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

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
[FEE REQUIRED]
For the year ended December 31, 1997

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 ($1 par value)	New York Stock Exchange
$2.12 Convertible Cumulative Preference Stock (no par value)	New York Stock Exchange
Preference Share Purchase Rights	New York Stock Exchange

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

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

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 ____

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

The aggregate market value of voting stock (common stock and $2.12 preference stock) held by non-affiliates of the Registrant as of March 13, 1998 is $13,864,709,736.

Number of shares of common stock, $1 par value, outstanding as of March 13, 1998 is 279,334,236.

DOCUMENTS INCORPORATED BY REFERENCE:

1. Only the following portions of the Pitney Bowes Inc. 1997 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 27 to 46.

(b) Management's Discussion and Analysis of Results of Operations and Financial Condition and Summary of Selected Financial Data on pages 17 to 26 excluding the information on page 25 relating to Dividend Policy.
(c) Stock Exchanges and Stock Information, on page 47.

2. Pitney Bowes Inc. Notice of the 1998 Annual Meeting and Proxy Statement dated April 3, 1998 pages 3, 4, 7, 8-13 and portions of pages 2, 6, 14, 17 and 18 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 44 and 45 of the Pitney Bowes Inc. 1997 Annual Report to Stockholders and is incorporated herein by reference.

Business Equipment. Business equipment consists of four product, supplies and service classes: mailing systems, copier systems, facsimile systems and related financing. The products are sold, rented or financed by the company, while supplies and services are sold. Some of the company's products are sold through dealers outside the U.S.

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

Copier systems include a wide range of copying systems and supplies. Facsimile systems include a wide range of facsimile systems and supplies. The company has recently combined its Copier Systems and Facsimile Systems businesses into a new Office Systems division.

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.

Consolidated financial services operations financed 36 percent of consolidated sales from continuing operations in 1997, and 39 percent in 1996 and 1995. The lower percentage of sales financed compared to 1995 and 1996 is due mainly to the impact of increased sales revenue from our facilities management business which does not use traditional financing services used by the other businesses within the company. Consolidated financial services operations financed approximately 77 percent of leasable sales in 1997, 1996 and 1995.

The company sold its Dictaphone Corporation (Dictaphone) and Monarch Marking Systems, Inc. (Monarch) subsidiaries in 1995. Dictaphone and Monarch have been classified in the Consolidated Statements of Income as discontinued operations; revenue and income from continuing operations exclude the results of Dictaphone and Monarch for all periods

presented. (See Note 13, Discontinued operations, of the Notes to the Consolidated Financial Statements in the Pitney Bowes Inc. 1997 Annual Report to Stockholders.)

Business Services. Business services consists of facilities management and mortgage servicing.

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

Mortgage servicing is provided by Atlantic Mortgage & Investment Corporation (A.M.I.C.), a wholly-owned subsidiary of Pitney Bowes Credit Corporation. A.M.I.C. provides billing, collecting and processing services for major investors in residential first mortgages.

Commercial and Industrial Financing. The commercial and industrial financing
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segment, which is shifting its strategic focus to fee-based financial services, provides large-ticket financing programs, covering a broad range of products, 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, locomotives, railcars, rail and bus facilities and high-technology equipment such as data processing and communications equipment. The finance operations have also participated, on a select basis, in certain other types of financial transactions including: sales of lease transactions, senior secured loans in connection with acquisitions, leveraged buyout and recapitalization financings and certain project financings. The company also provides small-ticket lease financing services to small and medium-sized businesses throughout the United States, marketing exclusively through a nationwide network of brokers and independent lessors.

Support Services. The company maintains extensive field service organizations
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in the U.S. and certain other countries to provide support services to customers who have rented, leased or purchased equipment. Such support services, provided primarily on the basis of annual maintenance contracts, accounted for approximately 12 percent of revenue in 1997, 1996 and 1995.

Marketing. The company's products and services are marketed through an
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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. 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
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outside the U.S. are in the United Kingdom.

Competition. The company has historically been a leading supplier of certain
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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 competition from products and services offered as alternative means of message communications. P.B.M.S., 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

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programs that are directed towards developing new products and service methods. Expenditures on research and development totaled $89.5 million, $81.7 million, and $81.8 million in 1997, 1996 and 1995, respectively.

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

Material Supplies. The company believes it has adequate sources for most parts
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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.

Environmental Regulation. The company is subject to federal, state and local
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laws and regulations relating to the environment and is currently named as a member of various groups of potentially responsible parties in administrative or court proceedings. As we previously announced, in 1996 the Environmental Protection Agency (EPA) issued an administrative order directing the company to be part of a soil cleanup program at the Sarney Farm site in Amenia, New York. The site was operated as a landfill between the years 1968 and 1970 by parties unrelated to the company, and wastes from a number of industrial sources were disposed of there. The company does not concede liability for the condition of the site, but is working with the EPA to identify, and then seek reimbursement from, other potentially responsible parties. The company estimates the total cost of our remediation effort to be in the range of $3 million to $5 million for the soil remediation program.

The administrative and court proceedings referred to above are in different states. It is impossible to estimate with any certainty the total cost of remediating, the timing or extent of remedial actions which may be required by governmental authorities, or the amount of liability, if any. If and when it is possible to make a reasonable estimate of the liability in any of these matters, a provision will be made as appropriate. Based on the facts presently known, the company believes that the outcome of any current proceeding will not have a material adverse effect on its financial condition or results of operations.

Regulatory Matters. In June 1995, the United States Postal Service (U.S.P.S.)
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finalized and issued regulations governing the manufacture, distribution and use of postage meters. These regulations cover four general categories: meter security, administrative controls, Computerized Meter Resetting Systems and other issues. The company continues to comply with these regulations in its ongoing postage meter operations.

In May 1996, the U.S.P.S. issued a proposed schedule for the phaseout of mechanical meters in the U.S. Between May 1996 and March 1997 the company worked with the U.S.P.S. to negotiate a revised mechanical meter migration schedule which better reflected the needs of existing mechanical meter users and minimized any potential negative financial impact on the company. The final schedule agreed to with the U.S.P.S. is as follows:

. as of June 1, 1996, new placements of mechanical meters would no longer be permitted; replacements of mechanical meters previously licensed to customers would be permitted prior to the applicable suspension date for that category of mechanical meter

. as of March 1, 1997, use of mechanical meters by persons or firms who process mail for a fee would be suspended and would have to be removed from service

. as of December 31, 1998, use of mechanical meters that interface with mail machines or processors ("systems meters") would be suspended and would have to be removed from service

- as of March 1, 1999, use of all other mechanical meters ("stand-alone meters") would be suspended and have to be removed from service

Based on the foregoing schedule, the company believes that the phaseout of mechanical meters will not cause a material adverse financial impact on the company.

As a result of the company's aggressive efforts to meet the U.S.P.S. mechanical meter migration schedule combined with the company's ongoing and continuing investment in advanced postage evidencing technologies, mechanical meters represented 25% of the company's installed U.S. meter base at December 31, 1997, compared with 40% at December 31, 1996. At December 31, 1997, 75% of the company's installed U.S. meter base was electronic or digital, compared to 60% at December 31, 1996.

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

- the Indicium specification - the technical specifications for the indicium to be printed

- a Postal Security Device specification - the technical specification for the device that would contain the accounting and security features of the system

- a Host specification

- a Vendor Infrastructure specification

In July 1996, the U.S.P.S. published for public comment draft specifications for the Indicium, Postal Security Device and Host specifications. The company submitted extensive comments to these specifications in November 1996. Revised specifications were then published in 1997 which incorporated many of the changes recommended by the company in its prior comments, including the recommendation that IBIP apply only to the personal computer (PC) environment and not apply at the present time to other digital postage evidencing systems. The company submitted comments to these revised specifications. Also, in March 1997 the U.S.P.S. published for public comment the Vendor Infrastructure specification to which the company responded on June 27, 1997. As of December 31, 1997, the U.S.P.S. had not yet finalized the four IBIP specifications; however, the company has developed a PC product which satisfies the proposed IBIP specifications. This product is currently undergoing testing by the U.S.P.S. and is expected to be ready for market when final approval of the specifications is issued.

Employee Relations. At December 31, 1997, 25,351 persons were employed by the company in the U.S. and 4,550 outside the U.S. Employee relations are considered to be 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. Additional office facilities are located in Shelton, Connecticut. The company maintains research and development operations at a corporate engineering and technology center in Shelton, Connecticut. A sales and service training center is located near Atlanta, Georgia. The company believes that its current manufacturing, administrative and sales office properties are adequate for the needs of all of its 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. At December 31, 1997, there were 173 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 Shelton, Connecticut. Offices of the financing operations outside the U.S. are maintained in London, England; Heppenheim, Germany; Paris, France; Mississauga, Ontario, Canada; French's Forest, Australia; Oslo, Norway; and Dublin, Ireland.

Business Services. The company's P.B.M.S. subsidiary is headquartered in Stamford, Connecticut and leases facilities in 27 cities located throughout the U.S. as well as in 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 Shelton, Connecticut and Portland, Oregon. The executive and administrative office in Shelton, Connecticut is owned by Pitney Bowes Inc. There are ten leased regional and district sales offices located throughout the U.S.

Item 3. Legal Proceedings

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

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

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

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

Below are the final results of the voting at the special meeting of shareholders held on December 18, 1997:

Proposal: Amendment of the company's Restated Certificate of Incorporation increasing authorized shares of common stock from 240 million to 480 million, and correspondingly reducing the par value of the common stock per share from $2.00 to $1.00 in order to effect a two-for-one split of the company's common stock.

FOR	AGAINST	ABSTAIN
122,885,507	163,418	412,386

Executive Officers of the Registrant

Name	Age	Title	Executive Officer Since

Michael J. Critelli	49	Chairman and Chief Executive Officer	1988
Marc C. Breslawsky	55	President and Chief Operating Officer	1985
Amy C. Corn	44	Corporate Secretary and Senior Associate General Counsel	1996
Meredith B. Fischer	45	Vice President, Corporate Marketing and Chief Communications Officer	1996
Arlen F. Henock	41	Vice President - Controller and Chief Tax Counsel	1996
Matthew S. Kissner	43	President, Pitney Bowes Financial Services	1997
Murray D. Martin	50	President, Pitney Bowes International	1998
John N. D. Moody	53	President, U.S. Mailing Systems	1997
Sara E. Moss	51	Vice President and General Counsel	1996
Murray L. Reichenstein	60	Vice President and Chief Financial Officer	1996
Douglas A. Riggs	53	Vice President and Chief Corporate Affairs Officer	1988
Dennis M. Roney	55	President, Pitney Bowes Office Systems	1998
Johnna G. Torsone	47	Vice President and Chief Personnel Officer	1993
Joseph E. Wall	46	Vice President and Chief Technology Officer	1996

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

Mr. Kissner, who was President, Pitney Bowes Credit Corporation since 1995, joined the company from Bankers Trust Company where he had been Managing Director since 1993. Mr. Kissner assumed his duties as President, Pitney Bowes Financial Services effective June, 1997.

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

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

Dr. Wall was most recently the Vice President - Technology of Emerson Electric, which he joined in 1986 as Director of Research and Development for its since-divested Rosemount Aerospace Division. Prior to joining Emerson, Dr. Wall held positions of increasing responsibility at Honeywell, including Section Chief and Senior Principal Research Engineer.

PART II

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

The sections entitled "Stock Exchanges" and "Stock Information" on page 47 of the Pitney Bowes Inc. 1997 Annual Report to Stockholders are incorporated herein by reference. At December 31, 1997, the company had 31,092 common stockholders of record.

Item 6. Selected Financial Data

The section entitled "Summary of Selected Financial Data" on page 26 of the Pitney Bowes Inc. 1997 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 17 to 25 of the Pitney Bowes Inc. 1997 Annual Report to Stockholders is incorporated herein by reference, except for the section on page 25 relating to "Dividend Policy".

The section under "Legal, Environmental and Regulatory Matters" titled "Regulation" on page 24 of the "Management's Discussion and Analysis" incorporated herein by reference as mentioned above should be read in conjunction with the discussion under "Regulatory Matters" in Part I, Item 1 on page 5 of this Annual Report on Form 10-K.

The company wants to caution readers that any forward-looking statements (those which talk about the company's or management's current expectations as to the future) in this Form 10-K or made by company management involve risks and uncertainties which may change based on various important factors. Some of the factors which could cause future financial performance to differ materially from the expectations as expressed in any forward-looking statement made by or on behalf of the company include:

- changes in postal regulations
- timely development and acceptance of new products
- success in gaining product approval in new markets where regulatory approval is required
- successful entry into new markets
- mailer's utilization of alternative means of communication or competitors' products
- 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 26, 1998, appearing on pages 27 to 46 of the Pitney Bowes Inc. 1997 Annual Report to Stockholders are incorporated herein by reference.

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

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

Except for information regarding the company's executive officers (see "Executive Officers of the Registrant" on page 8 of this Form 10-K), 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 4 and 6 to 7 of the Pitney Bowes Inc. Notice of the 1998 Annual Meeting and Proxy Statement.

Item 11. Executive Compensation

The sections entitled "Directors' Compensation", "Stock Performance Graph", "Executive Officer Compensation", "Severance and Change of Control Arrangements" and "Pension Benefits" on pages 8 to 14 and 17 to 18 of the Pitney Bowes Inc. Notice of the 1998 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 6 to 7 of the Pitney Bowes Inc. Notice of the 1998 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 10 and "Index to Financial Schedules" on page 17.

2. Financial statement schedules - see "Index to Financial 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)
(a.1)	Certificate of Amendment to the Restated Certificate of Incorporation (as amended May 29, 1996)	Exhibit (i)
(b)	By-laws, as amended	Incorporated by reference to Exhibit (3b) to Form 10-K as filed with the Commission on April 1, 1996. (Commission file number 1-3579)
(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	Incorporated by reference to Exhibit (4a)

	of May 1, 1985 between Pitney Bowes Credit Corporation and Bankers Trust Company, as Trustee	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 Corp- oration and Bankers Trust Company, as Trustee	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.
(i)	Form of Second Supp- lemental 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:
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(10)(a)	Retirement Plan for Directors of Pitney Bowes Inc.	Incorporated by reference to Exhibit (10a) to Form 10-K as filed with the Commission on March 30, 1993. (Commission file number 1-3579)
(b)	Pitney Bowes Inc. Directors' Stock Plan (as amended and restated 1997)	Incorporated by reference to Exhibit (i) to Form 10-K as filed with the Commission on March 31, 1997. (Commission file number 1-3579)
(c)	Pitney Bowes 1991 Stock Plan	Incorporated by reference to Exhibit (10b) to Form 10-K as filed with the Commission on March 25, 1992. (Commission file number 1-3579)
(c.1)	First Amendment to Pitney Bowes 1991 Stock Plan	Incorporated by reference to Exhibit (ii) to Form 10-K as filed with the Commission on March 31, 1997. (Commission file 1-3579)
(c.2)	Second Amendment to Pitney Bowes 1991 Stock Plan	Incorporated by reference to Exhibit (i) to Form 10-Q as filed with the Commission on November 13, 1997. (Commission file number 1-3579)
(d)	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)
(d.1)	First Amendment to Pitney Bowes Inc. Key Employees' Incentive Plan (as amended and restated June 10, 1991)	Incorporated by reference to Exhibit (iii) to Form 10-K as filed with the Commission on March 31, 1997. (Commission file number 1-3579)
(e)	1979 Pitney Bowes Stock Option Plan (as amended and restated)	Incorporated by reference to Exhibit (10d) to Form 10-K as filed with the Commission on March 25, 1992. (Commission file number 1-3579)

(f)	Pitney Bowes Severance Plan, as amended, dated December 12, 1988	Incorporated by reference to Exhibit (10) to Form 10-K as filed with the Commission on March 23, 1989. (Commission file number 1-3579)
(g)	Pitney Bowes Executive Severance Policy, adopted December 11, 1995	Incorporated by reference to Exhibit (10h) to Form 10-K as filed with the Commission on April 1, 1996. (Commission file number 1-3579)
(h)	Pitney Bowes Inc. Deferred Incentive Savings Plan for the Board of Directors	Incorporated by reference to Exhibit (i) to Form 10-Q as filed with the Commission on May 15, 1997. (Commission file number 1-3579)
(i)	Pitney Bowes Inc. Deferred Incentive Savings Plan	Incorporated by reference to Exhibit (v) to Form 10-K as filed with the Commission on March 31, 1997. (Commission file number 1-3579)
(12)	Computation of ratio of earnings to fixed charges	Exhibit (ii)
(13)	Portions of annual report to security holders	Exhibit (iii)
(21)	Subsidiaries of the registrant	Exhibit (iv)
(23)	Consent of experts and counsel	Exhibit (v)
(27)	Financial Data Schedule	Exhibit (vi)

(b) No reports on Form 8-K were filed for the three months ended December 31, 1997.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Pitney Bowes Inc.

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

Date March 27, 1998

SIGNATURES

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

Signature	Title	Date
/s/ Michael J. Critelli Michael J. Critelli	Chairman and Chief Executive Officer - Director	March 27, 1998
/s/ Marc C. Breslawsky Marc C. Breslawsky	President and Chief Operating Officer - Director	March 27, 1998

/s/ Murray L. Reichenstein ---------------------------- Murray L. Reichenstein	Vice President and Chief Financial Officer (principal financial officer)	March 27, 1998 --------------
/s/ Arlen F. Henock ---------------------------- Arlen F. Henock	Vice President - Controller and Chief Tax Counsel (principal accounting officer)	March 27, 1998 --------------
/s/ Linda G. Alvarado ---------------------------- Linda G. Alvarado	Director	March 27, 1998 --------------
/s/ William E. Butler ---------------------------- William E. Butler	Director	March 27, 1998 --------------
/s/ Colin G. Campbell ---------------------------- Colin G. Campbell	Director	March 27, 1998 --------------
/s/ Ernie Green ---------------------------- Ernie Green	Director	March 27, 1998 --------------
/s/ Charles E. Hugel ---------------------------- Charles E. Hugel	Director	March 27, 1998 --------------
/s/ David T. Kimball ---------------------------- David T. Kimball	Director	March 27, 1998 --------------
/s/ Michael I. Roth ---------------------------- Michael I. Roth	Director	March 27, 1998 --------------
/s/ Phyllis S. Sewell ---------------------------- Phyllis S. Sewell	Director	March 27, 1998 --------------

INDEX TO FINANCIAL SCHEDULES

The financial schedules should be read in conjunction with the financial statements in the Pitney Bowes Inc. 1997 Annual Report to Stockholders. Schedules not included herein have been omitted because they are not applicable or the required information is shown in the financial statements or notes thereto. Also, separate financial statements of less than 100 percent owned companies, which are accounted for by the equity method, have been omitted because they do not constitute significant subsidiaries.

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 26, 1998 appearing on page 46 of the Pitney Bowes Inc. 1997 Annual Report to Stockholders (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the financial statement schedule listed in Item 14(a)2 of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

Price Waterhouse LLP

Stamford, Connecticut
January 26, 1998

PITNEY BOWES INC.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

FOR THE YEARS ENDED DECEMBER 31, 1995 TO 1997

(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				
1997	$16,160	$ 9,269	$ 4,300 (3)	$ 21,129
1996	$13,050	$ 9,894	$ 6,784 (3)	$ 16,160
1995	$16,909	$ 4,126 (1)	$ 7,985(2)(3)	$ 13,050
Allowance for credit losses on finance receivables				
1997	$113,737	$ 85,628	$67,057 (3)	$132,308
1996	$113,506	$ 74,785	$74,554 (3)	$113,737
1995	$113,091	$ 68,275	$67,860 (3)	$113,506
Reserve for transition costs (4)				
1997	$ 5,728	$ -	$ 5,728	$ -
1996	$ 22,986	$ -	$17,258 (5)	$ 5,728 (6)
1995	$ 64,893	$ 5,145	$47,052 (5)	$ 22,986
Valuation allowance for deferred tax asset (4)				
1997	$ 46,601	$ 1,233	$ 6,533	$ 41,301
1996	$ 48,693	$ 3,066	$ 5,158	$ 46,601
1995	$ 37,532	$ 12,076	$ 915	$ 48,693

(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) Included in balance sheet as a liability.
(5) Includes amounts for asset write downs and amounts paid as well as reclassifications.
(6) Remaining amount represents $4 million and $2 million for separation and benefit costs and other.

EXHIBIT (i)

CERTIFICATE OF AMENDMENT
OF
RESTATED CERTIFICATE OF INCORPORATION
OF
PITNEY BOWES INC.

Pitney Bowes Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "Corporation"),

DOES HEREBY CERTIFY:

FIRST: That at a meeting of the Board of Directors of the Corporation, duly noticed and held on October 6, 1997, resolutions were duly adopted setting forth a proposed amendment to the Restated Certificate of Incorporation of the Corporation, declaring said amendment to be advisable and directing that such amendment be submitted to the stockholders for consideration thereof. The resolution setting forth the proposed amendment is as follows:

> FURTHER RESOLVED, That the Board of Directors hereby declares it advisable that the first sentence of Article FOURTH of the Restated Certificate of Incorporation be amended to read as follows:
>
> "The total number of shares of all classes of stock which the Corporation shall have authority to issue is 485,600,000 shares, divided into 600,000 shares of Cumulative Preferred Stock with the par value of $50.00 per share (hereinafter called `Preferred Stock'), 5,000,000 shares of Preference Stock without par value (hereinafter called `Preference Stock'), and
>
> 480,000,000 shares of Common Stock with the par value of $1.00 per share (hereinafter called `Common Stock')."
>
> and hereby directs that such amendment be submitted to the stockholders for their consideration and approval at the Special Meeting to be held on December 18, 1997, at 9:00 a.m., World Headquarters, Stamford, Connecticut

SECOND: That thereafter, pursuant to resolution of its Board of Directors, a special meeting of the stockholders of the Corporation was duly called and held, upon notice in accordance with Section 222 of the General Corporation Law of the State of Delaware, at which meeting the necessary number of shares as required by law were voted in favor of the amendment.

THIRD: That said amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware and that pursuant to such amendment Article Fourth of the Restated Certificate of Incorporation of the Corporation shall henceforth read, in its entirety, as follows:

> "Fourth: - The total number of shares of all classes of stock which the Corporation shall have authority to issue is 485,600,000 shares, divided into 600,000 shares of Cumulative Preferred Stock with the par value of $50.00 per share (hereinafter called `Preferred Stock'), 5,000,000 shares of Preference Stock without par value (hereinafter called `Preference Stock'), and 480,000,000 shares of Common Stock with the par value of $1.00 per share (hereinafter called `Common Stock'). Subject to the provisions of law, the Corporation may issue shares of its Preferred Stock, Preference Stock and Common Stock, respectively, from time to time and any securities convertible into, warrants, options or rights to subscribe

for, any such class or classes (or any series of any thereof), for such consideration as may

be fixed from time to time by the Board of Directors, which is hereby expressly authorized to fix the same in its absolute and uncontrolled discretion subject as aforesaid. Shares of Preference Stock without par value for which consideration so fixed has been paid or delivered to the Corporation shall be deemed fully paid stock and shall not be liable to any further call or assessment thereon and the holders of such shares shall not be liable for any further demands in respect of such shares. The Corporation may issue shares of its Preferred Stock, Preference Stock and Common Stock and any securities convertible into, or warrants, options or rights to subscribe for, such class or classes (or any series of any thereof) without offering the same to the holders of its outstanding capital stock. The minimum amount of capital with which the Corporation shall commence business shall not be less than $100,000."

PITNEY BOWES INC. EXHIBIT (ii)

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES(1)

(Dollars in thousands)

	Years Ended December 31,				
	1997	1996	1995	1994	1993(2)
Income from continuing operations before income taxes	$ 803,098	$684,383	$618,931	$566,507	$498,860
Add:					
Interest expense	209,194	203,877	226,110	194,115	189,292
Portion of rents representative of the interest factor	39,404	40,538	42,064	42,339	33,842
Amortization of capitalized interest	973	914	914	914	914
Minority interest in the income of subsidiary with fixed charges	11,322	8,121	5,013	-	-
Income as adjusted	$1,063,991	$937,833	$893,032	$803,875	$722,908
Fixed charges:					
Interest expense	$ 209,194	$203,877	$226,110	$194,115	$189,292
Capitalized interest	-	1,201	2,178	733	-
Portion of rents representative of the interest factor	39,404	40,538	42,064	42,339	33,842
Minority interest, excluding taxes, in the income of subsidiary with fixed charges	17,285	11,838	7,607	-	-
	$ 265,883	$257,454	$277,959	$237,187	$223,134
Ratio of earnings to fixed charges	4.00	3.64	3.21	3.39	3.24
Ratio of earnings to fixed charges excluding minority interest	4.23	3.79	3.28	3.39	3.24

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

(2) Reclassified to reflect discontinued operations.

Exhibit (iii)

Management's Discussion and Analysis

Year ended December 31, 1997

Overview

Pitney Bowes Inc. (the company) continues to build on the core activities that support its strong competitive position. We concentrate on products and services that enable us to be the provider of informed mail and messaging management.

The company operates within three industry segments: business equipment, business services, and commercial and industrial financing.

Business equipment consists of four product, supplies and service classes: mailing systems, copier systems, facsimile systems and related financing. The products are sold, rented or financed by the company, while supplies and services are sold. The financial services operations provide lease financing and other credit options for the company's products in the U.S., Canada, the U.K., Germany, France, Norway, Ireland and Australia.

Business services consists of facilities management and mortgage servicing. Facilities management services are provided for a variety of business support and processing functions. Mortgage servicing provides billing, collecting and processing services for major investors in residential first mortgages.

The commercial and industrial financing segment, which is shifting its strategic focus to fee-based financial services, provides large-ticket financing programs covering a broad range of products and other financial services to the commercial and industrial markets in the U.S. It also provides small-ticket lease financing services to small and medium-sized businesses throughout the U.S., marketing exclusively through a nationwide network of brokers and independent lessors.

Results of Continuing Operations 1997 Compared to 1996

In 1997, revenue increased 6%, operating profit grew 18%, income from continuing operations grew 12% and diluted earnings per share from continuing operations increased 15% to $1.80 compared with $1.56 for 1996. Revenue growth was 8%, after adjusting for the impacts of previously announced strategic actions in Australia, asset sale activity and the strategic shift of the external large-ticket business to more fee-based income sources.

Diluted Earnings Per Share from Continuing Operations

[THE FOLLOWING TABLE WAS REPRESENTED BY A BAR CHART IN THE PRINTED MATERIAL.]

	Dollars
1995	1.34
1996	1.56
1997	1.80

The revenue increase came primarily from growth in the business equipment and business services segments of 7% and 16%, respectively, over 1996. Volume increases in our U.S. Mailing Systems, Production Mail, U.S. Copier Systems, worldwide Facsimile Systems, facilities management and mortgage servicing businesses were the principal cause of the revenue growth. The impact of prices and exchange rates was minimal. The revenue increase was partially offset by an

8% decline in revenue in the commercial and industrial financing segment. Within this segment, external large-ticket revenue declined 17% due to our strategy to reduce our external assets and shift to more fee-based revenue streams. The reduction of external large-ticket assets included the effect of the agreement with GATX Capital, more fully discussed under Other Matters. External small-ticket revenue grew 2% on increased volume. Excluding the impact of planned asset sales, revenue in the commercial and industrial financing segment would have declined by 2%.

Approximately 75% of our total revenue in 1997 and 1996 is recurring revenue, which we believe is a continuing good indicator of potential repeat business.

Revenue

[THE FOLLOWING TABLE WAS REPRESENTED BY A BAR CHART IN THE PRINTED MATERIAL.]

	Dollars in millions
1995	
Sales	1,546
Rentals & Financing	1,575
Support Services	433
1996	
Sales	1,675
Rentals & Financing	1,718
Support Services	466
1997	
Sales	1,834
Rentals & Financing	1,783
Support Services	484

Operating profit grew 18% over the prior year compared with growth of 9% in 1996, continuing to reflect our strong emphasis on reducing costs and controlling operating expenses in all our businesses. Another measure of our success in controlling costs and expenses in 1997 and 1996 was that growth in operating profit, excluding the 1996 charge for exiting the Australian copier business, continued to significantly outpace revenue growth. Operating profit grew 22% in the business equipment segment, 27% in the business services segment and declined 14% in the commercial and industrial financing segment. Excluding the 1996 charge for exiting the Australian copier

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business, operating profit growth would have been 13%, with the business equipment segment operating profit growth at 16%.

The operating profit growth in the business equipment segment came from strong performances by U.S. Mailing Systems, worldwide Facsimile Systems and U.S. Copier Systems. Our mortgage servicing business, Atlantic Mortgage and Investment Corporation, contributed to the operating profit growth in the business services segment. In the commercial and industrial financing segment, the operating profit declined due to a planned reduction in the company's large-ticket external portfolio. Operating profit in this segment included the impacts of a charge for costs and asset valuation related to the agreement announced in August 1997 with GATX Capital (see Other Matters) and external large-ticket and small-ticket asset sales in 1996. Excluding these items, operating profit in the commercial and industrial financing segment would have increased 9%.

Sales revenue increased 9% in 1997 due mainly to strong equipment sales in U.S. Mailing Systems and U.S. Copier Systems, higher supplies revenue at Facsimile Systems and increased sales of facilities management services. The increase in

U.S. Mailing Systems' revenue is due mainly to customers' conversion to more advanced technologies, with feature-rich products and services driven by meter migration (see Regulatory Matters). The increase in U.S. Copier Systems was due to solid equipment sales paced by the introduction of six new products, the phased rollout of the color and digital copier systems and the introduction of the Smart Image RIP(TM) controllers that allow a color copier to function as a high-quality color printer. Buyers Laboratory named the Pitney Bowes copier line as "Line of the Year" with a record seven Pitney Bowes copiers named "Picks of the Year," the most by any copier vendor in the history of the award. The award is based on factors that are critical to customer productivity, satisfaction and value such as reliability, copy quality and ease of use. Facsimile Systems' sales revenue increased due to higher supplies revenue resulting from strong demand for plain paper cartridges. Increased sales of facilities management services were due primarily to the continued expansion of our commercial contract base. In total, Financial Services financed 36% and 39% of all sales in 1997 and 1996, respectively. This decrease is due mainly to the impact of increased sales revenue from our facilities management business which does not use traditional financing services used by our other businesses.

Rentals and financing revenue increased 4% from 1996. Rentals revenue increased 5% from 1996 due mainly to rapid growth in the base of electronic and digital meters. This resulted from the conversion of U.S. Mailing Systems' customers to more advanced technology and new distribution channels such as the availability of the digital desktop Personal Post Office(TM) meter via the Internet and selected retail outlets specializing in business supplies. By the end of 1997, 75% of the company's U.S. meter base was made up of electronic and digital meters, with approximately 25% made up of advanced technology digital meters. As planned and in line with the United States Postal Service (USPS) guidelines, we no longer place mechanical meters and the company has reduced the percentage of mechanical meters in service to 25% of its U.S. meter population. Rentals revenue in 1997 no longer included the administrative revenue associated with the trust fund, because the USPS took control of the fund in 1996.

Double-digit contributions to rentals revenue growth came from our U.S. and U.K. facsimile businesses, driven by an increased rental base of advanced products introduced in 1997, such as model 9830, selected as the "Best Plain Paper Fax Machine" by the American Facsimile Association, and model 9910.

Financing revenue, adjusted for planned asset sales, grew 7% in 1997 on increased volume of leases of Pitney Bowes products and new product offerings such as Purchase Power(SM). Including the impact of asset sales, which generated more revenue in 1996 than in 1997, financing revenue grew 3% in 1997.

Support services revenue in 1996 included service revenue from the Australian copier business. Adjusting for this discontinued revenue, support services would have increased 5%, led by healthy increases in on-site service contracts at Production Mail and chargeable service calls in the U.K. U.S. Mailing Systems, U.S. Copier Systems and Software Solutions also contributed to the growth. Without adjusting for the discontinued Australian revenue, support services revenue increased 4%.

Cost of sales decreased to 59% of sales revenue compared to 61% a year earlier. This improvement was driven by lower product costs, increased sales of high margin supplies and the effect of a stronger dollar on equipment purchases. The improvement was achieved despite the offsetting effect of increased revenue and costs of the lower-margin facilities management business, where most of its expenses are included in cost of sales.

Cost of rentals and financing remained flat, at 31% of related revenues for 1997. This ratio remained unchanged despite the lower costs in 1996 as a result of not placing mechanical meters and the additional depreciation expense in 1997 from increased placements of electronic and digital meters. Cost of rentals and financing in 1997 also includes the charge for costs and asset valuation related to the agreement with GATX Capital (see Other Matters).

Selling, service and administrative expenses were 33% of revenue in 1997 compared with 35% in 1996. The ratio in 1996 included the impact of a $30 million charge resulting from the company's decision to exit the Australian copier business. Excluding this charge, the ratio in 1996 would have been 34%. Improvement in this ratio is due primarily to our continued emphasis on controlling operating expenses while growing revenue. This was our fifth consecutive year of an improving expense-to-revenue ratio, after adjusting for the charge described above.

Selling, Service and Administrative Rate
(excluding 1996 Australian charge)

[THE FOLLOWING TABLE WAS REPRESENTED BY A BAR CHART IN THE PRINTED MATERIAL.]

	Percentage of revenue
1995	34.6%
1996	33.9%
1997	33.4%

Research and development expenses increased 9% in 1997. This increase demonstrates the company's continued commitment to developing new technologies across all our product lines. Specifically, the increase relates to the development of new digital meters, advanced technology mailing and inserting machines and software products.

Net interest expense increased 2% due mainly to higher average borrowings during 1997 to fund the company's stock repurchase program. Future changes in interest rates could affect our borrowing strategies. We manage our interest rate risk, most of which is in financial services, with a balanced mix of debt maturities, variable and fixed rate debt and interest rate swap agreements. Our variable and fixed rate debt mix, after adjusting for the effect of interest rate swaps, was 48% and 52%, respectively, at December 31, 1997. As more fully discussed in the Liquidity and Capital Resources section, the company and its finance subsidiary issued additional debt in January 1998. Including this debt, our variable and fixed rate debt mix at December 31, 1997 would have been 38% and 62%, respectively.

Continuing Operations Margin

[THE FOLLOWING TABLE WAS REPRESENTED BY A BAR CHART IN THE PRINTED MATERIAL.]

	Percentage
1995	11.5%
1996	12.2%
1997	12.8%

The effective tax rate was 34.5% for 1997 compared with 31.4% for 1996. The tax benefit associated with the company's actions in Australia and the related write-off of our Australian investment was primarily responsible for the low rate in 1996. Excluding this benefit, the 1996 effective tax rate would have been 34.3%.

Income from continuing operations and diluted earnings per share increased 12% and 15%, respectively, in 1997. The reason for the increase in diluted earnings per share outpacing the increase in net income was the company's share repurchase program, under which 17.9 million shares, 6% of the average common and potential common shares outstanding in 1996, were repurchased in 1997. Income from continuing operations as a percentage of revenue increased to 12.8% in 1997 from 12.2% in 1996.

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Income from Continuing Operations

[THE FOLLOWING TABLE WAS REPRESENTED BY A BAR CHART IN THE PRINTED MATERIAL.]

	Dollars in millions
1995	408
1996	469
1997	526

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Results of Continuing Operations 1996 Compared to 1995

In 1996, revenue increased 9%, income from continuing operations grew 15% and diluted earnings per share from continuing operations increased 16% to $1.56 compared to $1.34 for 1995.

Revenue growth came primarily from increased sales of facilities management services, production mail and high-end mailing equipment and was principally volume-driven, while prices and exchange rates remained relatively unchanged from 1995. This growth was achieved despite lower revenue in Canada, where a new management team was put in place to focus on profitable growth. Approximately 75% of our total revenue in 1996 was recurring revenue, which we believe is a good indicator of potential repeat business.

The 15% growth in income from continuing operations was possible because of continued emphasis on programs to increase efficiency and reduce operating expenses, despite the fact that more revenues were coming from the lower-margin business services sector. The fact that growth in income from continuing operations significantly outpaced revenue growth is a measure of the success of our emphasis on operating efficiencies.

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Sales revenue increased 8% from the prior year, 10% if the comparison excludes the approximately $30 million in upgrade revenue generated by the first-quarter 1995 USPS rate change. Facilities management led the company with a 17% sales increase, as it continued to expand its commercial market contract base. Sales of digital, software-based equipment were strong, with notable increases in production mail, high-end mailing and copier placements. In total, financial services financed 39% of all sales in 1996 and 1995. Our facilities management business does not require the same traditional financing services used by the other parts of the company, and its growth impacts this percentage.

Rentals and financing revenue increased 9% from 1995. Rentals revenue increased 6% from 1995. The company voluntarily halted mechanical meter placements in early 1996 to comply with USPS pending guidelines on moving to electronic and digital meters. This caused a slight decline in the 1996 installed U.S. meter base. However, we expect rapid growth in the base of electronic and digital meters to continue for the next few years, as these products attract new categories of customers worldwide, including the small office/home office (SOHO) market segment. Since the introduction of PostPerfect(TM) in 1995, the company's first digital meter and the subsequent introduction of the Personal Post Office(TM) meter in October 1996, more than 100,000 digital meters have been placed in service. During 1996, the USPS took control of the postal payment trust fund. This significantly lowered the administrative revenue included in this category during 1996 and lowered the growth in rentals revenue. In December 1997, the company filed suit against the USPS charging that, in taking control of the trust fund, the USPS unlawfully used its regulatory power to misappropriate revenues which compensated the company for development, maintenance, and administration of its Postage By Phone(R) system.

Financing revenue increased 15% in 1996. Increased volume in Pitney Bowes product leases and small-ticket leases to credit-worthy businesses drove this growth. A strategic shift to concentrate on fee-based income contributed as well, though gains were offset by a planned reduction in the external large-ticket financing business. Excluding the impact of external financial asset sales, revenue growth would have been 10%.

Support service revenue grew 7%, driven by volume growth in equipment maintenance contracts, manned on-site production mail service contracts and chargeable service calls.

The ratio of cost of sales to sales revenue grew .3 percentage points due to the change in sales revenue mix toward the lower-margin facilities management business, which includes most of its expenses in cost of sales. The revenue mix impact was balanced by lower product costs, increased sales of higher-margin feature-rich products and the effect of a stronger U.S. dollar on equipment purchases. The 1995 ratio also benefited from the lower costs associated with the revenue related to the USPS rate change in the first quarter of 1995.

The ratio of cost of rentals and financing to the related revenue increased 1.4 percentage points to 30.8% in 1996. This is due to the effect of the sale of external finance assets and a change in revenue mix. Excluding asset sales, this ratio would have increased .8 percentage points. The strong growth in the mortgage servicing and brokered small-ticket external leasing businesses, both of which include a majority of their expenses in the cost of financing, also increased this ratio.

The ratio of selling, service and administrative expenses to revenue remained relatively unchanged from 1995 at 34.7% despite a $30 million charge (writing off the remaining goodwill and other related expenses) resulting from the company's decision to exit the Australian copier business and downsize its Australian facsimile business. This will enable the company's Australian operations to concentrate on the more profitable mailing and high-end facsimile businesses. This charge was almost completely offset by associated tax benefits and had a minimal impact on the results for the year. Without this charge, selling, service and administrative expenses would have been reduced to 33.9% of 1996 revenues. Changes in the revenue mix helped to reduce this ratio. Various reengineering programs within the company have resulted in operating efficiencies and controlling costs, all of which have lowered the worldwide expense ratio.

Research and development expenses in 1996 matched the previous year, demonstrating the company's commitment to providing the global marketplace with a continuous stream of innovative, high-quality products and services such as the PostPerfect(TM) meter and the Personal Post Office(TM) meter. Development spending is expected to increase in the future, as we invest in the new software and digital products demanded by the marketplace.

Net interest expense decreased 10% as a result of lower interest rates and lower average debt. Overall, borrowing levels remained steady with those in the latter half of 1995. Financial services did borrow more to support more Pitney Bowes product placements and small-ticket external leases. Future changes in interest rates could affect our borrowing strategies. We manage our interest rate risk, most of which is in financial services, with a balanced mix of debt maturities, variable and fixed rate debt and interest rate swap agreements. Our variable and fixed rate debt mix, after adjusting for the effect of interest rate swaps, was 41% and 59%, respectively, at December 31, 1996.

Operating profit, excluding the Australian charge, grew 14% with 11% coming from the business equipment segment, 31% from the business services segment and 26% from the commercial and industrial financing segment. Including the Australian charge, overall operating profit increased 9% with business equipment contributing a 6% increase.

The operating profit growth in the business equipment segment came from strong performances by mailing and facsimile globally, and the copier business in the U.S. All businesses contributed to the operating profit growth in the business services segment.

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In the commercial and industrial financing segment, operating profit growth was helped by a decreasing interest rate environment and from the asset sales described earlier.

The effective tax rate for 1996, including the tax benefits associated with the company's actions in Australia and the related write-off of its Australian investment, was 31.4%. Excluding such benefits, the effective tax rates for 1996 and 1995 were 34.3% and 34.1%, respectively.

Income from continuing operations grew 15% for all of 1996. Strong growth in income from worldwide mailing and facsimile systems as well as good results from all other businesses led to the overall increase.

Other Matters

On August 21, 1997, the company announced that it had entered into an agreement with GATX Capital Corporation (GATX Capital), a subsidiary of GATX Corporation, which when completed, will reduce the company's external large-ticket finance portfolio by approximately $1.1 billion. This represented approximately 50% of the company's external large-ticket portfolio and reflects the company's ongoing strategy of focusing on fee- and service-based revenue rather than asset-based income.

Under the terms of the agreement, the company transferred external large-ticket finance assets through a sale to GATX Capital and an equity investment in a limited liability company owned by GATX Capital and the company. At December 31, 1997, the company had received approximately $800 million of the approximately $900 million in cash it expects to receive. The company will also retain approximately $200 million of equity investment in a limited liability company along with GATX Capital.

On June 29, 1995, the company sold Monarch Marking Systems, Inc. (Monarch) for approximately $127 million in cash to a new company jointly formed by Paxar Corporation and Odyssey Partners, L.P. On August 11, 1995, the company sold Dictaphone Corporation (Dictaphone) for approximately $450 million in cash 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 Statements of Income as discontinued operations; revenue and income from continuing operations exclude the results of Dictaphone and Monarch for all periods presented. See Note 13 to the Consolidated Financial Statements.

Accounting Changes

In 1996, Statement of Financial Accounting Standards No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" (FAS 125), was issued for transfers and servicing of financial assets and extinguishments of liabilities occurring after December 31, 1996. The company adopted FAS 125 on January 1, 1997. As of December 31, 1997, there was no material impact on the financial statements of the company due to the adoption of this statement.

In 1997, the company adopted Statement of Financial Accounting Standards No. 128, "Earnings per Share" (FAS 128). Under FAS 128, the company disclosed basic and diluted earnings per share (EPS) on the face of the Consolidated Statements of Income. In addition, a reconciliation of the basic and diluted EPS computation is presented in Note 9 to the Consolidated Financial Statements.

In 1997, Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income," was issued. It will require the company to disclose, in financial statement format, all non-owner changes in equity. This statement is effective for fiscal years beginning after December 15, 1997 and requires reclassification of prior period financial statements for comparability purposes. The company expects to adopt this statement in 1998.

Also in 1997, Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information," was issued, effective for fiscal years beginning after December 15, 1997. It establishes standards for reporting information about operating segments in annual financial statements and interim financial reports. It also establishes standards for related disclosures about products and services, geographic areas and major customers. The company expects to adopt this statement beginning with its 1998 consolidated financial statements.

Liquidity and Capital Resources

Our ratio of current assets to current liabilities improved to .73 to 1 at December 31, 1997 compared to .67 to 1 at December 31, 1996.

To control the impact of interest rate swings on our business, we use a balanced mix of debt maturities, variable and fixed rate debt and interest rate swap agreements. In 1997, we entered into interest rate swap agreements, primarily through our financial services business. Swap agreements are used to fix or lower interest rates on commercial loans than we would otherwise have been able to get without the swap.

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Current Ratio

[THE FOLLOWING TABLE WAS REPRESENTED BY A BAR CHART IN THE PRINTED MATERIAL.]

1995	.60
1996	.67
1997	.73

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The ratio of total debt to total debt and stockholders' equity was 64.2% at December 31, 1997, versus 60.5% at December 31, 1996, including the preferred stockholders' equity in a subsidiary company as debt. Excluding the preferred stockholders' equity in a subsidiary company from debt, the ratio of total debt to total debt and stockholders' equity was 62.0% at December 31, 1997 versus 59.0% at December 31, 1996. The $663 million repurchase of 17.9 million shares of common stock in 1997 increased this ratio. The company's strong results and proceeds from the sale of external leasing assets and the GATX transaction described previously partially offset the increase in this ratio.

As part of the company's non-financial services shelf registrations, a medium-term note facility exists permitting issuance of up to $100 million in debt securities with maturities ranging from more than one year to 30 years of which $32 million remained available at December 31, 1997. We also had an additional $300 million remaining on our non-financial services shelf registration statement filed with the Securities and Exchange Commission (SEC). On January 22, 1998, the company issued notes amounting to $300 million available under this shelf registration. These unsecured notes bear annual interest at 5.95% and mature in February 2005. The notes are redeemable earlier at the company's option. The net proceeds from these notes will be used for general corporate purposes, including the repayment of short-term debt. We intend to file a new non-financial services shelf registration statement with the SEC as soon as possible.

Pitney Bowes Credit Corporation (PBCC), a wholly-owned subsidiary of the company, had $250 million of unissued debt securities available under a shelf registration statement filed with the SEC in September 1995. On January 16, 1998, PBCC issued notes amounting to $250 million available under this shelf registration. These unsecured notes bear annual interest at 5.65% and mature in January 2003. The proceeds will be used to meet PBCC's financing needs over the next 12 months. PBCC intends to file a new shelf registration statement with the SEC as soon as possible.

In July 1996, PBCC issued $300 million of medium-term notes: $200 million at 6.54% due in July 1999 and $100 million at 6.78% due in July 2001. In September 1996, PBCC issued $200 million of medium-term notes: $100 million at 6.305% due in October 1998 and $100 million at 6.8% due in October 2001.

To help us better manage our international cash and investments, in June 1995 and April 1997, Pitney Bowes International Holdings, Inc. (PBIH), a subsidiary of the company, issued $200 million and $100 million, respectively, of variable term, voting preferred stock (par value $.01) representing 25% of the combined voting power of all classes of its outstanding capital stock, to outside institutional investors in a private placement. The remaining 75% of the voting power is held directly or indirectly by Pitney Bowes Inc. The preferred stock is recorded on the Consolidated Balance Sheets as "Preferred Stockholders' Equity in a Subsidiary Company." We used the proceeds of these transactions to pay down short-term debt. We have an obligation to pay cumulative dividends on this preferred stock at rates that are set at auction. The auction periods are generally 49 days, although they may increase in the future. The weighted average dividend rate in 1997 and 1996 was 4.1% and 4.0%, respectively. Dividends are recorded in the Consolidated Statements of Income as minority interest, and are included in selling, service and administrative expenses.

At December 31, 1997, the company had unused lines of credit and revolving credit facilities of $1.8 billion (including $1.5 billion at its financial services businesses) in the U.S. and $75.6 million outside the U.S., largely supporting commercial paper debt. We believe our financing needs for the next few years can be met with cash generated internally, money from existing credit agreements, debt issued under new shelf registration statements and existing commercial and medium-term note programs. Information on debt maturities is presented in Note 5 to the Consolidated Financial Statements.

Total financial services assets decreased to $5.5 billion at December 31, 1997, down 2.6% from $5.6 billion in 1996. To fund finance assets, borrowings were $3.3 billion in 1997 and $3.6 billion in 1996. Approximately $1.1 billion and $430 million in cash was generated from the sale of finance assets in 1997 and 1996, respectively. We used the money to pay down debt, repurchase shares and fund new business development.

In October 1997, the Board of Directors declared a two-for-one split of the company's common stock. The split was effected through a dividend of one share of common stock for each common share outstanding. The company distributed the stock dividend on or about January 16, 1998, for each share held of record at the close of business December 29, 1997. See Note 7 to the Consolidated Financial Statements.

We spent $17 million and $45 million in cash in 1996 and 1995, respectively, on severance and benefits to support the company's strategic focus initiative plan that was adopted during 1994. As of December 31, 1996, the company had successfully completed its plan.

Market Risk

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

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

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

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

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

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

At December 31, 1997, the company's maximum potential one-day loss in fair value of the company's exposure to foreign exchange rates and interest rates, using the variance/co-variance technique described above, was not material.

Year 2000

The company is working to resolve the potential impact of the year 2000 on the processing of date-sensitive information by the company's computerized information systems, manufacturing systems and certain products developed by the company. As part of its ongoing investment in advanced information technology, the company's systems and applications acquired in recent years as well as recently developed products are year 2000 compliant. The company has committed internal and external resources to identify systems, applications and products that are not year 2000 compliant, and developed a plan and timetable to address the issues identified, including implementation and testing. The company continuously monitors its progress in ensuring timely resolution of year 2000 issues.

A substantial portion of this work is planned to be completed in 1998 with remaining work expected to be completed in 1999.

At this time, the company is not aware of any reason or situation that would impede the achievement of its plan and timetable, nor do we anticipate that the cost of addressing this issue will have a material adverse impact on the company's financial position, results of operations or cash flows in future periods.

However, the company recognizes its limitations in influencing third-party constituents (i.e., vendors, customers, financial institutions, etc.) and the complexity of the year 2000 issue. As a result, the full impact of the year 2000 issue cannot be determined with complete certainty.

Capital Investment

During 1997, net investments in fixed assets included net additions of $98 million to property, plant and equipment and $146 million to rental equipment and related inventories compared with $75 million and $200 million, respectively, in 1996. These additions included expenditures for normal plant and manufacturing equipment. In the case of rental equipment, the additions included the production of postage meters and the purchase of facsimile and copier equipment for new placements and upgrade programs.

At December 31, 1997, commitments for the acquisition of property, plant and equipment reflected plant and manufacturing equipment improvements as well as rental equipment for new and replacement programs.

Legal, Environmental and Regulatory Matters

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

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

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

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Environmental The company is subject to federal, state and local laws and regulations relating to the environment and is currently named as a member of various groups of potentially responsible parties in administrative or court proceedings. As we previously announced, in 1996 the Environmental Protection Agency (EPA) issued an administrative order directing us to be part of a soil cleanup program at the Sarney Farm site in Amenia, New York. The site was operated as a landfill between the years 1968 and 1970 by parties unrelated to the company, and wastes from a number of industrial sources were disposed there. We do not concede liability for the condition of the site, but are working with the EPA to identify, and then seek reimbursement from, other potentially responsible parties. We estimate the total cost of our remediation effort to be in the range of $3 million to $5 million for the soil remediation program.

The administrative and court proceedings referred to above are in different states. It is impossible for us to estimate with any certainty the total cost of remediating, the timing or extent of remedial actions which may be required by governmental authorities, or the amount of liability, if any, we might have. If and when it is possible to make a reasonable estimate of our liability in any of these matters, we will make financial provision as appropriate. Based on the facts we presently know, we believe that the outcome of any current proceeding will not have a material adverse effect on our financial condition or results of operations.

Regulation In June 1995, the USPS finalized and issued regulations governing the manufacture, distribution and use of postage meters. These regulations cover four general categories: meter security, administrative controls, Computerized Meter Resetting Systems and other issues. The company continues to comply with these regulations in its ongoing postage meter operations.

In May 1996, the USPS issued a proposed schedule for the phaseout of mechanical meters in the U.S. Between May 1996 and March 1997 the company worked with the USPS to negotiate a revised mechanical meter migration schedule which better reflected the needs of existing mechanical meter users and minimized any potential negative financial impact on the company. The final schedule agreed to with the USPS is as follows:

- as of June 1, 1996, new placements of mechanical meters would no longer be permitted; replacements of mechanical meters previously licensed to customers would be permitted prior to the applicable suspension date for that category of mechanical meter

- as of March 1, 1997, use of mechanical meters by persons or firms who process mail for a fee would be suspended and would have to be removed from service

- as of December 31, 1998, use of mechanical meters that interface with mail machines or processors ("systems meters") would be suspended and would have to be removed from service

- as of March 1, 1999, use of all other mechanical meters ("stand-alone meters") would be suspended and have to be removed from service

Based on the foregoing schedule, the company believes that the phaseout of mechanical meters will not cause a material adverse financial impact on the company.

As a result of the company's aggressive efforts to meet the USPS mechanical meter migration schedule combined with the company's ongoing and continuing investment in advanced postage evidencing technologies, mechanical meters represent 25% of the company's installed U.S. meter base at December 31, 1997, compared with 40% at December 31, 1996. At December 31, 1997, 75% of the company's installed U.S. meter base is electronic or digital, compared to 60% at December 31, 1996.

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

- the Indicium specification--the technical specifications for the indicium to be printed

- a Postal Security Device specification--the technical specification for the device that would contain the accounting and security features of the system

- a Host specification

- a Vendor Infrastructure specification

In July 1996, the USPS published for public comment draft specifications for the Indicium, Postal Security Device and Host specifications. The company submitted extensive comments to these specifications in November 1996. Revised specifications were then published in 1997 which incorporated many of the changes recommended by the company in its prior comments, including the recommendation that IBIP apply only to the personal computer (PC) environment and not apply at the present time to other digital postage evidencing systems. The company submitted comments to these revised specifications. Also, in March 1997 the USPS published for public comment the Vendor Infrastructure specification to which the company responded on June 27, 1997. As of December 31, 1997, the USPS had not yet finalized the four IBIP specifications; however, the company has developed a PC product which satisfies the proposed IBIP specifications. This product is currently undergoing testing by the USPS and is expected to be ready for market when final approval of the specifications is issued.

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Effects of Inflation and Foreign Exchange

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

Although not affecting income, deferred translation gains and (losses) amounted to $(32) million, $16 million and $(5) million in 1997, 1996 and 1995, respectively. In 1997, the translation loss resulted from the strengthening of the U.S. dollar against most other currencies except for the pound sterling. In 1996, the translation gains resulted primarily from the strengthening of the pound sterling and the Canadian dollar. In 1995, translation losses resulted primarily from the weakening of the pound sterling.

The results of the company's international operations are subject to currency fluctuations, and we enter into foreign exchange contracts (for purposes other than trading) primarily to minimize our risk of loss from such fluctuations. Exchange rates can impact settlement of our intercompany receivables and payables that result from transfers of finished goods inventories between our affiliates in different countries, and intercompany loans.

At December 31, 1997, the company had approximately $290.8 million of foreign exchange contracts outstanding, most of which mature in 1998, to buy or sell various currencies. Risks arise from the possible non-performance by counterparties in meeting the terms of their contracts and from movements in securities values, interest and/or exchange rates. However, the company does not anticipate non-performance by the counterparties as they are composed of a number of major international financial institutions. Maximum risk of loss on these contracts is limited to the amount of the difference between the spot rate at the date of the contract delivery and the contracted rate.

Dividend Policy

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

Forward-Looking Statements

The company wants to caution readers that any forward-looking statements (those which talk about the company's or management's current expectations as to the future) in this Annual Report or made by the company management involve risks and uncertainties which may change based on various important factors. Some of the factors which could cause future financial performance to differ materially from the expectations as expressed in any forward-looking statement made by or on behalf of the company include:

- changes in postal regulations
- timely development and acceptance of new products
- success in gaining product approval in new markets where regulatory approval is required
- successful entry into new markets
- mailers' utilization of alternative means of communication or competitors' products
- our success at managing customer credit risk

Summary of Selected Financial Data

(Dollars in thousands, except per share data)

	Years ended December 31				
	1997	1996	1995	1994	1993
Total revenue	$4,100,464	$3,858,579	$3,554,754	$3,270,613	$3,000,386
Costs and expenses	3,297,366	3,174,196	2,935,823	2,729,472	2,501,526
Nonrecurring items, net	--	--	--	(25,366)	--
Income from continuing operations before income taxes	803,098	684,383	618,931	566,507	498,860
Provision for income taxes	277,071	214,970	211,222	218,077	193,166
Income from continuing operations	526,027	469,413	407,709	348,430	305,694
Discontinued operations	--	--	175,431	45,161	47,495
Effect of accounting changes	--	--	--	(119,532)	--
Net income	$ 526,027	$ 469,413	$ 583,140	$ 274,059	$ 353,189
Basic earnings per share:					
Continuing operations	$1.82	$1.57	$1.35	$1.11	$.97
Discontinued operations	--	--	.58	.15	.15
Effect of accounting changes	--	--	--	(.38)	--
Net income	$1.82	$1.57	$1.93	$.88	$1.12
Diluted earnings per share:					
Continuing operations	$1.80	$1.56	$1.34	$1.10	$.96
Discontinued operations	--	--	.57	.15	.15
Effect of accounting changes	--	--	--	(.38)	--
Net income	$1.80	$1.56	$1.91	$.87	$1.11
Total dividends on common, preference and preferred stock	$231,392	$206,115	$181,657	$162,714	$142,142
Dividends per share of common stock	$.80	$.69	$.60	$.52	$.45
Average common and potential common shares outstanding	292,517,116	301,303,356	304,739,952	315,485,784	318,784,232
Balance sheet at December 31					
Total assets	$7,893,389	$8,155,722	$7,844,648	$7,399,720	$6,793,816
Long-term debt	$1,068,395	$1,300,434	$1,048,515	$779,217	$847,316
Capital lease obligations	$10,142	$12,631	$14,241	$23,147	$29,462
Stockholders' equity	$1,872,577	$2,239,046	$2,071,100	$1,745,069	$1,871,595
Book value per common share	$6.69	$7.56	$6.90	$5.76	$5.91
Ratios					
Profit margin -- continuing operations:					
Pretax earnings	19.6%	17.7%	17.4%	17.3%	16.6%
After-tax earnings	12.8%	12.2%	11.5%	10.7%	10.2%
Return on stockholders' equity -- before accounting changes	28.1%	21.0%	28.2%	22.6%	18.9%
Debt to total capital	64.2%	60.5%	62.2%	66.3%	61.3%
Other					
Common stockholders of record	31,092	32,258	32,859	31,226	31,189

Total employees	29,901	28,625	27,723	32,792	32,539
Postage meters in service in the U.S., U.K. and Canada	1,561,668	1,494,157	1,517,806	1,480,692	1,445,689

See notes, pages 31 through 46

Consolidated Statements of Income

(Dollars in thousands, except per share data)

	Years ended December 31		
	1997	1996	1995
Revenue from:			
Sales	$1,834,057	$1,675,090	$1,546,393
Rentals and financing	1,782,851	1,717,738	1,575,094
Support services	483,556	465,751	433,267
Total revenue	4,100,464	3,858,579	3,554,754
Costs and expenses:			
Cost of sales	1,081,537	1,025,250	941,124
Cost of rentals and financing	557,769	529,740	463,601
Selling, service and administrative	1,367,862	1,340,276	1,230,671
Research and development	89,463	81,726	81,800
Interest expense	209,194	203,877	226,110
Interest income	(8,459)	(6,673)	(7,483)
Total costs and expenses	3,297,366	3,174,196	2,935,823
Income from continuing operations before income taxes	803,098	684,383	618,931
Provision for income taxes	277,071	214,970	211,222
Income from continuing operations	526,027	469,413	407,709
Income, net of income tax, from discontinued operations	--	--	21,483
Net gains on sale of discontinued operations	--	--	153,948
Net income	$ 526,027	$ 469,413	$ 583,140
Basic earnings per share:			
Income from continuing operations	$1.82	$1.57	$1.35
Discontinued operations	--	--	.58
Net income	$1.82	$1.57	$1.93
Diluted earnings per share:			
Income from continuing operations	$1.80	$1.56	$1.34
Discontinued operations	--	--	.57
Net income	$1.80	$1.56	$1.91

See notes, pages 31 through 46

Consolidated Balance Sheets

(Dollars in thousands, except per share data)

	December 31	
	1997	1996
Assets		
Current assets:		
Cash and cash equivalents	$ 137,073	$ 135,271
Short-term investments, at cost which approximates market	1,722	1,500
Accounts receivable, less allowances: 1997, $21,129; 1996, $16,160	348,792	340,730
Finance receivables, less allowances: 1997, $54,170; 1996, $40,176	1,546,542	1,339,286
Inventories	249,207	281,942
Other current assets and prepayments	180,179	123,337

Total current assets	2,463,515	2,222,066
Property, plant and equipment, net	497,261	486,029
Rental equipment and related inventories, net	788,035	815,306
Property leased under capital leases, net	4,396	5,848
Long-term finance receivables, less allowances: 1997, $78,138; 1996, $73,561	2,581,349	3,450,231
Investment in leveraged leases	727,783	633,682
Goodwill, net of amortization: 1997, $40,912; 1996, $34,372	203,419	205,802
Other assets	627,631	336,758
Total assets	$ 7,893,389	$ 8,155,722
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 878,759	$ 849,789
Income taxes payable	147,921	212,155
Notes payable and current portion of long-term obligations	1,982,988	1,911,481
Advance billings	363,565	331,864
Total current liabilities	3,373,233	3,305,289
Deferred taxes on income	905,768	720,840
Long-term debt	1,068,395	1,300,434
Other noncurrent liabilities	373,416	390,113
Total liabilities	5,720,812	5,716,676
Preferred stockholders' equity in a subsidiary company	300,000	200,000
Stockholders' equity:		
Cumulative preferred stock, $50 par value, 4% convertible	39	46
Cumulative preference stock, no par value, $2.12 convertible	2,220	2,369
Common stock, $1 par value (480,000,000 shares authorized; 323,337,912 shares issued)	323,338	323,338
Capital in excess of par value	28,028	30,260
Retained earnings	2,744,929	2,450,294
Cumulative translation adjustments	(63,348)	(31,297)
Treasury stock, at cost (43,664,034 shares)	(1,162,629)	(535,964)
Total stockholders' equity	1,872,577	2,239,046
Total liabilities and stockholders' equity	$ 7,893,389	$ 8,155,722

See notes, pages 31 through 46

Consolidated Statements of Cash Flows

(Dollars in thousands)

	Years ended December 31		
	1997	1996(a)	1995(a)
Cash flows from operating activities:			
Net income	$ 526,027	$ 469,413	$ 583,140
Net gains on sale of discontinued operations	--	--	(153,948)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	300,086	278,168	271,648
Net change in the strategic focus initiative	--	(16,826)	(45,078)
Increase in deferred taxes on income	185,524	106,298	148,828
Change in assets and liabilities:			
Accounts receivable	(11,295)	49,187	(18,696)
Sales-type lease receivables	(192,365)	(225,565)	(146,010)
Inventories	30,526	35,256	9,788
Other current assets and prepayments	(58,135)	(14,467)	(7,519)
Accounts payable and accrued liabilities	33,622	43,125	28,517
Income taxes payable	(62,910)	(21,281)	(96,436)
Advance billings	33,607	16,715	22,637
Other, net	(81,274)	(28,543)	(20,391)
Net cash provided by operating activities	703,413	691,480	576,480
Cash flows from investing activities:			
Short-term investments	(388)	548	(2,553)
Net investment in fixed assets	(244,065)	(271,972)	(337,718)
Net investment in direct-finance lease receivables	672,148	50,494	(316,343)
Investment in leveraged leases	(95,600)	(63,320)	(141,898)
Investment in mortgage servicing rights	(105,955)	(50,407)	(63,533)
Proceeds from sales of subsidiaries	--	--	577,000
Other investing activities	432	(9,493)	(4,415)
Net cash provided by (used in) investing activities	226,572	(344,150)	(289,460)
Cash flows from financing activities:			
Increase (decrease) in notes payable	89,536	(467,838)	(432,418)
Proceeds from long-term obligations	--	500,000	275,000
Principal payments on long-term obligations	(256,326)	(12,181)	(66,734)
Proceeds from issuance of stock	33,396	31,201	26,999
Stock repurchases	(662,758)	(144,475)	(98,038)
Proceeds from preferred stock issued by a subsidiary	100,000	--	200,000
Dividends paid	(231,392)	(206,115)	(181,657)
Net cash used in financing activities	(927,544)	(299,408)	(276,848)

Effect of exchange rate changes on cash	(639)	1,997	74
Increase in cash and cash equivalents	1,802	49,919	10,246
Cash and cash equivalents at beginning of year	135,271	85,352	75,106
Cash and cash equivalents at end of year	$ 137,073	$ 135,271	$ 85,352
Interest paid	$ 203,870	$ 204,596	$ 228,460
Income taxes paid, net	$ 159,854	$ 111,176	$ 163,745

(a) Certain prior year amounts have been reclassified to conform with the 1997 presentation.

See notes, pages 31 through 46

Consolidated Statements of Stockholders' Equity

(Dollars in thousands, except per share data)

	Preferred stock	Preference stock	Common stock	Capital in excess of par value	Retained earnings	Cumulative translation adjustments	Treasury stock, at cost
Balance, January 1, 1995	$48	$2,790	$323,338	$35,200	$1,785,513	$(41,617)	$ (360,203)
Net income					583,140		
Cash dividends:							
Preferred ($2.00 per share)					(1)		
Preference ($2.12 per share)					(261)		
Common ($.60 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)
Net income					469,413		
Cash dividends:							
Preferred ($2.00 per share)					(1)		
Preference ($2.12 per share)					(194)		
Common ($.69 per share)					(205,920)		
Issuances under dividend reinvestment and stock plans				(2,441)			31,649
Conversions to common stock	(1)	(178)		(1,819)			1,998
Repurchase of common stock							(144,475)
Translation adjustments						15,694	
Tax credits relating to stock options				4,221			
Balance, December 31, 1996	46	2,369	323,338	30,260	2,450,294	(31,297)	(535,964)
Net income					526,027		
Cash dividends:							
Preferred ($2.00 per share)					(1)		
Preference ($2.12 per share)					(179)		
Common ($.80 per share)					(231,212)		
Issuances under dividend reinvestment and stock plans				(2,741)			33,997
Conversions to common stock	(7)	(149)		(1,940)			2,096
Repurchase of common stock							(662,758)
Translation adjustments						(32,051)	
Tax credits relating to stock options				2,449			
Balance, December 31, 1997	$39	$2,220	$323,338	$28,028	$2,744,929	$(63,348)	$(1,162,629)

See notes, pages 31 through 46

Notes to Consolidated Financial Statements

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

1. Summary of significant accounting policies

Consolidation

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

Use of estimates

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

Cash equivalents, short-term investments
and accounts receivable

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

Inventory valuation

Inventories are valued at the lower of cost or market. Cost is determined on the last-in, first-out (LIFO) basis for most U.S. inventories, and on the first-in, first-out (FIFO) basis for most non-U.S. inventories.

Fixed assets and depreciation

Property, plant and equipment are stated at cost and depreciated principally using the straight-line method over 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.

Asset valuation

The company periodically reviews the fair value of long-lived assets and capitalized mortgage servicing rights for impairment.

Financing transactions

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

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

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

The company has, from time to time, sold selected finance assets. The company follows Statement of Financial Accounting Standards (FAS) No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," when accounting for its sale of finance assets. All assets obtained or liabilities incurred in consideration are recognized as proceeds of the sale and any gain or loss on the sale is recognized in earnings.

The company's investment in leveraged leases consists of rentals receivable net of principal and interest on the related nonrecourse debt, estimated residual value of the leased property and unearned

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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 expenses because no meaningful allocation of such expenses to cost of sales, rentals and financing or support services is practicable.

Income taxes

The deferred tax provision is determined under the liability method. Deferred tax assets and liabilities are recognized based on differences between the book and tax bases of assets and liabilities using currently enacted tax rates. The provision for income taxes is the sum of the amount of income tax paid or payable for the year as determined by applying the provisions of enacted tax laws to the taxable income for that year and the net change during the year in the company's deferred tax assets and liabilities.

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

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

It has not been necessary to provide for income taxes on $385 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 $12 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.

Earnings per share

In December 1997, the company adopted FAS No. 128, "Earnings per Share." Under FAS No. 128, basic earnings per share is based on the weighted average number of common shares outstanding during the year, whereas diluted earnings per share also gives effect to all dilutive potential common shares that were outstanding during the period. Dilutive potential common shares include preference stock, preferred stock and stock option and purchase plan shares.

Postage deposits

The company's U.S. customers using 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, can elect to make deposits directly with the United States Postal Service (USPS) to cover expected postage usage. Such customers can also elect, for a fee, to have the company pay the postage to the USPS under a revolving credit product called Purchase Power(SM). The company earns income on balances from customers who elect to use our credit facilities. Resetting fees received by the company are not affected by the customers' choice of payment method.

Foreign exchange

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

The company enters into foreign exchange contracts for purposes other than trading primarily to minimize its risk of loss from exchange rate fluctuations on the settlement of intercompany receivables and payables arising in connection with transfers of finished goods inventories between affiliates and certain intercompany loans. Gains and losses on foreign exchange contracts entered into as hedges are deferred and recognized as part of the cost of the underlying transaction. At December 31, 1997, the company had approximately $290.8 million of foreign exchange contracts outstanding, most of which mature in 1998, to buy or sell various currencies. Risks arise from the possible non-performance by counterparties in meeting the terms of their contracts and from movements in securities values, interest and/or exchange rates. However, the company does not anticipate non-performance by the counterparties as they are composed of a number of major international financial institutions. Maximum risk of loss on these contracts is limited to the amount of the difference between the spot rate at the date of the contract delivery and the contracted rate.

Foreign currency transaction gains and (losses) net of tax were $.5 million, $(.5) million and $1.6 million in 1997, 1996 and 1995, respectively.

2. Inventories

Inventories consist of the following:

December 31	1997	1996
Raw materials and work in process	$ 51,429	$ 58,536
Supplies and service parts	93,064	103,182
Finished products	104,714	120,224
Total	$249,207	$281,942

Had all inventories valued at LIFO been stated at current costs, inventories would have been $33.8 million and $37.3 million higher than reported at December 31, 1997 and 1996, respectively.

3. Fixed assets

December 31	1997	1996
Land	$ 34,844	$ 34,859
Buildings	307,341	304,631
Machinery and equipment	778,140	754,011
	1,120,325	1,093,501
Accumulated depreciation	(623,064)	(607,472)
Property, plant and equipment, net	$ 497,261	$ 486,029
Rental equipment and related inventories	$ 1,577,370	$ 1,634,111
Accumulated depreciation	(789,335)	(818,805)
Rental equipment and related inventories, net	$ 788,035	$ 815,306
Property leased under capital leases	$ 20,507	$ 24,124
Accumulated amortization	(16,111)	(18,276)
Property leased under capital leases, net	$ 4,396	$ 5,848

4. Current liabilities

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

December 31	1997	1996

Accounts payable - trade	$ 263,416	$ 245,274
Accrued salaries, wages and commissions	106,670	90,452
Accrued pension benefits	84,005	77,323
Accrued nonpension postretirement benefits	15,500	15,500
Accrued postemployment benefits	6,900	6,884
Miscellaneous accounts payable and accrued liabilities	402,268	414,356
Accounts payable and accrued liabilities	$ 878,759	$ 849,789

Notes payable and overdrafts	$1,747,377	$1,656,574
Current portion of long-term debt	234,080	253,190
Current portion of capital lease obligations	1,531	1,717
Notes payable and current portion of long-term obligations	$1,982,988	$1,911,481

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 $.9 million, $1.5 million and $1.8 million in 1997, 1996 and 1995, respectively.

At December 31, 1997, overdrafts outside the U.S. totaled $2.8 million and U.S. notes payable totaled $1.7 billion. Unused credit facilities outside the U.S. totaled $75.6 million at December 31, 1997 of which $31.9 million were for finance operations. In the U.S., the company had unused credit facilities of $1.8 billion at December 31, 1997, largely in support of commercial paper borrowings, of which $1.5 billion were for its finance operations. The weighted average interest rates were 4.8% and 4.9% on notes payable and overdrafts outstanding at December 31, 1997 and 1996, respectively.

The company periodically enters into interest rate swap 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

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losses in the event of non-performance by swap counterparties 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's variable and fixed rate debt mix, after adjusting for the effect of interest rate swap agreements, was 48% and 52%, respectively, at December 31, 1997. 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, 1997, the company had outstanding interest rate swap agreements with notional principal amounts of $268.5 million and terms expiring at various dates from 1999 to 2007. The company exchanged variable commercial paper rates on an equal notional amount of notes payable and overdrafts for fixed rates ranging from 5.9% to 10.75%.

5. Long-term debt

December 31	1997	1996
Non-financial services debt:		
Due 1998-2003		
(3.88% to 5.50%)	$ 3,175	$ 3,730
Financial services debt:		
Senior notes:		
5.84% to 6.305% notes due 1998	--	225,000
6.54% notes due 1999	200,000	200,000
6.06% to 6.11% notes due 2000	50,000	50,000
6.78% to 6.80% notes due 2001	200,000	200,000
6.63% notes due 2002	100,000	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		
1998-2000 (11.05% to 12.50%)	15,220	21,020
Other	--	684
Total long-term debt	$1,068,395	$1,300,434

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 remained available at December 31, 1997. Securities issued under this medium-term note facility would have maturities ranging from more than one year up to 30 years. The company also had an additional $300 million remaining on a shelf registration statement filed with the Securities and Exchange Commission (SEC). On January 22, 1998, the company issued notes amounting to $300 million available under this shelf registration. These unsecured notes bear annual interest at 5.95% and mature in February 2005. The notes are redeemable earlier at the company's option. The net proceeds from these notes will be used for general corporate purposes, including the repayment of short-term debt.

PBCC had $250 million of unissued debt securities available from a shelf registration statement filed with the SEC in September 1995. On January 16, 1998, PBCC issued notes amounting to $250 million available under this shelf registration. These unsecured notes bear annual interest at 5.65% and mature in January 2003. The proceeds will be used to meet PBCC's financing needs over the next 12 months.

The annual maturities of the outstanding debt during each of the next five years are as follows: 1998, $234.1 million; 1999, $204.9 million; 2000, $62.0 million; 2001, $200.7 million and 2002, $100.2 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 earnings available for fixed charges. The company has not been required to make any such payments to maintain earnings available for fixed charges coverage.

6. Preferred stockholders' equity in a subsidiary company

Preferred stockholders' equity in a subsidiary company represents 3,000,000 shares of variable term voting preferred stock issued by Pitney Bowes International Holdings, Inc., a subsidiary of the company, which are owned by certain outside institutional investors. These preferred shares are entitled to 25% of the combined voting power of all classes of capital stock. All outstanding common stock of Pitney Bowes International Holdings, Inc., representing the remaining 75% of the combined voting power of all classes of capital stock, is owned directly or indirectly by Pitney Bowes Inc. The preferred stock, $.01 par value, is entitled to cumulative dividends at rates set at auction. The weighted average dividend rate in 1997 and 1996 was 4.1% and 4.0%, respectively. Preferred dividends are reflected as a minority interest in the Consolidated Statements of Income in selling, service and administrative expenses. The preferred stock is subject to mandatory redemption based on certain events, at a redemption price not less than $100 per share, plus the amount of any dividends accrued or in arrears. No dividends were in arrears at December 31, 1997 or 1996.

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7. Capital stock and capital in excess of par value

On December 18, 1997, the company's stockholders voted to amend the Restated Certificate of Incorporation to increase the number of authorized common shares from 240,000,000 to 480,000,000 shares and reduce the par value per common share from $2 to $1. This action resulted in a two-for-one split of the company's common stock as previously approved by the Board of Directors. All previously reported common share and per common share data has been restated.

At December 31, 1997, 480,000,000 shares of common stock, 600,000 shares of cumulative preferred stock, and 5,000,000 shares of preference stock were authorized, and 279,673,878 shares of common stock (net of 43,664,034 shares of treasury stock), 788 shares of 4% Convertible Cumulative Preferred Stock (4% preferred stock) and 81,975 shares of $2.12 Convertible Preference Stock ($2.12 preference stock) were issued and outstanding. In the future, the Board of Directors can issue the balance of unreserved and unissued preferred stock (599,212 shares) and preference stock (4,918,025 shares). This will determine the dividend rate, terms of redemption, terms of conversion (if any) and other pertinent features. At December 31, 1997, unreserved and unissued common stock (exclusive of treasury stock) amounted to 129,310,772 shares.

The 4% preferred stock outstanding, entitled to cumulative dividends at the rate of $2 per year, can be redeemed at the company's option, in whole or in part at any time, at the price of $50 per share, plus dividends accrued to the redemption date. Each share of the 4% preferred stock can be converted into 24.24 shares of common stock, subject to adjustment in certain events.

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

At December 31, 1997, a total of 1,330,701 shares of common stock were reserved for issuance upon conversion of the 4% preferred stock (19,101 shares) and $2.12 preference stock (1,311,600 shares). In addition, 2,608,136 shares of common stock were reserved for issuance under the company's dividend reinvestment and other corporate plans.

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

8. Stock plans

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

The company adopted FAS No. 123, "Accounting for Stock-Based Compensation," on January 1, 1996. Under FAS No. 123, companies can, but are not required to, elect to recognize compensation expense for all stock-based awards using a fair value methodology. The company has adopted the disclosure-only provisions, as permitted by FAS No. 123. The company applies Accounting Principles Board Opinion No. 25 and related interpretations in accounting for its stock-based plans. Accordingly, no compensation expense has been recognized for the ESP or the ESPP, except for the compensation expense recorded for its performance-based awards under the ESP and the Directors' Stock Plan as discussed herein. If the company had elected to recognize compensation expense based on the fair value method as prescribed by FAS No. 123, net income and earnings per share for the years ended 1997, 1996 and 1995 would have been reduced to the following pro forma amounts:

	1997	1996	1995
Net income			
As reported	$526,027	$469,413	$583,140
Pro forma	$523,400	$467,742	$582,510
Basic earnings per share			
As reported	$1.82	$1.57	$1.93
Pro forma	$1.81	$1.57	$1.93
Diluted earnings per share			
As reported	$1.80	$1.56	$1.91
Pro forma	$1.79	$1.55	$1.91

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

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

	1997	1996	1995
Expected dividend yield	2.0%	2.5%	2.5%
Expected stock price volatility	17%	17%	17%
Risk-free interest rate	6%	6%	6%
Expected life (years)	5	5	5

Stock Option Plans

Under the company's stock option plans, certain officers and employees of the U.S. and the company's participating U.K. subsidiaries are granted options at prices equal to the market value of the company's common shares at the date of grant. Options become exercisable in three equal installments during

the first three years following their grant and expire after ten years. At December 31, 1997, there were 6,314,258 options available for future grants under these plans. The per share weighted average fair value of options granted was $7 in 1997, $5 in 1996 and $4 in 1995.

The following table summarizes information about stock option transactions:

	Shares	Per share weighted average exercise price
Options outstanding at January 1, 1995	4,044,772	$15

Granted	1,025,504	$17
Exercised	(649,940)	$11
Canceled	(59,334)	$18
Options outstanding at December 31, 1995	4,361,002	$16
Granted	805,790	$26
Exercised	(702,560)	$15
Canceled	(86,258)	$22
Options outstanding at December 31, 1996	4,377,974	$18
Granted	1,837,730	$30
Exercised	(774,728)	$17
Canceled	(67,852)	$28
Options outstanding at December 31, 1997	5,373,124	$23
Options exercisable at December 31, 1995	2,823,052	$15
Options exercisable at December 31, 1996	2,017,702	$15
Options exercisable at December 31, 1997	2,703,734	$18

The following table summarizes information about stock options outstanding at December 31, 1997:

	Options Outstanding		
Range of per share exercise prices	Number	Weighted average remaining contractual life	Per share weighted average exercise price
$9-$20	2,340,638	5.6 years	$16
$21-$30	2,862,392	9.2 years	$27
$36-$45	170,094	10.0 years	$39
	5,373,124	7.7 years	

At December 31, 1997, there were 2,075,066 and 628,668 options exercisable with per share exercise prices ranging from $9 to $20 and $21 to $30, respectively. The per share weighted average exercise prices of these options were $16 and $23, respectively.

Beginning in 1997, certain employees eligible for performance-based compensation may defer up to 100% of their annual awards, subject to the terms and conditions of the Pitney Bowes Deferred Incentive Savings Plan. Participants may allocate deferred compensation among specified investment choices, including stock options under the U.S. stock option plan. Stock options acquired under this plan are exercisable three years following their grant and expire after a period not to exceed ten years. At December 31, 1997, there were 90,904 options outstanding under this plan which are included in outstanding options under the company's U.S. stock option plan. The per share weighted average fair value of options granted was $7 in 1997.

Certain executives are awarded restricted stock under the company's U.S. stock option plan. Restricted stock awards are subject to both tenure and financial performance over three years. The restrictions on the shares are released, in total or in part, only if the executive is still employed by the company at the end of the performance period and if the performance objectives are achieved.

There were no shares awarded in 1997, 100,500 shares awarded in 1996 and 112,600 shares awarded in 1995 at no cost to the executives. The compensation expense for each award is recognized over the performance period. Compensation expense recorded by the company related to these awards was $4.1 million, $2.0 million and $.8 million in 1997, 1996 and 1995, respectively. The per share weighted average fair value of shares awarded was $23 in 1996 and $16 in 1995.

Employee Stock Purchase Plans

The U.S. ESPP enables substantially all employees to purchase shares of the company's common stock at a discounted offering price. In 1997, the offering price was 90% of the average closing price of the company's common stock on the New York Stock Exchange for the 30 day period preceding the offering date. At no time will the exercise price be less than the lowest price permitted under Section 423 of the Internal Revenue Code. The U.K. ESPP enables eligible employees of the company's participating U.K. subsidiaries to purchase shares of the company's stock at a discounted offering price. In 1997, the offering price was 90% of the average closing price of the company's common stock on the New York Stock Exchange for the three business days preceding the offering date. The company may grant rights to purchase up to 10,626,634 common shares to its regular employees under these plans. The company granted rights to purchase 855,916 shares in 1997, 764,088 shares in 1996, and 852,678 shares in 1995. The per share fair value of rights granted was $4 in 1997, $3 in 1996 and $3 in 1995 for the U.S. ESPP and $9 in 1997, $7 in 1996 and $5 in 1995 for the U.K. ESPP.

Directors' Stock Plan

Under this plan, each non-employee director is granted 1,400 shares of restricted common stock annually as part of their compensation. Shares granted at no cost to the directors were 10,900 in 1997, 7,200 in 1996 and 6,400 in 1995. Compensation expense recorded by the company was $370,000, $175,000 and $118,000 for 1997, 1996 and 1995, respectively. The shares carry full voting and dividend rights but may not be transferred or alienated until the later of (1) termination of service as a director, or, if earlier, the date of a change of control, or (2) the expiration of the six month period following the grant of such shares. The per share weighted average fair value of shares granted was $28 in 1997, $19 in 1996 and $14 in 1995.

Beginning in 1997, non-employee directors may defer up to 100% of their eligible compensation, subject to the terms and conditions of the Pitney Bowes Deferred Incentive Savings Plan for directors. Participants may allocate deferred compensation among specified investment choices, including the Directors' Stock Plan. Stock options acquired under this plan are exercisable three years following their grant and expire after a period not to exceed ten years. At December 31, 1997, there were 1,994 options outstanding under this plan. The per share weighted average fair value of options granted was $9 in 1997.

9. Earnings per share

A reconciliation of the basic and diluted earnings per share computations for income from continuing operations for the years ended December 31, 1997, 1996 and 1995 is as follows:

	1997		
	Income	Shares	Per Share
Income from continuing operations	$526,027		
Less:			
Preferred stock dividends	(1)		
Preference stock dividends	(179)		

	Income	Shares	Per Share
Basic earnings per share	$525,847	288,782,996	$1.82
Effect of dilutive securities:			
Preferred stock	1	21,420	
Preference stock	179	1,355,116	
Stock options		2,068,442	
Employee stock purchase plan shares		289,142	
Diluted earnings per share	$526,027	292,517,116	$1.80

	1996		
	Income	Shares	Per Share
Income from continuing operations	$469,413		
Less:			
Preferred stock dividends	(1)		
Preference stock dividends	(194)		
Basic earnings per share	$469,218	298,233,766	$1.57
Effect of dilutive securities:			
Preferred stock	1	22,882	
Preference stock	194	1,453,512	
Stock options		1,344,634	
Employee stock purchase plan shares		248,562	
Diluted earnings per share	$469,413	301,303,356	$1.56

	1995		
	Income	Shares	Per Share
Income from continuing operations	$407,709		
Less:			
Preferred stock dividends	(1)		
Preference stock dividends	(261)		
Basic earnings per share	$407,447	302,280,548	$1.35
Effect of dilutive securities:			
Preferred stock	1	23,004	
Preference stock	261	1,570,710	
Stock options		757,988	
Employee stock purchase plan shares		107,702	
Diluted earnings per share	$407,709	304,739,952	$1.34

10. Taxes on income

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

	Years ended December 31		
	1997	1996	1995
Income from continuing operations before income taxes:			
U.S.	$ 717,867	$ 656,862	$ 566,806
Outside the U.S.	85,231	27,521	52,125
Total	$ 803,098	$ 684,383	$ 618,931
Provision for income taxes:			
U.S. federal:			
Current	$ 117,146	$ 42,257	$ (17,024)
Deferred	102,145	111,943	168,297
	219,291	154,200	151,273
U.S. state and local:			
Current	43,159	11,853	13,691
Deferred	(7,946)	29,562	26,221
	35,213	41,415	39,912
Outside the U.S.:			
Current	33,596	28,694	28,233
Deferred	(11,029)	(9,339)	(8,196)
	22,567	19,355	20,037
Total current	193,901	82,804	24,900
Total deferred	83,170	132,166	186,322
Total	$ 277,071	$ 214,970	$ 211,222

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.

In 1995 through 1997, the company recognized a reduction in tax expense on account of its investment in a life insurance program. In 1996, the company recognized U.S. tax benefits from the write-off of its Australian investment and from restructuring its Australian operations.

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

	1997	1996	1995
U.S. federal statutory rate	35.0%	35.0%	35.0%
State and local income taxes	2.8	3.9	4.2
Australian write-off	--	(2.4)	--
Life insurance investment	(0.7)	(1.7)	(2.1)
Other, net	(2.6)	(3.4)	(3.0)
Effective income tax rate	34.5%	31.4%	34.1%

The effective tax rate for discontinued operations in 1995 differs from the statutory rate due primarily to state and local income taxes and nondeductible goodwill.

Deferred tax liabilities and (assets)

December 31	1997	1996
Deferred tax liabilities:		
Depreciation	$ 97,988	$ 72,930
Deferred profit (for tax purposes) on sales to finance subsidiaries	393,645	367,490
Lease revenue and related depreciation	843,422	816,831
Other	109,621	103,471
Deferred tax liabilities	1,444,676	1,360,722
Deferred tax assets:		
Nonpension postretirement benefits	(125,377)	(130,422)
Pension liability	(17,351)	(17,995)
Inventory and equipment capitalization	(38,191)	(33,145)
Net operating loss carryforwards	(43,602)	(47,481)
Alternative minimum tax (AMT) credit carryforwards	(27,325)	(80,773)
Postemployment benefits	(18,350)	(19,963)
Other	(181,145)	(124,263)
Valuation allowance	41,301	46,601
Deferred tax assets	(410,040)	(407,441)
Net deferred taxes	$ 1,034,636	$ 953,281

Net deferred taxes includes $128.9 million and $232.4 million for 1997 and 1996, respectively, of current deferred taxes, which are included in income taxes payable in the Consolidated Balance Sheets.

The decrease in the deferred tax asset for net operating loss carryforwards and related valuation allowance was due mainly to the decrease in foreign exchange rates, particularly the German mark. The decrease was partially offset by losses incurred by certain foreign subsidiaries. At December 31, 1997 and 1996, approximately $94.5 million and $98.1 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.

11. 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.

During 1997, the company announced that it amended its U.S. defined benefit pension plan to a pay equity plan for most of its active U.S. employees and enhanced the employer contributions to the U.S. defined contribution plan. The net impact of these changes was a reduction in 1997 U.S. pension plan costs of approximately $15.4 million and a reduction in the projected benefit obligation for the U.S. defined benefit plan of $74.3 million.

Total ongoing pension expense amounted to $29.9 million in 1997, $45.6 million in 1996 and $52.2 million in 1995. Net pension expense for defined benefit plans for 1997, 1996 and 1995 included the following components:

	United States			Foreign		
	1997	1996	1995	1997	1996	1995
Service cost - benefits earned during period	$ 22,780	$ 31,952	$ 33,061	$ 6,771	$ 6,046	$ 5,952
Interest cost on projected benefit obligations	67,111	69,292	68,027	12,515	10,882	10,317
Actual return on plan assets	(136,629)	(114,641)	(124,866)	(34,525)	(22,512)	(17,594)
Net amortization and deferral	55,143	44,574	58,831	19,719	9,885	5,237
Ongoing net periodic defined benefit pension expense	8,405	31,177	35,053	4,480	4,301	3,912
Curtailment (gain) loss charge(a)	--	--	(13,974)	--	--	2,921
Total pension expense	$ 8,405	$ 31,177	$ 21,079	$ 4,480	$ 4,301	$ 6,833

(a) The company 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 respective dates of the sale of these companies 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, 1997 and 1996 for the company's defined benefit plans was:

	United States		Foreign	
	1997	1996	1997	1996
Actuarial present value of:				
Vested benefits	$ 818,931	$ 777,064	$ 150,232	$ 139,300
Accumulated benefit obligations	$ 901,924	$ 858,590	$ 150,471	$ 139,569
Projected benefit obligations	$ 968,950	$ 995,009	$ 179,713	$ 162,613
Plan assets at fair value, primarily stocks and bonds, adjusted by:	959,632	868,752	209,629	179,040
Unrecognized net (gain) loss	(7,854)	49,539	(20,317)	(12,983)
Unrecognized net asset	(9,457)	(12,636)	(9,283)	(11,096)
Unamortized prior service costs from plan amendments	(49,845)	20,655	5,789	7,316
	892,476	926,310	185,818	162,277
Net pension liability (asset)	$ 76,474	$ 68,699	$ (6,105)	$ 336
Assumptions for defined benefit plans:(a)				
Discount rate	7.25%	7.25%	4.0%-7.8%	4.0%-8.5%
Rate of increase in future compensation levels	4.25%	4.25%	2.0%-5.0%	2.0%-5.5%
Expected long-term rate of return on plan assets	9.50%	9.50%	4.0%-9.0%	4.0%-9.5%

(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.

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12. Nonpension postretirement benefits

Net nonpension postretirement benefit costs consisted of the following components:

Years ended December 31

	1997	1996	1995
Service cost - benefits earned during the period	$ 9,688	$ 10,445	$ 8,688
Interest cost on accumulated postretirement benefit obligations	18,770	17,654	18,917
Net deferral and amortization	(16,045)	(15,946)	(17,920)
Net periodic postretirement benefit costs	$ 12,413	$ 12,153	$ 9,685

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

December 31	1997	1996
Accumulated postretirement benefit obligations:		
Retirees and dependents	$208,368	$206,114
Fully eligible active plan participants	48,570	53,810
Other active plan participants	49,784	44,832
Unrecognized net gain	1,057	2,047
Unrecognized prior service cost	23,141	37,463
Accrued nonpension postretirement benefits	$330,920	$344,266

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligations was 7.25% and 8.25% in 1997 and 1996, respectively. This was assumed to gradually decline to 3.75% by the year 2000 and remain at that level thereafter for 1997 and 1996. A one percentage point increase in the assumed health care cost trend rate would increase the accumulated postretirement benefit obligations by approximately $13.7 million at December 31, 1997 and the net periodic postretirement health care cost by $1.1 million in 1997.

The assumed weighted average discount rate used in determining the accumulated postretirement benefit obligations was 7.25% in 1997 and 1996.

During 1997, the company amended its retiree medical program for current and future retirees of Pitney Bowes Management Services who will now have increased participant contributions.

13. Discontinued operations

During 1995, the company sold its Monarch Marking Systems, Inc. (Monarch) and Dictaphone Corporation (Dictaphone) subsidiaries. The sales resulted in gains approximating $155 million, net of approximately $130 million of income taxes, from $577 million in proceeds. Dictaphone and Monarch have been classified in the Consolidated Statements of Income as discontinued operations.

For the year ended December 31, 1995, Monarch and Dictaphone had revenues of $306 million. Net income was $21.5 million, net of $14.5 million of income taxes in 1995.

14. Commitments, contingencies and regulatory matters

The company's finance subsidiaries had no unfunded commitments to extend credit to customers at December 31, 1997. The company evaluates each customer's creditworthiness on a case-by-case basis. Upon extension of credit, the amount and type of collateral obtained, if deemed necessary by the company, is based on management's credit assessment of the customer. Fees received under the agreements are recognized over the commitment period. The maximum risk of loss arises from the possible non-performance of the customer to meet the terms of the credit agreement. As part of the company's review of its exposure to risk, adequate provisions are made for finance assets which may be uncollectible.

From time to time, the company is a party to lawsuits that arise in the ordinary course of its business. These lawsuits may involve litigation by or against the company to enforce contractual rights under vendor, insurance, or other contracts; lawsuits relating to intellectual property or patent rights; equipment, service or payment disputes with customers; disputes with employees; or other matters. The company is currently a defendant in a number of lawsuits, none of which should have, in the opinion of management and legal counsel, a material adverse effect on the company's financial position or results of operations.

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

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then seek reimbursement from other potentially responsible parties. The company estimates that the cost of this remediation effort will range between $3 million and $5 million for the soil remediation program. All of these proceedings are at various stages of activity, and it is impossible to estimate with any certainty the total cost of remediating, the timing and extent of remedial actions which may be required by governmental authorities, or the amount of liability, if any, of the company. If and when it is possible to make a reasonable estimate of the company's liability in any of these matters, we will make financial provision as appropriate. Based on facts presently known, the company does not believe that the outcome of these proceedings will have a material adverse effect on its financial condition.

In June 1995, the USPS finalized and issued regulations governing the manufacture, distribution and use of postage meters. These regulations cover four general categories: meter security, administrative controls, Computerized Meter Resetting Systems and other issues. The company continues to comply with these regulations in its ongoing postage meter operations.

In May 1996, the USPS issued a proposed schedule for the phaseout of mechanical meters in the U.S. Between May 1996 and March 1997, the company worked with the USPS to negotiate a revised mechanical meter migration schedule which better reflected the needs of existing mechanical meter users and minimized any potential negative financial impact on the company. The final schedule agreed to with the USPS is as follows: (i) as of June 1, 1996, new placements of mechanical meters would no longer be permitted. Replacements of mechanical meters previously licensed to customers would be permitted prior to the applicable suspension date for that category of mechanical meter; (ii) as of March 1, 1997, use of mechanical meters by persons or firms who process mail for a fee would be suspended and would have to be removed from service; (iii) as of December 31, 1998, use of mechanical meters that interface with mail machines or processors ("systems meters") would be suspended and would have to be removed from service; (iv) as of March 1, 1999, use of all other mechanical meters ("stand-alone meters") would be suspended and have to be removed from service. Based on the foregoing schedule, the company believes that the phaseout of mechanical meters will not cause a material adverse financial impact on the company.

As a result of the company's aggressive efforts to meet the USPS mechanical meter migration schedule combined with the company's ongoing and continuing investment in advanced postage evidencing technologies, mechanical meters represent 25% of the company's installed U.S. meter base at December 31, 1997, compared with 40% at December 31, 1996. At December 31, 1997, 75% of the company's installed U.S. meter base is electronic or digital, compared to 60% at December 31, 1996.

In May 1995, the USPS publicly announced its concept of its Information Based Indicia Program (IBIP) for future postage evidencing devices. As initially stated by the USPS, the purpose of the program was to develop a new standard for future digital postage evidencing devices which significantly enhanced postal revenue security and supported expanded USPS value-added services to mailers. The program would consist of the development of four separate specifications: (i) the Indicium specification--the technical specifications for the indicium to be printed; (ii) a Postal Security Device specification--the technical specification for the device that would contain the accounting and security features of the system; (iii) a Host specification; and (iv) a Vendor Infrastructure specification.

In July 1996, the USPS published for public comment draft specifications for the Indicium, Postal Security Device and Host specifications. The company submitted extensive comments to these specifications in November 1996. Revised specifications were then published in 1997 which incorporated many of the changes recommended by the company in its prior comments including the recommendation that IBIP apply only to the personal computer (PC) environment and not apply at the present time to other digital postage evidencing systems. The company submitted comments to these revised specifications. Also, in March 1997 the USPS published for public comment the Vendor Infrastructure specification to which the company responded on June 27, 1997. As of December 31, 1997, the USPS had not yet finalized the four IBIP specifications; however, the company has developed a PC product which satisfies the proposed IBIP specifications. This product is currently undergoing testing by the USPS and is expected to be ready for market introduction when final approval of the specifications is issued.

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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 minimum lease payments at inception. Amounts included under liabilities represent the present value of remaining lease payments.

Future minimum lease payments under both capital and operating leases at December 31, 1997 are as follows:

Years ending December 31	Capital leases	Operating leases
1998	$ 3,247	$ 55,869
1999	3,238	41,357
2000	2,880	29,686
2001	2,739	20,348
2002	2,334	13,328
Thereafter	4,046	43,875
Total minimum lease payments	$18,484	$204,463
Less amount representing interest	(6,811)	
Present value of net minimum lease payments	$11,673	

Rental expense was $118.2 million, $121.6 million and $129.3 million in 1997, 1996 and 1995, 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.

On August 21, 1997, the company announced that it had entered into an agreement with GATX Capital Corporation (GATX Capital), a subsidiary of GATX Corporation, which when completed, will reduce the company's external large-ticket finance portfolio by approximately $1.1 billion. This represented approximately 50% of the company's external large-ticket portfolio and reflects the company's ongoing strategy of focusing on fee- and service-based revenue rather than asset-based income.

Under the terms of the agreement, the company transferred external large-ticket finance assets through a sale to GATX Capital and an equity investment in a limited liability company owned by GATX Capital and the company. At December 31, 1997, the company had received approximately $800 million of the approximately $900 million in cash it expects to receive. The company will also retain approximately $200 million of equity investment in a limited liability company along with GATX Capital.

Condensed financial data for the consolidated finance operations follows:

Condensed summary of operations

Years ended December 31	1997	1996	1995
Revenue	$789,092	$794,819	$713,909
Costs and expenses	286,779	294,147	238,457
Interest, net	213,691	216,220	217,499
Total expenses	500,470	510,367	455,956
Income before income taxes	288,622	284,452	257,953
Provision for income taxes	82,825	91,638	81,422
Net income	$205,797	$192,814	$176,531

Condensed balance sheet

December 31	1997	1996(a)
Cash and cash equivalents	$ 41,637	$ 22,506
Finance receivables, net	1,546,542	1,339,286
Accounts receivable	263,738	--
Other current assets and prepayments	54,753	52,169
Total current assets	1,906,670	1,413,961
Long-term finance receivables, net	2,581,349	3,450,231
Investment in leveraged leases	727,783	633,682
Other assets	281,244	143,023
Total assets	$5,497,046	$5,640,897
Accounts payable and accrued liabilities	$ 423,462	$ 359,157
Income taxes payable	102,110	156,340
Notes payable and		

current portion of long-term obligations	1,897,915	2,021,987
Total current liabilities	2,423,487	2,537,484
Deferred taxes on income	423,832	330,847
Long-term debt	1,378,827	1,570,549
Other noncurrent liabilities	4,042	4,974
Total liabilities	4,230,188	4,443,854
Equity	1,266,858	1,197,043
Total liabilities and equity	$5,497,046	$5,640,897

(a) Certain prior year amounts have been reclassified to conform with the 1997 presentation.

Finance receivables are generally due in monthly, quarterly or semiannual installments over periods ranging from three to 15 years. In addition, 16.5% of the company's net finance assets represent secured commercial and private jet aircraft transactions

with lease terms ranging from three 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
1998	$1,898,534	$1,897,915
1999	1,095,875	203,615
2000	784,534	61,900
2001	410,173	200,000
2002	157,946	100,000
Thereafter	409,885	813,312
Total	$4,756,947	$3,276,742

Finance operations' net purchases of Pitney Bowes equipment amounted to $667.3 million, $645.4 million and $618.6 million in 1997, 1996 and 1995, respectively.

The components of net finance receivables were as follows:

December 31	1997	1996
Gross finance receivables	$ 4,756,947	$ 5,579,517
Residual valuation	527,503	735,978
Initial direct cost deferred	93,438	99,023
Allowance for credit losses	(132,308)	(113,737)
Unearned income	(1,117,689)	(1,511,264)

Net finance receivables	$ 4,127,891	$ 4,789,517

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

December 31	1997	1996
Net rents receivable	$ 810,750	$ 556,058
Unguaranteed residual valuation	609,737	651,385
Unearned income	(692,704)	(573,761)
Investment in leveraged leases	727,783	633,682
Deferred taxes arising from leveraged leases	(300,164)	(239,192)
Net investment in leveraged leases	$ 427,619	$ 394,490

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

Years ended December 31	1997	1996	1995
Pretax leveraged lease income	$ 6,797	$ 8,497	$11,667
Income tax effect	16,110	6,501	4,408
Income from leveraged leases	$22,907	$14,998	$16,075

Leveraged lease assets acquired by the company are financed primarily through nonrecourse loans from third-party debt participants. These loans are secured by the lessee's rental obligations and the leased property. Net rents receivable represent gross rents less the principal and interest on the nonrecourse debt obligations. Unguaranteed residual values are principally based on independent appraisals of the values of leased assets remaining at the expiration of the lease.

Leveraged lease investments include $289.2 million related to commercial real estate facilities, with original lease terms ranging from five to 25 years. Also included are seven aircraft transactions with major commercial airlines, with a total investment of $293.5 million and original lease terms ranging from 22 to 25 years and transactions involving locomotives, railcars and rail and bus facilities, with a total investment of $145.1 million and original lease terms ranging from 15 to 44 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 $502.0 million and $328.0 million at December 31, 1997 and 1996, respectively. The maximum risk of loss arises from the possible non-performance of lessees to meet the terms of their contracts and from changes in the value of the underlying equipment. Conversely, these contracts are supported by the underlying equipment value and creditworthiness of customers. As part of the review of its exposure to risk, the company believes adequate provisions have been made for sold receivables which may be uncollectible.

The company has invested in various types of equipment under operating leases; the net investment at December 31, 1997 and 1996 was not significant.

17. Business segment information

For a description of the company's segments, see "Overview" on page 17. 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, income taxes and net interest other than that related to the financial services businesses. General corporate expenses were $86.6 million in 1997, $79.4 million in 1996 and $63.5 million in 1995. Revenue and operating profit by business segment and geographic area for the years ended 1995 to 1997 were as follows:

	Revenue		
(in millions)	1997	1996	1995
Industry segments:			
Business equipment	$ 3,157	$ 2,956	$ 2,799
Business services	557	482	403
Commercial and industrial financing			
Large-ticket external	195	235	207
Small-ticket external	191	186	146
	386	421	353
Total	$ 4,100	$ 3,859	$ 3,555
Geographic areas:			
United States	$ 3,603	$ 3,370	$ 3,108
Outside the United States	651	619	573
Interarea revenue	(154)	(130)	(126)
Total	$ 4,100	$ 3,859	$ 3,555

	Operating Profit		
(in millions)	1997	1996	1995
Industry segments:			
Business equipment(a)	$ 755	$ 621	$ 586
Business services	50	40	30
Commercial and industrial financing			
Large-ticket external	56	62	54
Small-ticket external	19	25	15
	75	87	69
Total	$ 880	$ 748	$ 685
Geographic areas:			
United States	$ 800	$ 719	$ 643
Outside the United States(a)	95	38	56
Interarea operating profit	(15)	(9)	(14)
Total	$ 880	$ 748	$ 685

(a) In 1996, excluding the Australian charge of $30 million, the business equipment segment would have been $651 million, and the geographic area outside the United States would have been $68 million. See discussion of selling, service and administrative expenses on page 20.

Additional segment information is as follows:

	Years ended December 31		
(in millions)	1997	1996	1995
Depreciation and amortization:			
Business equipment	$ 233	$ 220	$ 224
Business services	46	32	23
Commercial and industrial financing			
Large-ticket external	15	14	13
Small-ticket external	2	1	1
	17	15	14
Total	$ 296	$ 267	$ 261
Net additions to property, plant and equipment and rental equipment and related inventories:			
Business equipment	$ 241	$ 258	$ 256
Business services	31	20	7
Commercial and industrial financing			
Large-ticket external	(44)	(11)	31
Small-ticket external	9	7	5
	(35)	(4)	36
Total	$ 237	$ 274	$ 299

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.

Identifiable assets by business segment and geographic area for the years 1995 to 1997 were as follows:

	Identifiable Assets		
(in millions)	1997	1996	1995
Industry segments:			
Business equipment	$4,099	$3,776	$3,612
Business services	632	471	374
Commercial and industrial financing			
Large-ticket external	1,966	2,747	2,868
Small-ticket external	921	874	770

	2,887	3,621	3,638
Total	$7,618	$7,868	$7,624
Geographic areas:			
United States	$6,957	$7,188	$6,928
Outside the United States	867	831	828
Total	$7,824	$8,019	$7,756

A reconciliation of identifiable assets to consolidated assets is as follows:

	December 31	
(in millions)	1997	1996
Identifiable assets by geographic area	$ 7,824	$ 8,019
Interarea profits	(12)	(18)
Intercompany accounts	(194)	(133)
Identifiable assets by industry segment	7,618	7,868
Cash and cash equivalents and short-term investments	139	137
General corporate assets	136	151
Consolidated assets	$ 7,893	$ 8,156

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.

Loans receivable

The fair value of loans receivable is estimated based on quoted market prices, dealer quotes or by discounting the future cash flows using current interest rates at which similar loans would be made to borrowers with similar credit ratings.

Long-term debt

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

Interest rate swap agreements and foreign currency exchange contracts

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

Residual, conditional commitment and financial guarantee contracts

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

Transfer of receivables with recourse

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

The estimated fair value of the company's financial instruments at December 31, 1997 is as follows:

	Carrying value(a)	Fair value
Investment securities	$20,124	$20,015
Loans receivable	$357,227	$358,941
Long-term debt	$(1,321,497)	$(1,396,369)
Interest rate swaps	$(1,242)	$(28,551)
Foreign currency exchange contracts	$735	$4,542
Residual, conditional commitment and financial guarantee contracts	$(6,406)	$(7,518)
Transfer of receivables with recourse	$(8,005)	$(8,005)

(a) Carrying value includes accrued interest and deferred fee income.

The estimated fair value of the company's financial instruments at December 31, 1996 is as follows:

	Carrying value(a)	Fair value
Investment securities	$2,681	$2,691
Loans receivable	$381,790	$365,560
Long-term debt	$(1,577,277)	$(1,629,527)
Interest rate swaps	$(1,639)	$(27,969)
Foreign currency exchange contracts	$806	$385
Residual, conditional commitment and financial guarantee contracts	$(5,068)	$(6,003)
Transfer of receivables with recourse	$(10,885)	$(11,093)

(a) Carrying value includes accrued interest and deferred fee income.

19. Quarterly financial data (unaudited)

Summarized quarterly financial data (dollars in millions, except per share data) for 1997 and 1996 follows:

1997	Three Months Ended March 31	June 30	Sept. 30	Dec. 31
Total revenue	$ 961	$1,006	$1,013	$1,120
Cost of sales and rentals and financing	$ 381	$ 398	$ 405	$ 455
Net income	$ 120	$ 131	$ 128	$ 147
Basic earnings per share	$ .41	$ .45	$ .44	$ .52
Diluted earnings per share	$ .40	$ .45	$ .44	$ .51

1996	Three Months Ended March 31	June 30	Sept. 30	Dec. 31
Total revenue	$ 906	$ 943	$ 951	$1,059
Cost of sales and rentals and financing	$ 365	$ 373	$ 382	$ 435
Net income	$ 106	$ 118	$ 117	$ 128
Basic earnings per share	$ .35	$ .40	$ .39	$ .43
Diluted earnings per share	$ .35	$ .39	$ .39	$ .43

Report of Independent Accountants

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

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Pitney Bowes Inc. and its subsidiaries at December 31, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1997, 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.

/s/ PRICE WATERHOUSE LLP

PRICE WATERHOUSE LLP
Stamford, Connecticut
January 26, 1998

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Stockholder Information

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

Annual Meeting

Stockholders are cordially invited to attend the 1998 Annual Meeting at 9:30 a.m., Monday, May 11, 1998, at Pitney Bowes World Headquarters in Stamford, Connecticut. A notice of the meeting, proxy statement and proxy will be mailed to each stockholder under separate cover.

10-K Report

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

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

Stock Exchanges

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

Comments concerning the Annual Report should be sent to:

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

For lost securities and certificate replacement:

ChaseMellon Shareholder Services LLC
Estoppel Department
PO Box 3317
South Hackensack, NJ 07606-1917

For change of address, account consolidations, legal transfer inquiries, replacement checks, tax information and other inquiries:

ChaseMellon Shareholder Services LLC
PO Box 3315
South Hackensack, NJ 07606-1915

For certificate transfers:

ChaseMellon Shareholder Services LLC
Stock Transfer Department
PO Box 3312
South Hackensack, NJ 07606-1912

For dividend reinvestment information:

The Chase Manhattan Bank
c/o ChaseMellon Shareholder Services LLC

PO Box 3336
South Hackensack, NJ 07606-1936

Transfer Agent and Registrar:

ChaseMellon Shareholder Services LLC
Overpeck Centre
85 Challenger Rd.
Ridgefield, NJ 07660

Stockholders may call:

ChaseMellon Shareholder Services at (800) 648-8170 or Pitney Bowes Stockholder Services at (203) 351-6088 or (203) 351-7200.

Investor Inquiries

All investor inquiries about Pitney Bowes should be addressed to:

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

Stock Information (restated to reflect the stock split)

Dividends per common share

Quarter	1997	1996
First	$.20	$.1725
Second	.20	.1725
Third	.20	.1725
Fourth	.20	.1725
Total	$.80	$.6900

Quarterly price ranges of common stock

	1997	
Quarter	High	Low
First	31 3/4	26 13/16
Second	37 7/16	27 15/16
Third	42 1/2	35
Fourth	45 3/4	37 7/16

	1996	
Quarter	High	Low
First	25 13/16	20 15/16
Second	25 3/4	23 1/4
Third	27 1/4	21 5/8
Fourth	30 11/16	26 1/4

Trademarks

AddressRight, Arrival, Ascent, DirectNet, DocuMatch, ForwardTrak, Fulfillment, Galaxy, Paragon, Personal Post Office, Postage by Phone, PostPerfect, Smart Image RIP and StreamWeaver are trademarks or service marks of Pitney Bowes Inc.

Business Rewards, Postal Privilege, Purchase Power and ValueMax are service marks of Pitney Bowes Credit Corporation.

OnLine is a trademark of United Parcel Service.

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, 1997)

Company name	Country or state of incorporation
ACN003606611	Australia
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 Holdings Corp.	Delaware
Canadian Office Services (Toronto) Limited	Canada
Cascade Microfilm Systems, Inc.	California
Chas. P. Young Health Fitness & Management, Inc.	New York
Colonial Pacific Leasing Corporation	Massachusetts
Datarite Systems Ltd.	England
ECL Finance Company, N.V.	Netherlands
Elmcroft Road Realty Corporation	Connecticut
Financial Structures Limited	Bermuda
Financial Structures Insurance Company	New York
FSL Holdings Inc.	Connecticut
FSL Risk Managers Inc.	New York
FSL Valuation Services Inc.	Connecticut
Harlow Aircraft Inc.	Delaware
Informatech	California
La Agricultora Ecuatoriana S.A.	Ecuador
Lease Continental GmbH	Germany
MXT Corporation (68% owned)	Canada
Norlin Australia Investments Pty. Ltd.	Australia
Norlin Industries Ltd.	Canada
Norlin Music (U.K.) Ltd.	England
Oy Adrema Helsinki	Finland
PB Canada Funding Ltd.	Canada
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 (March), (June), (September) Ltd.	England
PB Leasing International Corporation	Delaware
PB Leasing Services Inc.	Nevada
PB Public Finance Inc.	Delaware
PBA Foreign Sales Corporation Inc.	Barbados
PB World Trade Corporation (Disc)	Delaware

SUBSIDIARIES OF THE REGISTRANT (continued)

Company name	Country or state of incorporation

Company name	Country or state of incorporation
PB CFSC I Inc.	Virgin Islands
PBL Holdings Inc.	Nevada
PB Nikko FSC Ltd.	Bermuda
PB Nihon FSC Ltd.	Bermuda
Pitney Bowes A.G.	Switzerland
Pitney Bowes Australia Pty.	Australia
Pitney Bowes Australia FAS Pty. Limited	Australia
Pitney Bowes Australia Funding Pty. Ltd.	Australia
Pitney Bowes Austria Ges.m.b.H	Austria
Pitney Bowes Business to Business Inc.	Delaware
Pitney Bowes of Canada Ltd.	Canada
Pitney Bowes Canada Holdings Limited	Canada
Pitney Bowes China Inc.	Delaware
Pitney Bowes Credit Australia Limited	Australia
Pitney Bowes Credit Corporation	Delaware
Pitney Bowes Data Systems, Ltd.	Delaware
Pitney Bowes de Mexico, S.A. de C.V.	Mexico
Pitney Bowes Deutschland GmbH	Germany
Pitney Bowes Espana, S.A.	Spain
Pitney Bowes Finance S.A.	France
Pitney Bowes Finans Norge AS	Norway
Pitney Bowes Finance PLC (formerly PB Leasing Ltd.)	England
Pitney Bowes Finance Ireland Limited	Ireland
Pitney Bowes France S.A.	France
Pitney Bowes Holdings Ltd.	England
Pitney Bowes Holding SNC	France
Pitney Bowes Hong Kong Inc.	Delaware
Pitney Bowes India 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 Japan Corporation	Japan
Pitney Bowes (Ireland) Limited	Ireland
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
Pitney Structured Funding I Inc.	Delaware

SUBSIDIARIES OF THE REGISTRANT (continued)

Company name	Country or state of incorporation
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
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
PREFCO XIX Inc.	Delaware
PREFCO XIX LP Inc.	Delaware
PREFCO XX Inc.	Delaware
PREFCO XXI Inc.	Delaware
PREFCO XXI LP Inc.	Delaware
PREFCO XXII Inc.	Delaware
PREFCO XXII LP Inc.	Delaware
PREFCO - Dayton Community Urban Renewal Corporation	Ohio
RE Properties Management Corporation	Delaware
Remington Customer Finance Pty. Limited	Australia
ROM Holding Pty. Limited	Australia
ROM Securities Pty. Limited	Australia
Sales & Service Training Center Inc.	Georgia
Techno Mail Service K.K.	Japan

SUBSIDIARIES OF THE REGISTRANT (continued)

Company name	Country or state of incorporation
TECO Pitney Bowes Co., Ltd. (50% owned)	Taiwan
Teco Tension Supply Co., Ltd.	Taiwan
The Pitney Bowes Bank, Inc. (formerly Pitney Bowes Financial Corporation)	Utah
Time-Sensitive Delivery Guide Inc.	Delaware
Towers FSC, Ltd.	Bermuda
Universal Postal Frankers Ltd.	England
Wheeler Insurance, Ltd.	Vermont
1136 Corporation	Delaware
75 V Corp.	Delaware

EXHIBIT (v)

CONSENT OF INDEPENDENT ACCOUNTANTS

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

Form	Reference
Form S-8	No. 33-5291
Form S-8	No. 33-4549
Form S-8	No. 33-22238
Form S-8	No. 33-5765
Form S-8	No. 33-41182
Form S-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 26, 1998 appearing on page 46 of the Pitney Bowes Inc. 1997 Annual Report to Stockholders which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference in the aforementioned Registration Statements of our report on the financial statement schedule, which appears on page 18 of this Form 10-K.

Price Waterhouse LLP

Stamford, Connecticut
March 27, 1998

<ARTICLE> 5
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THIS SCHEDULE CONTAINS FINANCIAL INFORMATION EXTRACTED FROM PITNEY BOWES INC. CONSOLIDATED BALANCE SHEET, CONSOLIDATED STATEMENT OF INCOME AND CORRESPONDING FOOTNOTE #3 FIXED ASSETS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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<F1>Receivables are comprised of trade receivables of $369,921 and short-term finance receivables of $1,600,712. Allowances are comprised of allowance for trade receivables of $21,129 and for short-term finance receivables of $54,170.
<F2>Property, plant and equipment are comprised of fixed assets of $1,120,325 and rental equipment and related inventories of $1,577,370. Depreciation is comprised of depreciation on fixed assets of $623,064 and on rental equipment and related inventories of $789,335.
</FN>

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THIS SCHEDULE CONTAINS FINANCIAL INFORMATION EXTRACTED FROM PITNEY BOWES INC. CONSOLIDATED BALANCE SHEET, CONSOLIDATED STATEMENT OF INCOME, CORRESPONDING FOOTNOTE #3 FIXED ASSETS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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<TOTAL-ASSETS>	8,242,294
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<F1>Receivables are comprised of trade receivables of $347,726 and short-term finance receivables of $1,614,319. Allowances are comprised of allowance for trade receivables of $19,532 and for short-term finance receivables of $45,205.
<F2>Property, plant and equipment are comprised of fixed assets of $1,104,553 and rental equipment and related inventories of $1,635,894. Depreciation is comprised of depreciation on fixed assets of $619,558 and on rental equipment and related inventories of $813,773.
</FN>

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THIS SCHEDULE CONTAINS FINANCIAL INFORMATION EXTRACTED FROM PITNEY BOWES INC. CONSOLIDATED BALANCE SHEET, CONSOLIDATED STATEMENT OF INCOME, CORRESPONDING FOOTNOTE #3 FIXED ASSETS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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<PERIOD-END>		JUN-30-1997
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<ALLOWANCES>		60,937<F1>
<INVENTORY>		255,791
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<PP&E>		2,735,770<F2>
<DEPRECIATION>		1,429,037<F2>
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<SALES>		867,579
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<F1>Receivables are comprised of trade receivables of $340,102 and short-term finance receivables of $1,467,373. Allowances are comprised of allowance for trade receivables of $17,423 and for short-term finance receivables of $43,514.
<F2>Property, plant and equipment are comprised of fixed assets of $1,093,043 and rental equipment and related inventories of $1,642,727. Depreciation is comprised of depreciation on fixed assets of $608,161 and on rental equipment and related inventories of $820,876.
</FN>

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THIS SCHEDULE CONTAINS FINANCIAL INFORMATION EXTRACTED FROM PITNEY BOWES INC.
CONSOLIDATED BALANCE SHEET, CONSOLIDATED STATEMENT OF INCOME, CORRESPONDING
FOOTNOTE #3 FIXED ASSETS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH
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<DEPRECIATION> 1,458,816<F2>
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<BONDS> 1,299,155
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<PREFERRED> 2,375
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<OTHER-SE> 1,810,800
<TOTAL-LIABILITY-AND-EQUITY> 8,184,794
<SALES> 417,822
<TOTAL-REVENUES> 961,370
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<OTHER-EXPENSES> 20,648
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<INTEREST-EXPENSE> 51,905
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<INCOME-TAX> 63,690
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<F1>Receivables are comprised of trade receivables of $342,661 and short-term
finance receivables of $1,445,467. Allowances are comprised of allowance for
trade receivables of $15,952 and for short-term finance receivables of $42,597.
<F2>Property, plant and equipment are comprised of fixed assets of $1,102,196
and rental equipment and related inventories of $1,649,075. Depreciation is
comprised of depreciation on fixed assets of $619,493 and on rental equipment
and related inventories of $839,323.
</FN>

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THIS SCHEDULE CONTAINS FINANCIAL INFORMATION EXTRACTED FROM PITNEY BOWES INC.
CONSOLIDATED BALANCE SHEET, CONSOLIDATED STATEMENT OF INCOME, CORRESPONDING
FOOTNOTE #3 FIXED ASSETS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH
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<DEPRECIATION> 1,426,277<F2>
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<F1>Receivables are comprised of trade receivables of $356,890 and short-term
finance receivables of $1,379,462. Allowances are comprised of allowance for
trade receivables of $16,160 and for short-term finance receivables of $40,176.
<F2>Property, plant and equipment are comprised of fixed assets of $1,093,501
and rental equipment and related inventories of $1,634,111. Depreciation is
comprised of depreciation on fixed assets of $607,472 and on rental equipment
and related inventories of $818,805.
</FN>

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THIS SCHEDULE CONTAINS FINANCIAL INFORMATION EXTRACTED FROM PITNEY BOWES INC.
CONSOLIDATED BALANCE SHEET, CONSOLIDATED STATEMENT OF INCOME, CORRESPONDING
FOOTNOTE #3 FIXED ASSETS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH
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<F1>Receivables are comprised of trade receivables of $366,720 and short-term
finance receivables of $1,397,765. Allowances are comprised of allowance for
trade receivables of $13,934 and for short-term finance receivables of $38,475.
<F2>Property, plant and equipment are comprised of fixed assets of $1,095,719
and rental equipment and related inventories of $1,653,645. Depreciation is
comprised of depreciation on fixed assets of $601,178 and on rental equipment
and related inventories of $845,200.
</FN>

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THIS SCHEDULE CONTAINS FINANCIAL INFORMATION EXTRACTED FROM PITNEY BOWES INC. CONSOLIDATED BALANCE SHEET, CONSOLIDATED STATEMENT OF INCOME, CORRESPONDING FOOTNOTE #3 FIXED ASSETS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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<INCOME-CONTINUING>	225,042
<DISCONTINUED>	0
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<NET-INCOME>	225,042
<EPS-PRIMARY>	.75
<EPS-DILUTED>	.74

<FN>
<F1>Receivables are comprised of trade receivables of $370,630 and short-term finance receivables of $1,384,970. Allowances are comprised of allowance for trade receivables of $13,880 and for short-term finance receivables of $38,155.
<F2>Property, plant and equipment are comprised of fixed assets of $1,086,105 and rental equipment and related inventories of $1,638,478. Depreciation is comprised of depreciation on fixed assets of $591,887 and on rental equipment and related inventories of $848,813.
</FN>

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<ARTICLE> 5
<LEGEND>
THIS SCHEDULE CONTAINS FINANCIAL INFORMATION EXTRACTED FROM PITNEY BOWES INC.
CONSOLIDATED BALANCE SHEET, CONSOLIDATED STATEMENT OF INCOME, CORRESPONDING
FOOTNOTE #3 FIXED ASSETS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH
FINANCIAL STATEMENTS.
</LEGEND>
<RESTATED>
<MULTIPLIER> 1,000


<PERIOD-TYPE>                   3-MOS
<FISCAL-YEAR-END>                          DEC-31-1996
<PERIOD-END>                               MAR-31-1996
<CASH>                                          88,511
<SECURITIES>                                     2,160
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<ALLOWANCES>                                    50,813<F1>
<INVENTORY>                                    303,843
<CURRENT-ASSETS>                             2,155,646
<PP&E>                                       2,699,516<F2>
<DEPRECIATION>                               1,419,405<F2>
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<TOTAL-LIABILITY-AND-EQUITY>                 7,860,043
<SALES>                                        384,004
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<CGS>                                          238,764
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<INCOME-PRETAX>                                163,439
<INCOME-TAX>                                    56,930
<INCOME-CONTINUING>                            106,509
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<EXTRAORDINARY>                                      0
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<NET-INCOME>                                   106,509
<EPS-PRIMARY>                                      .35
<EPS-DILUTED>                                      .35
<FN>
<F1>Receivables are comprised of trade receivables of $393,304 and short-term
finance receivables of $1,280,980. Allowances are comprised of allowance for
trade receivables of $12,654 and for short-term finance receivables of $38,159.
<F2>Property, plant and equipment are comprised of fixed assets of $1,083,437
and rental equipment and related inventories of $1,616,079. Depreciation is
comprised of depreciation on fixed assets of $586,972 and on rental equipment
and related inventories of $832,433.
</FN>
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<ARTICLE> 5
<LEGEND>
THIS SCHEDULE CONTAINS FINANCIAL INFORMATION EXTRACTED FROM PITNEY BOWES INC. CONSOLIDATED BALANCE SHEET, CONSOLIDATED STATEMENT OF INCOME, CORRESPONDING FOOTNOTE #3 FIXED ASSETS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
</LEGEND>
<RESTATED>
<MULTIPLIER> 1,000

<PERIOD-TYPE>	12-MOS
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<PERIOD-END>	DEC-31-1995
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<SALES>	1,546,393
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<CGS>	941,124
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<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	226,110
<INCOME-PRETAX>	618,931
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<INCOME-CONTINUING>	407,709
<DISCONTINUED>	175,431
<EXTRAORDINARY>	0
<CHANGES>	0
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<EPS-DILUTED>	1.91

<FN>
<F1>Receivables are comprised of trade receivables of $399,777 and short-term finance receivables of $1,246,231. Allowances are comprised of allowance for trade receivables of $13,050 and for short-term finance receivables of $37,699.
<F2>Property, plant and equipment are comprised of fixed assets of $1,072,229 and rental equipment and related inventories of $1,591,321. Depreciation is comprised of depreciation on fixed assets of $577,228 and on rental equipment and related inventories of $817,984.
</FN>