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

F O R M 1 0 - Q

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

For the quarterly period ended June 30, 2002

OR

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

For the transition period from --------------- to ---------------

Commission File Number: 1-3579

PITNEY BOWES INC.

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

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.
Yes X No

Number of shares of common stock, $1 par value, outstanding as of July 31, 2002 is 238,382,449.

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Item 1: Financial Statements

Part I - Financial Information

Pitney Bowes Inc.

Item 1. Financial Statements.

Consolidated Statements of Income
(Unaudited)

(Dollars in thousands, except per share data)

	Three Months Ended June 30, 2002	Three Months Ended June 30, 2001	Six Months Ended June 30, 2002	Six Months Ended June 30, 2001
Revenue from:				
Sales and management services..................	$ 568,688	$ 522,434	$ 1,109,887	$ 993,906
Rentals and financing..........................	369,466	365,098	739,618	733,090
Support services...............................	143,171	133,332	281,328	260,191
Total revenue..............................	1,081,325	1,020,864	2,130,833	1,987,187
Costs and expenses:				
Cost of sales and management services..........	339,654	303,961	673,924	582,311
Cost of rentals and financing..................	90,005	90,227	180,672	181,060
Cost of meter transition - impairment (Note 12).	-	227,300	-	227,300
Cost of meter transition - additional depreciation (Note 12)......................................	-	20,400	-	20,400
Selling, service and administrative............	361,930	336,137	718,598	659,040
Research and development.......................	36,095	34,865	70,164	66,467
Other income (Note 13).........................	-	(362,172)	-	(362,172)
Interest, net..................................	45,327	44,301	90,625	94,886
Restructuring charges (Note 11)................	-	27,609	-	70,760
Total costs and expenses...................	873,011	722,628	1,733,983	1,540,052
Income from continuing operations before income taxes	208,314	298,236	396,850	447,135
Provision for income taxes.....................	65,211	110,380	124,230	155,342
Income from continuing operations..............	143,103	187,856	272,620	291,793
Loss on disposal of discontinued operations (Note 2)	-	(10,827)	-	(10,827)
Net income.....................................	$ 143,103	$ 177,029	$ 272,620	$ 280,966
Basic earnings per share:				
Continuing operations..........................	$ .60	$ .76	1.13	$ 1.18
Discontinued operations........................	-	(.04)	-	(.04)
Net income.....................................	$ .60	$ .72	$ 1.13	$ 1.14
Diluted earnings per share:				
Continuing operations..........................	$ .59	$ .76	$ 1.12	$ 1.17

Discontinued operations	-	(.04)	-	(.04)
Net income	$ .59	$ .71	$ 1.12	$ 1.13
Dividends declared per share of common stock	$ .295	$ .29	$ .59	$ .58
Ratio of earnings to fixed charges	4.41	5.82	4.26	4.43
Ratio of earnings to fixed charges excluding minority interest	4.54	6.20	4.38	4.72

<FN>
Note: The sum of the earnings per share amounts may not equal the totals above due to rounding.

See Notes to Consolidated Financial Statements
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Pitney Bowes Inc.
Consolidated Balance Sheets

(Dollars in thousands, except share data)	June 30, 2002 (Unaudited)	December 31, 2001
Assets		
Current assets:		
Cash and cash equivalents	$ 240,643	$ 231,588
Short-term investments, at cost which approximates market	11,946	1,790
Accounts receivable, less allowances: 6/02, $33,392; 12/01, $32,448	414,322	408,414
Finance receivables, less allowances: 6/02, $66,991; 12/01, $61,451	1,622,835	1,601,189
Inventories (Note 3)	193,533	163,012
Other current assets and prepayments	161,117	150,615
Total current assets	2,644,396	2,556,608
Property, plant and equipment, net (Note 4)	554,489	534,595
Rental equipment and related inventories, net (Note 4)	450,508	472,186
Property leased under capital leases, net (Note 4)	1,006	1,489
Long-term finance receivables, less allowances: 6/02, $66,143; 12/01, $65,967	1,780,539	1,898,976
Investment in leveraged leases	1,388,732	1,337,282
Goodwill	668,552	635,873
Other assets, net of amortization	818,336	881,462
Total assets	$ 8,306,558	$ 8,318,471
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 1,280,707	$ 1,425,809
Income taxes payable	237,225	250,895
Notes payable and current portion of long-term obligations	1,459,165	1,072,057
Advance billings	339,587	334,281
Total current liabilities	3,316,684	3,083,042
Deferred taxes on income	1,284,301	1,273,593
Long-term debt (Note 5)	2,129,027	2,419,150
Other noncurrent liabilities	353,638	341,331
Total liabilities	7,083,650	7,117,116
Preferred stockholders' equity in a subsidiary company	310,000	310,000
Stockholders' equity:		
Cumulative preferred stock, $50 par value, 4% convertible	24	24
Cumulative preference stock, no par value, $2.12 convertible	1,539	1,603
Common stock, $1 par value	323,338	323,338
Capital in excess of par value	960	6,979
Retained earnings	3,788,916	3,658,481
Accumulated other comprehensive income (Note 8)	(132,796)	(155,380)
Treasury stock, at cost	(3,069,073)	(2,943,690)
Total stockholders' equity	912,908	891,355

Total liabilities and stockholders' equity	$ 8,306,558	$ 8,318,471

See Notes to Consolidated Financial Statements

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

(Dollars in thousands)

	Six Months Ended June 30,	
	2002	2001
Cash flows from operating activities:		
Net income	$ 272,620	$ 280,966
Nonrecurring charges, net...	-	210,126
Nonrecurring payments...	(38,790)	(20,571)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization..................................	129,095	160,685
Increase in deferred taxes on income...........................	25,654	74,629
Change in assets and liabilities, net of effects of acquisitions:		
Accounts receivable..	(12,185)	9,004
Net investment in internal finance receivables.............	(20,244)	25,355
Inventories..	(28,682)	14,091
Other current assets and prepayments........................	(3,865)	5,785
Accounts payable and accrued liabilities...................	1,341	(116,258)
Income taxes payable.......................................	(9,327)	123,348
Advance billings...	3,157	(20,546)
Other, net...	8,489	(17,207)
Net cash provided by operating activities..................	327,263	729,407
Cash flows from investing activities:		
Short-term investments..	(10,115)	11,806
Net investment in fixed assets..	(96,939)	(116,136)
Net investment in finance receivables...................................	(1,645)	17,340
Net investment in capital services......................................	40,703	74,296
Investment in leveraged leases..	(48,251)	(66,470)
Net investment in insurance contracts...................................	862	1,591
Acquisitions, net of cash acquired......................................	-	(372,520)
Reserve account deposits..	675	80,722
Other investing activities..	(5,235)	(13,873)
Net cash used in investing activities......................	(119,945)	(383,244)
Cash flows from financing activities:		
Increase (decrease) in notes payable, net...............................	58,087	(92,262)
Proceeds from long-term obligations.....................................	217,938	301,165
Principal payments on long-term obligations.............................	(202,415)	(287,352)
Proceeds from issuance of stock...	29,671	20,505
Stock repurchases...	(161,137)	(143,535)
Dividends paid..	(142,185)	(143,524)
Net cash used in financing activities......................	(200,041)	(345,003)
Effect of exchange rate changes on cash......................................	1,778	194
Increase in cash and cash equivalents..	9,055	1,354
Cash and cash equivalents at beginning of period.............................	231,588	198,255
Cash and cash equivalents at end of period...................................	$ 240,643	$ 199,609
Interest paid	$ 94,303	$ 102,343
Income taxes paid, net...	$ 88,769	$ 71,167

See Notes to Consolidated Financial Statements

Pitney Bowes Inc.

Notes to Consolidated Financial Statements

Note 1:

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of the management of Pitney Bowes Inc. (the company), all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the financial position of the company at June 30, 2002 and December 31, 2001, the results of its operations for the three and six months ended June 30, 2002 and 2001 and its cash flows for the six months ended June 30, 2002 and 2001 have been included. Operating results for the three and six months ended June 30, 2002 are not necessarily indicative of the results that may be expected for the year ending December 31, 2002. These statements should be read in conjunction with the financial statements and notes thereto included in the company's 2001 Annual Report to Stockholders on Form 10-K. Certain prior year amounts in the consolidated financial statements have been reclassified to conform with the current year presentation.

Note 2:

On December 3, 2001, the company completed the spin off of its office systems business to stockholders as an independent, publicly-traded company under the name of Imagistics International Inc. (IGI).

Revenue of IGI was $155.2 million and $307.1 million for the three and six months ended June 30, 2001, respectively. Net interest expense allocated to IGI's discontinued operations was $3.0 million and $5.9 million for the three and six months ended June 30, 2001, respectively. Interest has been allocated based on the net assets of IGI charged at the company's weighted average borrowing rate. Operating results of IGI have been segregated and reported as discontinued operations in the Consolidated Statements of Income for the three and six months ended June 30, 2001. Income from IGI's discontinued operations for the three and six months ended June 30, 2001 was $.4 million (net of taxes of $.6 million), and $8.0 million (net of taxes of $5.4 million), respectively, offset by costs, expenses and restructuring charges directly associated with the spin-off. Cash flow impacts of IGI's discontinued operations have not been segregated in the Consolidated Statement of Cash Flows for the six months ended June 30, 2001.

Note 3:

Inventories are composed of the following:

(Dollars in thousands)	June 30, 2002	December 31, 2001
Raw materials and work in process	$ 67,186	$ 55,679
Supplies and service parts	57,098	48,498
Finished products	69,249	58,835
Total	$ 193,533	$ 163,012

Note 4:

Fixed assets are composed of the following:

(Dollars in thousands)	June 30, 2002	December 31, 2001
Property, plant and equipment	$ 1,329,661	$ 1,261,102
Accumulated depreciation	(775,172)	(726,507)
Property, plant and equipment, net	$ 554,489	$ 534,595
Rental equipment and related inventories	$ 1,099,973	$ 1,079,260
Accumulated depreciation	(649,465)	(607,074)
Rental equipment and related inventories, net	$ 450,508	$ 472,186
Property leased under capital leases	$ 19,199	$ 19,240
Accumulated amortization	(18,193)	(17,751)
Property leased under capital leases, net	$ 1,006	$ 1,489

Depreciation expense from continuing operations was $115.3 million and $113.1 million for the six months ended June 30, 2002 and 2001, respectively.

Note 5:

In October 2001, the company filed a shelf registration statement with the SEC permitting issuances of up to $2 billion in debt securities, preferred stock and depositary shares. Pursuant to this registration statement, on February 20, 2002, the company completed an offering of Euros 250 million of senior unsecured notes. These notes bear interest at a floating rate of EURIBOR plus 20 basis points, set two Euro business days preceding the quarterly interest payment dates and mature in August 2003. The notes are listed on the Luxembourg Stock Exchange and have been designated as a hedge of Euro denominated assets held by the company. The proceeds from these notes were used for general corporate purposes, including the repayment of commercial paper, financing acquisitions and the repurchase of company stock. On June 30, 2002, $1.8 billion remained available under this registration statement.

Pitney Bowes Credit Corporation (PBCC) has $75 million of unissued debt securities available at June 30, 2002 from a shelf registration statement filed with the SEC in July 1998. As part of this shelf registration statement, in August 1999, PBCC established a medium-term note program for the issuance from time to time of up to $500 million aggregate principal amount of Medium-Term Notes, Series D.

Note 6:

A reconciliation of the basic and diluted earnings per share computations for the three months ended June 30, 2002 and 2001 is as follows (in thousands, except per share data):

	2002			2001		
	Income	Shares	Per Share	Income	Shares	Per Share
Income from continuing operations	$ 143,103			$ 187,856		
Less:						
Preferred stock dividends	-			-		
Preference stock dividends	(31)			(33)		

	Income	Shares	Per Share	Income	Shares	Per Share
Basic earnings per share	$ 143,072	239,948	$ .60	$ 187,823	246,433	$ .76
Effect of dilutive securities:						
Preferred stock	-	12		-	13	
Preference stock	31	944		33	984	
Stock options		1,951			828	
Other		113			162	
Diluted earnings per share	$ 143,103	242,968	$ .59	$ 187,856	248,420	$ .76

A reconciliation of the basic and diluted earnings per share computations for the six months ended June 30, 2002 and 2001 is as follows (in thousands, except per share data):

	2002			2001		
	Income	Shares	Per Share	Income	Shares	Per Share
Income from continuing operations	$ 272,620			$ 291,793		
Less:						
Preferred stock dividends	-			(1)		
Preference stock dividends	(61)			(66)		
Basic earnings per share	$ 272,559	240,799	$ 1.13	$ 291,726	247,328	$ 1.18
Effect of dilutive securities:						
Preferred stock	-	12		1	14	
Preference stock	61	947		66	998	
Stock options		1,876			678	
Other		100			129	
Diluted earnings per share	$ 272,620	243,734	$ 1.12	$ 291,793	249,147	$ 1.17

<FN>
In accordance with Statement of Financial Accounting Standards (FAS) No. 128, "Earnings per Share," 2.1 million and 2.6 million common stock equivalent shares were excluded from the above computation, for the six months ended June 30, 2002 and 2001, respectively, because the exercise prices of such options were greater than the average market price of the common stock and therefore the impact of these shares would be antidilutive.
</FN>

Note 7:

Revenue and operating profit by business segment for the three and six months ended June 30, 2002 and 2001 were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2002	2001(2)	2002	2001(2)
Revenue:				
Global Mailing	$ 737,203	$ 727,265	$1,449,294	$1,415,489
Enterprise Solutions	299,131	246,882	590,521	477,472
Total Messaging Solutions	1,036,334	974,147	2,039,815	1,892,961
Capital Services	44,991	46,717	91,018	94,226
Total revenue	$ 1,081,325	$ 1,020,864	$2,130,833	$1,987,187
Operating Profit: (1)				
Global Mailing	$ 225,087	$ 227,207	$ 426,668	$ 431,536
Enterprise Solutions	22,354	19,405	39,935	38,224
Total Messaging Solutions	247,441	246,612	466,603	469,760
Capital Services	19,859	17,657	39,566	35,204
Total operating profit	$ 267,300	$ 264,269	$ 506,169	$ 504,964

Unallocated amounts:				
Net interest (corporate interest expense, net of intercompany transactions)..................	(22,914)	(16,248)	(43,159)	(36,007)
Corporate expense....................................	(36,072)	(36,648)	(66,160)	(65,534)
Other income	-	362,172	-	362,172
Cost of meter transition............................	-	(247,700)	-	(247,700)
Restructuring charges.............................	-	(27,609)	-	(70,760)
Income from continuing operations before income taxes...	$ 208,314	$ 298,236	$ 396,850	$ 447,135

<FN>
(1) Operating profit excludes general corporate expenses, income taxes and net interest other than that related to finance operations.
(2) Prior year amounts have been reclassified to conform with the current year presentation.
</FN>

Net interest expense included in business segment operating profit was as follows:

(Dollars in thousands)	Three Months Ended June 30, 2002	Three Months Ended June 30, 2001	Six Months Ended June 30, 2002	Six Months Ended June 30, 2001
Global Mailing......................................	$ 11,631	$ 13,531	$ 25,123	$ 28,079
Enterprise Solutions................................	191	216	416	467
Total Messaging Solutions...........................	11,822	13,747	25,539	28,546
Capital Services....................................	10,591	14,306	21,927	30,333
Total net interest expense for reportable segments	22,413	28,053	47,466	58,879
Net interest (corporate interest expense, net of intercompany transactions)......................	22,914	16,248	43,159	36,007
Consolidated net interest expense......................	$ 45,327	$ 44,301	$ 90,625	$ 94,886

Note 8:

Comprehensive income for the three and six months ended June 30, 2002 and 2001 was as follows:

(Dollars in thousands)

	Three Months Ended June 30, 2002	Three Months Ended June 30, 2001	Six Months Ended June 30, 2002	Six Months Ended June 30, 2001
Net income..	$ 143,103	$ 177,029	$ 272,620	$ 280,966
Other comprehensive income:				
Foreign currency translation adjustments............	23,759	(12,469)	21,865	(873)
Cumulative effect of accounting change.............	-	-	-	(9,152)
Net unrealized (losses)/gains on derivative instruments.......................................	(2,251)	1,367	719	2,542
Comprehensive income..................................	$ 164,611	$ 165,927	$ 295,204	$ 273,483

Note 9:

In 1998, FAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," amended in 2000 by FAS No. 138, was issued. FAS No. 133 requires that an entity recognize all derivative instruments as either assets or liabilities in the statement of financial position and measure those instruments at fair value. Changes in the fair value of those instruments will be reflected as gains or losses. The accounting for the gains or losses depends on the intended use of the derivative and the resulting designation. The company adopted the provisions of FAS No. 133 in the first quarter of 2001. The company uses derivatives to reduce the volatility in earnings and cash flows associated with the impact of interest rate changes and foreign currency fluctuations due to its investing and funding activities and its operations in different foreign currencies. Derivatives designated as cash flow hedges include primarily foreign exchange contracts and interest rate swaps related to variable-rate debt. Derivatives designated as fair value hedges include primarily interest rate swaps related to fixed-rate debt. The adoption of FAS No. 133 resulted in a one-time cumulative effect of accounting change which reduced accumulated other comprehensive income by approximately $9.2 million in the first quarter of 2001.

In 2001, FAS No. 141, "Business Combinations" and FAS No. 142, "Goodwill and Other Intangible Assets" were issued requiring business combinations initiated after June 30, 2001 to be accounted for using the purchase method of accounting, and refining the criteria for recording intangible assets separate from goodwill. Recorded goodwill and intangibles were evaluated against this new criterion and resulted in certain intangibles being included in goodwill, or alternatively, amounts initially recorded as goodwill being separately identified and recognized apart from goodwill. FAS No. 142 requires the use of a nonamortization approach to account for purchased goodwill and indefinite lived intangibles. Under a nonamortization approach, goodwill and indefinite lived intangibles are not amortized into results of operations, but instead will be reviewed for impairment and charged against results of operations only in the periods in which the recorded value of goodwill and indefinite lived intangibles is more than its fair value. In 2001, we adopted the provisions of each statement, which apply to business combinations completed after June 30, 2001. The provisions of each statement, which apply to goodwill and intangible assets acquired prior to June 30, 2001 were adopted on January 1, 2002. The adoption of these accounting standards did not materially impact results of operations for the three and six months ended June 30, 2002. The company has completed the transitional impairment test as required by FAS No. 142. Based upon the results of this analysis, no impairment loss resulted from the adoption of this standard. Goodwill will be reviewed for impairment on a periodic basis.

In 2001, FAS No. 143, "Accounting for Asset Retirement Obligations" was issued, amending FAS No. 19, "Financial Accounting and Reporting by Oil and Gas Producing Companies," and applies to all entities. FAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. FAS No. 143 is effective January 1, 2003. The company does not believe that this statement will have a material impact on its financial position, results of operations or cash flows.

In 2001, FAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," was issued, replacing FAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," and portions of Accounting Principles Board (APB) Opinion 30, "Reporting the Results of Operations." FAS No. 144 provides a single accounting model for long-lived assets to be disposed of and changes the criteria that would have to be met to classify an asset as held-for-sale. FAS No. 144 retains the requirement of APB Opinion 30, to report discontinued operations separately from continuing operations and extends that reporting to separate components of an entity. The provisions of FAS No. 144 have been adopted effective January 1, 2002. The adoption of these accounting standards did not materially impact results of operations for the three and six months ended June 30, 2002.

In April 2002, FAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Correction," was issued. Under FAS No. 145, gains and losses related to the extinguishment of debt should no longer be segregated on the income statement as extraordinary items. Instead, such gains and losses should be included as a component of income from continuing operations. The provisions of FAS No. 145 are effective for fiscal years beginning after May 15, 2002 with early adoption encouraged. The company does not believe that this statement will have a material impact on its financial position, results of operations or cash flows.

In July 2002, FAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," was issued. This statement nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." FAS No. 146 requires that a liability for costs associated with an exit or disposal activity be recognized when the liability is incurred. The provisions of FAS No. 146 are effective for exit or disposal activities initiated after December 31, 2002. Early adoption is encouraged. The company is currently evaluating the impact of this statement.

Note 10:

Secap SA (Secap)

On October 31, 2001, the company announced it had completed the acquisition of Secap, the France-based mailing systems subsidiary of Fimalac, for approximately Euros 220 million ($206 million) in cash. The results of Secap's operations have been included in the consolidated financial statements since the date of acquisition. Secap offers a range of mail processing and paper handling equipment, supplies and technology for low- to mid-volume mailers. Secap holds more than 30% of the postage meter market share in France.

The following table summarizes the preliminary estimated fair values of the major assets acquired and liabilities assumed at the date of acquisition:

(Dollars in thousands)

Intangible assets	$ 62,200
Goodwill	167,817
Other, net	(23,590)
Purchase price	$ 206,427

Intangible assets are composed of customer relationships valued at $33.9 million, and paper handling and meter technology valued at $22.9 million, and a trade name valued at $5.4 million. These intangible assets have a weighted-average useful life of approximately 15 years. The goodwill was assigned to the Global Mailing segment.

Danka Services International (DSI)

On June 29, 2001, the company completed its acquisition of DSI from Danka Business Systems PLC for $290 million in cash. DSI provides on- and off-site document management services, including the management of central reprographic departments, the placement and maintenance of photocopiers, print-on-demand operations and document archiving and retrieval services. The acquisition has been accounted for under the purchase method and accordingly, the operating results of DSI have been included in the company's consolidated financial statements since the date of acquisition.

The following table summarizes the estimated fair values of the major assets acquired and liabilities assumed at the date of acquisition:

(Dollars in thousands)

Intangible assets	$ 43,800
Goodwill	212,258
Other, net	33,942
Purchase price	$ 290,000

The intangible assets relate to customer relationships and have a useful life of approximately 15 years. The goodwill was assigned to the Enterprise Solutions segment.

Bell & Howell International Mail and Messaging Technologies (MMT)

On June 5, 2001, the company completed the acquisition of MMT in Europe, Africa, the Middle East and Asia. The final purchase price, following post closing adjustments, was $44 million in cash. MMT markets and services high-end mail processing, sorting and service-related products through a network of distributors and direct operations. The acquisition has been accounted for under the purchase method, and accordingly, the operating results of the acquisition have been included in the company's consolidated financial statements since the date of acquisition.

The following table summarizes the estimated fair values of the major assets acquired and liabilities assumed at the date of acquisition:

(Dollars in thousands)

Intangible assets	$ 10,900
Goodwill	36,225
Other, net	(3,125)
Purchase price	$ 44,000

The intangible assets relate primarily to customer relationships and inserting technology. These intangibles have a weighted-average useful life of approximately 10 years. The goodwill was assigned to the Global Mailing segment.

Consolidated impact of acquisitions

The Consolidated Income Statement for the three months ended June 30, 2002 included revenues of $22.1 million, $62.5 million and $13.6 million from Secap, DSI and MMT, respectively. The Consolidated Income Statement for the six months ended June 30, 2002 included revenues of $45.3 million, $125.2 million and $25.4 million from Secap, DSI and MMT, respectively. The Consolidated Income Statement for the three and six months ended June 30, 2001 included revenues of $13.5 million from MMT. The acquisitions of Secap, DSI, and MMT did not materially impact net income for the three months and six months ended June 30, 2002 and 2001, respectively.

The following unaudited pro forma consolidated results have been prepared as if the acquisitions of Secap, DSI, and MMT had occurred on January 1, 2001:

(Dollars in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Total revenue	$ 1,081,325	$ 1,133,445	$ 2,130,833	$ 2,213,425

The pro forma consolidated results do not purport to be indicative of results that would have occurred had the acquisitions been completed on January 1, 2001, nor do they purport to be indicative of the results that will be obtained in the future. The pro forma earning results of these acquisitions were not material to earnings on either a per share or an aggregate basis.

During 2001, the company also completed several smaller acquisitions including, the acquisition of a majority ownership in MailCode Inc., a mail processing company, the acquisition of Alysis Technologies Inc., a leading provider of digital document delivery solutions and the acquisition of some of the company's international dealerships. The cost of these acquisitions were in the aggregate less than $50 million. These acquisitions did not have a material impact on the company's financial results either individually or on an aggregate basis.

In August 2002, the company completed the acquisition of PSI Group, Inc.(PSI), the nation's largest mail pre-sort company, for approximately $130 million in cash. PSI prepares, sorts and aggregates mail to earn postal discounts and expedite delivery for its customers. PSI was established in 1995 and holds approximately a 5% share in the $1.2 billion outsourced pre-sort services market.

Note 11:

In 2001, the company adopted a formal restructuring plan to implement a common, streamlined business infrastructure as a result of our decisions to spin off our office systems business and align our mailing business on a global basis, as well as cost saving opportunities resulting from strategic acquisitions and partnerships, and additional benefits attained from the consolidation of our IT organization and ERP initiatives. In connection with this plan, the company recorded pretax restructuring charges of $28.9 million during the second quarter of 2001, of which $27.6 million was related to continuing operations, and the remaining $1.3 million related to discontinued operations. For the six months ended June 30, 2001, pretax restructuring charges were $103.9 million, of which $70.8 million was related to continuing operations and the remaining $33.1 million was related to discontinued operations. For the year ended December 31, 2001, pretax restructuring charges were $149.3 million, of which $116.1 million was related to continuing operations, and the remaining $33.2 million was related to discontinued operations. The restructuring charges related to continuing operations have been segregated in the Consolidated Statements of Income for the three and six months ended June 30, 2001. The restructuring charges related to discontinued operations have been reported in discontinued operations in the Consolidated Statements of Income for the three and six months ended June 30, 2001.

The restructuring charges related to continuing operations are composed of:

(Dollars in millions)

	Three Months Ended June 30, 2001	Six Months Ended June 30, 2001	Year Ended December 31, 2001
Severance and benefit costs.......................	$ 12.4	$ 47.6	$ 74.3
Asset impairments	14.1	16.3	28.0
Other exit costs..................................	1.1	6.9	13.8
	$ 27.6	$ 70.8	$ 116.1

All restructuring charges, except for the asset impairments, will result in cash outflows. The severance and benefit costs relate to a reduction in workforce of approximately 1,200 employees worldwide which was initiated in 2001 and will be substantially completed over the next three months. The workforce reductions relate to actions across several of our businesses resulting from infrastructure and process improvements and our continuing efforts to streamline operations, and include managerial, professional, clerical and technical roles. Approximately 80% of the workforce reductions are in the U.S. The majority of the international workforce reductions are in Europe. None of the reductions will impact sales coverage. As of June 30, 2002, 1,133 employees were separated under these initiatives and approximately $57.2 million of severance and benefit costs were paid. Asset impairments relate primarily to the disposal or abandonment of certain hardware and software applications, resulting from the alignment of our mailing business on a global basis and ERP initiatives. Other exit costs relate primarily to lease termination costs, non-cancelable lease payments, other costs associated with business activities that have been exited and the consolidation of excess facilities.

Accrued restructuring charges at June 30, 2002 consist of the following:

(Dollars in millions)

	Total restructuring charges	2001 cash payments	Non-cash charges	Ending balance at December 31, 2001	2002 cash payments	Ending balance at June 30, 2002
Severance and benefit costs	$ 76.2	$ 34.5	$ -	$ 41.7	$ 22.9	$ 18.8
Asset impairments	45.5	-	45.5	-	-	-
Other exit costs	27.6	14.5	-	13.1	1.8	11.3
	$ 149.3	$ 49.0	$ 45.5	$ 54.8	$ 24.7	$ 30.1

The company expects that the majority of the remaining cash outflows related to restructuring charges will take place over the next six months, funded primarily by cash provided by operating activities. The restructuring charges are expected to increase our operating efficiency and effectiveness in 2002 and beyond while enhancing growth, primarily as a result of reduced personnel-related expenses.

Note 12:

In 2001, the company adopted a formal plan to transition to the next generation of networked mailing technology. The information capture and exchange made possible by advanced technology, turns the postage meter into an "intelligent" terminal that networks the mailer to postal and carrier information and systems. This two-way information architecture, in turn, enables convenient access to and delivery of value-added services such as tracking, delivery confirmation and rate information. The adoption of this plan was facilitated by the company's expanded access to technology and ability to move to networked products combined with expectations that the U.S. and postal services around the world will continue to encourage the migration of mailing systems to networked digital technologies. As a result of this plan, certain electronic meter rental assets and related equipment will not be placed back in service. In addition, certain leased equipment will either not be remarketed or will result in lower realization at end of lease as a result of the introduction of new technology. In connection with this plan, the company recorded non-cash pretax charges of $247.7 million and $268.3 million for the three months ended June 30, 2001 and year ended December 31, 2001, respectively, related to assets associated with our non-networked mailing technology. In November 2001, postal regulations were issued, consistent with our meter transition plan, defining the meter migration process and timing.

The charges related to the meter transition plan are composed of:

(Dollars in millions)

	Three and Six Months Ended June 30, 2001	Year Ended December 31, 2001
Impairment of lease residual values	$ 128.4	$ 128.4
Impairment of meter rental assets	71.3	71.3
Inventory writedowns	27.6	27.6
Additional depreciation costs on meter rental assets	20.4	41.0
	$ 247.7	$ 268.3

Note 13:

In June 2001, the company and Hewlett-Packard announced that they had reached an agreement resolving a lawsuit filed by the company in 1995. The lawsuit arose out of a dispute over print technology patents. Under the terms of the agreement, the companies resolved all pending patent litigation without admission of infringement and the company received $400 million in cash and ten year supply and technology agreements. This payment, net of legal fees and related expenses of $37.8 million was recorded as other income in the Consolidated Statements of Income for the three and six months ended June 30, 2001.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
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Results of Continuing Operations - second quarter of 2002 vs. second quarter of

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2001

Our revenue increased six percent in the second quarter of 2002 to $1.08 billion compared with $1.02 billion in the second quarter of 2001. Income from continuing operations of $143.1 million in the second quarter of 2002, compares with $144.5 million in the second quarter of 2001 excluding special items, and $187.9 million including special items. Diluted earnings per share from continuing operations increased one percent to 59 cents in the second quarter of 2002 compared to 58 cents in the second quarter of 2001 excluding special items. Including special items, diluted earnings per share from continuing operations was 76 cents in the second quarter of 2001. Included as special items in the second quarter of 2001 were a $28 million pretax restructuring charge, a $248 million non-cash pretax charge related to meter transition and a net pretax gain of $362 million resulting from the settlement of a lawsuit with Hewlett-Packard. Excluding the acquisitions of Secap SA (Secap)and Danka Services International (DSI), revenue declined two percent during the quarter. These acquisitions did not materially impact earnings either on a per share or aggregate basis.

Our second quarter 2002 revenue included $568.7 million from sales, up nine percent from $522.4 million in the second quarter of 2001; $369.5 million from rentals and financing, up one percent from $365.1 million; and $143.2 million from support services, up seven percent from $133.3 million. Sales revenue includes all revenues from Pitney Bowes Management Services (PBMS) which were $241.2 million and $174.5 million for the quarters ended June 30, 2002 and 2001, respectively. Excluding the acquisitions of Secap and DSI, sales revenue declined five percent.

Our Global Mailing segment includes worldwide revenues and related expenses from the rental of postage meters and the sale, rental and financing of mailing equipment, including mail finishing and software-based mail creation equipment, software-based shipping, transportation and logistics systems, and related supplies and services. During the second quarter of 2002, revenue increased one percent while operating profit declined less than one percent. Excluding the acquisition of Secap, Global Mailing revenues decreased two percent compared to the prior year. Revenue growth was negatively impacted by the weak economy and a sales force that was in training to prepare for the launch of the new DM line of digital, networked mailing systems late in the quarter. Within the Global Mailing segment, international mailing's double-digit revenue growth was supported by acquisition revenue and improving business trends in the UK. Excluding the revenue from the acquisition of Secap, international Global Mailing revenue grew less than one percent. International revenue was adversely affected by a weak global economy and a related continued slow-down in orders for mailing equipment in most of continental Europe.

Our Enterprise Solutions segment includes PBMS and Document Messaging Technologies (DMT). PBMS includes facilities management contracts for advanced mailing, reprographic, document management and other value-added services to large enterprises. DMT includes sales, service and financing of high speed, software-enabled production mail systems, sorting equipment, incoming mail systems, electronic statement, billing and payment solutions, and mailing software. During the second quarter of 2002, revenue grew 21 percent and operating profit grew 15 percent. Revenue growth was driven by a 38 percent increase at PBMS. Excluding the revenue from the acquisition of DSI, PBMS revenue increased two percent for the quarter. The weak economy continues to have an adverse impact on some of our largest customers, which in turn resulted in reduced revenue growth opportunities for PBMS. DMT reported revenue of $58 million for the quarter, a decline of 20 percent from the prior year, with a greater decline in operating profit. Continued slow placements of high margin equipment, an increase in lower margin service revenue and investments in new product development contributed to the decline in operating profit during the quarter.

Total Messaging Solutions, the combined results of the Global Mailing segment and Enterprise Solutions segment, reported six percent revenue growth and flat operating profit growth.

Our Capital Services segment includes primarily asset- and fee-based income generated by large-ticket, non-core asset transactions. Revenue for the quarter declined four percent and operating profit increased 12 percent due to lower interest costs versus the prior year.

Cost of sales increased to 59.7 percent of sales revenue in the second quarter of 2002 compared with 58.2 percent in the second quarter of 2001. The increase was mainly driven by the acquisition of DSI and the increasing mix of lower margin core PBMS sales revenue. Cost of sales attributable to PBMS was $193.7 million and $142.0 million for the quarters ended June 30, 2002 and 2001, respectively.

Cost of rentals and financing decreased to 24.4 percent of related revenue in the second quarter of 2002 compared with 24.7 percent in the second quarter of 2001.

Selling, service and administrative expenses were 33.5 percent of revenue in the second quarter of 2002 compared with 32.9 percent in the second quarter of 2001. The increase was due primarily to the higher mix of support services revenue and costs associated with growth initiatives.

Research and development expenses increased 3.5 percent to $36.1 million in the second quarter of 2002 compared with $34.9 million in the second quarter of 2001. The increase reflects our continued commitment to developing new technologies and enhanced mailing and software products.

Net interest expense increased to $45.3 million in the second quarter of 2002 from $44.3 million in the second quarter of 2001. The increase is due mainly to higher debt associated with borrowings to fund our investment in leasing and rental products, acquisitions and the stock repurchase program, partially offset by lower interest rates.

The effective tax rate for the second quarter of 2002 was 31.3 percent. Excluding special items in the second quarter of 2001, the effective tax rate was 31.6 percent. The tax rate was favorably impacted by the nonamortization approach to goodwill beginning in 2002.

Excluding special items, income from continuing operations decreased one percent while diluted earnings per share from continuing operations increased 1.2 percent. The diluted earnings per share increased more than income from continuing operations due primarily to the company's share repurchase program.

Results of Continuing Operations - six months of 2002 vs. six months of 2001

For the first six months of 2002 compared with the same period of 2001, revenue increased seven percent to $2.13 billion, and income from continuing operations, excluding special items, decreased one percent to $272.6 million. Excluding the acquisitions of Secap, DSI and MMT, revenue declined two percent during the first half of the year. The factors that affected revenue and earnings performance included those cited for the second quarter of 2002 versus 2001.

Accounting Pronouncements

In 1998, FAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," amended in 2000 by FAS No. 138, was issued. FAS No. 133 requires that an entity recognize all derivative instruments as either assets or liabilities in the statement of financial position and measure those instruments at fair value. Changes in the fair value of those instruments will be reflected as gains or losses. The accounting for the gains or losses depends on the intended use of the derivative and the resulting designation. We adopted the provisions of FAS No. 133 in the first quarter of 2001. We use derivatives to reduce the volatility in earnings and cash flows associated with the impact of interest rate changes and foreign currency fluctuations due to our investing and funding activities and our operations in different foreign currencies. Derivatives designated as cash flow hedges include primarily foreign exchange contracts and interest rate swaps related to variable-rate debt. Derivatives designated as fair value hedges include primarily interest rate swaps related to fixed-rate debt. The adoption of FAS No. 133 resulted in a one-time cumulative effect of accounting change which reduced accumulated other comprehensive income by approximately $9.2 million in the first quarter of 2001.

In 2001, FAS No. 141, "Business Combinations" and FAS No. 142, "Goodwill and Other Intangible Assets" were issued requiring business combinations initiated after June 30, 2001 to be accounted for using the purchase method of accounting, and refining the criteria for recording intangible assets separate from goodwill. Recorded goodwill and intangibles were evaluated against this new criterion and resulted in certain intangibles being included in goodwill, or alternatively, amounts initially recorded as goodwill being separately identified and recognized apart from goodwill. FAS No. 142 requires the use of a nonamortization approach to account for purchased goodwill and indefinite lived intangibles. Under a nonamortization approach, goodwill and indefinite lived intangibles are not amortized into results of operations, but instead will be reviewed for impairment and charged against results of operations only in the periods in which the recorded value of goodwill and indefinite lived intangibles is more than its fair value. In 2001, we adopted the provisions of each statement, which apply to business combinations completed after June 30, 2001. The provisions of each statement, which apply to goodwill and intangible assets acquired prior to June 30, 2001 were adopted on January 1, 2002. The adoption of these accounting standards did not materially impact results of operations for the three and six months ended June 30, 2002. We completed the transitional impairment test as required by FAS No. 142. Based upon the results of this analysis, no impairment loss resulted from the adoption of this standard. Goodwill will be reviewed for impairment on a periodic basis.

In 2001, FAS No. 143, "Accounting for Asset Retirement Obligations" was issued, amending FAS No. 19, "Financial Accounting and Reporting by Oil and Gas Producing Companies," and applies to all entities. FAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. FAS No. 143 is effective January 1, 2003. We do not believe that this statement will have a material impact on its financial position, results of operations or cash flows.

In 2001, FAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," was issued, replacing FAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," and portions of Accounting Principles Board (APB) Opinion 30, "Reporting the Results of Operations." FAS No. 144 provides a single accounting model for long-lived assets to be disposed of and changes the criteria that would have to be met to classify an asset as held-for-sale. FAS No. 144 retains the requirement of APB Opinion 30, to report discontinued operations separately from continuing operations and extends that reporting to separate components of an entity. The provisions of FAS No. 144 have been adopted effective January 1, 2002. The adoption of these accounting standards did not materially impact results of operations for the three and six months ended June 30, 2002.

In April 2002, FAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Correction," was issued. Under FAS No. 145, gains and losses related to the extinguishment of debt should no longer be segregated on the income statement as extraordinary items. Instead, such gains and losses should be included as a component of income from continuing operations. The provisions of FAS No. 145 are effective for fiscal years beginning after May 15, 2002 with early adoption encouraged. We do not believe that this statement will have a material impact on its financial position, results of operations or cash flows.

In July 2002, FAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," was issued. This statement nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." FAS No. 146 requires that a liability for costs associated with an exit or disposal activity be recognized when the liability is incurred. The provisions of FAS No. 146 are effective for exit or disposal activities initiated after December 31, 2002. Early adoption is encouraged. We are currently evaluating the impact of this statement.

Discontinued Operations

On December 3, 2001, we completed the spin off of our office systems business to stockholders as an independent, publicly-traded company under the name of Imagistics International Inc. (IGI). Operating results of IGI have been segregated and reported as discontinued operations in the Consolidated

Statements of Income for the three and six months ended June 30, 2001.

Restructuring Charges

In 2001, we adopted a formal restructuring plan to implement a common, streamlined business infrastructure as a result of our decisions to spin off our office systems business and align our mailing business on a global basis, as well as cost saving opportunities resulting from strategic acquisitions and partnerships, and additional benefits attained from the consolidation of our IT organization and ERP initiatives. In connection with this plan, we recorded pretax restructuring charges of $28.9 million during the second quarter of 2001, of which $27.6 million was related to continuing operations, and the remaining $1.3 million related to discontinued operations.

For the six months ended June 30, 2001, pretax restructuring charges were $103.9 million, of which $70.8 million was related to continuing operations and the remaining $33.1 million was related to discontinued operations. For the year ended December 31, 2001, pretax restructuring charges were $149.3 million, of which $116.1 million was related to continuing operations, and the remaining $33.2 million was related to discontinued operations. The restructuring charges related to continuing operations have been segregated in the Consolidated Statements of Income for the three and six months ended June 30, 2001. The restructuring charges related to discontinued operations have been reported in discontinued operations in the Consolidated Statements of Income for the three and six months ended June 30, 2001.

The restructuring charges related to continuing operations are composed of:

(Dollars in millions)

	Three Months Ended June 30, 2001	Six Months Ended June 30, 2001	Year Ended December 31, 2001
Severance and benefit costs........................	$ 12.4	$ 47.6	$ 74.3
Asset impairments..................................	14.1	16.3	28.0
Other exit costs...................................	1.1	6.9	13.8
	$ 27.6	$ 70.8	$ 116.1

All restructuring charges, except for the asset impairments, will result in cash outflows. The severance and benefit costs relate to a reduction in workforce of approximately 1,200 employees worldwide which was initiated in 2001 and will be substantially completed over the next three months. The workforce reductions relate to actions across several of our businesses resulting from infrastructure and process improvements and our continuing efforts to streamline operations, and include managerial, professional, clerical and technical roles. Approximately 80% of the workforce reductions are in the U.S. The majority of the international workforce reductions are in Europe. None of the reductions will impact sales coverage. As of June 30, 2002, 1,133 employees were separated under these initiatives and approximately $57.2 million of severance and benefit costs were paid. Asset impairments relate primarily to the disposal or abandonment of certain hardware and software applications, resulting from the alignment of our mailing business on a global basis and ERP initiatives. Other exit costs relate primarily to lease termination costs, non-cancelable lease payments, other costs associated with business activities that have been exited and the consolidation of excess facilities.

Accrued restructuring charges at June 30, 2002 consist of the following:

(Dollars in millions)

	Total restructuring charges	2001 cash payments	Non-cash charges	Ending balance at December 31, 2001	2002 cash payments	Ending balance at June 30, 2002
Severance and						

benefit costs	$ 76.2	$ 34.5	$ -	$ 41.7	$ 22.9	$ 18.8
Asset impairments	45.5	-	45.5	-	-	-
Other exit costs	27.6	14.5	-	13.1	1.8	11.3
	$ 149.3	$ 49.0	$ 45.5	$ 54.8	$ 24.7	$ 30.1

We expect that the majority of the remaining cash outflows related to restructuring charges will take place over the next six months, funded primarily by cash provided by operating activities. The restructuring charges are expected to increase our operating efficiency and effectiveness in 2002 and beyond while enhancing growth, primarily as a result of reduced personnel-related expenses. We expect pretax savings in operating expenses of approximately $50 million for the year ending December 31, 2002.

We operate in very competitive industries and we are continually evaluating our cost structure. Economic or competitive events in the future may necessitate that the company formulate additional plans to reduce our existing cost structure.

Meter Transition

In 2001, we adopted a formal plan to transition to the next generation of networked mailing technology. The information capture and exchange made possible by advanced technology, turns the postage meter into an "intelligent" terminal that networks the mailer to postal and carrier information and systems. This two-way information architecture, in turn, enables convenient access to and delivery of value-added services such as tracking, delivery confirmation and rate information. The adoption of this plan was facilitated by our expanded access to technology and our ability to move to networked products combined with our expectations that the U.S. and postal services around the world will continue to encourage the migration of mailing systems to networked digital technologies. As a result of this plan, certain electronic meter rental assets and related equipment will not be placed back in service. In addition, certain leased equipment will either not be remarketed or will result in lower realization at end of lease as a result of the introduction of new technology. In connection with this plan, we recorded non-cash pretax charges of $247.7 million and $268.3 million for the three months ended June 30, 2001 and year ended December 31, 2001, respectively, related to assets associated with our non-networked mailing technology. In November 2001, postal regulations were issued, consistent with our meter transition plan, defining the meter migration process and timing.

The charges related to the meter transition plan are composed of:

(Dollars in millions)

	Three and Six Months Ended June 30, 2001	Year Ended December 31, 2001
Impairment of lease residual values	$ 128.4	$ 128.4
Impairment of meter rental assets	71.3	71.3
Inventory writedowns	27.6	27.6
Additional depreciation costs on meter rental assets	20.4	41.0
	$ 247.7	$ 268.3

Acquisitions

In October 2001, we acquired Secap, a company based in France, for approximately Euros 220 million ($206 million) in cash. Secap offers a range of mail processing and paper handling equipment, supplies and technology for low- to mid-volume mailers. Secap holds more than 30% of the postage meter market share in France.

In June 2001, we acquired DSI from Danka Business Systems PLC for $290 million in cash. DSI provides on- and off-site document management services, including the management of central reprographic departments, the placement and maintenance of photocopiers, print-on-demand operations and document archiving and retrieval services.

In June 2001, we acquired the MMT business in Europe, Africa, the Middle East and Asia. The final purchase price, following post closing adjustments, was $44 million in cash. MMT markets and services high-end mail processing, sorting and service-related products through a network of distributors and direct operations.

We accounted for the acquisitions of Secap, DSI and MMT under the purchase method and accordingly, the operating results of these acquisitions have been included in our consolidated financial statements since the date of acquisition. The acquisitions of Secap, DSI and MMT did not materially affect income from continuing operations for the three and six months ended June 30, 2002 and 2001, respectively.

In August 2002, we completed the acquisition of PSI Group, Inc. (PSI), the nation's largest mail pre-sort company, for approximately $130 million in cash. PSI prepares, sorts and aggregates mail to earn postal discounts and expedite delivery for its customers. PSI was established in 1995 and holds approximately a 5% share in the $1.2 billion outsourced pre-sort services market.

Legal Settlements, net

In June 2001, the company and Hewlett-Packard announced they had reached an agreement resolving a lawsuit filed by us in 1995. The lawsuit arose out of a dispute over print technology patents. Under the terms of the agreement, we resolved all pending patent litigation without admission of infringement and we received $400 million in cash and ten year supply and technology agreements. We recorded the cash payment, net of legal fees and related expenses of $37.8 million, as other income in the Consolidated Statements of Income for the three and six months ended June 30, 2001.

Liquidity and Capital Resources

Our ratio of current assets to current liabilities declined to .80 to 1 at June 30, 2002 compared with .83 to 1 at December 31, 2001. The decrease in this ratio was primarily due to a higher amount of commercial paper borrowings and the reclassification of $134 million of long-term debt to short-term.

Our cash and cash equivalents increased to $240.6 million at June 30, 2002, from $231.6 million at December 31, 2001. The increase resulted primarily from $327.3 million provided by operating activities, offset in part by $119.9 million and $200.0 million used in investing and financing activities, respectively. Net cash provided by operating activities of $327.3 million consisted primarily of net income adjusted for non cash items and changes in working capital. Net cash used in investing activities of $119.9 million consisted primarily of investments in fixed assets and leveraged leases, partially offset by cash generated from investments in capital services transactions. Net cash used in financing activities of $200.0 million consisted primarily of stock repurchases and dividends paid to stockholders.

Excluding special items and discontinued operations in 2001, the ratio of earnings before interest and taxes (EBIT) to interest was 5.6x and 5.8x and the ratio of earnings before interest, taxes, depreciation and amortization (EBITDA) to interest was 7.0x and 7.2x for the quarters ended June 30, 2002 and 2001, respectively. The ratio of total debt to total debt and stockholders' equity was 79.7% at June 30, 2002 and December 31, 2001. Including the preferred stockholders' equity in a subsidiary company as debt, the ratio of total debt to total debt and stockholders' equity was 81.0% at June 30, 2002 and December 31, 2001. During the second quarter of 2002, we repurchased 2.2 million shares for

$88.8 million. Excluding the cash flow effects of special items, free cash flow was $269 million for the six months ended June 30, 2002.

Financings and Capitalization

In October 2001, the company filed a shelf registration statement with the SEC permitting issuances of up to $2 billion in debt securities, preferred stock and depositary shares. Pursuant to this registration statement, on February 20, 2002, the company completed an offering of Euros 250 million of senior unsecured notes. These notes bear interest at a floating rate of EURIBOR plus 20 basis points, set two Euro business days preceding the quarterly interest payment dates and mature in August 2003. The notes are listed on the Luxembourg Stock Exchange and have been designated as a hedge of Euro denominated assets held by the company.

The proceeds from these notes were used for general corporate purposes which may include repaying commercial paper, financing acquisitions and the repurchase of company stock. On June 30, 2002, $1.8 billion remained available under this registration statement. Pitney Bowes Credit Corporation (PBCC) has $75 million of unissued debt securities available at June 30, 2002 from a shelf registration statement filed with the SEC in July 1998. As part of this shelf registration statement, in August 1999, PBCC established a medium-term note program for the issuance from time to time of up to $500 million aggregate principal amount of Medium-Term Notes, Series D.

We believe that our financing needs for the next 12 months can be met with cash generated internally, money from existing credit agreements, debt issued under new and existing shelf registration statements and existing commercial paper and medium-term note programs.

Capital Investments

In the first six months of 2002, net investments in fixed assets included $65.1 million in net additions to property, plant and equipment and $31.8 million in net additions to rental equipment and related inventories compared with $56.3 million and $59.8 million, respectively, in the same period in 2001. These additions include expenditures for normal plant and manufacturing equipment. In the case of rental equipment, the additions included the production of postage meters. In 2001, additions to rental assets also included the purchase of facsimile and copier equipment related to the discontinued operations of IGI. Excluding capital investments for IGI, net additions to property, plant and equipment and rental equipment were $55.5 million and $28.3 million, respectively, for the second quarter of 2001.

We expect net investments in fixed assets for the remainder of 2002, relating to continuing operations, to be slightly higher than the prior year. These investments will also be affected by the timing of our customers' transition to digital meters. At June 30, 2002, 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.

Investment in Commercial Aircraft Leasing Transactions

At June 30, 2002, our total investment in commercial aircraft leasing transactions was $511.1 million, which is composed of transactions with U.S. and foreign airlines of 45 percent and 55 percent, respectively. This portfolio is diversified across 14 airlines and 33 aircraft. The commercial aircraft transactions are financed through investments in leveraged lease transactions of $299.5 million, direct financing lease transactions of $129.9 million, and through our equity interest in PBG Capital Partners LLC, in which our proportional equity share of commercial airline leasing transactions is $81.7 million. Risk of loss under these transactions is primarily related to: (1) the inability of the airline to make underlying lease payments; (2) our inability to generate sufficient cash flows either through the sale of the aircraft or secondary lease transactions to recover our net investment; and/or (3) in the case of the leveraged lease portfolio, the absence of an equity defeasance or other third party credit arrangements. Approximately 45 percent of the leveraged lease portfolio has either equity defeasance accounts or third party credit arrangements.

A further breakdown of our portfolio is as follows:

Airline	# of aircraft	% of total investment
U.S.		
United and subsidiary	5	12.4
US Airways	4	11.4
Delta	5	10.8
America West	1	3.6
American	6	3.5
Southwest	2	1.9
Northwest	1	1.1
Alaska Air	1	.2
	25	44.9
Foreign		
KLM	2	21.0
Qantas	2	14.5
Japan	2	8.8
Air France	1	6.4
Lufthansa	1	4.4
	8	55.1
Total	33	100.0

We continue to monitor our investment in commercial aircraft leasing transactions given the current status of the airline industry. In particular, we are closely monitoring recent developments related to US Airways Group, Inc. (US Airways) and United Air Lines, Inc. (United).

Our investment in commercial aircraft leasing transactions includes four aircraft with US Airways for a total investment of $58.5 million. With respect to our aircraft, US Airways failed to make scheduled leveraged lease payments totaling $1.3 million that were due on July 1, 2002. As a result, we have suspended the recognition of financing income on all aircraft leases with US Airways. On August 11, 2002, US Airways filed for protection under Chapter 11 of the U.S. Bankruptcy Code. US Airways has publicly stated that its restructuring plan is predicated upon delivering cost reductions and concessions from its unions, aircraft lessors and financiers and other parties. US Airways has also publicly stated that it has received conditional approval from the Air Transportation Stabilization Board for a $1 billion collateralized loan backed by a federal guarantee that may be available to US Airways upon the successful ratification of its plan for reorganization and emergence from Chapter 11 protection.

We are uncertain as to the outcome of the US Airways bankruptcy proceeding and the impact on our investment in aircraft leases with US Airways. Under Section 1110 of the Bankruptcy Code, US Airways may, within 60 days of its filing for protection, cure any defaults under the lease agreements and agree to fulfill its future obligations under those leases to prevent the repossession of the aircraft. However, other actions that may be taken by either US Airways (including the rejection of our leases) or by others during the bankruptcy proceeding may cause a negative impact on our cash flow and could result in material charges related to a write-down of our investment in these transactions.

Our investment in commercial aircraft leasing transactions also includes four aircraft with United and one aircraft with a wholly-owned regional carrier subsidiary of United, for a total investment of $63.5 million. To date, United has made all contractual payments on the above transactions. While we have not been approached by the airline to discuss concessions or the potential restructuring of its obligations, we continue to monitor the airline's public disclosure of its discussions with its unions and with government officials. Continued deterioration of this situation or in the airline industry in general may cause a negative impact on our cash flow and could result in material charges related to a write-down of our investment in these or other airline transactions.

The potential range of pretax write-downs associated with US Airways and United combined could be between zero and $100 million. Accordingly, due to the wide range of outcomes, no write-down has been recorded at this time. We will reevaluate our position in subsequent quarters as the US Airways bankruptcy proceeding continues and more information is disclosed about United's ability to fulfill its obligations under its leases.

Regulatory Matters

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

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

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

On November 15, 2001, the USPS issued a rule as follows:

- New placements of non-digital meters without the "timeout" feature that enables the meters to be automatically disabled, if not reset within a specified time period are no longer permitted after December 31, 2002. These meters must be off the market by December 31, 2006.

- New placements of non-digital meters with a "timeout" feature are no longer permitted after June 2004. These meters must be off the market by December 31, 2008.

We adopted a formal plan in the second quarter of 2001 to transition to the next generation of networked mailing technology.

USPS Information Based Indicia Program (IBIP)

In May 1995, the USPS publicly announced its concept of its IBIP for future postage evidencing devices. As initially stated by the USPS, the purpose of the program was to develop a new standard for future digital postage evidencing devices which would significantly enhance postal revenue security and support expanded USPS value-added services to mailers. The program would consist of the development of four separate specifications: (i) the Indicium specification; (ii) a Postal Security Device specification; (iii) a Host specification; and (iv) a Vendor Infrastructure specification. During the period from May 1995 through June 30, 2002, we submitted extensive comments to a series of proposed IBIP specifications issued by the USPS, including comments on the IBI Performance Criteria.

Other Regulatory Matters

In June 2002, we received an examination report from the Internal Revenue Service (IRS) showing proposed income tax adjustments for the 1992 to 1994 tax years. The total additional tax proposed by the IRS for the 1992 through 1994 tax years is about $24 million. We are in the process of filing protests with the IRS to challenge most of the proposed deficiencies asserted by the IRS. We believe that we have meritorious defenses to those deficiencies and that the ultimate outcome will not result in a material effect on our consolidated results of operations or financial position. Depending on the outcome of the above matter, additional tax may be due for 1995 and future audit years. At any time, our provision for taxes could be impacted by changes in tax law and interpretations by governments or courts.

Forward-Looking Statements

We want to caution readers that any forward-looking statements with the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 in this Form 10-Q, other reports or press releases or made by the company's management involve risks and uncertainties which may change based on various important factors. These forward-looking statements are those which talk about the company's or management's current expectations as to the future and include, but are not limited to, statements about the amounts, timing and results of possible restructuring charges and future earnings. Words such as "estimate," "project," "plan," "believe," "expect," "anticipate," "intend," and similar expressions may identify such forward-looking statements. Some of the factors which could cause future financial performance to differ materially from the expectations as expressed in any forward-looking statement made by or on behalf of the company include:

- changes in international or national political conditions, including any terrorist attacks
- negative developments in economic conditions, including adverse impacts on customer demand
- changes in postal regulations
- timely development and acceptance of new products
- success in gaining product approval in new markets where regulatory approval is required
- successful entry into new markets
- mailers' utilization of alternative means of communication or competitors' products
- the company's success at managing customer credit risk, including risks associated with commercial aircraft leasing transactions
- changes in interest rates
- foreign currency fluctuations
- timing and execution of the restructuring plan
- regulatory approvals and satisfaction of other conditions to consummation of any acquisitions
- impact on mail volume resulting from current concerns over the use of the mail for transmitting harmful biological agents
- third-party suppliers ability to provide product components
- negative income tax adjustments for prior audit years and changes in tax laws or regulations.

Part II - Other Information

Item 1: Legal Proceedings

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

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

The company is currently a plaintiff or 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 annual meeting of stockholders held on May 13, 2002:

Proposal 1 - Election of Directors

Nominee	For	Withheld
Michael J. Critelli	206,104,943	3,760,692
Herbert L. Henkel	206,146,050	3,719,585
Michael I. Roth	206,115,974	3,749,661
Robert E. Weissman	206,550,332	3,315,303

Proposal 2 - Appointment of PricewaterhouseCoopers LLP as Independent Accountants

For	Against	Abstain
200,216,547	8,560,483	1,088,605

Proposal 3 - Approval of the amendment and restatement of the 1991 Stock Plan

For	Against	Abstain
160,091,537	24,807,780	2,123,803

The following other directors continued their term of office after the annual meeting:

Linda G. Alvarado
Colin G. Campbell
Jessica P. Einhorn
Ernie Green
James H. Keyes
John S. McFarlane
Eduardo R. Menasce
David L. Shedlarz

Item 6: Exhibits and Reports on Form 8-K.

(a) Exhibits

Reg. S-K Exhibits	Description
(12)	Computation of ratio of earnings to fixed charges
(99.1)	Certification of Chief Executive Officer
(99.2)	Certification of Chief Financial Officer

(b) Reports on Form 8-K

On June 28, 2002, the company filed a current report on Form 8-K pursuant to Item 5 thereof, reporting the Press Release dated June 27, 2002 regarding its announcement to acquire 100% of the stock of PSI Group, Inc.

On June 19, 2002, the company furnished a current report on Form 8-K pursuant to Item 9 thereof, reporting the 2002 Analyst Day web-cast presentation held on June 18, 2002 for the investment community to review growth strategies and business opportunities.

On April 19, 2002, the company filed a current report on Form 8-K pursuant to Item 5 thereof, reporting the Press Release dated April 18, 2002 for the quarter ended March 31, 2002.

Signatures

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

PITNEY BOWES INC.

August 13, 2002

/s/ B. P. Nolop

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

/s/ A. F. Henock

A. F. Henock
Vice President - Finance
(Principal Accounting Officer)

Exhibit Index

Reg. S-K Exhibits	Description
(12)	Computation of ratio of earnings to fixed charges
(99.1)	Certification of Chief Executive Officer
(99.2)	Certification of Chief Financial Officer

Exhibit (12)

Pitney Bowes Inc.
Computation of Ratio of Earnings to Fixed Charges (1)

(Dollars in thousands)

	Three Months Ended June 30,	Six Months Ended June 30,

	2002	2001(2)	2002	2001(2)
Income from continuing operations before income taxes	$ 208,314	$ 298,236	$ 396,850	$ 447,135
Add:				
Interest expense	48,754	46,338	97,145	99,126
Portion of rents representative of the interest factor	10,251	11,079	20,530	21,345
Amortization of capitalized interest	368	243	611	486
Minority interest in the income of subsidiary with fixed charges	1,391	2,648	2,629	6,009
Income as adjusted	$ 269,078	$ 358,544	$ 517,765	$ 574,101
Fixed charges:				
Interest expense	$ 48,754	$ 46,338	$ 97,145	$ 99,126
Capitalized interest	-	-	-	-
Portion of rents representative of the interest factor	10,251	11,079	20,530	21,345
Minority interest, excluding taxes, in the income of subsidiary with fixed charges	2,025	4,204	3,827	9,208
Total fixed charges	$ 61,030	$ 61,621	$ 121,502	$ 129,679
Ratio of earnings to fixed charges	4.41	5.82	4.26	4.43
Ratio of earnings to fixed charges excluding minority interest	4.54	6.20	4.38	4.72

<FN>

(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) Interest expense and the portion of rents representative of the interest factor of the discontinued operations of IGI have been excluded from fixed charges in the computation.

Including these amounts in fixed charges, the ratio of earnings to fixed charges would be 5.59 and 4.27 for the three and six months ended June 30, 2001. The ratio of earnings to fixed charges excluding minority interest would be 5.93 and 4.54 for the three and six months ended June 30, 2001.

</FN>

Exhibit 99.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

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

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

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

/s/ Michael J. Critelli

Michael J. Critelli
Chief Executive Officer
August 13, 2002

Exhibit 99.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Pitney Bowes Inc. (the "company") on Form 10-Q for the period ending June 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), pursuant to 18 U.S.C. (S) 1350, as adopted pursuant to (S) 906 of the Sarbanes-Oxley Act of 2002, I, Bruce P. Nolop, Chief Financial Officer of the company, certify, that to the best of my knowledge:

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

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

/s/ Bruce P. Nolop

Bruce P. Nolop
Chief Financial Officer
August 13, 2002