

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

FORM 10 - Q

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

 EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 1999

OR

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

For the transition period from _____ to _____

Commission File Number: 1-3579

PITNEY BOWES INC.

State of Incorporation
Delaware

IRS Employer Identification No.
06-0495050

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

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, 1999 is 267,575,341.

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Part I - Financial Information

Item 1. Financial Statements.

Pitney Bowes Inc.
Consolidated Statements of Income
(Unaudited)

(Dollars in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	1999	1998*	1999	1998*
Revenue from:				
Sales.....	\$ 546,370	\$ 492,310	\$ 1,056,752	\$ 942,735
Rentals and financing.....	418,773	393,825	824,498	774,196
Support services.....	140,289	128,455	273,506	251,444
Total revenue.....	1,105,432	1,014,590	2,154,756	1,968,375
Costs and expenses:				
Cost of sales.....	306,351	289,983	603,070	564,983
Cost of rentals and financing.....	117,443	104,355	228,376	206,976
Selling, service and administrative.....	373,132	352,916	734,160	683,898
Research and development.....	27,698	25,065	53,602	48,696
Interest, net.....	46,938	40,451	92,438	75,948
Total costs and expenses.....	871,562	812,770	1,711,646	1,580,501
Income from continuing operations before income taxes.....	233,870	201,820	443,110	387,874
Provision for income taxes.....	76,462	69,051	147,131	132,770
Income from continuing operations.....	157,408	132,769	295,979	255,104
(Loss) income from discontinued operations (Note 2).....	(2,729)	9,248	971	16,600
Loss on disposal of discontinued operations (Note 2).....	(24,938)	-	(24,938)	-
Net income.....	\$ 129,741	\$ 142,017	\$ 272,012	\$ 271,704
Basic earnings per share:				
Continuing operations.....	\$.58	\$.49	\$ 1.10	\$.92
Discontinued operations.....	(.10)	.03	(.09)	.06
Net income.....	\$.48	\$.52	\$ 1.01	\$.98
Diluted earnings per share:				
Continuing operations.....	\$.58	\$.48	\$ 1.08	\$.91
Discontinued operations.....	(.10)	.03	(.09)	.06

Net income.....	\$.48	\$.51	\$.99	\$.97
Dividends declared per share of common stock.....	\$.255	\$.225	\$.51	\$.45
Ratio of earnings to fixed charges.....	4.71	4.40	4.56	4.49
Ratio of earnings to fixed charges excluding minority interest.....	5.00	4.72	4.85	4.85

* Reclassified to reflect discontinued operations.

See Notes to Consolidated Financial Statements

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Pitney Bowes Inc.
Consolidated Balance Sheets

(Dollars in thousands, except share data)	June 30, 1999	December 31, 1998
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents.....	\$ 132,693	\$ 125,684
Short-term investments, at cost which approximates market.....	949	3,302
Accounts receivable, less allowances: 6/99, \$24,983; 12/98, \$24,665.....	416,302	382,406
Finance receivables, less allowances: 6/99, \$48,642; 12/98, \$51,232.....	1,498,531	1,400,786
Inventories (Note 3).....	259,858	266,734
Other current assets and prepayments.....	83,173	330,051
Net assets of discontinued operations.....	156,507	-
Total current assets.....	2,548,013	2,508,963
Property, plant and equipment, net (Note 4).....	467,013	477,476
Rental equipment and related inventories, net (Note 4).....	842,176	806,585
Property leased under capital leases, net (Note 4).....	3,269	3,743
Long-term finance receivables, less allowances: 6/99, \$76,291; 12/98, \$79,543.....	1,954,990	1,999,339
Investment in leveraged leases.....	962,531	827,579
Goodwill, net of amortization: 6/99, \$51,425; 12/98, \$47,514.....	227,874	222,980
Other assets.....	454,198	814,374
Net assets of discontinued operations.....	313,063	-
Total assets.....	\$ 7,773,127	\$ 7,661,039
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued liabilities.....	\$ 776,665	\$ 898,548
Income taxes payable.....	186,279	194,443
Notes payable and current portion of long-term obligations	1,273,197	1,259,193
Advance billings.....	391,103	369,628
Total current liabilities.....	2,627,244	2,721,812
Deferred taxes on income.....	1,029,923	920,521
Long-term debt (Note 5).....	1,898,942	1,712,937
Other noncurrent liabilities.....	352,911	347,670

Total liabilities.....	5,909,020	5,702,940
Preferred stockholders' equity in a subsidiary company.....	310,000	310,097
Stockholders' equity:		
Cumulative preferred stock, \$50 par value, 4% convertible.....	29	34
Cumulative preference stock, no par value, \$2.12 convertible.....	1,945	2,031
Common stock, \$1 par value.....	323,338	323,338
Capital in excess of par value.....	11,927	16,173
Retained earnings.....	3,208,052	3,073,839
Accumulated other comprehensive income (Note 8).....	(85,851)	(88,217)
Treasury stock, at cost.....	(1,905,333)	(1,679,196)
Total stockholders' equity.....	1,554,107	1,648,002
Total liabilities and stockholders' equity.....	\$ 7,773,127	\$ 7,661,039

See Notes to Consolidated Financial Statements

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

(Dollars in thousands)

	Six Months Ended June 30,	
	1999	1998*
Cash flows from operating activities:		
Net income	\$ 272,012	\$ 271,704
Loss on sale of discontinued operations.....	24,938	-
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization.....	206,304	166,446
Increase in deferred taxes on income.....	106,823	66,949
Pension plan investment.....	(67,000)	-
Change in assets and liabilities:		
Accounts receivable.....	(35,000)	(20,439)
Net investment in internal finance receivables...	(53,206)	(52,390)
Inventories.....	7,590	9,850
Other current assets and prepayments.....	13,868	(5,426)
Accounts payable and accrued liabilities.....	(45,595)	(19,235)
Income taxes payable.....	8,030	(8,097)
Advance billings.....	20,648	14,942
Other, net.....	(17,790)	(11,130)
Net cash provided by operating activities.....	441,622	413,174
Cash flows from investing activities:		
Short-term investments.....	2,192	(257)
Net investment in fixed assets.....	(173,318)	(169,504)
Net investment in external finance receivables.....	73,225	34,963
Investment in leveraged leases.....	(123,393)	(52,272)
Investment in mortgage servicing rights.....	(9,719)	(170,882)
Other investing activities.....	(28,604)	(793)

Net cash used in investing activities.....	(259,617)	(358,745)
	-----	-----
Cash flows from financing activities:		
Increase (decrease) in notes payable, net.....	2,948	(92,698)
Proceeds from long-term obligations.....	208,106	554,123
Principal payments on long-term obligations.....	(14,385)	(130,993)
Proceeds from issuance of stock.....	34,695	26,666
Stock repurchases.....	(266,090)	(307,377)
Dividends paid.....	(137,799)	(124,553)
	-----	-----
Net cash used in financing activities.....	(172,525)	(74,832)
	-----	-----
Effect of exchange rate changes on cash.....	(2,471)	(1,348)
	-----	-----
Increase (decrease) in cash and cash equivalents.....	7,009	(21,751)
Cash and cash equivalents at beginning of period.....	125,684	137,073
	-----	-----
Cash and cash equivalents at end of period.....	\$ 132,693	\$ 115,322
	=====	=====
Interest paid.....	\$ 92,728	\$ 86,830
	=====	=====
Income taxes paid, net.....	\$ 36,163	\$ 85,386
	=====	=====

<FN>

* Certain prior year amounts have been reclassified to conform with the 1999 presentation.

</FN>

See Notes to Consolidated Financial Statements

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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 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, 1999 and December 31, 1998, the results of its operations for the three months and six months ended June 30, 1999 and 1998 and its cash flows for the six months ended June 30, 1999 and 1998 have been included. Operating results for the three and six months ended June 30, 1999 are not necessarily indicative of the results that may be expected for the year ending December 31, 1999. These statements should be read in conjunction with the financial statements and notes thereto included in the company's 1998 Annual Report to Stockholders on Form 10-K.

Note 2:

On June 30, 1999, the company committed itself to a formal plan to dispose of Atlantic Mortgage & Investment Corporation (AMIC), a wholly-owned subsidiary of the company, in a manner that maximizes long-term shareholder value. The company recorded an expected loss of approximately \$34.2 million (net of taxes of \$22.8 million) on the disposal of AMIC.

AMIC's revenue was \$30.0 million and \$29.3 million for the three months ended June 30, 1999 and 1998, respectively, and \$62.5 and \$52.6 million for the six

months ended June 30, 1999 and 1998, respectively. Net interest expense allocated to AMIC's discontinued operations was \$1.8 million and \$1.6 million for the three months ended June 30, 1999 and 1998, respectively, and \$3.7 million and \$2.9 million for the six months ended June 30, 1999 and 1998, respectively. Interest has been allocated based on AMIC's net intercompany borrowing levels with Pitney Bowes Credit Corporation (PBCC), a wholly-owned subsidiary of the company, charged at PBCC's weighted average borrowing rate, offset by the interest savings PBCC realizes due to borrowings against AMIC's escrow deposits as opposed to regular commercial paper borrowings.

On October 30, 1998, Colonial Pacific Leasing Corporation (CPLC), a wholly-owned subsidiary of the company, transferred the operations, employees and substantially all assets related to its broker-oriented external financing business to General Electric Capital Corporation, a subsidiary of the General Electric Company. The company received approximately \$790 million at closing. In connection with this transaction, the company recorded a gain of approximately \$9.3 million (net of taxes of \$5.7 million) in the second quarter of 1999.

CPLC's revenue was \$35.6 million and \$70.1 million for the three and six months ended June 30, 1998, respectively. Interest expense allocated to CPLC's discontinued operations was \$10.6 million and \$21.1 million for the three and six months ended June 30, 1998, respectively. Interest expense has been allocated based on CPLC's intercompany borrowing levels with PBCC, charged at PBCC's weighted average borrowing rate.

Operating results of AMIC and CPLC have been segregated and reported as discontinued operations in the Consolidated Statements of Income. Prior year results have been reclassified to conform to the current year presentation. Net assets of AMIC's discontinued operations have been separately classified in the Consolidated Balance Sheet at June 30, 1999. Cash flow impacts of discontinued operations have not been segregated in the Consolidated Statements of Cash Flows. Details of the (loss) income from discontinued operations are as follows:

(Dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	1999	1998	1999	1998
AMIC.....	\$ (2,729)	\$6,615	\$971	\$11,214
CPLC.....	-	2,633	-	5,386
(Loss) income from discontinued operations	\$ (2,729)	\$9,248	\$971	\$16,600

Note 3:

Inventories are comprised of the following:

(Dollars in thousands)

	June 30, 1999	December 31, 1998
Raw materials and work in process.....	\$ 36,569	\$ 54,001
Supplies and service parts.....	105,583	106,864
Finished products.....	117,706	105,869
Total	\$ 259,858	\$ 266,734

Note 4:

Fixed assets are comprised of the following:

(Dollars in thousands)	June 30, 1999	December 31, 1998
	-----	-----
Property, plant and equipment.....	\$ 1,164,718	\$ 1,153,573
Accumulated depreciation.....	(697,705)	(676,097)
	-----	-----
Property, plant and equipment, net.....	\$ 467,013	\$ 477,476
	=====	=====
Rental equipment and related inventories.....	\$ 1,755,080	\$ 1,706,995
Accumulated depreciation.....	(912,904)	(900,410)
	-----	-----
Rental equipment and related inventories, net.....	\$ 842,176	\$ 806,585
	=====	=====
Property leased under capital leases.....	\$ 18,918	\$ 19,430
Accumulated amortization.....	(15,649)	(15,687)
	-----	-----
Property leased under capital leases, net.....	\$ 3,269	\$ 3,743
	=====	=====

Note 5:

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

The company has a medium-term note facility which was established as part of the company's shelf registrations, which currently permits issuance of up to \$300 million in debt securities with a minimum maturity of nine months.

PBCC has \$750 million of unissued debt securities available from a shelf registration statement filed with the SEC in July 1998.

Note 6:

Revenue and operating profit by business segment for the three and six months ended June 30, 1999 and 1998 were as follows:

(Dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	1999	1998*	1999	1998*
	-----	-----	-----	-----
Revenue:				
Mailing and Integrated Logistics.....	\$ 746,952	\$ 668,281	\$ 1,445,581	\$ 1,294,521
Office Solutions.....	316,753	303,682	631,333	594,864
Capital Services.....	41,727	42,627	77,842	78,990
	-----	-----	-----	-----
Total revenue.....	\$ 1,105,432	\$1,014,590	\$ 2,154,756	\$ 1,968,375
	=====	=====	=====	=====
Operating Profit: (1)				
Mailing and Integrated Logistics.....	\$ 200,654	\$ 164,223	\$ 375,039	\$ 308,630
Office Solutions.....	60,656	57,610	119,201	110,069
Capital Services.....	12,784	12,202	20,966	20,547
	-----	-----	-----	-----
Total operating profit.....	\$ 274,094	\$ 234,035	\$ 515,206	\$ 439,246

Unallocated amounts:

Net interest (corporate interest expense,

net of intercompany transactions).....	(11,443)	(4,208)	(22,204)	(5,492)
Corporate expense.....	(28,781)	(28,007)	(49,892)	(45,880)
	-----	-----	-----	-----
Income from continuing operations before income taxes.....	\$ 233,870	\$ 201,820	\$ 443,110	\$ 387,874
	=====	=====	=====	=====

* Reclassified to reflect discontinued operations.

<FN>
(1) Operating profit excludes general corporate expenses, income taxes and net interest other than that related to finance operations.
</FN>

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Note 7:

A reconciliation of the basic and diluted earnings per share computations for the three months ended June 30, 1999 and 1998 is as follows (in thousands, except per share data):

	1999			1998*		
	Income	Shares	Per Share	Income	Shares	Per Share
	-----	-----	-----	-----	-----	-----
Income from continuing operations	\$ 157,408			\$ 132,769		
Less:						
Preferred stock dividends	-			-		
Preference stock dividends	(38)			(42)		
	-----	-----	-----	-----	-----	-----
Basic earnings per share	\$ 157,370	268,088	\$.58	\$ 132,727	274,924	\$.49
	-----	-----	-----	-----	-----	-----
Effect of dilutive securities:						
Preferred stock	-	15		-	17	
Preference stock	38	1,160		42	1,259	
Stock options		3,365			2,822	
Other		389			473	
	-----	-----	-----	-----	-----	-----
Diluted earnings per share	\$ 157,408	273,017	\$.58	\$ 132,769	279,495	\$.48
	=====	=====	=====	=====	=====	=====

A reconciliation of the basic and diluted earnings per share computations for the six months ended June 30, 1999 and 1998 is as follows (in thousands, except per share data):

	1999			1998*		
	Income	Shares	Per Share	Income	Shares	Per Share
	-----	-----	-----	-----	-----	-----
Income from continuing						

operations	\$	295,979			\$	255,104		
Less:								
Preferred stock dividends		-				-		
Preference stock dividends		(77)				(84)		

Basic earnings per share	\$	295,902	269,007	\$ 1.10	\$	255,020	276,930	\$.92

Effect of dilutive securities:								
Preferred stock		-	16			-	17	
Preference stock		77	1,169			84	1,276	
Stock options			3,463				2,740	
Other			419				450	

Diluted earnings per share	\$	295,979	274,074	\$ 1.08	\$	255,104	281,413	\$.91
=====								

* Adjusted to reflect discontinued operations.

Note 8:

Comprehensive income for the three and six months ended June 30, 1999 and 1998 was as follows:

(Dollars in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	1999	1998	1999	1998
	-----	-----	-----	-----
Net income.....	\$ 129,741	\$ 142,017	\$ 272,012	\$ 271,704
Other comprehensive income:				
Foreign currency translation adjustments.....	2,814	(1,243)	2,366	(11,282)
	-----	-----	-----	-----
Comprehensive income.....	\$ 132,555	\$ 140,774	\$ 274,378	\$ 260,422
	=====	=====	=====	=====

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Note 9:

In August 1999, the U.S. Postal Service (U.S.P.S.) and the company announced that they had reached agreement resolving a lawsuit filed by the company in 1997. The lawsuit arose out of a dispute over a 1978 Statement of Understanding authorizing the company to offer Postage by PhoneR, its proprietary version of the Computerized Meter Resetting System (CMRS). Under the terms of the agreement, the company received \$51.75 million, representing a portion of the financial benefit that the U.S.P.S. obtained as a result of the revised regulations. This payment, net of related legal expenses, will be reflected in the consolidated financial statements in the third quarter of 1999.

In July 1999, Statement of Financial Accounting Standards (SFAS) No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of SFAS Statement No. 133, an amendment of FASB Statement No. 133", was issued. This statement defers the effective date of SFAS No. 133 one year (January 1, 2001 for the company). SFAS 133 requires that an entity recognize all derivative instruments as either assets or liabilities in the statement of financial position and measure those instruments at fair value. Changes in the fair value of those instruments will be reflected as gains or

losses. The accounting for the gains and losses depends on the intended use of the derivative and the resulting designation. The company is currently evaluating the impact of this statement.

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

Results of Operations - second quarter of 1999 vs. second quarter of 1998

On June 30, 1999, the company committed itself to a formal plan to dispose of Atlantic Mortgage and Investment Corporation (AMIC), a wholly-owned subsidiary of the company, in a manner that maximizes long-term shareholder value. The company recorded an expected loss of approximately \$34.2 million (net of taxes of \$22.8 million) on the disposal of AMIC. Operating results of AMIC have been segregated and reported as discontinued operations in the Consolidated Statements of Income for the three and six months ended June 30, 1999. Prior year results have been reclassified to conform to the current year presentation. See Note 2 to the consolidated financial statements.

On October 30, 1998, Colonial Pacific Leasing Corporation (CPLC), a wholly-owned subsidiary of the company, transferred the operations, employees and substantially all assets related to its broker-oriented external financing business to General Electric Capital Corporation, a subsidiary of General Electric Company. The company received approximately \$790 million at closing. In connection with this transaction, the company recorded a gain of approximately \$9.3 million (net of taxes of \$5.7 million) in the second quarter of 1999. Operating results of CPLC have been segregated and reported as discontinued operations in the Consolidated Statements of Income for the three and six months ended June 30, 1998. See Note 2 to the consolidated financial statements.

Revenue increased nine percent in the second quarter of 1999 to \$1,105.4 million compared with \$1,014.6 million in the second quarter of 1998. Income from continuing operations increased 19 percent to \$157.4 million from \$132.8 million for the same period in 1998. Diluted earnings per share from continuing operations grew to 58 cents, a 21.5 percent increase from the second quarter of 1998.

Second quarter 1999 revenue included \$546.4 million from sales, up 11 percent from \$492.3 million in the second quarter of 1998; \$418.8 million from rentals and financing, up six percent from \$393.8 million; and \$140.3 million from support services, up nine percent from \$128.5 million.

The Mailing and Integrated Logistics segment includes revenues and related expenses from the rental, sale and financing of mailing and shipping equipment, related supplies and service, and software. During the second quarter of 1999, revenue grew 12 percent and operating profit increased 22 percent. Contributors to growth included:

- o The Internet's positive impact on package delivery and direct mail volumes.
- o Customized, high-speed production mail equipment used in Automated Document Factories and high-volume mailrooms.
- o Advanced, multi-functional mailing systems, such as ParagonTM and the recently introduced digital GalaxyTM system.
- o Demand for Mail Creation solutions, led by DocuMatchTM.

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The Office Solutions Segment includes Pitney Bowes Office Systems and Pitney Bowes Management Services. During the second quarter of 1999, revenue grew four percent and operating profit increased five percent.

During the quarter, Pitney Bowes Management Services' revenue grew four percent as the company continues to focus on profitable growth through providing high value services, such as business recovery, to both new and existing customers. The focus on profitability resulted in double-digit operating profit growth.

Office Systems, featuring Copier and Facsimile, grew revenues five percent and increased operating profit four percent for the quarter. Copier Systems continues the transition from stand-alone analog copiers, to digital, networked solutions while strengthening the ability to sell to national and major accounts. Facsimile revenues were helped by strong unit placements partially offset by ongoing price pressures in the market.

The Capital Services Segment includes primarily asset- and fee-based income generated by large ticket external assets. During the quarter, revenue decreased two percent while operating profit improved five percent. This performance is consistent with the company's previously announced strategy to shift from asset-based income by lowering the asset base and concentrating on fee-based income opportunities.

Cost of sales decreased to 56.1 percent of sales revenue in the second quarter of 1999 compared with 58.9 percent in the second quarter of 1998. This was due primarily to higher equipment and supply sales at U.S. Mailing Systems.

Cost of rentals and financing increased to 28.0 percent of related revenues in the second quarter of 1999 compared with 26.5 percent in the second quarter of 1998. This was due primarily to higher depreciation at both U.S. Mailing and Copier and other rental costs at U.S. Mailing.

Selling, service and administrative expenses were 33.8 percent of revenue in the second quarter of 1999 compared with 34.8 percent in the second quarter of 1998. This improvement was due primarily to the company's continued emphasis on controlling operating expenses.

Research and development expenses increased 11 percent to \$27.7 million in the second quarter of 1999 compared with \$25.1 million in the second quarter of 1998. The increase reflects the company's continued commitment to developing new technologies for its digital meters and other mailing and software products.

Net interest expense increased to \$46.9 million in the second quarter of 1999 from \$40.5 million in the second quarter of 1998. The increase is due mainly to increased debt to fund the share repurchase program.

The effective tax rate for the second quarter of 1999 was 32.7 percent compared with 34.2 percent in 1998. The decrease is due primarily to research and development tax credits and other tax benefits.

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Net income and diluted earnings per share decreased 8.6 percent and 6.5 percent, respectively, in the second quarter of 1999 compared to the same period in 1998. Second quarter 1999 net income included a \$27.7 million charge, or 10 cents per diluted share related to discontinued operations, compared to \$9.2 million of income, or three cents per diluted share, in 1998.

Results of Operations - six months of 1999 vs. six months of 1998

For the first six months of 1999 compared with the same period of 1998, revenue increased nine percent to \$2,154.8 million while income from continuing operations increased 16 percent to \$296.0 million. The factors that affected revenue and earnings performance included those cited for the second quarter of 1999 versus 1998.

Discontinued Operations

On June 30, 1999, the company committed itself to a formal plan to dispose of Atlantic Mortgage and Investment Corporation (AMIC), a wholly-owned subsidiary of the company, in a manner that maximizes long-term shareholder value. The company recorded an expected loss of approximately \$34.2 million (net of taxes of \$22.8 million) on the disposal of AMIC. See Note 2 to the consolidated financial statements.

On October 30, 1998, Colonial Pacific Leasing Corporation (CPLC), a wholly-owned subsidiary of the company, transferred the operations, employees and substantially all assets related to its broker-oriented external financing business to General Electric Capital Corporation, a subsidiary of General Electric Company. The company received approximately \$790 million at closing. In connection with this transaction, the company recorded a gain of approximately \$9.3 million (net of taxes of \$5.7 million) in the second quarter of 1999. See Note 2 to the consolidated financial statements.

Subsequent Events

In August 1999, the U.S. Postal Service (U.S.P.S.) and the company announced that they had reached agreement resolving a lawsuit filed by the company in 1997. The lawsuit arose out of a dispute over a 1978 Statement of Understanding authorizing the company to offer Postage by PhoneR, its proprietary version of the Computerized Meter Resetting System (CMRS). Under the terms of the agreement, the company received \$51.75 million, representing a portion of the financial benefit that the U.S.P.S. obtained as a result of the revised regulations. This payment, net of related legal expenses, will be reflected in the consolidated financial statements in the third quarter of 1999.

In July 1999, Statement of Financial Accounting Standards (SFAS) No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of SFAS Statement No. 133, an amendment of FASB Statement No. 133", was issued. This statement defers the effective date of SFAS No. 133 one year (January 1, 2001 for the company). SFAS 133 requires that an entity recognize all derivative instruments as either assets or liabilities in the statement of financial position and measure those instruments at fair value. Changes in the fair value of those instruments will be reflected as gains or losses. The accounting for the gains and losses depends on the intended use of

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the derivative and the resulting designation. The company is currently evaluating the impact of this statement.

Liquidity and Capital Resources

The ratio of current assets to current liabilities improved to .97 to 1 at June 30, 1999 compared with .92 to 1 at December 31, 1998. The improvement was due primarily to an increase in short-term finance receivables.

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

The company has a medium-term note facility which was established as part of the company's shelf registrations, which currently permits issuance of up to \$300 million in debt securities with a minimum maturity of nine months.

Pitney Bowes Credit Corporation (PBCC), a wholly-owned subsidiary of the company, has \$750 million of unissued debt securities available from a shelf registration statement filed with the SEC in July 1998.

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

The ratio of total debt to total debt and stockholders' equity including the preferred stockholders' equity in a subsidiary company in total debt was 69.2 percent at June 30, 1999 compared with 66.6 percent at December 31, 1998. Book value per common share decreased to \$5.80 at June 30, 1999 from \$6.09 at December 31, 1998 driven primarily by the repurchase of common shares. During the quarter ended June 30, 1999, the company repurchased 1.9 million common shares for \$123.7 million.

To control the impact of interest rate swings on its business, the company uses a balanced mix of debt maturities, variable and fixed rate debt and interest rate swap agreements. The company enters into interest rate swap agreements primarily through its financial services business. Swap agreements are used to fix or obtain lower interest rates on commercial loans than the company would otherwise have been able to get without the swap.

Year 2000

General

In 1997, the company established a formal worldwide program to identify and resolve the impact of the Year 2000 (Y2K) date processing issue on the company's business systems, products and supporting infrastructure. The program structure has strong executive sponsorship consisting of a global Y2K steering committee of senior business and technology management, a Y2K program office of full-time program management, and subject matter experts and dedicated business unit project teams. The company also engaged independent consultants to perform

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periodic independent program reviews and assist in systems assessment and testing reviews.

State of Readiness

The program encompasses the following phases: an inventory of affected technology and critical third party suppliers, an assessment of Y2K readiness, resolution, unit and integrated testing, and contingency planning. As of June 1999, the company has substantially completed these phases across all aspects of its businesses. Specific project status in our more critical process areas is summarized below:

Computer Systems and Infrastructure:

These include computer networks, systems and applications supporting worldwide business operations, including sales order processing, manufacturing, distribution, billing, collections, leasing, financial management, and human resources. All core systems in North America and 95 percent of international systems have been remediated, tested, and reinstalled into the production environment. Unit and integration testing was successfully completed in June 1999. Five small stand-alone systems, which are part of the international operations and not yet fully compliant, are expected to be compliant in September 1999.

Manufacturing/Logistics:

In 1998, we completed an inventory and assessment of our worldwide manufacturing plants and warehouses. This included over 750 distinct pieces of plant floor equipment, technology workstations, quality control systems, and safety and security systems. As of June 1999, we completed 99 percent of all required upgrades and testing and are finalizing repairs on the remaining three non-critical items.

Products/Customers:

In 1997 and early 1998, we inventoried and tested over 2,350 product versions. Over 95 percent of installed products, including all postage meters, mailing systems, copiers, and facsimile systems, were already Y2K compliant. As of June 1999, all inventoried products are either compliant or have available solutions or replacements. Detailed product compliance information has been communicated to customers through direct mail and through our website at www.pitneybowes.com.

Suppliers & Critical Vendors:

The company established a program to identify and assess the Y2K readiness of

critical vendors and suppliers of its worldwide businesses. The company has assessed and monitored the Y2K readiness of over 250 critical vendors worldwide. As of June 1999, 14 percent of our critical vendors, primarily utility and telecommunication vendors, are not yet complete with their Y2K compliance programs. We are continuing to work with these vendors to ensure that they have plans in place for uninterrupted service.

Y2K Costs

The company estimates the total cost of the worldwide program from inception in 1997 through the Year 2000 to be approximately \$37 million, down from our March 31, 1999 estimate of \$38 to \$42 million, of which approximately \$30 million has been incurred through June 30, 1999. These costs, which are funded through the company's cash flows, include internal labor costs as well as consulting and

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other external costs. These costs are incorporated in the company's budgets and are being expensed as incurred.

Y2K Risks

The most reasonably likely worst case scenario with respect to a Y2K problem is a failure of a supplier, including a utility or telecommunications supplier, to be Y2K compliant causing a disruption in our operations. A widespread utility failure could temporarily disrupt our product supply and impact customer communications. We are monitoring over 250 critical vendors, including utility suppliers, and developing appropriate contingency plans to ensure uninterrupted service.

Y2K Contingency Plans

A Y2K business resumption plan has been developed which identifies and evaluates potential Y2K failure scenarios and establishes both preemptive and reactive measures. These measures, including plans to address failures of critical vendors, internal systems and processes, are expected to be finalized by September 1999.

Capital Investments

In the first six months of 1999, net investments in fixed assets included \$43.0 million in net additions to property, plant and equipment and \$130.3 million in net additions to rental equipment and related inventories compared with \$42.2 million and \$127.3 million, respectively, in the same period in 1998. These additions include 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 both new placements and upgrade programs.

As of June 30, 1999, 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.

Regulatory Matters

In May 1996, the United States Postal Service (U.S.P.S.) issued a proposed schedule for the phaseout of mechanical meters in the U.S. In accordance with the schedule, the company voluntarily halted new placements of mechanical meters in the U.S. as of June 1, 1996.

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 represent approximately 2 percent of the company's installed U.S. meter base at June 30, 1999, compared with approximately 10 percent at December 31, 1998. At June 30, 1999, approximately 98 percent of the company's installed U.S. meter base was electronic or digital, as compared to 90 percent at December 31, 1998 and 81 percent at June 30, 1998. The company continues to work in close

cooperation with the U.S.P.S. to convert those mechanical meter customers who have not migrated to digital or electronic meters by the applicable U.S.P.S. deadline.

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In May 1995, the U.S.P.S. publicly announced its concept of its Information Based Indicia Program (IBIP), the purpose of which was to develop a new standard for future digital postage evidencing devices.

During the period from May 1995 through June 30, 1999, the company has submitted extensive comments to a series of proposed IBIP specifications issued by the U.S.P.S. The latest set of proposed specifications, entitled "Performance Criteria for Information-Based Indicia and Security Architecture for Open IBI Postage Evidencing Systems" (the IBI Performance Criteria), was issued in July 1999. The company is in the process of drafting and submitting comments to the IBI Performance Criteria.

As of June 30, 1999, the company is in the process of finalizing the development of both PC and Internet versions of a product, which satisfies the proposed IBI Performance Criteria. The PC version of this product is currently undergoing phase II beta testing. The Internet version of this product is currently undergoing phase I beta testing. Both versions are expected to be ready for market upon final approval from the U.S.P.S.

Forward-looking Statements

The company cautions 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-Q 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:

- o changes in postal regulations
- o timely development and acceptance of new products
- o success in gaining product approval in new markets where regulatory approval is required
- o successful entry into new markets
- o mailers' utilization of alternative means of communication or competitors' products
- o the company's success at managing customer credit risk
- o the impact of the year 2000 issue, including the effects of third parties' inability to address the Year 2000 problem as well as the company's own readiness

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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:

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

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

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

Below are the final results of the voting at the Annual Meeting of shareholders held on May 10, 1999:

Proposal 1 - Election of Directors

Nominee	For	Withheld
-----	-----	-----
Michael J. Critelli	233,061,011	1,162,814
Jessica P. Einhorn	232,888,363	1,335,462
Herbert L. Henkel	233,103,902	1,119,923
Michael I. Roth	233,129,325	1,094,500
Phyllis Shapiro Sewell	232,997,624	1,226,201

Proposal 2 - Appointment of PricewaterhouseCoopers LLP as Independent Accountants

For	Against	Abstain
-----	-----	-----
233,140,794	299,810	783,221

The following other directors continued their term of office after the Annual Meeting:

Linda G. Alvarado	Colin G. Campbell
Marc C. Breslawsky	Ernie Green
William E. Butler	James H. Keyes

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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
(27)	Financial Data Schedule

(b) Reports on Form 8-K

On August 2, 1999, the company filed a current report on Form 8-K pursuant to Item 5 thereof, announcing a settlement with the U.S.P.S.

On July 26, 1999, PBCC filed a current report on Form 8-K pursuant to Item 5 thereof, reporting the Press Release of Pitney Bowes Inc. (parent company) dated July 20, 1999 for the quarter ended June 30, 1999, consolidated statements of income and selected segment data.

On July 23, 1999, the company filed a current report on Form 8-K pursuant to Item 5 thereof, reporting the Press Release dated July 20, 1999 for the quarter ended June 30, 1999, consolidated statements of income and selected segment data.

On April 26, 1999, the company filed a current report on Form 8-K pursuant to Item 5 thereof, reporting the Press Release dated April 20, 1999 for the quarter ended March 31, 1999.

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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, 1999

/s/ M. L. Reichenstein

M. L. Reichenstein
Vice President and Chief Financial Officer
(Principal Financial Officer)

/s/ A. F. Henock

A. F. Henock
Vice President - Controller
and Chief Tax Counsel
(Principal Accounting Officer)

Exhibit Index

Reg. S-K Exhibits -----	Description -----
(12)	Computation of ratio of earnings to fixed charges
(27)	Financial Data Schedule

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,	
	1999	1998 (2)	1999	1998 (2)
Income from continuing operations before income taxes.....	\$ 233,870	\$ 201,820	\$ 443,110	\$ 387,874
Add:				
Interest expense.....	48,108	42,188	94,167	78,696
Portion of rents representative of the interest factor.....	10,412	12,165	21,194	22,281
Amortization of capitalized interest.....	243	243	486	486
Minority interest in the income of subsidiary with fixed charges.....	2,792	3,070	5,665	6,129
Income as adjusted.....	\$ 295,425	\$ 259,486	\$ 564,622	\$ 495,466
Fixed charges:				
Interest expense.....	\$ 48,108	\$ 42,188	\$ 94,167	\$ 78,696
Portion of rents representative of the interest factor.....	10,412	12,165	21,194	22,281
Minority interest, excluding taxes, in the income of subsidiary with fixed charges.....	4,149	4,666	8,481	9,315
Total fixed charges.....	\$ 62,669	\$ 59,019	\$ 123,842	\$ 110,292
Ratio of earnings to fixed charges.....	4.71	4.40	4.56	4.49
Ratio of earnings to fixed charges excluding minority interest.....	5.00	4.72	4.85	4.85

<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) Amounts recomputed to reflect discontinued operations.
 </FN>

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS FINANCIAL INFORMATION EXTRACTED FROM PITNEY BOWES INC. CONSOLIDATED BALANCE SHEET, CONSOLIDATED STATEMENT OF INCOME, CORRESPONDING FOOTNOTE #4 FIXED ASSETS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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<F1> Receivables are comprised of gross trade receivables of \$441,285 and short-term finance receivables of \$1,547,173. Allowances are comprised of allowances for trade receivables of \$24,983 and for short-term finance receivables of \$48,642.

<F2> Property, plant and equipment are comprised of gross fixed assets of \$1,164,718 and rental equipment and related inventories of \$1,755,080. Depreciation is comprised of depreciation on fixed assets of \$697,705 and on rental equipment and related inventories of \$912,904.

</FN>