounts payable and accrued liabilities	$ 180,243	$ 332,408
Income taxes payable	128,461	104,662
Notes payable and current portion of long-term obligations	2,398,051	2,199,843
Total current liabilities	2,706,755	2,636,913
Deferred taxes on income	334,716	263,780
Long-term debt	1,272,700	973,222
Other noncurrent liabilities	4,956	4,983
Total liabilities	4,319,127	3,878,898
Equity	1,064,013	947,854
Total liabilities and equity	$5,383,140	$4,826,752

* Certain prior year amounts have been reclassified to conform with the 1995 presentation.

Finance receivables are generally due in monthly, quarterly or semi-annual installments over periods ranging from three to seven years. In addition, 20 percent of the company's net finance assets represent secured commercial and private jet aircraft transactions with lease terms ranging from five to 25 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 and subordinated debt
1996	$1,628,934	$2,398,051
1997	1,190,451	251,406
1998	844,774	130,483
1999	541,317	3,710
2000	316,949	62,228
Thereafter	961,270	824,873
Total	$5,483,695	$3,670,751

Finance operations' net purchases of Pitney Bowes equipment amounted to $618.6 million, $617.4 million and $585.1 million in 1995, 1994 and 1993, respectively.

The components of net finance receivables were as follows:

December 31	1995	1994
Gross finance receivables	$ 5,483,695	$ 5,012,175
Residual valuation	680,055	599,430
Initial direct cost deferred	94,571	76,323
Allowance for credit losses	(113,506)	(113,091)
Unearned income	(1,545,686)	(1,438,346)
Net finance receivables	$ 4,599,129	$ 4,136,491

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

December 31	1995	1994
Net rent receivable	$ 532,153	$ 479,027
Unguaranteed residual valuation	589,520	550,516
Unearned income	(551,665)	(548,235)
Investment in leveraged leases	570,008	481,308
Deferred taxes arising from leveraged leases	(216,873)	(169,537)
Net investment in leveraged leases	$ 353,135	$ 311,771

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

Years ended December 31	1995	1994	1993

Pretax leveraged lease income	$11,667	$ 6,694	$ 3,785
Income tax effect	4,408	5,050	5,381
Income from leveraged leases	$16,075	$11,744	$ 9,166

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 totaling $265.2 million are related to commercial real estate facilities, with original lease terms ranging from 5 to 25 years. Also included are ten aircraft transactions with major commercial airlines, with a total investment of $266.8 million and with original lease terms ranging from 22 to 25 years and two transactions involving locomotives with a total investment of $38.0 million with an original lease term ranging from 25 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 residual guarantee contracts totaled $263.3 million and $275.2 million at December 31, 1995 and 1994, 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 credit worthiness 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, 1995 and 1994 was not significant.

17. Business segment information

For a description of the company's segments and financial information relating to revenue, operating profit and identifiable assets by business segment for the years 1995, 1994 and 1993, see "Segments" on page 20. That information is incorporated herein by reference. The information set forth below should be read in conjunction with such information. 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, which amounted to $63.5 million in 1995, $71.7 million in 1994 and $74.4 million in 1993, income taxes and net interest other than that related to the financial services businesses. Additional segment information is as follows:

Years ended December 31	1995	1994	1993
Depreciation and amortization:			
Business equipment	$223,732	$220,848	$210,682
Business services	22,948	18,418	13,133
Commercial and industrial financing	14,230	12,454	9,625
Total	$260,910	$251,720	$233,440
Net additions to property, plant and equipment and rental equipment			

and related inventories:			
Business equipment	$255,852	$249,892	$243,275
Business services	7,161	1,306	4,089
Commercial and industrial financing	35,654	42,811	26,613
Total	$298,667	$294,009	$273,977

Identifiable assets are those used in the company's operations in each segment and exclude cash and cash equivalents and short-term investments. Identifiable assets of geographic areas include intercompany profits on inventory and rental equipment transferred between segments and intercompany accounts. A reconciliation of identifiable assets to consolidated assets is as follows:

December 31	1995	1994
Identifiable assets by geographic area	$ 7,756,187	$ 7,081,244
Inter-area profits	(41,507)	(29,772)
Intercompany accounts	(91,025)	(176,874)
Identifiable assets by industry segment	7,623,655	6,874,598
Cash and cash equivalents and short-term investments	88,553	75,745
General corporate assets	132,440	142,928
Discontinued operations	-	306,449
Consolidated assets	$ 7,844,648	$ 7,399,720

18. 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.

Loan receivables. The fair value of loan receivables 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.

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 and swap option agreements and foreign currency exchange contracts. The fair values of interest rate swaps, swap options 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 credit worthiness of the counterparties and current foreign currency exchange rates.

Residual and conditional commitment guarantee contracts. The fair value of residual and conditional commitment guarantee contracts is 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.

Commitments to extend credit. The fair value of commitments to extend credit is estimated by comparing current market conditions taking into account the remaining terms of existing agreements and present credit worthiness of the counterparties.

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 is as follows:

December 31, 1995	Carrying* value*	Fair value
Investment securities	$1,797	$1,813
Loan receivables	$280,013	$284,245
Long-term debt	$(1,080,381)	$(1,174,836)
Interest rate swaps	$(1,147)	$(42,318)
Foreign currency exchange contracts	$(499)	$(850)
Residual and conditional commitment guarantee contracts	$(4,669)	$(5,782)
Commitments to extend credit	-	$(165)
Transfer of receivables with recourse	$(17,349)	$(17,349)

December 31, 1994	Carrying* value*	Fair value
Investment securities	$7,490	$7,553
Loan receivables	$265,795	$268,342
Long-term debt	$(860,295)	$(855,670)
Interest rate swaps	$(3,180)	$(17,855)
Foreign currency exchange contracts	$704	$329
Residual and conditional commitment guarantee contracts	$(3,870)	$(3,798)
Commitments to extend credit	-	$(450)
Transfer of receivables with recourse	$(31,556)	$(31,556)

* Carrying value includes accrued interest and deferred fee income.

19. Quarterly financial data (unaudited)

Summarized quarterly financial data (in millions of dollars, except for per share data) for 1995 and 1994 follows:

	Three Months Ended			
1995	March 31	June 30	Sept. 30	Dec. 31
Total revenue	$839	$863	$876	$977
Cost of sales and rentals and financing	$319	$340	$348	$398
Income from				

continuing operations	$96	$98	$101	$113
Discontinued operations	10	11	154	-
Net income	$106	$109	$255	$113
Income per common and common equivalent share:				
Continuing operations	$.63	$.65	$ .66	$.74
Discontinued operations	.07	.07	1.01	-
Net income	$.70	$.72	$1.67	$.74

	Three Months Ended			
1994	March 31	June 30	Sept. 30	Dec. 31
Total revenue	$745	$818	$806	$902
Cost of sales and rentals and financing	$286	$330	$312	$366
Income from continuing operations	$ 82	$ 87	$ 85	$ 94
Discontinued operations	10	12	11	13
Effect of a change in accounting for postemployment benefits	(120)	-	-	-
Net income	$(28)	$ 99	$ 96	$107
Income per common and common equivalent share:				
Continuing operations	$.51	$.55	$.54	$.61
Discontinued operations	.07	.07	.07	.08
Effect of a change in accounting for post-employment benefits	(.75)	--	--	--
Net income	$(.17)	$.62	$.61	$.69

Report of Independent Accountants

Price Waterhouse LLP   LOGOMARK

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

In our opinion, the accompanying consolidated balance sheet 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, 1995 and 1994, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1995, in conformity with generally accepted accounting principles. 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 generally accepted auditing standards 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 the opinion expressed above.

As discussed in Note 11 to the consolidated financial statements, the company adopted a new accounting standard for postemployment benefits in 1994.

SIGNATURE HERE

Stamford, Connecticut

January 29, 1996

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.

Stock Information

DIVIDENDS PER COMMON SHARE

Quarter	1995	1994
First	$ .30	$ .26
Second	.30	.26
Third	.30	.26
Fourth	.30	.26
Total	$1.20	$1.04

QUARTERLY PRICE RANGES OF COMMON STOCK

	1995	
Quarter	High	Low
First	37	30
Second	40	34 7/8
Third	43 3/8	38 1/8
Fourth	48 1/4	40 3/4

1994

Quarter	High	Low
First	46 3/8	39 7/8
Second	42 3/8	37
Third	39 1/4	34 1/2
Fourth	36 1/2	29 1/4

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Page 1 of 3

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, 1995)

Company name	Country or state of incorporation
Adrema Leasing Corporation	Delaware
Adrema Maschinen und Auto-Leasing GmbH	Germany
Adrema Maschinenbau Inc.	Delaware
Adrema Mobilien Leasing GmbH	Germany
Andeen Enterprises, Inc.	Panama
Artec International Corporation	California
Atlantic Mortgage & Investment Corporation	Florida
B. Williams Holding Corp.	Delaware
Cascade Microfilm Systems, Inc.	California
Chas. P. Young Health Fitness & Management, Inc.	New York
Colonial Pacific Leasing Corporation	Massachusetts
Datarite Systems Ltd.	England
Dodwell Pitney Bowes K.K.	Japan
ECL Finance Company, N.V.	Netherlands
Elmcroft Road Realty Corporation	Connecticut
Financial Structures Limited	Bermuda
FSL Valuation Services Inc.	Connecticut
Harlow Aircraft Inc.	Delaware
Informatech	California
La Agricultora Ecuatoriana S.A.	Ecuador
Norlin Australia Investment Pty. Ltd.	Australia
Norlin Industries Limited	Canada
Norlin Music (U.K.) Ltd.	England
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 Leasing Corporation	Delaware
PB Leasing International Corporation	Delaware
PB Leasing Services Inc.	Nevada
PBA Foreign Sales Corporation	Barbados
PB World Trade Corporation (Disc)	Delaware
PB CFSC I Inc.	Virgin Islands
PBL Holdings Inc.	Nevada
PB Nikko FSC Ltd.	Bermuda
PB Nihon FSC Ltd.	Bermuda
Pitney Bowes AG	Switzerland
Pitney Bowes Australia Pty. Limited	Australia

EXHIBIT (vi)
Page 2 of 3

SUBSIDIARIES OF THE REGISTRANT (continued)

Company name	Country or state of incorporation
Pitney Bowes Australia FAS Pty. Ltd.	Australia
Pitney Bowes Australia Funding Pty. Limited	Australia
Pitney Bowes Austria Ges.m.b.H	Austria

Pitney Bowes of Canada Ltd.	Canada
Pitney Bowes Canada Funding Limited	Canada
Pitney Bowes Canada Holding Ltd.	Canada
Pitney Bowes China Inc.	Delaware
Pitney Bowes Credit Australia Limited	Australia
Pitney Bowes Credit Corporation	Delaware
Pitney Bowes Data Systems, Ltd.	England
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 Norway AS	Norway
Pitney Bowes Finance PLC	England
Pitney Bowes Finance Ireland Limited	Ireland
Pitney Bowes France S.A.	France
Pitney Bowes Holdings Ltd.	England
Pitney Bowes Holding SNC	France
Pitney Bowes Hong Kong Inc.	Delaware
Pitney Bowes Insurance Agency, Inc.	Connecticut
Pitney Bowes International	Ireland
Pitney Bowes International Holdings, Inc.	Delaware
Pitney Bowes Italia S.r.l.	Italy
Pitney Bowes (Ireland) Limited	Ireland
Pitney Bowes Leasing Ltd.	Canada
Pitney Bowes Macau Limited	Macau
Pitney Bowes Management Services, Inc.	Delaware
Pitney Bowes Management Services Canada, Inc.	Canada
Pitney Bowes Management Services Limited	England
Pitney Bowes Marking Systems Ltd.	Delaware
Pitney Bowes Oy	Finland
Pitney Bowes Limited	England
Pitney Bowes Properties Inc.	Connecticut
Pitney Bowes Real Estate Financing Corporation	Delaware
Pitney Bowes Servicios, S.A. de C.V.	Mexico
Pitney Bowes Shelton Realty Inc.	Connecticut
Pitney Bowes Svenska Aktiebolag	Sweden
Pitney Bowes World Trade Corporation (FSC)	Virgin Islands
PREFCO I Inc.	Delaware
PREFCO I LP Inc.	Delaware
PREFCO II Inc.	Delaware
PREFCO II LP Inc.	Delaware
PREFCO III Inc.	Delaware
PREFCO III LP Inc.	Delaware
PREFCO IV Inc.	Delaware
PREFCO IV LP Inc.	Delaware

EXHIBIT (vi)
Page 3 of 3

SUBSIDIARIES OF THE REGISTRANT (continued)

Company name	Country or state of incorporation
PREFCO V 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 Inc.	Delaware
PREFCO VIII LP Inc.	Delaware
PREFCO IX Inc.	Delaware
PREFCO IX LP Inc.	Delaware
PREFCO X Inc.	Delaware
PREFCO X LP Inc.	Delaware
PREFCO XI Inc.	Delaware
PREFCO XI LP Inc.	Delaware

PREFCO XII Inc.	Delaware
PREFCO XII LP Inc.	Delaware
PREFCO XIII Inc.	Delaware
PREFCO XIII LP Inc.	Delaware
PREFCO XIV Inc.	Delaware
PREFCO XIV LP Inc.	Delaware
PREFCO XV 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 Inc.	Delaware
PREFCO XVIII LP Inc.	Delaware
RE Properties Management Corporation	Delaware
Remington Customer Finance Pty. Limited	Australia
Remington (PNG) Pty. Limited	Papua New Guinea
Remington Pty. Limited	Australia
ROM Holdings Pty. Limited	Australia
ROM Securities Pty. Limited	Australia
Sales and Service Training Center Inc.	Georgia
TECO/Pitney Bowes Co., Ltd. (50% owned)	Taiwan
Time-Sensitive Delivery Guide Inc.	Delaware
Towers FSC, Ltd.	Bermuda
Universal Postal Frankers Ltd.	England
Walnut Street Corp.	Delaware
1136 Corporation	Delaware
75 V Corp.	Delaware

EXHIBIT (vii)

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-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

of Pitney Bowes Inc. of our report dated January 29, 1996 appearing on page 41 of the Pitney Bowes Inc. 1995 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 in this Form 10-K.

Price Waterhouse LLP

Stamford, Connecticut
March 27, 1996

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THIS SCHEDULE CONTAINS FINANCIAL INFORMATION EXTRACTED FROM PITNEY BOWES INC.
CONSOLIDATED BALANCE SHEET, CONSOLIDATED STATEMENT OF INCOME, CORRESPONDING
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