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

F O R M 1 0 - Q

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

For the quarterly period ended September 30, 2003

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 ---

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act.) Yes X No ---

Number of shares of common stock, $1 par value, outstanding as of October 31, 2003 is 233,595,539.

Pitney Bowes Inc.
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Part I - Financial Information

Pitney Bowes Inc.

Item 1. Financial Statements

Consolidated Statements of Income
(Unaudited)

(Dollars in thousands, except per share data)	Three Months Ended September 30, 2003	Three Months Ended September 30, 2002	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2002
Revenue from:				
Sales....................................	$ 322,123	$ 332,298	$ 940,777	$ 966,566
Rentals..................................	214,720	208,182	640,424	615,839
Core financing...........................	134,611	134,271	404,903	395,236
Non-core financing.......................	30,557	31,930	86,962	102,926
Business services........................	275,809	260,183	827,729	735,802
Support services.........................	159,329	147,207	461,041	428,535
Total revenue........................	1,137,149	1,114,071	3,361,836	3,244,904
Costs and expenses:				
Cost of sales............................	143,792	146,651	431,268	439,018
Cost of rentals..........................	42,595	43,294	127,995	129,547
Cost of core financing...................	34,943	37,510	106,940	110,152
Cost of non-core financing...............	11,869	10,278	32,109	32,055
Cost of business services................	227,821	210,102	680,143	591,659
Cost of support services.................	82,701	77,163	241,863	221,992

Selling, general and administrative	302,420	300,173	899,693	873,942
Research and development	35,004	33,925	109,763	104,089
Restructuring charges (Note 9)	43,109	-	96,465	-
Interest, net	41,101	41,190	124,560	131,815
Total costs and expenses	965,355	900,286	2,850,799	2,634,269
Income before income taxes	171,794	213,785	511,037	610,635
Provision for income taxes	53,340	66,899	159,784	191,129
Net income	$ 118,454	$ 146,886	$ 351,253	$ 419,506
Basic earnings per share	$ .51	$ .62	$ 1.50	$ 1.75
Diluted earnings per share	$ .50	$ .61	$ 1.49	$ 1.73
Dividends declared per share of common stock	$ .30	$ .295	$ .90	$ .885
Ratio of earnings to fixed charges	4.19	4.69	4.11	4.40

See Notes to Consolidated Financial Statements

Pitney Bowes Inc.
Consolidated Balance Sheets

(Dollars in thousands, except share data)	September 30, 2003 (Unaudited)	December 31, 2002
Assets		
Current assets:		
Cash and cash equivalents	$ 285,254	$ 315,156
Short-term investments, at cost which approximates market	5,677	3,491
Accounts receivable, less allowances: 9/03, $36,791; 12/02, $35,139	420,100	404,366
Finance receivables, less allowances: 9/03, $60,897; 12/02, $71,373	1,357,041	1,446,460
Inventories (Note 3)	228,513	210,888
Other current assets and prepayments	194,043	172,264
Total current assets	2,490,628	2,552,625
Property, plant and equipment, net (Note 4)	631,320	622,244
Rental equipment and related inventories, net (Note 4)	419,008	422,717
Property leased under capital leases, net (Note 4)	2,191	1,974
Long-term finance receivables, less allowances: 9/03, $80,202; 12/02, $82,635	1,608,752	1,686,168
Investment in leveraged leases	1,499,123	1,559,915
Goodwill (Note 11)	899,023	827,241
Other assets	1,101,664	1,059,430
Total assets	$ 8,651,709	$ 8,732,314
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 1,338,237	$ 1,248,337
Income taxes payable	195,428	98,897
Notes payable and current portion of long-term obligations	565,124	1,647,338
Advance billings	369,504	355,737
Total current liabilities	2,468,293	3,350,309
Deferred taxes on income	1,569,744	1,535,618
Long-term debt (Note 5)	3,004,287	2,316,844
Other noncurrent liabilities	342,081	366,216
Total liabilities	7,384,405	7,568,987
Preferred stockholders' equity in a subsidiary company	310,000	310,000

Stockholders' equity:		
Cumulative preferred stock, $50 par value, 4% convertible	19	24
Cumulative preference stock, no par value, $2.12 convertible	1,344	1,432
Common stock, $1 par value	323,338	323,338
Capital in excess of par value	-	-
Retained earnings	3,977,074	3,848,562
Accumulated other comprehensive income (Note 8)	(57,737)	(121,615)
Treasury stock, at cost	(3,286,734)	(3,198,414)
Total stockholders' equity	957,304	853,327
Total liabilities and stockholders' equity	$ 8,651,709	$ 8,732,314

See Notes to Consolidated Financial Statements

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

(Dollars in thousands)

	Nine Months Ended September 30, 2003	2002
Cash flows from operating activities:		
Net income	$ 351,253	$ 419,506
Restructuring charges, net	61,738	-
Restructuring and other special payments	(41,754)	(49,429)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	212,883	195,937
Increase in deferred taxes on income	60,749	77,445
Change in assets and liabilities, net of effects of acquisitions:		
Accounts receivable	(4,085)	(7,931)
Net investment in internal finance receivables	(1,105)	(62,522)
Inventories	(7,838)	(24,229)
Other current assets and prepayments	(11,366)	(12,799)
Accounts payable and accrued liabilities	(26,428)	(21,286)
Income taxes payable	89,324	(13,741)
Advance billings	3,311	(2,105)
Other, net	(10,839)	2,984
Net cash provided by operating activities	675,843	501,830
Cash flows from investing activities:		
Short-term investments	(1,781)	(8,055)
Net investment in fixed assets	(214,138)	(154,771)
Net investment in finance receivables	(2,904)	(7,931)
Net investment in capital services	211,359	14,458
Investment in leveraged leases	78,800	(97,648)
Acquisitions, net of cash acquired	-	(127,039)
Reserve account deposits	32,139	30,547
Other investing activities	(70,713)	(10,516)
Net cash provided by (used in) investing activities	32,762	(360,955)
Cash flows from financing activities:		
Decrease in notes payable, net	(598,651)	(84,226)
Proceeds from long-term obligations	1,025,985	613,150
Principal payments on long-term obligations	(860,016)	(207,052)
Proceeds from issuance of stock	39,836	33,521
Stock repurchases	(140,016)	(250,085)
Dividends paid	(210,974)	(212,424)

Net cash used in financing activities	(743,836)	(107,116)
Effect of exchange rate changes on cash	5,329	3,140
(Decrease) increase in cash and cash equivalents	(29,902)	36,899
Cash and cash equivalents at beginning of period	315,156	231,588
Cash and cash equivalents at end of period	$ 285,254	$ 268,487
Interest paid	$ 144,634	$ 146,264
Income taxes paid, net	$ 39,910	$ 107,529

See Notes to Consolidated Financial Statements

Pitney Bowes Inc.

Notes to Consolidated Financial Statements

Note 1:

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and footnotes required by generally accepted accounting principles (GAAP) for complete financial statements. In the opinion of the management of Pitney Bowes Inc. (the company), all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the financial position of the company at September 30, 2003 and December 31, 2002, the results of its operations for the three and nine months ended September 30, 2003 and 2002 and its cash flows for the nine months ended September 30, 2003 and 2002 have been included. Operating results for the three and nine months ended September 30, 2003 are not necessarily indicative of the results that may be expected for any other interim period or the year ending December 31, 2003. These statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the company's 2002 Annual Report to Stockholders on Form 10-K. Certain prior year amounts in the consolidated financial statements have been reclassified to conform with the current year presentation.

Note 2:

In 2001, Statement of Financial Accounting Standards (FAS) No. 141, "Business Combinations" and FAS No. 142, "Goodwill and Other Intangible Assets" were issued requiring business combinations initiated after June 30, 2001 to be accounted for using the purchase method of accounting, and refining the criteria for recording intangible assets separate from goodwill. Recorded goodwill and intangibles have been evaluated against this new criterion and resulted in certain intangibles being included in goodwill, or alternatively, amounts initially recorded as goodwill being separately identified and recognized apart from goodwill. FAS No. 142 requires the use of a nonamortization approach to account for purchased goodwill and indefinite-lived intangibles. Under a nonamortization approach, goodwill and indefinite-lived intangibles have not been amortized into results of operations, but instead will be reviewed for impairment and charged against results of operations only in the periods in which the recorded value of goodwill and indefinite-lived intangibles is more than its fair value. In 2001, the company adopted the provisions of each statement, which apply to business combinations completed after June 30, 2001. On January 1, 2002, the company adopted the provisions of each statement, which apply to goodwill and intangible assets acquired prior to June 30, 2001. The adoption of these standards reduced the annual amortization of intangible assets commencing January 1, 2002 by approximately 2 cents per diluted share. Goodwill is reviewed for impairment on an annual basis or as circumstances warrant.

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

In 2001, FAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," was issued, replacing FAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," and portions of Accounting Principles Board (APB) Opinion No. 30, "Reporting the Results of Operations." FAS No. 144 provides a single accounting model for long-lived assets to be disposed of and changes the criteria that would have to be met to classify an asset as held-for-sale. FAS No. 144 retains the requirement of APB Opinion No. 30, to report discontinued operations separately from continuing operations and extends that reporting to separate components of an entity. FAS No. 144 is effective January 1, 2002 for the company. The adoption of this statement on January 1, 2002 did not impact the company's financial position, results of operations or cash flows.

In 2002, FAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections," was issued. Under FAS No. 145, gains and losses related to the extinguishment of debt should no longer be segregated on the income statement as extraordinary items. Instead, such gains and losses should be included as a component of income from continuing operations. FAS No. 145 is effective January 1, 2003 for the company. The adoption of this statement did not impact the company's financial position, results of operations or cash flows.

In 2002, FAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," was issued. This statement nullifies the Financial Accounting Standards Board's Emerging Issues Task Force (EITF) No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." FAS No. 146 requires that a liability for costs associated with an exit or disposal activity be recognized when the liability is incurred. The company adopted the provisions of FAS No. 146, which are effective for one-time benefit arrangements and exit or disposal activities initiated after December 31, 2002. The company accounts for ongoing benefit arrangements under FAS No. 112 "Employers' Accounting for Postemployment Benefits", which requires that a liability be recognized when the costs are probable and reasonably estimable. See Note 9 to the consolidated financial statements.

In 2002, the Financial Accounting Standards Board (FASB) issued FASB Interpretation (FIN) No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN No. 45 clarifies the requirements of FAS No. 5, "Accounting for Contingencies," relating to a guarantor's accounting for and disclosure of, the issuance of certain types of guarantees. FIN No. 45 elaborates on the existing disclosure requirements for most guarantees, including loan guarantees such as standby letters of credit. It also clarifies that at the time a company issues a guarantee, the company must recognize an initial liability for the fair value, or market value, of the obligations it assumes under the guarantee and must disclose that information in its interim and annual financial statements. The provisions related to recognizing a liability at inception of the guarantee for the fair value of the guarantor's obligations does not apply to product warranties or to guarantees accounted for as derivatives. The recognition provisions of FIN No. 45 are effective for the company beginning January 1, 2003. The adoption of this interpretation did not impact the company's financial position, results of operations or cash flows. See Note 12 to the consolidated financial statements.

In 2002, FAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure," which amends FAS No. 123, "Accounting for Stock-Based Compensation," was issued. FAS No. 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation and requires more prominent and more frequent disclosures in the financial statements of the effects of stock-based compensation. FAS No. 148 is effective January 1, 2003 for the company. The company adopted the disclosure-only provisions of this statement.

The company adopted FAS No. 123, "Accounting for Stock-Based Compensation," on January 1, 1996. Under FAS No. 123, companies can, but are not required to, elect to recognize compensation expense for all stock-based awards using a fair value methodology. The company adopted the disclosure-only provisions, as permitted by FAS No. 123. The company applies APB Opinion No. 25 and related interpretations in accounting for its stock-based plans. Accordingly, no compensation expense has been recognized for its U.S. and U.K. Stock Option Plans (ESP) or its U.S. and U.K. Employee Stock Purchase Plans (ESPP), except for the compensation expense recorded for its performance-based awards under the ESP and the Directors' Stock Plan. If the company had elected to recognize compensation expense based on the fair value method as prescribed by FAS No. 123, net income and earnings per share for the three and nine months ended September 30, 2003 and 2002 would have been reduced to the following pro forma amounts:

(Dollars in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Net Income				
As reported	$ 118,454	$ 146,886	$ 351,253	$ 419,506
Deduct: Stock-based employee compensation expense determined under fair value method for all awards, net of related tax effects	(5,317)	(5,628)	(15,330)	(16,499)
Pro forma	$ 113,137	$ 141,258	$ 335,923	$ 403,007
Basic earnings per share				
As reported	$ .51	$ .62	$ 1.50	$ 1.75
Pro forma	$ .49	$ .59	$ 1.43	$ 1.68
Diluted earnings per share				
As reported	$ .50	$ .61	$ 1.49	$ 1.73
Pro forma	$ .48	$ .59	$ 1.42	$ 1.66

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

	Three and Nine Months Ended September 30,	
	2003	2002
Expected dividend yield	3.4%	3.1%
Expected stock price volatility	30%	30%
Risk-free interest rate	3%	4%

Expected life (years)	5	5

In January 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities." FIN No. 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. The consolidation requirements of FIN No. 46 apply immediately to variable interest entities created after January 31, 2003. The consolidation requirements apply to pre-existing entities in the first fiscal year or interim period beginning after June 15, 2003. Certain of the disclosure requirements apply in all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. In October 2003, the FASB issued FASB Staff Position No. FIN 46-6 (FSP FIN 46-6), "Effective Date of FASB Interpretation No. 46, Consolidation of Variable Interest Entities." FSP FIN 46-6 defers the effective date for applying the provisions of FIN No. 46 until December 31, 2003 for the company. The company has an equity investment in PBG Capital Partners LLC (PBG) that currently qualifies as a variable interest entity under FIN No. 46. PBG was formed with GATX Corporation in 1997 for the purpose of financing and managing certain leasing related assets. Based on the terms of the partnership agreement, the company is the primary beneficiary and as a result the company will consolidate its equity investment in PBG effective December 31, 2003. At September 30, 2003, PBG's total assets and liabilities were $331 million and $203 million, respectively. The consolidation of PBG will not have a material impact on the company's results of operations or cash flows.

In March 2003, the EITF reached a consensus on Issue No. 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables." EITF No. 00-21 addresses certain aspects of the accounting by a vendor for arrangements under which it performs multiple revenue generating activities and how to determine whether such an arrangement involving multiple deliverables contains more than one unit of accounting for purposes of revenue recognition. EITF No. 00-21 is effective July 1, 2003 for the company. The transition provision allows either prospective application or a cumulative effect adjustment upon adoption. The company believes it is in compliance with the provisions of EITF No. 00-21. The adoption of these provisions did not impact the company's financial position, results of operations or cash flows.

In April 2003, FAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" was issued. FAS No. 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under FAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." The provisions of FAS No. 149 are generally effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The adoption of this statement did not impact the company's financial position, results of operations or cash flows.

In May 2003, FAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" was issued. FAS No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. The provisions of FAS No. 150 are effective for financial instruments entered into or modified after May 31, 2003, and are effective July 1, 2003 for the company. The adoption of this statement did not impact the company's financial position, results of operations or cash flows.

Note 3:

Inventories are composed of the following:

(Dollars in thousands)	September 30, 2003	December 31, 2002
Raw materials and work in process	$ 86,550	$ 80,075

Supplies and service parts	63,034	54,849
Finished products	78,929	75,964
Total	$ 228,513	$ 210,888

Note 4:

Fixed assets are composed of the following:

(Dollars in thousands)	September 30, 2003	December 31, 2002
Property, plant and equipment	$ 1,560,478	$ 1,426,522
Accumulated depreciation	(929,158)	(804,278)
Property, plant and equipment, net	$ 631,320	$ 622,244
Rental equipment and related inventories	$ 1,098,019	$ 1,095,345
Accumulated depreciation	(679,011)	(672,628)
Rental equipment and related inventories, net	$ 419,008	$ 422,717
Property leased under capital leases	$ 14,520	$ 14,513
Accumulated amortization	(12,329)	(12,539)
Property leased under capital leases, net	$ 2,191	$ 1,974

Depreciation expense was $193.1 million and $175.2 million for the nine months ended September 30, 2003 and 2002, respectively. In connection with the company's meter transition plan, the company wrote off fully depreciated rental equipment in the third quarter of 2003.

Note 5:

In September 2003, the company sold its remaining interest in a lease transaction that was issued in July 2001 and transferred the obligation on the remaining non-recourse promissory note with a total principal balance of approximately $26 million. The transfer of this obligation is reflected as a reduction of long-term debt in the consolidated balance sheets.

At September 30, 2003, $456 million remained available under the shelf registration statement filed in October 2001 with the Securities and Exchange Commission (SEC), permitting issuances of up to $2 billion in debt securities, preferred stock and depositary shares. In April 2003, as part of this shelf registration statement, the company established a medium-term note program for the issuance of up to $1.38 billion in aggregate principal, representing the remaining amount available on the shelf at that time.

In June 2003, the company issued $375 million of unsecured fixed rate notes maturing in June 2013. These notes bear interest at an annual rate of 3.875% and pay interest semi-annually beginning December 2003. The proceeds from these notes were used for general corporate purposes, including the repayment of commercial paper and the repurchase of company stock.

In June 2003, the company issued $200 million of unsecured floating rate notes maturing in June 2005. These notes bear interest at a floating rate of LIBOR minus 3 basis points, set two business days preceding the quarterly interest payment dates. The proceeds from these notes were used for general corporate purposes, including the repayment of commercial paper and the repurchase of company stock.

In April 2003, the company issued $350 million of unsecured fixed rate notes maturing in May 2018. These notes bear interest at an annual rate of 4.75% and pay interest semi-annually beginning November 2003. In connection with this issuance, the company entered into a $350 million swap maturing in May 2018, converting this obligation to a floating rate note. The proceeds from these notes were used for general corporate purposes, including the repayment of commercial paper and the repurchase of company stock.

In February 2003, the company sold 6.45% Preferred Stock in a subsidiary of Pitney Bowes Credit Corporation to an outside institutional investor for approximately A$191 million ($110 million). As part of this transaction, the company agreed to repurchase the stock in 10 years. Additionally, the company entered into a cross currency interest rate swap with the same institutional investor, effectively converting the obligation to a $110 million note that bears interest at a floating rate of approximately LIBOR minus 50 basis points. This note was recorded as long-term debt in the consolidated balance sheets. The proceeds from this transaction were used for general corporate purposes, including the repayment of commercial paper and the repurchase of company stock.

In September 2002, the company issued $400 million of unsecured fixed rate notes maturing in October 2012. These notes bear interest at an annual rate of 4.625% and pay interest semi-annually beginning April 2003. The proceeds from these notes were used for general corporate purposes, including the repayment of commercial paper in anticipation of 2003 debt maturities.

In February 2002, the company completed an offering of Euros 250 million of senior unsecured notes. These notes bore interest at a floating rate of EURIBOR plus 20 basis points, set two business days preceding the quarterly interest payment dates and matured in August 2003. The notes were listed on the Luxembourg Stock Exchange and were designated as a hedge of Euro denominated net investments held by the company. The proceeds from these notes were used for general corporate purposes, including the repayment of commercial paper, the financing of acquisitions and the repurchase of company stock.

Note 6:

A reconciliation of the basic and diluted earnings per share computations for the three months ended September 30, 2003 and 2002 is as follows (in thousands, except per share data):

	2003			2002		
	Income	Shares	Per Share	Income	Shares	Per Share
Net income	$ 118,454			$ 146,886		
Less:						
Preferred stock dividends	(1)			(1)		
Preference stock dividends	(26)			(29)		
Basic earnings per share	$ 118,427	233,408	$ .51	$ 146,856	237,923	$ .62
Effect of dilutive securities:						
Preferred stock	1	9		1	12	
Preference stock	26	828		29	911	
Stock options		1,737			1,410	
Other		102			67	
Diluted earnings per share	$ 118,454	236,084	$ .50	$ 146,886	240,323	$ .61

A reconciliation of the basic and diluted earnings per share computations for the nine months ended September 30, 2003 and 2002 is as follows (in thousands, except per share data):

	2003			2002		
	Income	Shares	Per Share	Income	Shares	Per Share
Net income	$ 351,253			$ 419,506		
Less:						
Preferred stock dividends	(1)			(1)		
Preference stock dividends	(81)			(90)		
Basic earnings per share	$ 351,171	234,138	$ 1.50	$ 419,415	239,818	$ 1.75
Effect of dilutive securities:						
Preferred stock	1	11		1	12	
Preference stock	81	846		90	934	
Stock options		1,270			1,695	
Other		47			86	
Diluted earnings per share	$ 351,253	236,312	$ 1.49	$ 419,506	242,545	$ 1.73

In accordance with FAS No. 128, "Earnings per Share," 2.8 million and 3.4 million common stock equivalent shares for the three months ended September 30, 2003 and 2002, respectively, and 4.0 million and 4.9 million common stock equivalent shares for the nine months ended September 30, 2003 and 2002, respectively, issuable upon the exercise of stock options were excluded from the above computations because the exercise prices of such options were greater than the average market price of the common stock and therefore the impact of these shares would be antidilutive.

Note 7:

Revenue and operating profit by business segment for the three and nine months ended September 30, 2003 and 2002 were as follows:

(Dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Revenue:				
Global Mailing	$ 788,135	$ 762,630	$ 2,321,961	$ 2,211,924
Enterprise Solutions	307,803	309,797	921,653	900,318
Total Messaging Solutions	1,095,938	1,072,427	3,243,614	3,112,242
Non-core	30,557	31,930	86,962	102,926
Core	10,654	9,714	31,260	29,736
Capital Services	41,211	41,644	118,222	132,662
Total revenue	$ 1,137,149	$ 1,114,071	$ 3,361,836	$ 3,244,904
Operating Profit: (1)				
Global Mailing	$ 236,268	$ 226,121	$ 692,939	$ 652,789
Enterprise Solutions	19,056	18,914	46,729	58,849
Total Messaging Solutions	255,324	245,035	739,668	711,638
Non-core	13,365	13,820	37,721	45,323
Core	5,443	4,409	15,941	12,472
Capital Services	18,808	18,229	53,662	57,795

Total operating profit	274,132	263,264	793,330	769,433
Unallocated amounts:				
Net interest (corporate interest expense, net of intercompany transactions)	(27,248)	(20,227)	(79,803)	(63,386)
Corporate expense	(31,981)	(29,252)	(106,025)	(95,412)
Restructuring charges	(43,109)	-	(96,465)	-
Income before income taxes	$ 171,794	$ 213,785	$ 511,037	$ 610,635

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

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

(Dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Global Mailing	$ 6,196	$ 11,382	$ 20,747	$ 36,504
Enterprise Solutions	295	186	883	603
Total Messaging Solutions	6,491	11,568	21,630	37,107
Non-core	5,323	7,832	17,132	25,547
Core	2,039	1,563	5,995	5,775
Capital Services	7,362	9,395	23,127	31,322
Total net interest expense for reportable segments	13,853	20,963	44,757	68,429
Net interest (corporate interest expense, net of intercompany transactions)	27,248	20,227	79,803	63,386
Consolidated net interest expense	$ 41,101	$ 41,190	$ 124,560	$ 131,815

Note 8:

Comprehensive income for the three and nine months ended September 30, 2003 and 2002 was as follows:

(Dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Net income	$ 118,454	$ 146,886	$ 351,253	$ 419,506
Other comprehensive (loss) income, net of tax:				
Foreign currency translation adjustments	(21,065)	14,872	65,878	36,737
Net unrealized gains/(losses) on derivative instruments	3,802	(1,479)	(2,000)	(760)
Comprehensive income	$ 101,191	$ 160,279	$ 415,131	$ 455,483

Note 9:

In January 2003, the company announced that it would undertake restructuring initiatives related to realigned infrastructure requirements and reduced manufacturing needs for digital equipment. At that time, the company expected the pre-tax cost of these restructuring initiatives to be about $160 million ($100 million net of tax). The company continues to review the anticipated cost of these restructuring initiatives, which may differ from its initial estimates. The charges related to these restructuring initiatives are expected to be recorded over a two-year period as the various initiatives take effect. See note 2 to the consolidated financial statements for the company's accounting policy related to costs associated with exit or disposal activities.

In connection with this plan, the company recorded a pre-tax restructuring charge of $43.1 million during the third quarter of 2003. For the nine months ended September 30, 2003, pre-tax restructuring charges were $96.5 million. The pre-tax restructuring charges are composed of:

(Dollars in millions)	Three Months Ended September 30, 2003	Nine Months Ended September 30, 2003
Severance and benefit costs........	$ 17.8	$ 65.4
Asset impairments..................	23.8	24.5
Other exit costs...................	1.5	6.6
Total............................	$ 43.1	$ 96.5

Accrued restructuring charges at September 30, 2003 are composed of the following:

(Dollars in millions)	Total restructuring charges	Cash payments	Non-cash charges	Ending balance at September 30, 2003
Severance and benefit costs.............	$ 65.4	$ 34.9	$ -	$ 30.5
Asset impairments.......................	24.5	-	24.5	-
Other exit costs........................	6.6	2.0	-	4.6
	$ 96.5	$ 36.9	$ 24.5	$ 35.1

All restructuring charges, except for the asset impairments, will result in cash outflows. The severance and benefit costs recorded for the nine months ended September 30, 2003 relate to a reduction in workforce of approximately 1,250 employees worldwide as of September 30, 2003 and expected future workforce reductions of approximately 1,000 employees. The workforce reductions relate to actions across several of the company's businesses resulting from infrastructure and process improvements and its continuing efforts to streamline operations, and include managerial, professional, clerical and technical roles. Approximately 65% of the workforce reductions are in the U.S. The majority of the international workforce reductions are in Europe and Canada. Asset impairments relate primarily to the write-down of property, plant and equipment, resulting from the closure or streamlining of certain facilities. The asset impairments recorded during the third quarter of 2003 relate to the company's decision to exit its Main Plant facility in Connecticut in connection with its product sourcing and real estate optimization strategy. The fair values of the impaired assets were determined primarily using anticipated cash flows in accordance with FAS No. 144. Other exit costs relate primarily to lease termination costs, non-cancelable lease payments, consolidation of excess facilities and other costs associated with exiting business activities.

Note 10:

On August 1, 2002, the company completed the acquisition of PSI, the nation's largest mail presort company, for approximately $127 million in cash and $39 million in debt assumed. The results of PSI's operations have been included in the consolidated financial statements since the date of acquisition. PSI prepares, sorts and aggregates mail to earn postal discounts and expedite delivery for its customers. As a wholly owned subsidiary of the company, PSI will operate under its current management and continue to focus on providing presort mail services.

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

(Dollars in thousands)	
Intangible assets	$ 42,286
Goodwill	113,247
Other, net	10,967
Debt	(39,445)
Purchase price	$ 127,055

Intangible assets relate primarily to customer relationships and have a weighted-average useful life of approximately 15 years. The goodwill was assigned to the Global Mailing segment.

Consolidated impact of acquisitions

The acquisition of PSI increased the company's operating profit, but including related financing costs, did not materially impact earnings either on a per share or aggregate basis.

The following unaudited pro forma consolidated results have been prepared as if the acquisition of PSI had occurred on January 1, 2002:

(Dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Total revenue	$ 1,137,149	$ 1,120,071	$ 3,361,836	$ 3,290,904

The pro forma consolidated results do not purport to be indicative of results that would have occurred had the acquisition been completed on January 1, 2002, nor do they purport to be indicative of the results that will be obtained in the future. The pro forma earning results of this acquisition were not material to earnings on either a per share or an aggregate basis.

During 2003 and 2002, the company also completed several smaller acquisitions. During 2003, the company acquired one of its address printing suppliers and two of its international dealerships. During 2002, the company acquired the remaining 43% ownership interest of MailCode Inc., some of its international dealerships and presort businesses. The cost of these acquisitions was in the aggregate less than $50 million in each year. These acquisitions did not have a material impact on the company's financial results either individually or on an aggregate basis.

Note 11:

Acquired intangible assets, net of accumulated amortization, are included in other assets in the consolidated balance sheets and are composed of the following:

(Dollars in thousands)	September 30, 2003		December 31, 2002	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization

Amortized intangible assets:				
Customer relationships..................	$ 139,560	$ 14,944	$ 133,414	$ 7,177
Mailing technology......................	61,765	7,713	38,100	3,645
Trademark and trade names...............	8,046	3,512	6,900	1,805
Non-compete agreements..................	3,301	1,584	2,986	707
	$ 212,672	$ 27,753	$ 181,400	$ 13,334

In May 2003, the company acquired intangible assets associated with its inserter technology for $17.4 million in cash. The intangible assets will be amortized over 12 years.

The aggregate intangible asset amortization expense for the three and nine months ended September 30, 2003 was $4.4 million and $12.0 million, respectively. Estimated intangible amortization expense for 2003 and the five succeeding years is as follows:

(Dollars in thousands)	
For year ending 12/31/03.......................................	$ 16,401
For year ending 12/31/04.......................................	$ 17,313
For year ending 12/31/05.......................................	$ 17,144
For year ending 12/31/06.......................................	$ 16,477
For year ending 12/31/07.......................................	$ 14,961
For year ending 12/31/08.......................................	$ 14,397

Changes in the carrying amount of goodwill by business segment for the nine months ended September 30, 2003 are as follows:

(Dollars in thousands)	Global Mailing	Enterprise Solutions	Total
Balance at January 1, 2003.................	$ 405,291	$ 421,950	$ 827,241
Goodwill acquired during the period........	39,028	-	39,028
Other......................................	27,224	5,530	32,754
Balance at September 30, 2003..............	$ 471,543	$ 427,480	$ 899,023

Other primarily includes the impact of foreign currency translation adjustments.

Note 12:

In connection with its Capital Services programs, the company has sold finance receivables and entered into guarantee contracts with varying amounts of recourse in privately-placed transactions with unrelated third-party investors. The uncollected principal balance of receivables sold and guarantee contracts totaled $129.7 million and $183.0 million at September 30, 2003 and December 31, 2002, respectively. In accordance with GAAP, the company does not record these amounts as liabilities on its consolidated balance sheets. The company's maximum risk of loss on these finance receivables and guarantee contracts arises from the possible non-performance of lessees to meet the terms of their contracts and from changes in the value of the underlying equipment. These contracts are secured by the underlying equipment value, and supported by the creditworthiness of its customers. At September 30, 2003 and December 31, 2002, the underlying equipment value exceeded the sum of the uncollected principal balance of receivables sold and the guarantee contracts.

In connection with the sale of certain businesses, the company has agreed to indemnify the buyer for certain losses related to assets acquired by the buyer. The company's consolidated balance sheets includes a liability of approximately

$9 million, at September 30, 2003 and December 31, 2002, respectively, for these indemnifications, which reflects the company's estimated probable exposure.

The company provides product warranties in conjunction with certain product sales, generally for a period of 90 days from the date of installation. The company's product warranty liability reflects management's best estimate of probable liability under its product warranties based on historical claims experience, which has not been significant, and other currently available evidence. Accordingly, the company's product warranty liability at September 30, 2003 and December 31, 2002, respectively, was not material.

Note 13:

In June 2002, the company received an examination report from the Internal Revenue Service (IRS) showing proposed income tax adjustments for the 1992 to 1994 tax years. The total additional tax proposed by the IRS for the 1992 through 1994 tax years is about $24 million. In August 2002, the company filed a protest with the IRS to challenge most of the proposed deficiencies asserted by the IRS. The company believes that it has meritorious defenses to those deficiencies and that the ultimate outcome will not result in a material effect on its results of operations, financial position or cash flows. However, if the IRS prevails on its asserted deficiencies, additional tax may be due for 1995 and future tax years, which could materially affect its future results of operations, financial position or cash flows. At any time, the company's provision for taxes could be affected by changes in tax law and interpretations by governments or courts.

Note 14:

On October 23, 2003, the company completed its acquisition of DDD Company (DDD) for a net purchase price of $49.5 million. DDD offers a broad array of services including, fulfillment services, secure mail processing, messenger services, logistics support, and record and information management.

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

Results of Continuing Operations - third quarter of 2003 vs. third quarter of 2002

Revenue increased 2 percent in the third quarter of 2003 to $1.14 billion compared with $1.11 billion in the third quarter of 2002 driven primarily by the favorable impact of foreign currency and the acquisition of PSI, which was acquired on August 1, 2002.

Net income decreased to $118.5 million in the third quarter of 2003 compared with $146.9 million in the third quarter of 2002. Diluted earnings per share decreased to 50 cents in the third quarter of 2003 from 61 cents in the third quarter of 2002. During the third quarter of 2003, we took further actions related to our previously announced restructuring initiatives to support our long-term growth strategies. Net income for the third quarter of 2003 was reduced by a pre-tax restructuring charge of $43.1 million ($27.6 million net of tax) or 12 cents per diluted share relating to these actions.

Third quarter 2003 revenue included $322.1 million from sales, down 3 percent from $332.3 million in the third quarter of 2002 due to the impact of delayed decision-making for upgrades and new equipment purchases at the high-end of our product lines partially offset by strong supplies sales and the favorable impact of foreign currency; $214.7 million from rentals, up 3 percent from $208.2 million due to the favorable impact of foreign currency and strong placements of our standalone meters and new digital meters in the U.S.; $134.6 million from core financing, up from $134.3 million; $30.6 million from non-core financing, down 4 percent from $31.9 million due to our previously announced decision to cease originating large-ticket, structured, third-party financing of non-core assets; $275.8 million from business services, up 6 percent from $260.2 million due primarily to higher revenue from PSI, which was acquired on August 1, 2002, and the favorable impact of foreign currency; and $159.3 million from support services, up 8 percent from $147.2 million due primarily to an increased service contract base and the favorable impact of foreign currency.

Our Global Mailing segment includes worldwide revenue and related expenses from the rental of postage meters and the sale, rental and financing of mailing equipment, including mail finishing, software-based mail creation equipment, and production mail equipment in our non-U.S. businesses. We also include in this segment software-based shipping, transportation and logistics systems, related supplies and services, presort mail services, postal payment and supply chain solutions such as order management and fulfillment support. During the third quarter of 2003, Global Mailing revenue increased 3 percent and operating profit increased 4 percent. Revenue growth was driven by the favorable impact of foreign currency and higher revenue from PSI, which more than offset the negative impact of some delayed decision-making for upgrades and new equipment purchases at the high-end of the product line as a result of lingering economic sluggishness. Operating profit was favorably impacted by foreign currency and lower interest expense. Non-U.S. revenue grew at a double-digit rate as a result of the favorable impact of foreign currency, but was flat on a local currency basis. Canada continued to have good revenue and operating profit growth driven by increased leasing of equipment, improved service revenue and strong placements of new digital meter systems and high-end production mail systems. France experienced another quarter of strong operating profit growth on a local currency basis due to continued success in the integration of the Secap organization. In contrast, some European countries, such as Germany, and Asia experienced declining revenue on a local currency basis due to deteriorating economic conditions.

Our Enterprise Solutions segment includes Pitney Bowes Management Services (PBMS) and Document Messaging Technologies (DMT). PBMS includes revenue and related expenses from facilities management contracts for advanced mailing, secure mail services, reprographic, document management and other value-added services to large enterprises. DMT includes revenue and related expenses from the sale, service and financing of high speed, software-enabled production mail systems, sorting equipment, incoming mail systems, electronic statement, billing and payment solutions, and mailing software. During the third quarter of 2003, revenue declined 1 percent while operating profit grew 1 percent. PBMS reported flat revenue growth of $248 million compared with the prior year while operating profit grew 1 percent. Contraction in the telecommunications, financial services and transaction-based legal services industries continued to have an adverse impact on PBMS's revenue growth and operating profit margins. However, during the quarter, PBMS continued its actions to offset economic sensitivity by reducing general and administrative expenses and diversifying into other market segments such as federal and state governments. The acquisition of DDD Company (DDD), which was completed on October 23, 2003, demonstrates PBMS' strategy to accelerate diversification into the government sector as well as to expand cross-selling opportunities. DMT revenue decreased 4 percent to $60 million while operating profit increased 1 percent compared with the prior year. Even though orders for inserter equipment have been strong over the last several months, realization of these sales has been delayed due to the long lead times required to manufacture and deliver this customized equipment to customers.

Total Messaging Solutions, the combined results of the Global Mailing segment and Enterprise Solutions segment, reported 2 percent revenue growth and 4 percent operating profit growth.

Our Capital Services segment consists of external financing of third-party equipment. It comprises primarily asset- and fee-based income generated by financing or arranging transactions of critical large-ticket customer assets. During the third quarter of 2003, revenue decreased 1 percent and operating profit increased 3 percent, consistent with our previously announced decision to cease originating large-ticket, structured, third-party financing of non-core assets. Operating profit was favorably impacted by lower interest expense compared to the prior year. Core revenue increased 10 percent in the third quarter of 2003 and operating profit increased 24 percent. Non-core revenue decreased 4 percent in the third quarter of 2003 and operating profit decreased 3 percent. During the third quarter of 2003, we liquidated approximately $45 million of our assets held for sale, and continued to pursue the sale of other non-core lease assets on an economically advantageous basis, which resulted in the sale of an additional $58 million of assets from the portfolio.

Cost of sales increased to 44.6 percent of sales revenue in the third quarter of 2003 compared with 44.1 percent in the third quarter of 2002. The increase was mainly driven by the increase in mix of lower margin international revenue and the initial costs associated with the transition to outsourcing of parts for digital equipment.

Cost of rentals decreased to 19.8 percent of rentals revenue in the third quarter of 2003 compared with 20.8 percent in the third quarter of 2002 due primarily to lower depreciation costs associated with standalone meters and lower repair costs resulting from the shift from electronic to digital meters.

Cost of core financing decreased to 26.0 percent of related revenue in the third quarter of 2003 compared with 27.9 percent in the third quarter of 2002 due to cost reduction initiatives in our financial services business.

Cost of non-core financing increased to 38.8 percent of related revenue in the third quarter of 2003 compared with 32.2 percent in the third quarter of 2002 due to our decision to cease originating large-ticket, structured, third-party financing of non-core assets and sell non-core lease assets on an economically advantageous basis.

Cost of business services increased to 82.6 percent of related revenue in the third quarter of 2003 compared with 80.8 percent in the third quarter of 2002 due to initial lower margins, higher start-up costs and delayed implementation associated with new accounts and sites, the loss of higher margin business with long-term customers as they continue to downsize and higher employee benefit costs.

Cost of support services decreased to 51.9 percent of related revenue in the third quarter of 2003 compared with 52.4 percent in the third quarter of 2002 partly due to our emphasis on controlling operating expenses, partially offset by the increase in mix of lower margin international support services revenue.

Selling, general and administrative expenses were 26.6 percent of revenue in the third quarter of 2003 compared with 26.9 percent in the third quarter of 2002 reflecting our emphasis on controlling operating expenses, partially offset by our continuing investment in infrastructure improvements and organizational transformation.

Research and development expenses increased 3 percent to $35.0 million in the third quarter of 2003 compared with $33.9 million in the third quarter of 2002. The increase reflects our continued commitment to develop new technologies and enhanced mailing and software products.

Net interest expense decreased to $41.1 million in the third quarter of 2003 from $41.2 million in the third quarter of 2002.

The effective tax rate decreased to 31.0 percent in the third quarter of 2003 from 31.3 percent in the third quarter of 2002. The effective tax rate for the third quarter of 2003 includes a 1 percent tax benefit from the restructuring charge recorded in the third quarter of 2003. Our effective tax rate was negatively impacted by our strategy to cease originating large-ticket, structured, third-party financing of non-core assets.

Results of Continuing Operations - nine months of 2003 vs. nine months of 2002

For the first nine months of 2003 compared with the same period of 2002, revenue increased 4 percent to $3.36 billion, and net income decreased 16 percent to $351.3 million. Net income for the first nine months of 2003 was reduced by a pre-tax restructuring charge of $96.5 million ($61.7 million net of tax) or 26 cents per diluted share. The factors that affected revenue and operating profit for the nine months ended September 30, 2003 compared with the same period of 2002 included those cited for the third quarter of 2003 versus 2002.

On October 23, 2003, we advised investors that we are still finalizing our 2004 budget, but wanted to reiterate that we believe that the challenges of 2004 will be very similar to 2003. We also advised that the headwinds of lower earnings from our Capital Services business will continue into 2004 and that we anticipate benefit costs will remain a challenge.

Accounting Pronouncements

In 2001, Statement of Financial Accounting Standards (FAS) No. 141, "Business Combinations" and FAS No. 142, "Goodwill and Other Intangible Assets" were issued requiring business combinations initiated after June 30, 2001 to be accounted for using the purchase method of accounting, and refining the criteria for recording intangible assets separate from goodwill. Recorded goodwill and intangibles have been evaluated against this new criterion and resulted in certain intangibles being included in goodwill, or alternatively, amounts initially recorded as goodwill being separately identified and recognized apart from goodwill. FAS No. 142 requires the use of a nonamortization approach to account for purchased goodwill and indefinite-lived intangibles. Under a nonamortization approach, goodwill and indefinite-lived intangibles have not been amortized into results of operations, but instead will be reviewed for impairment and charged against results of operations only in the periods in which the recorded value of goodwill and indefinite-lived intangibles is more than its fair value. In 2001, we adopted the provisions of each statement, which apply to business combinations completed after June 30, 2001. On January 1, 2002, we adopted the provisions of each statement, which apply to goodwill and intangible assets acquired prior to June 30, 2001. The adoption of these standards reduced the annual amortization of intangible assets commencing January 1, 2002 by approximately 2 cents per diluted share. Goodwill is reviewed for impairment on an annual basis or as circumstances warrant.

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

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

In 2002, FAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections," was issued. Under FAS No. 145, gains and losses related to the extinguishment of debt should no longer be segregated on the income statement as extraordinary items. Instead, such gains and losses should be included as a component of income from continuing operations. FAS No. 145 is effective January 1, 2003. The adoption of this statement did not impact our financial position, results of operations or cash flows.

In 2002, FAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," was issued. This statement nullifies the Financial Accounting Standards Board's Emerging Issues Task Force (EITF) No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." FAS No. 146 requires that a liability for costs associated with an exit or disposal activity be recognized when the liability is incurred. We adopted the provisions of FAS No. 146, which are effective for one-time benefit arrangements and exit or disposal activities initiated after December 31, 2002. We account for ongoing benefit arrangements under FAS No. 112 "Employers' Accounting for Postemployment Benefits", which requires that a liability be recognized when the costs are probable and reasonably estimable. See Note 9 to the consolidated financial statements.

In 2002, the Financial Accounting Standards Board (FASB) issued FASB Interpretation (FIN) No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN No. 45 clarifies the requirements of FAS No. 5, "Accounting for Contingencies," relating to a guarantor's accounting for and disclosure of, the issuance of certain types of guarantees. FIN No. 45 elaborates on the existing disclosure requirements for most guarantees, including loan guarantees such as standby letters of credit. It also clarifies that at the time a company issues a guarantee, the company must recognize an initial liability for the fair value, or market value, of the obligations it assumes under the guarantee and must disclose that information in its interim and annual financial statements. The provisions related to recognizing a liability at inception of the guarantee for the fair value of the guarantor's obligations does not apply to product warranties or to guarantees accounted for as derivatives. The recognition provisions of FIN No. 45 are effective January 1, 2003. The adoption of this interpretation did not impact our financial position, results of operations or cash flows. See Note 12 to the consolidated financial statements.

In 2002, FAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure," which amends FAS No. 123, "Accounting for Stock-Based Compensation," was issued. FAS No. 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation and requires more prominent and more frequent disclosures in the financial statements of the effects of stock-based compensation. FAS No. 148 is effective January 1, 2003. We adopted the disclosure-only provisions of this statement. See Note 2 to the consolidated financial statements.

In January 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities." FIN No. 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. The consolidation requirements of FIN No. 46 apply immediately to variable interest entities created after January 31, 2003. The consolidation requirements apply to pre-existing entities in the first fiscal year or interim period beginning after June 15, 2003. Certain of the disclosure requirements apply in all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. In October 2003, the FASB issued FASB Staff Position No. FIN 46-6 (FSP FIN 46-6), "Effective Date of FASB Interpretation No. 46, Consolidation of Variable Interest Entities." FSP FIN 46-6 defers the effective date for applying the provisions of FIN No. 46 until December 31, 2003. We have an equity investment in PBG Capital Partners LLC (PBG) that currently qualifies as a variable interest entity under FIN No. 46. PBG was formed with GATX Corporation in 1997 for the purpose of financing and managing certain leasing related assets. Based on the terms of the partnership agreement, we are the primary beneficiary and as a result we will consolidate our equity investment in PBG effective December 31, 2003. At September 30, 2003, PBG's total assets and liabilities were $331 million and $203 million, respectively. The consolidation of PBG will not have a material impact on our results of operations or cash flows.

In March 2003, the EITF reached a consensus on Issue No. 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables." EITF No. 00-21 addresses certain aspects of the accounting by a vendor for arrangements under which it performs multiple revenue generating activities and how to determine whether such an arrangement involving multiple deliverables contains more than one unit of accounting for purposes of revenue recognition. EITF No. 00-21 is effective July 1, 2003. The transition provision allows either prospective application or a cumulative effect adjustment upon adoption. We believe we are in compliance with the provisions of EITF No. 00-21. The adoption of this statement did not impact our financial position, results of operations or cash flows.

In April 2003, FAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" was issued. FAS No. 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under FAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." The provisions of FAS No. 149 are generally effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The adoption of this statement did not impact our financial position, results of operations or cash flows.

In May 2003, FAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" was issued. FAS No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. The provisions of FAS No. 150 are effective for financial instruments entered into or modified after May 31, 2003, and are effective July 1, 2003. The adoption of this statement did not impact our financial position, results of operations or cash flows.

Restructuring Charges

In January 2003, we announced that we would undertake restructuring initiatives related to realigned infrastructure requirements and reduced manufacturing needs for digital equipment. At that time, we expected the pre-tax cost of these restructuring initiatives would be about $160 million ($100 million net of tax). We continue to review the anticipated cost of these restructuring initiatives, which may ultimately differ from our initial estimates. The charges related to these restructuring initiatives are expected to be recorded over a two-year period as the various initiatives take effect. The cash outflows related to restructuring charges will be funded primarily by cash from operating activities. The restructuring charges are expected to increase our operating efficiency and effectiveness in 2003 and beyond while enhancing growth, primarily as a result of reduced personnel related expenses. See Note 2 to the consolidated financial statements for our accounting policy related to costs associated with exit or disposal activities.

In connection with this plan, we recorded a pre-tax restructuring charge of $43.1 million during the third quarter of 2003. For the nine months ended September 30, 2003, pre-tax restructuring charges were $96.5 million.

The pre-tax restructuring charges are composed of:

(Dollars in millions)	Three Months Ended September 30, 2003	Nine Months Ended September 30, 2003
Severance and benefit costs..........	$ 17.8	$ 65.4
Asset impairments....................	23.8	24.5
Other exit costs.....................	1.5	6.6
Total............................	$ 43.1	$ 96.5

Accrued restructuring charges at September 30, 2003 are composed of the following:

(Dollars in millions)	Total restructuring charges	Cash payments	Non-cash charges	Ending balance at September 30, 2003
Severance and benefit costs........................	$ 65.4	$ 34.9	$ -	$ 30.5
Asset impairments...........	24.5	-	24.5	-
Other exit costs............	6.6	2.0	-	4.6
	$ 96.5	$ 36.9	$ 24.5	$ 35.1

All restructuring charges, except for the asset impairments, will result in cash outflows. The severance and benefit costs recorded for the nine months ended September 30, 2003 relate to a reduction in workforce of approximately 1,250 employees worldwide as of September 30, 2003 and expected future workforce reductions of approximately 1,000 employees. The workforce reductions relate to actions across several of our businesses resulting from infrastructure and process improvements and our continuing efforts to streamline operations, and include managerial, professional, clerical and technical roles. Approximately 65% of the workforce reductions are in the U.S. The majority of the international workforce reductions are in Europe and Canada. Asset impairments relate primarily to the write-down of property, plant and equipment, resulting from the closure or streamlining of certain facilities. The asset impairments recorded during the third quarter of 2003 relate to our decision to exit the Main Plant facility in Connecticut in connection with our product sourcing and real estate optimization strategy. The fair values of the impaired assets were determined primarily using anticipated cash flows in accordance with FAS No. 144. Other exit costs relate primarily to lease termination costs, non-cancelable lease payments, consolidation of excess facilities and other costs associated with exiting business activities.

Acquisitions

In August 2002, we completed the acquisition of PSI, the nation's largest mail presort company, for approximately $127 million in cash and $39 million debt assumed. PSI prepares, sorts and aggregates mail to earn postal discounts and expedite delivery for its customers.

We accounted for the acquisition of PSI under the purchase method and accordingly, the operating results of PSI have been included in our consolidated financial statements since the date of acquisition. The acquisition of PSI did not materially affect net income for the three and nine months ended September 30, 2003 and 2002, respectively.

During 2003 and 2002, we also completed several smaller acquisitions. During 2003, we acquired one of our address printing suppliers and two of our international dealerships. During 2002, we acquired the remaining 43% ownership interest of MailCode Inc., some of our international dealerships and presort businesses. The cost of these acquisitions was in the aggregate less than $50 million in each year. These acquisitions did not have a material impact on our financial results either individually or on an aggregate basis.

Liquidity and Capital Resources

Our ratio of current assets to current liabilities increased to 1.01 to 1 at September 30, 2003 compared with .76 to 1 at December 31, 2002. The increase in this ratio was due primarily to the $1.1 billion decrease in notes payable and current portion of long-term obligations as a result of the exchange of short-term debt for long-term debt during the nine months ended September 30, 2003.

Our cash and cash equivalents decreased to $285.3 million at September 30, 2003, from $315.2 million at December 31, 2002. The decrease resulted from $743.8 million used in financing activities, offset in part by $675.8 million and $32.8 million provided by operating and investing activities, respectively. Net cash of $675.8 million provided by operating activities consisted primarily of net income adjusted for non-cash items and changes in working capital. Net cash of $32.8 million provided by investing activities consisted primarily of cash generated from asset sales at capital services, partially offset by investments in fixed assets and other investing activities. Other investing activities included the acquisitions of one of our address printing suppliers and two of our international dealerships. Net cash of $743.8 million used in financing activities consisted primarily of a net decrease in total debt, stock repurchases and dividends paid to stockholders.

The ratio of total debt to total debt and stockholders' equity was 78.9% and 82.3% at September 30, 2003 and December 31, 2002, respectively. Including the preferred stockholders' equity in a subsidiary company as debt, the ratio of total debt to total debt and stockholders' equity was 80.2% and 83.4% at September 30, 2003 and December 31, 2002, respectively. The decrease in this ratio was driven by a net reduction of total debt and favorable foreign currency translation adjustments for the nine months ended September 30, 2003.

We generated $461.7 million of free cash flow (defined as net cash provided by operating activities less net investment in fixed assets) for the nine months ended September 30, 2003. Free cash flow for the nine months ended September 30, 2003 was reduced by approximately $41.8 million of payments associated with restructuring initiatives. Free cash flow is not presented as an alternative measure of operating results or cash flow from operations, as determined in accordance with GAAP, but is presented because we believe it is a widely accepted indicator of our ability to incur and service debt.

The following table reconciles the reported consolidated results to adjusted results for the nine months ended September 30, 2003:

(Dollars in thousands)		Nine months ended September 30, 2003
GAAP net cash provided by operating activities, as reported......	$	675,843
Net investment in fixed assets................................		(214,138)
Free cash flow..	$	461,705

Financings and Capitalization

In September 2003, we sold our remaining interest in a lease transaction that was issued in July 2001 and transferred the obligation on the remaining non-recourse promissory note with a total principal balance of approximately $26 million. The transfer of this obligation is reflected as a reduction of long-term debt in the consolidated balance sheets.

At September 30, 2003, $456 million remained available under the shelf registration statement filed in October 2001 with the SEC, permitting issuances of up to $2 billion in debt securities, preferred stock and depositary shares. In April 2003, as part of this shelf registration statement, we established a medium-term note program for the issuance of up to $1.38 billion in aggregate principal, representing the remaining amount available on the shelf at that time.

In June 2003, we issued $375 million of unsecured fixed rate notes maturing in June 2013. These notes bear interest at an annual rate of 3.875% and pay interest semi-annually beginning December 2003. The proceeds from these notes were used for general corporate purposes, including the repayment of commercial paper and the repurchase of company stock.

In June 2003, we issued $200 million of unsecured floating rate notes maturing in June 2005. These notes bear interest at a floating rate of LIBOR minus 3 basis points, set two business days preceding the quarterly interest payment dates. The proceeds from these notes were used for general corporate purposes, including the repayment of commercial paper and the repurchase of company stock.

In April 2003, we issued $350 million of unsecured fixed rate notes maturing in May 2018. These notes bear interest at an annual rate of 4.75% and pay interest semi-annually beginning November 2003. In connection with this issuance, we entered into a $350 million swap maturing in May 2018, converting this obligation to a floating rate note. The proceeds from these notes were used for general corporate purposes, including the repayment of commercial paper and the repurchase of company stock.

In February 2003, we sold 6.45% Preferred Stock in a subsidiary of Pitney Bowes Credit Corporation (PBCC) to an outside institutional investor for approximately A$191 million ($110 million). As part of this transaction, we agreed to repurchase the stock in 10 years. Additionally, we entered into a cross currency interest rate swap with the same institutional investor, effectively converting the obligation to a $110 million note that bears interest at a floating rate of approximately LIBOR minus 50 basis points. This note was recorded as long-term debt in our consolidated balance sheets. The proceeds from this transaction were used for general corporate purposes, including the repayment of commercial paper and the repurchase of company stock.

In September 2002, we issued $400 million of unsecured fixed rate notes maturing in October 2012. These notes bear interest at an annual rate of 4.625% and pay interest semi-annually beginning April 2003. The proceeds from these notes were used for general corporate purposes, including the repayment of commercial paper in anticipation of 2003 debt maturities.

In February 2002, we completed an offering of Euros 250 million of senior unsecured notes. These notes bore interest at a floating rate of EURIBOR plus 20 basis points, set two business days preceding the quarterly interest payment dates and matured in August 2003. The notes were listed on the Luxembourg Stock Exchange and were designated as a hedge of Euro denominated net investments held by the company. The proceeds from these notes were used for general corporate purposes, including the repayment of commercial paper, the financing of acquisitions and the repurchase of company stock.

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

Capital Investments

During the first nine months of 2003, net investments in fixed assets included $136.1 million in net additions to property, plant and equipment and $78.0 million in net additions to rental equipment and related inventories compared with $104.9 million and $49.9 million, respectively, in the same period in 2002. These additions include expenditures for plant and manufacturing equipment and infrastructure improvements as well as increased investments associated with new accounts at PBMS. In the case of rental equipment, the additions included the production of postage meters. The increase in our investment in fixed assets over the prior year was driven by our continued investments in infrastructure improvements, digital equipment for PBMS sites and new digital meters.

We expect net investments in fixed assets for the remainder of 2003 to continue to be higher than the prior year. These investments will also be affected by the timing of our customers' transition to digital meters. At September 30, 2003, commitments for the acquisition of property, plant and equipment as well as rental equipment reflected the items discussed above.

Investment in commercial passenger and cargo aircraft leasing transactions

At September 30, 2003, our net investment in commercial passenger and cargo aircraft leasing transactions was $298.2 million, which is composed of transactions with U.S. and foreign airlines of $42.0 million and $256.2 million, respectively. This portfolio is diversified across 12 airlines and 29 aircraft and is financed through investments in leveraged lease transactions, direct financing lease transactions and through our equity investment in PBG. Risk of loss under these transactions is primarily related to: (1) the inability of the airline to make underlying lease payments; (2) our inability to generate sufficient cash flows either through the sale of the aircraft or secondary lease transactions to recover our net investment; and/or (3) in the case of the leveraged lease portfolio, the absence of an equity defeasance or other third-party credit arrangements. Approximately 42 percent of our remaining net investment in commercial passenger and cargo aircraft leasing investments is further secured by approximately $124.7 million of equity defeasance accounts or third-party credit arrangements.

At September 30, 2003, our net investment in commercial passenger and cargo aircraft leasing transactions was composed of the following:

(Dollars in thousands)

	Aircraft	% of total investment	Net investment September 30, 2003
Airline			
U.S.			
United and subsidiary............	5	5.2	$ 15,648
Delta...........................	5	12.3	36,674
America West....................	1	7.0	20,934
American........................	6	0.9	2,652
Southwest.......................	2	2.8	8,448
Northwest.......................	1	0.6	1,770
Alaska..........................	1	0.4	1,095
Federal Express..................	1	7.2	21,480
Credit loss reserves............			(66,740)
	22	14.1	41,961
Foreign			
KLM.............................	2	36.2	108,077
Qantas..........................	2	22.2	66,205
Japan...........................	2	16.2	48,305
Air France......................	1	11.3	33,635
	7	85.9	256,222
Total...........................	29	100.0	$ 298,183

During the second quarter of 2003, Lufthansa exercised its early buy-out option. We received approximately $22 million from this transaction, reflecting the net investment at that time.

Capital Services portfolio

Our investment in Capital Services lease related assets included in our consolidated balance sheets was composed of the following:

(Dollars in millions)

	September 30, 2003
Leveraged leases..	$ 1,499
Finance receivables.....................................	481
Other assets..	57
Rental equipment..	22
Total...	$ 2,059

The $1.5 billion investment in leveraged leases on our consolidated balance sheets is diversified across the following types of assets:

- $333 million related to locomotives and railcars
- $332 million for postal equipment with international postal authorities
- $278 million related to commercial passenger and cargo aircraft
- $237 million related to commercial real estate facilities
- $138 million for telecommunications equipment
- $132 million for rail and bus facilities
- $49 million for shipping and handling equipment

Our leveraged lease investment in telecommunications equipment represents leases to three highly rated international telecommunication entities. Approximately 86 percent of this portfolio is further secured by equity defeasance accounts or other third-party credit arrangements. Additionally, our leveraged lease investment in commercial real estate facilities includes approximately $87 million related to leases of corporate facilities to four U.S. telecommunication entities, of which $72 million is with lessees that are highly rated.

Overall, approximately 52 percent of our $1.5 billion leveraged lease portfolio is further secured by equity defeasance accounts or other third-party credit arrangements. In addition, approximately 20 percent of the remaining leveraged lease portfolio represents leases to highly rated government related organizations which have guarantees or supplemental credit enhancements upon the occurrence of certain events.

Finance receivables are composed of the following:

(Dollars in millions)

	September 30, 2003
Assets held for sale........................	$ 51
Single investor leases:	
Non-core..................................	165
Core......................................	265
Total.....................................	$ 481

Other assets represent our 50% equity interest in PBG. We formed PBG with GATX Corporation during 1997 for the purpose of financing and managing certain leasing related assets. We account for our investment in PBG under the equity method. See Note 2 to the consolidated financial statements.

In the third quarter 2003, we liquidated approximately $103 million of non-core assets, including $45 million of our assets held for sale, and continued to pursue the sale of other non-core lease assets on an economically advantageous basis, which resulted in the sale of an additional $58 million of assets from the portfolio. For the nine months ended September 30, 2003, we liquidated approximately $306 million of non-core assets, including $145 million of our assets held for sale and $161 million of our other non-core lease assets.

Subsequent Events

On October 23, 2003, we completed the acquisition of DDD for a net purchase price of $49.5 million. DDD offers a broad array of services including, fulfillment services, secure mail processing, messenger services, logistics support, and record and information management.

Regulatory Matters

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

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

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

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

- New placements of non-digital meters without the "timeout" feature that enables the meters to be automatically disabled, if not reset within a specified time period are no longer permitted after December 31, 2002. These meters must be off the market by December 31, 2006.
- New placements of non-digital meters with a "timeout" feature are no longer permitted after June 30, 2004. These meters must be off the market by December 31, 2008.

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

USPS Information Based Indicia Program (IBIP)

In May 1995, the USPS publicly announced its concept of its IBIP for future postage evidencing devices. As initially stated by the USPS, the purpose of the program was to develop a new standard for future digital postage evidencing devices which would significantly enhance postal revenue security and support expanded USPS value-added services to mailers. The program would consist of the development of four separate specifications: (i) the Indicium specification; (ii) a Postal Security Device specification; (iii) a Host specification; and (iv) a Vendor Infrastructure specification. During the period from May 1995 through December 31, 2001, we submitted extensive comments to a series of proposed IBIP specifications issued by the USPS, including comments on the IBI Performance Criteria.

Other regulatory matters

In June 2002, we received an examination report from the Internal Revenue Service (IRS) showing proposed income tax adjustments for the 1992 to 1994 tax years. The total additional tax proposed by the IRS for the 1992 through 1994 tax years is about $24 million. In August 2002, we filed a protest with the IRS to challenge most of the proposed deficiencies asserted by the IRS. We believe that we have meritorious defenses to those deficiencies and that the ultimate outcome will not result in a material effect on our results of operations, financial position or cash flows. However, if the IRS prevails on its asserted deficiencies, additional tax may be due for 1995 and future tax years, which could materially affect our future results of operations, financial position or cash flows. At any time, our provision for taxes could be affected by changes in tax law and interpretations by governments or courts.

Forward-Looking Statements

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

- changes in international or national political conditions, including any terrorist attacks
- negative developments in economic conditions, including adverse impacts on customer demand
- changes in postal regulations
- timely development and acceptance of new products

- success in gaining product approval in new markets where regulatory approval is required
- successful entry into new markets
- mailers' utilization of alternative means of communication or competitors' products
- the company's success at managing customer credit risk, including risks associated with commercial passenger and cargo aircraft leasing transactions
- changes in interest rates
- foreign currency fluctuations
- cost, timing and execution of the restructuring plan
- timing and execution of the meter transition plan
- regulatory approvals and satisfaction of other conditions to consummation of any acquisitions and integration of recent acquisitions
- impact on mail volume resulting from current concerns over the use of the mail for transmitting harmful biological agents
- third-party suppliers' ability to provide product components
- negative income tax adjustments for prior audit years and changes in tax laws or regulations
- terms and timing of actions to reduce exposures and disposal of assets in Capital Services segment
- continuing developments in the U.S. and foreign airline industry
- changes in pension and retiree medical costs.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There were no material changes to the disclosures made in the Annual Report on Form 10-K for the year ended December 31, 2002 regarding this matter.

Item 4. Controls and Procedures

Explanation of Disclosure Controls and Procedures

Our Chief Executive Officer and our Chief Financial Officer, after evaluating the effectiveness of the company's "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 ("Exchange Act") Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this quarterly report, have concluded that our disclosure controls and procedures are effective based on their evaluation of these controls and procedures required by paragraph (b) of Exchange Act Rules 13a-15 or 15d-15.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 or 15d-15 that occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II - Other Information

Item 1: Legal Proceedings

In the ordinary course of normal business, we are routinely defendants in or parties to a number of pending and threatened legal actions including proceedings purportedly brought on behalf of classes of claimants. These may involve litigation by or against us relating to, among other things:

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

Included among these cases are two patent actions, one with Stamps.com and one with Ricoh Company, Ltd. in which allegations of infringement have been made against our DM SeriesTM of products. In addition we are defendants in several actions relating to a program PBCC offers to some of its leasing customers to replace the leased equipment if it is lost, stolen or destroyed. In the last quarter, the plaintiffs in Texas amended their complaint to expand its scope from a purported class action limited to customers in Texas to include customers in every state except California and Alabama. Already pending in California and Alabama, as well as Louisiana, are purported class actions limited to customers of those particular states. No court has ruled on whether or not any of these four cases may proceed on a class basis. There are also several actions brought on behalf of individual customers in Mississippi. We have previously prevailed at the summary judgment stage in two similar litigations, including one federal court decision affirmed by the United States Court of Appeals for the Fifth Circuit.

In those cases where we are the defendant, plaintiffs may seek to recover large and sometimes unspecified amounts of damages or other types of relief and some matters may remain unresolved for several years. Although we cannot predict the outcome of such matters, based on current knowledge, management does not believe that the ultimate outcome of the litigations referred to in this section will have a material adverse effect on our financial position, results of operations or cash flows. However, if the plaintiffs do prevail, the result may have a material effect on our financial position, future results of operations or cash flows, including, for example, our ability to offer certain types of goods or services in the future.

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
(31.1)	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
(31.2)	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
(32.1)	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(32.2)	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K

On August 25, 2003, the company filed a current report on Form 8-K pursuant to Item 5 thereof, reporting the Press Release dated August 25, 2003 regarding its announcement to acquire DDD Company.

On July 21, 2003, the company filed a current report on Form 8-K pursuant to Items 9 and 12 thereof, reporting the Press Release dated July 21, 2003 for the quarter ended June 30, 2003.

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.

November 12, 2003

/s/ B. P. Nolop

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

/s/ J. R. Catapano

J. R. Catapano
Controller
(Principal Accounting Officer)

Exhibit Index

Reg. S-K Exhibits	Description

(12) Computation of ratio of earnings to fixed charges

(31.1) Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

(31.2) Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

(32.1) Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(32.2) Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Exhibit (12)

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

(Dollars in thousands)	Three Months Ended September 30, 2003	Three Months Ended September 30, 2002	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2002
Income before income taxes	$ 171,794	$ 213,785	$ 511,037	$ 610,635
Add:				
Interest expense	41,810	45,005	126,323	142,150
Portion of rents representative of the interest factor	10,724	10,878	33,413	31,408
Amortization of capitalized interest	369	368	1,105	979
Minority interest in the income of subsidiary with fixed charges	876	1,377	2,974	4,006
Income as adjusted	$ 225,573	$ 271,413	$ 674,852	$ 789,178
Fixed charges:				
Interest expense	$ 41,810	$ 45,005	$ 126,323	$ 142,150
Portion of rents representative of the interest factor	10,724	10,878	33,413	31,408
Minority interest, excluding taxes, in the income of subsidiary with fixed charges	1,270	2,004	4,327	5,831
Total fixed charges	$ 53,804	$ 57,887	$ 164,063	$ 179,389
Ratio of earnings to fixed charges	4.19	4.69	4.11	4.40

<FN>

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

</FN>

Exhibit (31.1)

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael J. Critelli, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pitney Bowes Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

    b. [Paragraph omitted pursuant to SEC Release Nos. 33-8238 and 34-47986];

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2003

/s/ Michael J. Critelli

Michael J. Critelli
Chief Executive Officer

Exhibit (31.2)

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Bruce P. Nolop, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pitney Bowes Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b. [Paragraph omitted pursuant to SEC Release Nos. 33-8238 and 34-47986];

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2003

/s/ Bruce P. Nolop

Bruce P. Nolop
Chief Financial Officer

Exhibit (32.1)

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

The certification set forth below is being submitted in connection with the Quarterly Report of Pitney Bowes Inc. (the "company") on Form 10-Q for the period ended September 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report") for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code.

I, Michael J. Critelli, Chief Executive Officer of the company, certify that, to the best of my knowledge:

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

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

/s/ Michael J. Critelli

Michael J. Critelli
Chief Executive Officer
November 12, 2003

Exhibit (32.2)

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

The certification set forth below is being submitted in connection with the Quarterly Report of Pitney Bowes Inc. (the "company") on Form 10-Q for the period ended September 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report") for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code.

I, Bruce P. Nolop, Chief Financial Officer of the company, certify that, to the best of my knowledge:

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

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

/s/ Bruce P. Nolop

Bruce P. Nolop
Chief Financial Officer
November 12, 2003