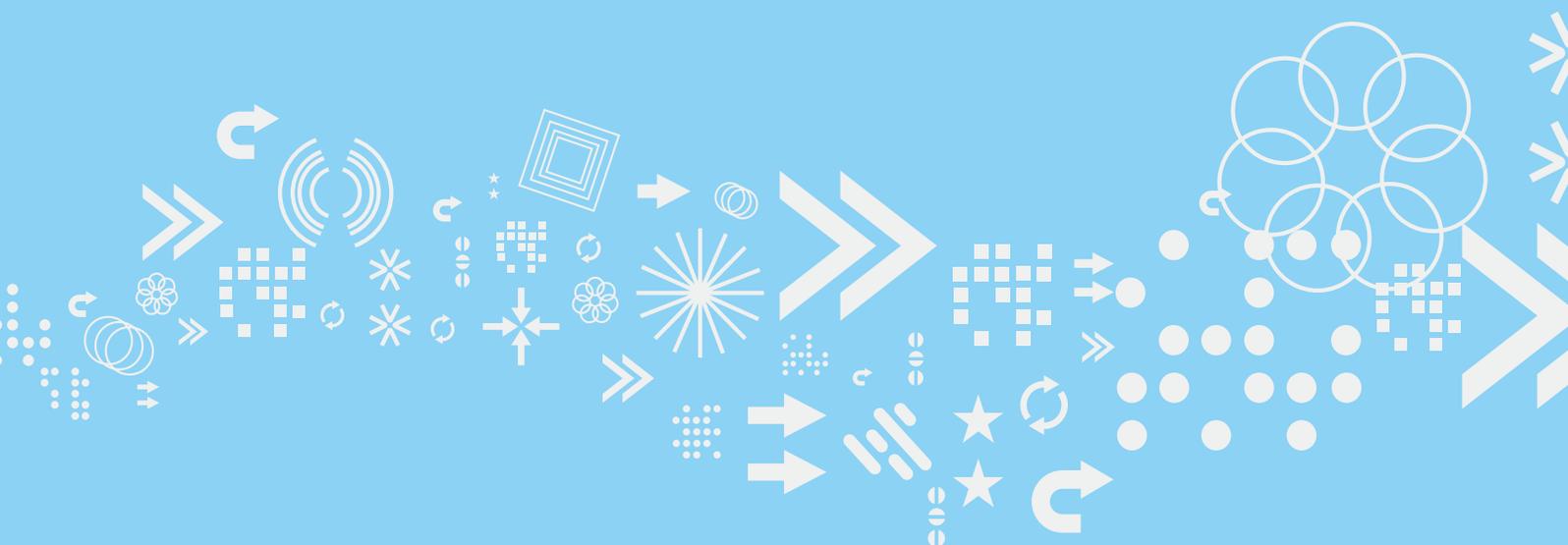


Can you see the  
**mailstream?**



You see the infinite variety of  
mail, documents and packages  
now flowing through the global economy.

But can you see beyond that?



Can you also see how advanced technology, process improvements  
and better use of data are making it easier and faster than ever  
before to create, track and manage this communication flow?

Can you see the mailstream?

#### Contents

- 2 Chairman's Letter
- 7 Customer Stories
- 24 Opportunities
- 31 CFO Letter
- 32 Financials
- 34 Directors and Corporate Officers
- 35 Stockholder Information
- 36 International Locations

## Can you see the opportunity?

Pitney Bowes does. By optimizing the complex flow of mail, documents and packages, Pitney Bowes is helping businesses of all sizes to increase customer acquisition, build customer loyalty and reduce costs.

With our advanced technology and comprehensive suite of services, Pitney Bowes is turning the mailstream into a profit engine for our customers.

It's what we mean by: *Engineering the flow of communication.*<sup>™</sup>



## Chairman's Letter

I am pleased to report that Pitney Bowes had another excellent year, with our strongest organic growth in five years and operating margins that improved across all of our core businesses.

Even more important than a single year's strong performance, though, is the mounting success of our long-term growth strategies. Nearly a quarter of our revenue now comes from businesses we have acquired since 2001. In another measure of our ability to deliver sustainable growth, nearly 50 percent of revenue is now generated by our six diversified growth engines — international operations, mail services, payment solutions, small business solutions, software solutions and supplies. Simply put, we are not the same company we were just five years ago. We are profiting from new opportunities, including some that were not even on the horizon back then, and acting with the agility needed to seize emerging opportunities as they appear.

Many factors affect performance in a given quarter or year. For example, the U.S. Postal Service® mandate for the phased migration to digital

meters contributed to the strong performance of our mailing systems business in the U.S. But it is also clear that our growth strategies are helping to accelerate growth.

Among other highlights:

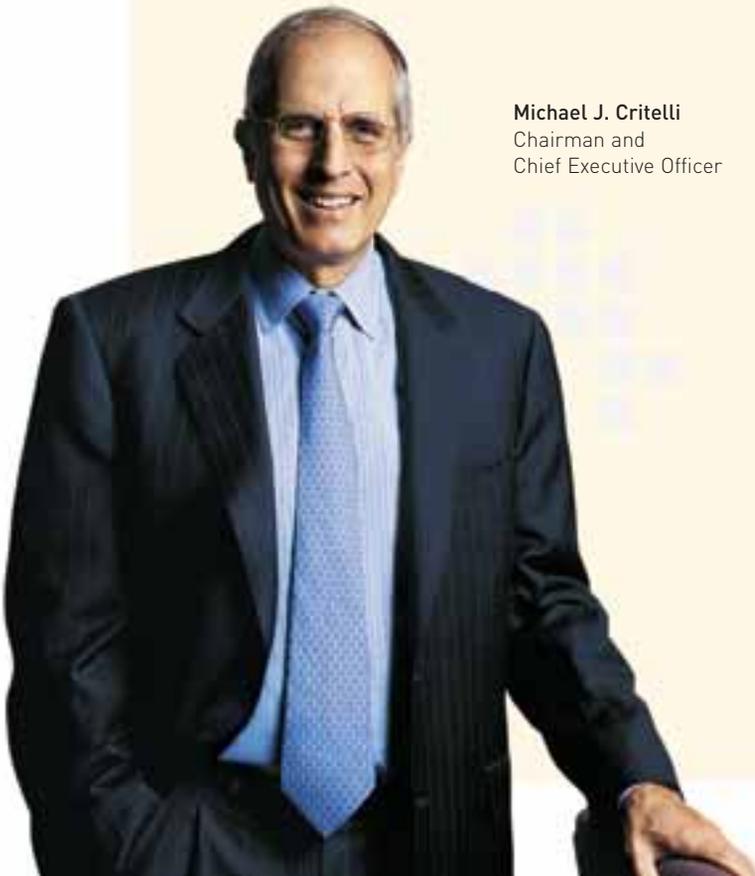
- Software revenue grew to 5 percent of total revenue, compared to 1 percent five years ago.
- Our Mail Services businesses, including the PSI Group, IMEX and Imagitas, our newly acquired marketing services company, all delivered double-digit revenue growth.
- Pitney Bowes Management Services doubled its cross-sell activity. Although the increase came on a modest base, cross-sell will be one of our priorities going forward.
- The Document Messaging Technologies group grew the business it does with direct mail houses, an important new market for us, by more than 130 percent.
- Our geocoding business, part of Group 1 Software and one of our most promising new ventures, more than doubled revenue from software licenses.
- Our supplies business generated double-digit revenue growth throughout the world.

The letter on page 31 from Bruce Nolop, our Chief Financial Officer, provides additional perspective on our financial results. I will focus here on our strategic direction.

### The Mailstream

For several years now, I have been talking with investors about expanding our presence in the mailstream. But the term "mailstream," our research reveals, also helps the marketplace — customers and prospects alike — better understand the diversity and complexity of our industry today and the full breadth and depth of our value proposition. For that reason, in 2005

**Michael J. Critelli**  
Chairman and  
Chief Executive Officer



we moved to establish the mailstream as a new business category through an integrated marketing campaign that began with an event we held at the New York Stock Exchange. Our focus on the mailstream now is the natural outgrowth of the strategic direction we established in 2000.

As you may recall, we concluded then that our future lay in what we know best — integrated mail and document management solutions. We set out to build on these core businesses and expand into adjacent spaces, through small-to-midsize acquisitions and organic investments in other areas of the business. Our goal was to assemble a portfolio of related businesses and add new streams of recurring revenue with minimum risk. Since then, we have significantly expanded our capabilities beyond our traditional businesses. We have completed 56 acquisitions totaling \$1.7 billion, launched a steady stream of products with advanced features not available from our competitors, and developed new services tailored to industries with unique mail and document needs. A good example is the Legal Solutions group we launched in 2005 with our acquisition of Compulit, one of the premier providers of litigation support services to top U.S. law firms and many *Fortune* 100 companies.

The mailstream is immense, diverse and rapidly changing. Far from being eclipsed by the Internet and other channels of communication, the mailstream works in concert with these channels and enhances their effectiveness. For example, research shows that first-time visitors to a company's Web site who receive a catalog in the mail from that company are more than twice as likely to purchase at the Web site. Research also shows that the higher a person's income, the more mail that person sends and receives.

We define the mailstream as the almost infinite variety of mail, documents and packages moving through the global economy today; all the technology and processes required to create, track and manage this diverse content; and all the different channels that senders can use to distribute

We are **not** the  
**same** company  
we were just **five**  
years ago

this content, including national posts, licensed postal competitors, private carriers and even messenger services and facilities management companies like us. In our view, the mailstream even encompasses content like documents that never get inserted into envelopes, and channels like digital networks for the distribution of electronic content, as in the case of electronic bill presentment and payment.

By looking at this broader communications universe, and looking at each component in a more granular fashion, we are able to spot new opportunities. Many of these opportunities emerge from global economic trends that are easy to take for granted.

For example, we are living in a culture that prefers the convenience and efficiency of remote commerce. We have developed numerous solutions to capitalize on this trend. Best known is probably our partnership with eBay to provide eBay users with the world's first Web-based postage application. We first made this application available to eBay users in the U.S. in 2004 and, in collaboration with Canada Post, extended it to

eBay users in Canada in early 2006. Less well known is the fact that we are a world leader in providing software for transportation logistics, a \$1 billion market that involves helping shippers manage relationships with multiple carriers.

Another facet of remote commerce is easier access to carrier services. Our carrier management solutions are already available to consumers at more than 2,000 office superstores and other retail locations. We are now in beta testing of our new postal kiosks, which will allow consumers to buy postage and ship packages through the USPS® without going to the post office.

systematically with their customers and other stakeholders — and that the mailstream is an essential part of a multichannel marketing mix that drives world-class customer communication management.

We acquired Group 1 Software for its advanced capabilities in leveraging the vast amounts of data needed to create personalized, targeted marketing. Our 2005 acquisition of Imagitas also expands our presence in direct mail and leverages our mail services network. Imagitas specializes in life-event marketing, building innovative public-private partnerships

## Our acquisition of Imagitas **expands** our presence in direct mail and **leverages** our mail services network

Voting by mail represents yet another kind of remote commerce. We launched our Relia-Vote™ Mail Balloting System to provide governments the secure solution needed to accommodate the growing popularity of voting by mail.

Trends in direct mail marketing, which has continued to grow as a percentage of total advertising spending during the past 30 years, also play to our strengths. Direct marketers are moving toward more targeted, personalized and eye-catching campaigns to increase response rates. There is also the convergence of transactional and marketing mail, as businesses recognize that their bills and statements represent a monthly appointment with their customers that has tremendous cross-sell and up-sell potential. Finally, organizations of all sizes are recognizing the need to communicate regularly and

to help businesses reach potential customers when they are most likely to buy.

Personalization is not just popular among professional marketers, of course. Through a new partnership with Zazzle.com, we are giving consumers the ability to create customized U.S. postage products. Consumers can personalize ZazzleStamps™ with photographs they provide or with images from Zazzle's own collection. Our research found a significant opportunity among people sending greeting cards, wedding invitations, birth announcements and similar special event mail. We believe the market for customized U.S. postage products will only continue to grow, now that federal legislation has been enacted that clears the way for the U.S. Postal Service to allow the use of approved commercial images on customized postage products.

As we pursue opportunities across the entire mailstream, we continue to see broad opportunities in traditional letter mail.

We are showing our customers and prospects how to make their mail work harder, particularly in light of the growing demand among large corporations and government entities for process improvements, cost efficiencies and financial transparency. Our technological innovations are transforming the meter into a networked information management system. For example, we added an innovation to our IntelliLink® technology in 2005 that allows users to obtain electronic signatures on Certified Mail™ Business Manager, our most advanced accounting software, allows large mailers with multiple sites to manage all spending centrally. Our OnRoute™ mail tracking software offers a broad range of capabilities, including the ability to connect information from inside the envelope to business processes across the enterprise, including customer service and collection centers.

The **market** for customized postage products will only continue to **grow**

Postal transformation and reform efforts around the world are also creating opportunities for Pitney Bowes. For example, Royal Mail in the United Kingdom has instituted a 3.3 percent discount on metered First-Class mail versus postage stamps to promote the efficiency of metered mail and, more recently, announced a discount on Second-Class mail. It will also

change its pricing in 2006 according to the thickness and weight of mail pieces, creating opportunities for us to upgrade the mailing systems of our U.K. customers. The U.S. House of Representatives approved comprehensive postal reform legislation

The **higher**  
a person's income,  
the **more**  
**mail** the person  
sends and receives

in mid-2005, and in early 2006, the U.S. Senate approved its version of the legislation by unanimous consent. We are confident the legislation that emerges from the House-Senate Conference Committee will benefit Pitney Bowes, the mailing industry, including the U.S. Postal Service, and the public.

#### **Productivity Improvement and Process Excellence**

We have completed the major restructuring we began in 2003 to accelerate process improvements, improve productivity and reduce costs. The results have been substantial. We have reduced operating expenses for our U.S. call centers by 24 percent since 2000 while handling more transactions than ever. We have reduced the number of U.S. customer service technicians from 2,000 to 1,554 since 1999, yet increased revenue by acquiring the capability to service equipment other than our own. Our Global Mailstream Solutions group has been able to reduce the number of salespeople in the field by opening two new telesales centers, resulting in a net increase in revenue of 45 percent in 2005

over 2004. We have also adopted a shared services model for our finance, HR and IT operations that allows us to serve a larger employee population with a significantly smaller corporate staff.

We are at an earlier stage in our efforts to improve productivity in Europe, and expect to see significant improvements starting in 2006. We

## We are showing our customers and prospects how to make their mail work harder

closed our manufacturing facility in Friedberg, Germany, in 2005, consistent with our reduced investment in direct manufacturing.

### Capital Services

We are assessing a broad range of options to carry out our stated intention to exit our capital services business in a way that maximizes shareholder value. Several factors, including improved economic conditions, have produced a more attractive range of options now than when we first announced our decision to exit this business in 2003. In early March 2006, we announced that we had signed a definitive agreement to sell our Imagistics International Inc. lease portfolio to De Lage Landen Operational Services, LLC. The sale price, which will be determined by the size of the portfolio at the time of closing, is expected to be between \$280 million and \$290 million.

### Our Employee Focus

We significantly improved our employee engagement metrics in 2005 over the previous year. I am particularly proud that the Executive Leadership Council, an organization representing the most senior African-American executives in *Fortune* 500 companies, recognized us with its Corporate Award for our leadership in corporate diversity. I consider my own work in the National Urban League to be a personal privilege that helps give visibility to our diversity efforts.

### Comments on Our Strategy and the Stock Price

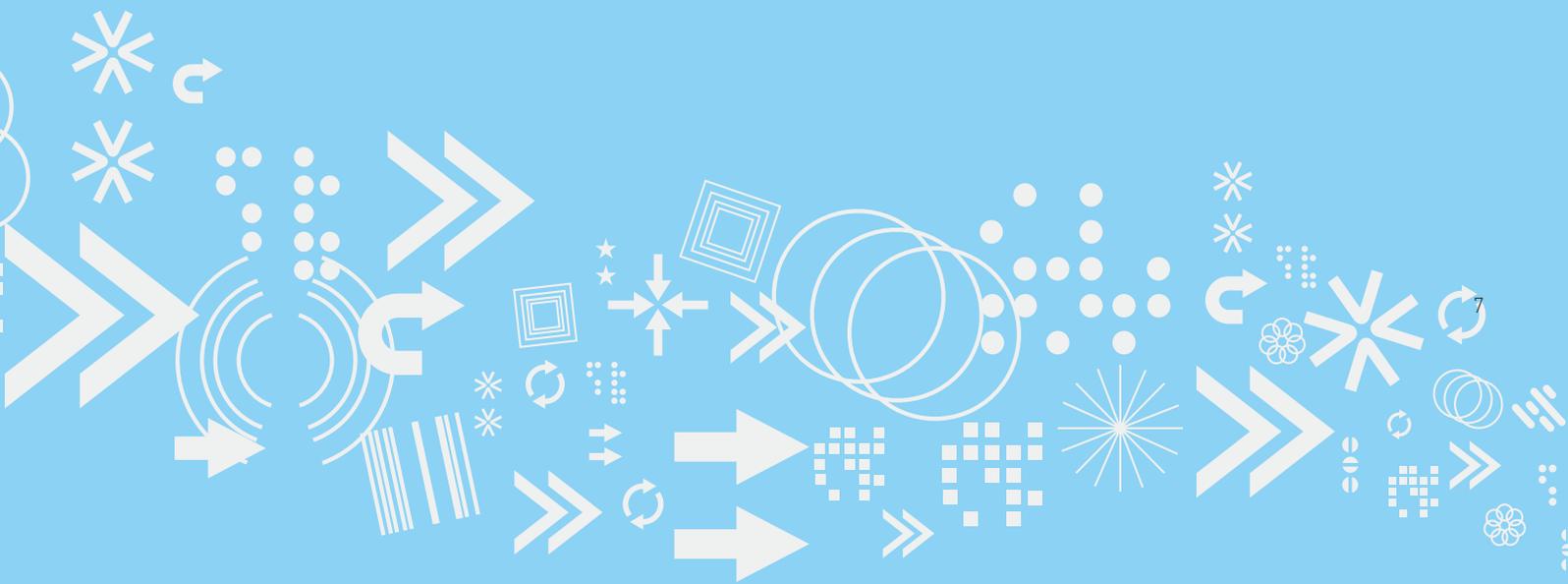
We were disappointed that our stock did not perform better in 2005, despite our strong financial and operational performance. We understand that some investors would like us to focus solely on significantly increasing our dividends, others would like us to concentrate on share repurchases, and still others would like us to invest solely in growth. In 2006, we will increase our efforts to help investors understand why we are not pursuing a single “game-changing” move and instead are pursuing a balanced strategy that includes steadily improving growth, achieved through strategic investments and other actions, as well as above-average dividends and a strong share repurchase program. Our overall performance in 2005 supports our belief that this is the right path for delivering long-term shareholder value.



**Michael J. Critelli**  
Chairman and Chief Executive Officer



The mailstream is immense,  
diverse and rapidly changing.



On the following pages, see how Pitney Bowes is helping customers optimize the mailstream.

The Canine Fence Company

T-Mobile

Thomas Cook

Ohio Court System

Kenko Kazoku

State of Florida

George Washington University

La Poste

Can you see how the weather  
can bring out new customers?

Can you see the mailstream?





### **The Canine Fence Company**

Sometimes, a fair-weather friend is exactly what a dog owner needs. The Canine Fence® Company times its direct mail to arrive in people's homes on warm, sunny days, when their pets are most likely to be outside and ready to roam. The strategy works because of the reliability of the U.S. Postal Service. A good 72-hour forecast also helps.

Marketing savvy like this has helped Carol and Henry Hill build The Canine Fence Company into a \$23 million business and the largest retailer of Invisible Fence® pet containment systems in the world — from a modest start in their basement 23 years ago. The company's fastest growth has coincided with its increased use of direct mail. Pitney Bowes technology

allowed the company to increase its volumes two-and-a-half times while reducing labor cost by two-thirds. The mailstream lets the company target just the prospects it wants — dog owners.



### **T-Mobile**

T-Mobile gives its customers almost endless freedom to roam. Far from a world without borders, though, T-Mobile does business across an ever-shifting patchwork of overlapping tax jurisdictions, including federal, state, county and municipal governments, plus unincorporated areas and special tax districts. Applying all the relevant taxes to more than 20 million individual bills each month is a real challenge.

To get it right, T-Mobile relies on GeoTAX® software from Pitney Bowes' Group 1 Software. The GeoTAX database continually tracks and updates taxation boundaries across the U.S. and assigns tax jurisdictions and tax rates based on the latitude and longitude of individual addresses, achieving as high as 99 percent accuracy.

Accurate bills help reinforce T-Mobile's reputation for stellar customer service. The first mobile communications brand to offer service on both sides of the Atlantic using a single digital technology standard, T-Mobile again earned highest honors from J.D. Power and Associates in 2005 for customer satisfaction among wireless providers.

Can you see how an **address** can tell you **more** than where to send the bill?

Can you see the **mailstream**?





Can you see **white-glove** service  
that saves you **green**?

Can you see the **mailstream**?



13

### **Thomas Cook**

Thomas Cook organized his first excursion for tourists back in 1841, a 12-mile journey by rail through the English Midlands. To this day, the name Thomas Cook remains synonymous with excellence in global travel. Thomas Cook UK & Ireland Ltd. has grown quickly in recent years and now comprises seven major companies, with various systems for booking trips,

printing travel documents, answering customer queries and billing.

Thomas Cook wanted to integrate these systems for greater efficiency while preserving the distinct appeal of each brand. Pitney Bowes helped Thomas Cook achieve both goals without the expense and disruption of installing a new back-end system.

The DOC1® Suite, from our Group 1 Software business, processes customer data from multiple sources and makes it almost instantly available for printing or electronic access across multiple sales channels, including 600 offices, call centers and Web sites. DOC1 software also inserts additional information into travel documents based on a traveler's interests.



### Ohio Court System

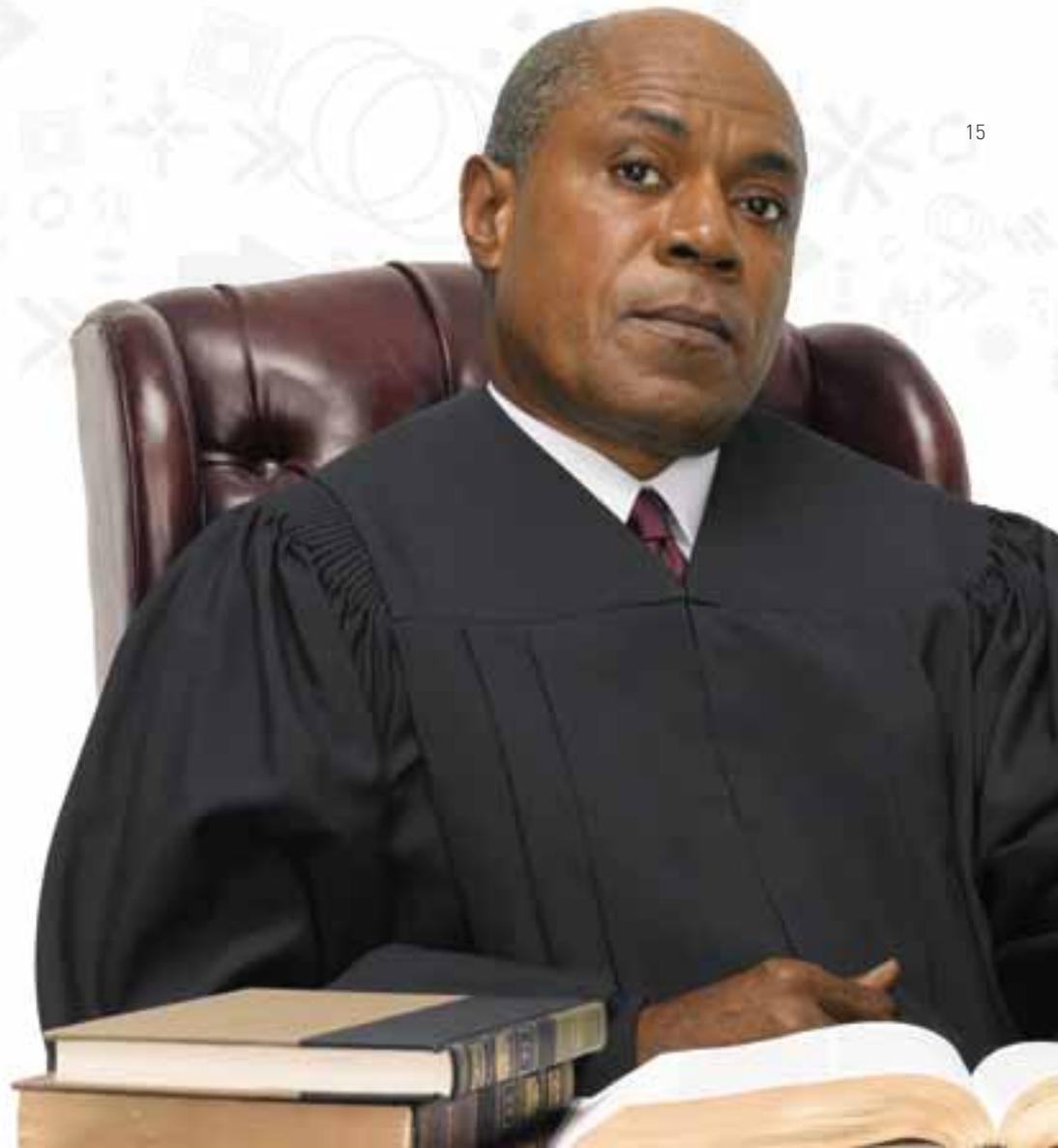
In legal matters, there's just no substitute for an actual signature. That's why many courts rely on Certified Mail™ to verify that documents have been sent and received. The recipient signs that familiar green card, which gets returned to the court. That's where the process starts to slow down and costs begin to rise. Somebody has to file all those little green cards.

Or do they? With our new e-Return Receipt solution, Ohio courts now simply retrieve an electronic image of the signed paper receipt from "My Account" on the Pitney Bowes Web site. No more filing. No more green cards. That alone saves the courts at least 50 cents on each mail piece. One court with only modest volumes of Certified Mail saved enough to offset the cost of its DM Series™ digital

mailing system. Our solution, powered by IntelliLink® technology, enhances the USPS electronic receipt offering by allowing court clerks to process and track Certified Mail without leaving the courthouse. The Ohio court system's adoption of e-Return Receipt has paved the way for state courts throughout the country to follow suit.

Can you see how an **electronic signature**  
can bring **order** to the court?

Can you see the **mailstream**?



Can you see door-to-door sales  
without a sales force?

Can you see the mailstream?



16

### Kenko Kazoku

The practice of herbal medicine in Japan predates even the arrival of Buddhism. Today, the country has the highest per capita consumption of herbal remedies in the world. The Japanese company Kenko Kazoku built its phenomenal success on this ancient tradition, aided by a distinctly modern innovation: targeted marketing that delivers samples of its products directly to consumers.

Kenko Kazoku, literally “healthy family,” specializes in black vinegar, garlic and other organic restoratives in tablet form, made from produce grown on the farms of southern Japan. Although Kenko Kazoku uses other forms of advertising, the company says only mail gives it the opportunity to allow the customer to use the products and begin to appreciate their value.

A fleet of advanced inserters from Pitney Bowes has helped Kenko Kazoku extend its marketing reach with remarkable results. Revenues grew 40 percent last year. And what began as a family business has become the fifth largest player in a highly competitive market — without ever leaving the farm.





## State of Florida

Florida is one of the nation's fastest growing states, and Florida's state government is constantly challenged to deliver high-quality, cost-efficient services to more and more people.

Mail is a critical but not a core government function. To allow state agencies to focus on the delivery of essential public services, the State of Florida engaged Pitney Bowes to develop a more efficient mailstream

strategy. As a result, Pitney Bowes today manages day-to-day mail operations for five state agencies, including those charged with determining disabilities for the Social Security Administration and unemployment compensation, protecting at-risk children and issuing business and professional licenses.

Pitney Bowes implemented a "hub-and-spoke" strategy for consolidating

incoming and outgoing mail. We introduced state-of-the-art technologies to eliminate manual processes and to provide faster access to tracking information and data about postage spending. We eliminated redundancies, reduced production and postage costs, and are now handling greater volume without added infrastructure.

Can you see how making **services**  
more **efficient** can feel like a day at the beach?

Can you see the **mailstream**?



Can you see how a **barcode** can help  
**higher** learning ?

Can you see the **mailstream**?





### **George Washington University**

George Washington University has 24,000 students from all 50 states and more than 130 countries. And they all count on packages from home and elsewhere — some 10,000 to 20,000 packages for students arrive on campus each month. The university turned to Pitney Bowes — its partner for the university's other mail operations — to

develop a more efficient, reliable package service. Under the old system, drivers went directly to the students' residence halls and left the packages at the front desk. Sometimes, packages were misplaced and had to be tracked down.

That's all changed. Now, all student packages, regardless of the carrier, are delivered to a centralized package center.

Each package is scanned by a Pitney Bowes employee into the Arrival<sup>®</sup> package system. The Arrival system automatically generates an e-mail alerting the student that a package has arrived. The student simply goes to the centralized package center to pick it up. And tracking down packages is no longer an extracurricular activity.



## La Poste

When it comes to their national post, the people of France can justly celebrate *la différence*. In addition to all the usual services available to them, the French can do their banking and purchase life insurance at their local post office, and even develop digital photos and buy books, stationery and fair-trade products at some of La Poste's 17,000 retail outlets.

Through its "Mail Solutions," business customers large and small also rely on La Poste and its subsidiaries for help with everything from the end-to-end processing of business mail to the development of marketing campaigns, online and in print. Businesses can also outsource the metering of their mail through La Poste's Systèmes d'Affranchissement pour Compte de Tiers (Third-Party Mailing

Solutions). La Poste recently turned to Pitney Bowes to update the technology used to meter business mail. The DM1000™ mailing system was chosen for its inkjet technology, silence, speed and ease of use. PrestaPost software from Pitney Bowes allows La Poste to centrally monitor usage, postage costs and other data so it can redeploy mailing system resources based on customer needs.

Can you see how

postal services can make  
small business look **magnifique?**

Can you see the **mailstream?**



Can you see the  
opportunities for growth?

transactions



marketing

The mailstream is driving changes in the world economy, allowing companies to connect better with their customers, making remote commerce possible, and driving the



remote commerce



25

operations



improved business performance needed to compete in today's world. At Pitney Bowes, we are helping companies harness the full power of the mailstream. See how on the following pages.

Can you see

# precision marketing?

From advanced data analysis and personalization to on-demand color printing and multichannel delivery, our mailstream solutions allow companies to market themselves in ways never before possible. We are helping customers create high-impact marketing communications and transform monthly bills and statements into cross-sell and up-sell opportunities.



Enhance customer communications and increase response rates with our end-to-end direct mail services and variable on-demand color printing.



Create interactive documents — from simple letters to full-color mailers and even statements with embedded messages — and deliver them across multiple channels.

Discover the fun of ZazzleStamps™ and create your own full-color, personalized U.S. postage products using family photographs or images from Zazzle's own collection, including characters from its Disney Inkshop Special Collection.



Project a professional look for your small business and save money by applying exactly the right postage to your mail and small packages.

Can you see

## more efficient transactions?

Our mailstream solutions help ensure the integrity of digital and physical communications — from creation and distribution to retrieval and integration. Customers rely on our digital processing capabilities to achieve the highest degree of effectiveness for the lowest possible cost.

Produce a wide range of mailings — from statements to customized direct mail pieces — with increased reliability and tracking and reporting capabilities.



Communicate with hard-to-reach customers when they are most likely to buy, during life-changing events such as buying a new home or registering a car.

Maximize your production mail inserting system with high-speed digital metering and the ability to process mixed-weight mail on a single meter.



Achieve unparalleled productivity with flexible, reliable high-speed inserting for direct and transaction mail applications.

# Can you see faster remote commerce?

Our mailstream solutions are helping to fulfill the promise of remote commerce. Solutions range from transportation logistics software and Internet postage to mail-balloting technology and easy access to a wide range of postal services, including electronic signature confirmation. And our advanced systems are helping deliver the convenience consumers expect today.

Boost customer service by giving your call center real-time information on the delivery status of customer mail.



Reduce mailing costs and increase productivity by eliminating manual processing of Certified Mail™ return receipts.



28



Improve decision-making with detailed geographic information about specific addresses, such as whether they lie in a flood plain or special tax district.



Gain control of internal express shipments by tracking them from arrival in your mail center to final delivery.



Rely on our litigation support team to provide project management, duplicating, scanning, coding, electronic discovery and Web hosting.

Can you see

## streamlined operations?

Pitney Bowes is helping customers achieve process improvements, cost efficiencies and financial transparency. Solutions include centralized accounting systems, advanced tracking technologies and information management tools delivered through our digital mailing systems. And our payment solutions help customers manage their mailstream while optimizing cash flow.

Earn postage discounts and expedite domestic and global mail delivery with our consolidation and presort services.



Automate the mail balloting process and maintain maximum accuracy while adhering to mandated time frames.



Bring the post office to your corporate facility or campus with self-service package and mail-processing kiosks.



Manage all the postal needs of your small business right from your desktop — print postage labels, request package pickup, order electronic delivery confirmation, produce custom forms and more.



Turn to Pitney Bowes to automate the high-speed insertion of the nontraditional items you need to send through the mailstream.



Can you see

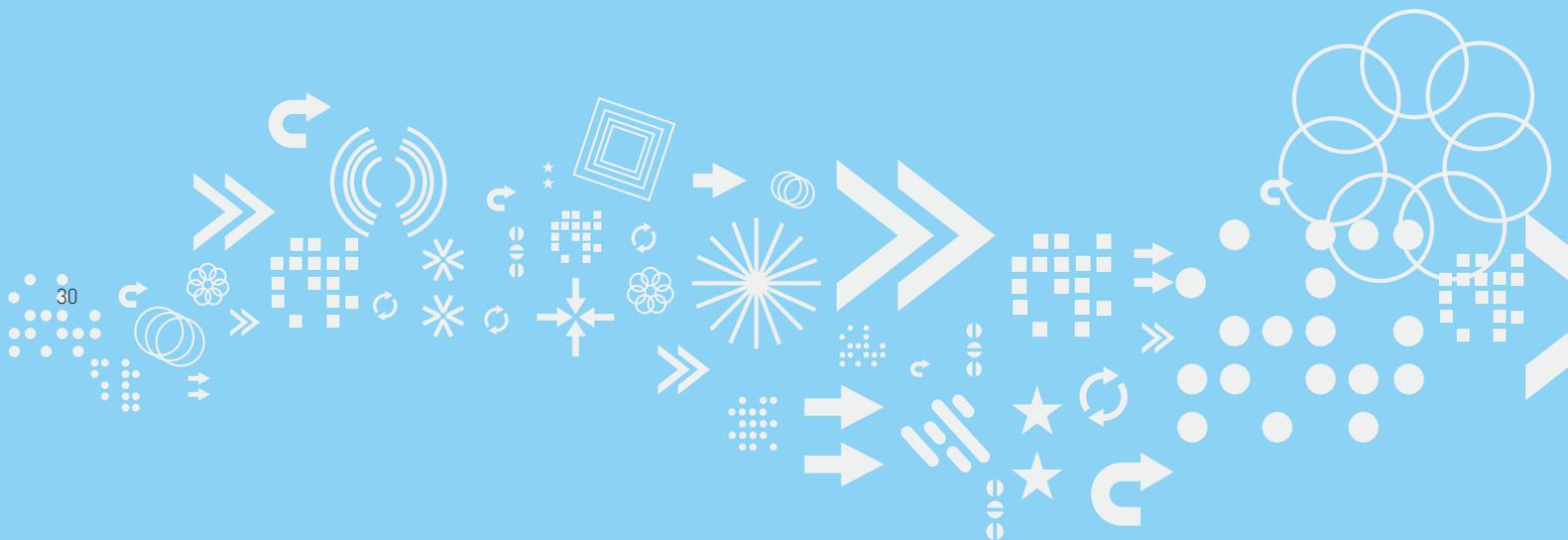
Pitney Bowes?

We are the global leader

in mainstream solutions.

Our capabilities span

the entire mailstream.



Data Analytics

Innovative Technology

Operational Excellence

We're helping our more than 2 million customers in over 185 countries to profit from the opportunities in the mailstream. To learn more, visit us at [pb.com](http://pb.com).

## Financial Highlights From Our CFO



In most respects, we enjoyed a very good year in 2005. We achieved excellent financial results, continued our successful acquisition program, returned substantial cash to stockholders, and strengthened our risk management processes.

We grew our revenue by 10.8 percent to \$5.5 billion. Excluding the impact of strategic transactions and currency translation, we grew our revenue by 5.6 percent, which is consistent with our annual target of 4 to 6 percent.

We also achieved our earnings and cash flow objectives, including broad-based profit improvement across our businesses. In addition to revenue growth, the improved operating margins reflected the impact of our various productivity programs, including shared services, Six Sigma, outsourcing, and reengineering. We are serving our customers more effectively and more efficiently.

We estimate that our restructuring program contributed an incremental \$50 million of benefits in 2005, which brings the annualized total for the 2003–2005 program to \$120 million.

We consummated 12 acquisitions during the year, involving a net investment of \$294 million. While most of these acquisitions were relatively small transactions, they also included Imagitas, which gives us a platform into life-event direct marketing, and Compulit, which gives us capabilities in litigation support. Also, in early 2006 we acquired Emtex, which broadens our offerings of software products for large mailers.

Our acquisition program is helping to expand our products and services across the mailstream, giving us greater customer penetration and enhanced long-term growth potential. It's also having a positive impact on our near-term results. We estimate that our acquisitions since 2000 contributed about 18 cents to our earnings per share in 2005.

We repurchased \$259 million of shares during the year at an average price of \$43.53. This more than

offset the dilution due to option exercises and other stock programs, producing a 1.6 percent decline in shares outstanding from the prior year-end. Over the past five years, we have reduced shares outstanding by 8.9 percent.

We paid \$284 million of dividends to our stockholders in 2005, and in early 2006, our Board of Directors authorized an increase in our annualized dividend rate to \$1.28 per share. This makes the 24th straight year of dividend increases — a record of consistency that we are committed to continuing.

We strengthened our processes to monitor and mitigate our risk exposures throughout the company. In addition to our continued efforts with respect to Sarbanes-Oxley, we have instituted an enterprise risk management program. Like many companies, we are finding that this program is helping us to focus not only on potential financial exposures, but also on fundamental business issues (e.g., brand value, contract liabilities, supply chain, etc.).

Given our excellent results in 2005, we were deeply disappointed with our stock price performance and are committed to delivering better stockholder returns in 2006. To that end, we expect to enjoy another strong financial year. We have positive momentum throughout most of our businesses and we have programs to produce further improvements in our margins.

We also expect to accomplish the exit from our capital services business during the year. This will help to simplify our investment story and remove a drag on our revenue, earnings, and cash flow growth.

We look forward to continuing our mailstream growth strategies and are confident that we have the financial capabilities to deliver both consistency and growth to our stockholders for the foreseeable future.

A handwritten signature in black ink that reads "Bruce Nolop". The signature is written in a cursive, slightly slanted style.

**Bruce P. Nolop**

Executive Vice President and  
Chief Financial Officer

## Summary of Selected Financial Data

Dollars in thousands, except per share amounts

For the year	2005	2004	2003
As reported			
Revenue	<b>\$5,492,183</b>	\$4,957,440	\$4,576,853
Income from continuing operations	<b>\$526,578</b>	\$480,526	\$494,847
Diluted earnings per share from continuing operations	<b>\$2.27</b>	\$2.05	\$2.10
Cash provided by operating activities	<b>\$539,593</b>	\$944,639	\$851,261
Depreciation and amortization	<b>\$331,963</b>	\$306,750	\$288,808
Capital expenditures	<b>\$291,550</b>	\$316,982	\$285,681
Cash dividends per share of common stock	<b>\$1.24</b>	\$1.22	\$1.20
Average common shares outstanding	<b>231,771,812</b>	234,133,211	236,165,024
Total assets	<b>\$10,621,382</b>	\$10,211,626	\$8,891,388
Total debt	<b>\$4,710,019</b>	\$4,380,010	\$3,573,784
Stockholders' equity	<b>\$1,301,941</b>	\$1,290,081	\$1,087,362
Total employees	<b>34,165</b>	35,183	32,474
As adjusted*			
EBIT	<b>\$1,139,032</b>	\$1,050,217	\$1,006,260
Income from continuing operations	<b>\$624,826</b>	\$593,999	\$569,471
Diluted earnings per share from continuing operations	<b>\$2.70</b>	\$2.54	\$2.41
Free cash flow	<b>\$613,095</b>	\$693,712	\$688,331
EBIT to interest	<b>5.5x</b>	6.1x	6.0x

\*Please refer to page 33 for a discussion on the presentation of adjusted financial results and a reconciliation of adjusted results to results reported in accordance with generally accepted accounting principles (GAAP).

## Reconciliation of Reported Consolidated Results to Adjusted Results

Dollars in thousands, except per share amounts

For the year	2005	2004	2003
GAAP income from continuing operations			
before income taxes, as reported	\$867,124	\$699,448	\$721,091
Contributions to charitable foundations	10,000	-	10,000
Legal settlements, net	-	19,666	(10,117)
Restructuring charges	53,650	157,634	116,713
Income from continuing operations			
before income taxes, as adjusted	930,774	876,748	837,687
Provision for income taxes, as adjusted	305,948	282,749	268,216
Income from continuing operations, as adjusted	624,826	593,999	569,471
Interest expense, net	208,258	173,469	168,573
Provision for income taxes, as adjusted	305,948	282,749	268,216
EBIT	\$1,139,032	\$1,050,217	\$1,006,260
GAAP diluted earnings per share, as reported	\$2.27	\$2.05	\$2.11
Income from discontinued operations	-	-	(0.01)
GAAP diluted earnings per share from continuing operations, as reported	\$2.27	\$2.05	\$2.10
Tax charge	0.24	-	-
Contributions to charitable foundations	0.03	-	0.03
Legal settlements, net	-	0.05	(0.03)
Restructuring charges	0.16	0.43	0.32
Diluted earnings per share from continuing operations, as adjusted	\$2.70	\$2.54	\$2.41
GAAP net cash provided by operating activities, as reported	\$539,593	\$944,639	\$851,261
Capital expenditures	(291,550)	(316,982)	(285,681)
Free cash flow	248,043	627,657	565,580
Pension plan investment	76,508	-	50,000
Contributions to charitable foundations	10,000	-	10,000
Payments related to restructuring charges	78,544	66,055	62,751
IRS bond payment	200,000	-	-
Free cash flow, as adjusted	\$613,095	\$693,712	\$688,331

The sum of the earnings per share amounts may not equal the totals above due to rounding.

Management believes this presentation provides a reasonable basis on which to present the adjusted financial information, and is provided to assist in investors' understanding of the company's results of operations. The company's financial results are reported in accordance with generally accepted accounting principles (GAAP). However, the earnings per share and free cash flow results are adjusted to exclude the impact of special items such as restructuring charges and write-downs of assets, which materially impact the comparability of the company's results of operations. Restructuring charges often reflect retooling of the business in an episodic way. Although they represent actual expenses to the company, these episodic charges might mask the periodic income associated with our business had there not been a retooling. The use of free cash flow has limitations. GAAP cash flow has the advantage of including all cash available to the company after actual expenditures for all purposes. Free cash flow permits a shareholder insight into the amount of cash that management could have available for discretionary uses if it made different decisions about employing its cash. It adjusts for long-term commitments such as capital expenditures, as well as special items like cash used for restructuring charges and contributions to its pension funds. Of course, these items use cash that is not otherwise available to the company and are important expenditures. Management compensates for these limitations by using a combination of GAAP cash flow and free cash flow in doing its planning.

The adjusted financial information and certain financial measures such as EBIT are intended to be more indicative of the ongoing operations and economic results of the company. EBIT excludes interest payments and taxes, both cash items, and as a result, has the effect of showing a greater amount of earnings than net income. The company uses EBIT, in addition to net income, for purposes of measuring the performance of its unit management team. The interest rates and tax rates applicable to the company generally are outside the control of management, and it can be useful to judge performance independent of those variables.

The adjusted financial information should be viewed as a supplement to, rather than a replacement for, the financial results reported in accordance with GAAP. Further, our definition of this adjusted financial information may differ from similarly titled measures used by other companies.

## Directors and Corporate Officers

### Directors

#### Linda G. Alvarado

President and Chief Executive Officer  
Alvarado Construction, Inc.

#### Colin G. Campbell

Chairman and President  
The Colonial Williamsburg Foundation

#### Michael J. Critelli

Chairman and Chief Executive Officer  
Pitney Bowes Inc.

#### Anne Sutherland Fuchs

Consultant

#### Ernie Green

President  
Ernie Green Industries, Inc.

#### James H. Keyes

Retired Chairman  
Johnson Controls, Inc.

#### John S. McFarlane

Former Chief Executive Officer  
Ascendent Telecommunications Inc.

#### Eduardo R. Menascé

Retired President  
Enterprise Solutions Group  
Verizon Communications Inc.

#### Michael I. Roth

Chairman and Chief Executive Officer  
The Interpublic Group of Companies, Inc.

#### David L. Shedlarz

Vice Chairman  
Pfizer Inc.

#### Robert E. Weissman

Retired Chairman  
IMS Health Incorporated

### Corporate Officers

#### Michael J. Critelli

Chairman and Chief Executive Officer

#### Leslie R. Abi-Karam

Executive Vice President and President,  
Document Messaging Technologies

#### Gregory E. Buoncontri

Senior Vice President and Chief Information Officer

#### Amy C. Corn

Vice President, Secretary and Chief Governance Officer

#### Elise R. DeBois

Executive Vice President and President,  
Global Financial Services

#### Vincent R. De Palma

Executive Vice President and President,  
Pitney Bowes Management Services

#### Steven J. Green

Vice President—Finance and Chief Accounting Officer

#### Luis A. Jimenez

Senior Vice President and Chief Strategy Officer

#### Patrick J. Keddy

Executive Vice President and President,  
Mailstream International

#### Murray D. Martin

President and Chief Operating Officer

#### Michele Coleman Mayes

Senior Vice President and General Counsel

#### Neil Metviner

Executive Vice President and President,  
Global Small Business and Supplies

#### Michael Monahan

Executive Vice President and President,  
Mailing Solutions and Services

#### Bruce P. Nolop

Executive Vice President and Chief Financial Officer

#### Fred M. Purdue

Vice President and General Manager, Business Processes

#### Helen Shan

Vice President and Treasurer

#### Arun Sinha

Vice President and Chief Marketing Officer

#### Johnna G. Torsone

Senior Vice President and Chief Human Resources Officer

#### Joseph E. Wall

Senior Vice President and Chief Technology Officer

#### Kevin S. Weiss

Executive Vice President and President,  
Mailstream, The Americas

## Stockholder Information

### World Headquarters

Pitney Bowes Inc.  
1 Elmcroft Road, Stamford, CT 06926-0700  
(203) 356-5000  
www.pb.com

### Annual Meeting

Stockholders are cordially invited to attend the 2006 Annual Meeting at 9:00 a.m., Monday, May 8, 2006, at Pitney Bowes World Headquarters in Stamford, Connecticut. Notice of the meeting and proxy information will be mailed to stockholders of record as of March 10, 2006. Please refer to the proxy statement for information concerning admission to the meeting.

### 10-K Report

Accompanying this Annual Report to Stockholders is a copy of our Annual Report on Form 10-K for the fiscal year ended December 31, 2005, as filed with the Securities and Exchange Commission. This Annual Report contains statements that are forward-looking. These statements are based on current expectations and assumptions that are subject to risks and uncertainties. Actual results could differ materially because of factors discussed in the Forward-Looking Statements section of the Form 10-K. The CEO/CFO certifications required to be filed with the SEC under Section 302 of the Sarbanes-Oxley Act of 2002 were filed as exhibits to our Annual Report on Form 10-K for the fiscal year ended December 31, 2005. The CEO certification required to be submitted to the NYSE pursuant to Section 303A.12(a) of the NYSE Listed Company Manual was submitted on May 23, 2005.

Additional copies of our Form 10-K will be sent to stockholders free of charge upon written request to:

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

### Stock Exchanges

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

### Comments concerning the Annual Report should be sent to:

MSC 6315  
Director, Marketing Communications  
Pitney Bowes Inc.  
1 Elmcroft Road, Stamford, CT 06926-0700

### Investor Inquiries

All investor inquiries about Pitney Bowes should be addressed to:  
MSC 6140  
Investor Relations  
Pitney Bowes Inc.  
1 Elmcroft Road, Stamford, CT 06926-0700

### Transfer Agent and Registrar

Computershare Trust Company, N.A.  
PO Box 43010  
Providence, RI 02940-3010  
Stockholders may call Computershare at (800) 648-8170  
www.equiserve.com

### Stockholder Inquiries

Communications concerning transfer requirements, lost certificates, dividends, change of address or other stockholder inquiries may be made by calling (800) 648-8170, TDD phone service for the hearing impaired (781) 575-2692, for foreign holders (781) 575-2725, or by writing to the address above.

### Dividend Reinvestment Plan

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

### Direct Deposit of Dividends

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

### Duplicate Mailings

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

### Stock Information

Dividends per common share:

Quarter	2005	2004
First	\$ .310	\$ .305
Second	\$ .310	\$ .305
Third	\$ .310	\$ .305
Fourth	\$ .310	\$ .305
Total	\$ 1.240	\$ 1.220

Quarterly price ranges of common stock:

2005 Quarter	High	Low
First	\$ 47.50	\$ 42.80
Second	\$ 46.09	\$ 41.62
Third	\$ 45.13	\$ 41.07
Fourth	\$ 42.77	\$ 40.34
2004 Quarter	High	Low
First	\$ 43.78	\$ 38.88
Second	\$ 45.21	\$ 42.20
Third	\$ 44.62	\$ 40.62
Fourth	\$ 46.97	\$ 41.44

### Trademarks

Arrival, IntelliLink, OnRoute, DM Series, DM1000, Relia-Vote and Engineering the flow of communication are trademarks of Pitney Bowes Inc. DOC1 and GeoTAX are registered trademarks of Group 1 Software, a Pitney Bowes company. All other trademarks are the property of their respective owners.

## Major International Locations

### Headquarters

#### Asia

Pitney Bowes Asia Pacific and  
Distributor Operations  
3rd Floor Brindley House  
Corner Hall  
Hemel Hempstead HP3 9YT UK  
T: 44 0 1442 416 192  
F: 44 0 1442 416 190

#### Europe, Africa, Middle East (EAME)

Pitney Bowes EAME  
Elizabeth Way  
Harlow CM19 5BD  
UK  
T: 44 8705 252 525  
F: 44 8705 449 450

#### Latin America and Caribbean

Pitney Bowes Inc.  
1 Elmcroft Road  
MSC 5425  
Stamford, CT 06926, USA  
T: 203 922 7388  
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#### Offices by Country

##### Australia

Pitney Bowes Australia Pty.  
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T: 61 2 9475 3473  
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##### Austria

Pitney Bowes Austria Ges.m.b.H.  
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A-1220 Wien, Austria  
T: 43 1 2583 6210  
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##### Belgium

Pitney Bowes België N.V.  
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B-2800 Mechelen, Belgium  
T: 32 15 294 611  
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##### Brazil

Pitney Bowes Semco Ltda.  
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CEP: 04671-903  
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##### Canada

Pitney Bowes Canada Ltd.  
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#### China

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Pitney Bowes Hong Kong Ltd.  
Unit 3101, 31st Floor  
Citicorp Centre  
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#### Denmark

Pitney Bowes A/S  
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F: 33 1 5593 6299

MAG Groupe Pitney Bowes  
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#### Germany

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#### India

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#### Ireland

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F: 351 21 441 02 79

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Haggvik, 191 24 Sollentuna  
Stockholm, SE19149, Sweden  
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#### Switzerland

Pitney Bowes (Switzerland) AG  
Vogelsangstrasse 17  
CH-8307 Effretikon, Switzerland  
T: 41 52 354 5757  
F: 41 52 354 5700

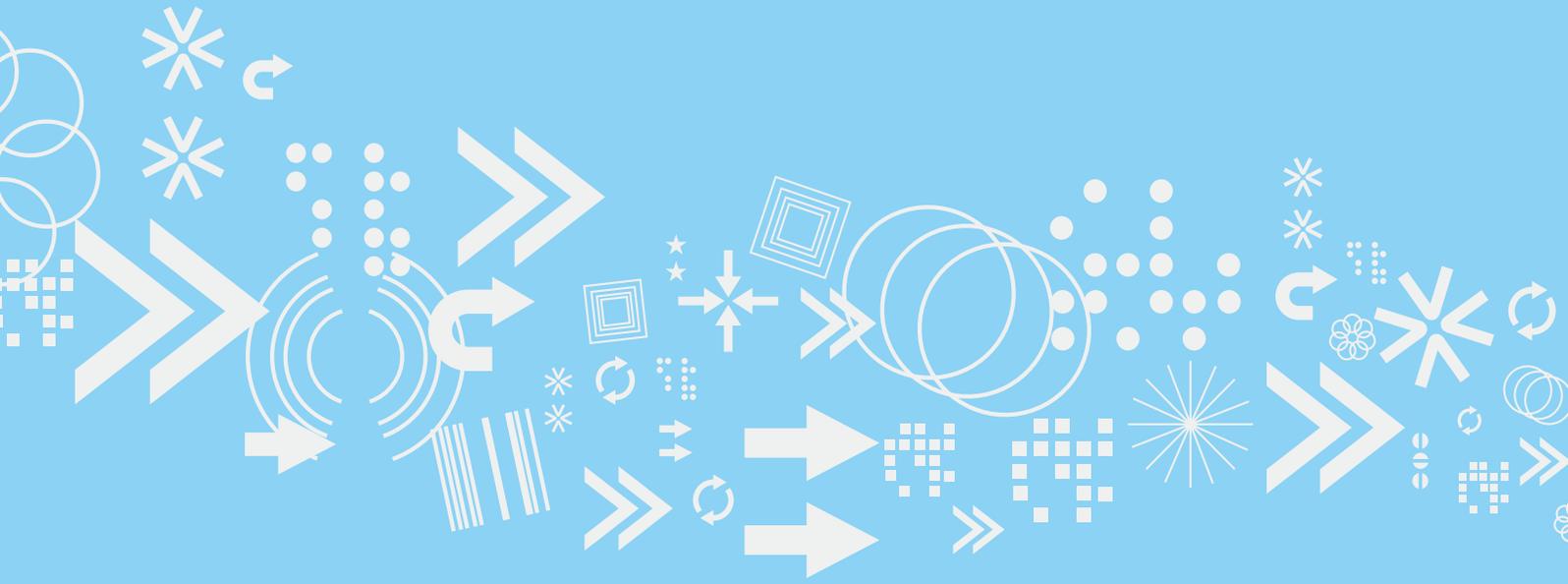
#### Thailand

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Rama 9 Road  
Bangkapi, Huaykwang  
Bangkok 10310, Thailand  
T: 662 717 0588  
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#### UK

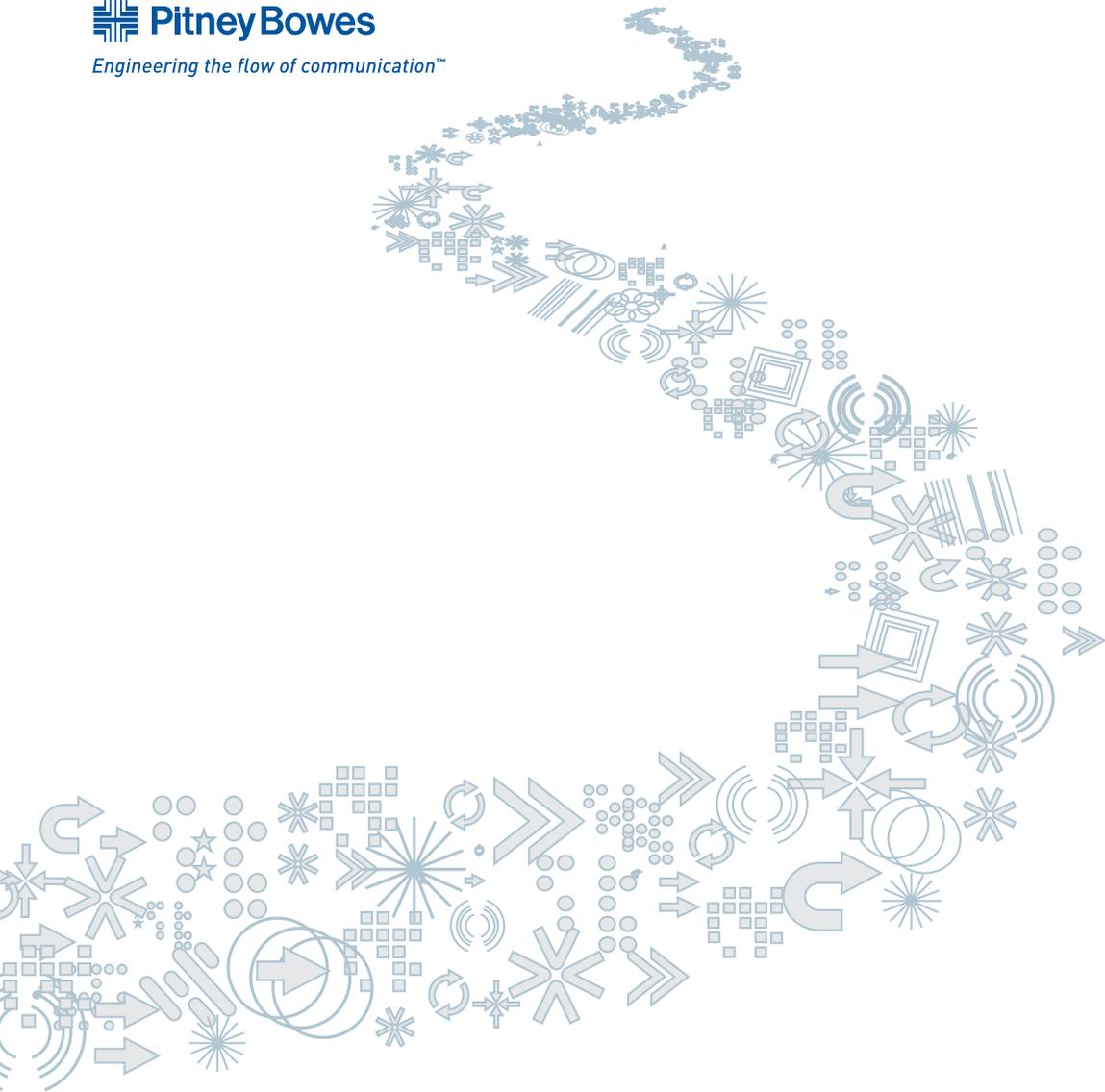
Pitney Bowes  
Elizabeth Way  
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UK  
T: 44 8705 252 525  
F: 44 8705 449 450

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Portrait: Brian Smalle, Product Photography: Brian Urso  
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**Pitney Bowes Inc.**

World Headquarters

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